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# ROBERT F. LAUZON – WEALTH PROFESSIONAL LEADER PROFILE

Rob Lauzon, CIO at Middlefield, explains how he has honed his equity income philosophy over the past two decades.

## Actively picking diamonds from the dust

"We're stock-pickers, not index-huggers." That's why current market volatility is music to the ears of Rob Lauzon, who relishes the opportunity to uncover enduring winners in areas others have ignored. But then, the CIO at Middlefield has always had a natural interest in business, how it works, and how money is made.

As a young boy in Windsor, Ontario, he helped at the market, getting up at 3 am when his friends were still asleep and helping to load the truck. He took pleasure in tearing open a $4 bulk bag of onions or green peppers and selling the individual vegetables for 25 cents each to make a cool $12 profit.

His interest continued at Wilfrid Laurier University, where he completed a business degree and devoured the works of Warren Buffett, learning the principles of dividend payers, cash flow, and how to focus on areas others ignored.

A lot of people are lazy, will just buy consensus names, don't dig into mid-caps, or don't look at sectors that have had a couple of rough years, he realized. He resolved to understand why that is, and what opportunities that revelation created in neglected corners of the market.

"I look for undervalued stories," Lauzon explains. "I was never interested, with my own personal money, in just dumping it into the S&P 500 ETF and forgetting about it."

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These were lessons he would take into his career at Middlefield, where his love affair with dividends developed. But that was still to come. When he left university, he first started working as an investment advisor at Scotia McLeod. He was 23 and had to build his own business – he was salaried for one year, and then on commission.

That was where he learned a lot lot about the industry in addition to its products and solutions for his clients. It was also where he learned about his future employer, Middlefield. He might even have bought a Middlefield product.

But the active manager in him was emerging, and he wanted to dig into stocks more, so he did an MBA – and then, 20 years ago, got the job with Middlefield. It was a natural fit, and other than those initial three years as a stockbroker, he's been with the Toronto-based firm his whole career. Lauzon manages the firm's flagship Income Plus fund, which was recently awarded the Fundata FundGrade A+® rating for 2022 in the Global Equity Balanced Category out of 735 peer funds.

His industry education was vital to what is now one of the best income strategies in the market, and his time at Scotia was significant in shaping that investment philosophy.

He says, "With that product knowledge from those three years, I understood our end client and Middlefield well, because I was the end client for three years. So it helped me build Middlefield because I [already] had some good ideas. I hit the ground running."

In the first years of the new millennium, while others in the industry were bedazzled by the new economy in a climate of ultra-low interest rates, Middlefield did what they do best: focus on sectors that pay high levels of income, such as energy, REITs, pipelines, utilities, telcos, and banks. When they like the look of a sector, inherently they're not concerned about taking an overweight position in it. Instead, the question for Lauzon is whether he has conviction regarding the sector.

He explains, "That's the sector, or companies in which I just met with the CEO, and I really dug into the

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industry and see 18 months of tailwinds. I'm going to overweight these names. And if my thesis is right, they're going to be able to bump their dividend."

Now, of course, the economic climate is a vastly different one – a higher-rate environment that is more ideal for dividend stocks, Lauzon's specialty. He eschews those companies he feels are flashes in the pan that will burn out. He remarks, "When we talk about dividends, we focus on the long-term kind; slow and steady wins the race. [We focus on] that kind of all-weather portfolio."

In the current economic climate, with rates and inflation high – "for our style of investing, back into the sweet spot of 2000 to 2010" – and the markets prone to sudden downturns, protection is a key consideration, and Lauzon has factored that into his investment style. He notes, "You do need some inflation protection with a dividend payment that is actually growing. So, if you can get a dividend grower, this is the right time when that style will attract capital."

Casting his eyes ahead, Lauzon, who has now been CIO for a year, having already served as deputy CIO, thinks value and cyclical stocks will outperform growth over six or seven out of the next 10 years. Real estate is also something Middlefield loves because it spits out cash flow, with REITs in particular being good payers of dividends.

There is also the geopolitical situation to add into the mix. Lauzon thinks the markets will be in a continued state of volatility for some time to come, thanks to headline risks in Ukraine, as well as inflation uncertainties, debt-ceiling headlines, and the new regime of high-level rates. More volatility, he says, is best handled through active management.

He elaborates, "Typically, active management outperforms in volatile times, because you've got that cash cushion that you can use. And now when I go to cash, I can park it and make some interest on it. Four years ago, when I went to cash, the risk was I'm earning zero on that cash. So we can adapt to changing market environments to leverage our bread and butter, which is security selection, stock selection. So it's going to be a stock-pickers market because we can pivot quicker than passive managers."

It's a scenario that plays exactly to the strengths Lauzon has honed in a career spanning 20 years of active management.

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