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DEAN ORRICO ON FOSTERING CONNECTIONS FOR A COMPETITIVE EDGE

With strategic focus on equity income and collaborative leadership, Middlefield continues to outperform



Whether the market goes up or down, Dean Orrico's funds continue to win medals. Consistently going for gold, Middlefield funds have won awards by sticking to their knitting with a particular focus on maximizing returns while mitigating risk.

Suffice it to say, Orrico's doing a few things right by successfully avoiding high-risk scenarios that can irreparably impair portfolio performance. The future of the economy, whether it will experience a hard or soft landing, remains uncertain; however, Middlefield's funds are designed to withstand any economic turbulence.

Reflecting on his three-decade career with Middlefield, initially beginning as an analyst, Orrico witnessed and contributed to the firm's significant evolution, growing alongside it.

Strategic vision: Equity income at the forefront

In the mid-90s, Middlefield was navigating its path, known primarily for its opportunistic ventures in real estate and resources, leveraging tax-advantaged strategies. Yet, it was during this formative period that the seeds of change were sown, leading Middlefield to asset management with a focus on equity income.

"As we ventured into asset management, particularly equity income, I discovered my passion for the industry. This passion wasn't just about building portfolios and strategies to benefit individual and institutional investors but also about supporting advisors through regular interactions, conversations, and

educational presentations. I found that blending these aspects matched my strengths and interests perfectly," says Orrico.

Economic resilience

The period from 2010 to 2020 was characterized by exceptionally low interest rates, a scenario that favoured growth stocks, particularly in the technology sector. However, the advent of the pandemic in 2020 introduced volatility and marked the beginning of a new economic era, one that Orrico believes will be defined by persistently higher inflation and interest rates.

The dominance of the "magnificent seven" stocks in driving the S&P 500's performance is well acknowledged. Yet, Orrico posits a shift toward a more diversified investment approach, predicting a rise in the significance of equity income investments. This shift is propelled by the anticipation of increased market dispersion, offering a strategic advantage to investors seeking to fulfill their income and total return needs through equity income.

During the previous decade, the market's focus on growth presented challenges for equity income strategies. However, Orrico views the current environment as a tailwind, signalling a return to strategies that align with Middlefield's core competencies.

The firm's approach is multifaceted, offering a range of products designed to cater to the needs of advisors, individual investors, and institutional clients alike. Middlefield's offerings span various sectors, including [real estate](#), [healthcare](#), infrastructure, and [diversified equity income](#), all aimed at delivering competitive total returns. Notably, Orrico leads various investment strategies that have been consistently recognized for their excellence, such as its real estate ETF, which achieved a [Fundata Fundgrade A+ for real estate equity in 2023](#), and his real estate mutual fund, which was awarded the Lipper's Best Fund over 5 years – Real Estate Equity for 2021 & 2022. Orrico also manages the UK's only listed Canadian equity trust focused on high income (admitted to the FTSE UK All-Share Index in 2011). The fund, Middlefield Canadian Income, recently won Citywire's prestigious [Best North America Equities Trust](#) category at their annual award gala in London.

Investment philosophy

No stranger to the line of fire, Orrico says, "Over 20+ years in the industry, I've learned that the market

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can surprise you with sudden shifts, emphasizing the importance of diversification. Holding onto a company, provided you maintain your conviction in its potential, is often more prudent than frequently trading its stock. Essentially, it's more about spending time in the market rather than trying to time the market – a lesson learned the hard way."

In 2023, with rising interest rates, many investors opted for cash alternatives, attracted by returns of 5 to 6 per cent with minimal risk. "As wealth managers, our goal is to reintegrate these

clients into the equity market, believing in the strength of our product offerings to meet this demand. Yet, the challenge lies in reallocating funds back into the market to work for our clients, emphasizing the importance of a long-term investment perspective. We view the GIC rates of 5 to 6 per cent last year as temporary and fading, predicting a decrease in rates later this year. It suggests a strategic shift toward diversifying into equity income, offering the potential for competitive total returns over the long term," says Orrico.

From a macroeconomic viewpoint, despite the potential for a slowing economy or severe recession, Middlefield's stance is that the economy is merely slowing, not heading into a severe downturn soon. Orrico anticipates interest rates will stay higher than in the past. However, should inflation return and interest rates climb further, it could pose challenges for the asset and wealth management industries.

Inclusive leadership

Acknowledging the potential economic challenges identified by Middlefield, Orrico's approach to leadership within this context becomes even more critical, as it emphasizes the importance of an inclusive and communicative environment.

Orrico fosters an environment where every team member feels empowered to contribute. "We try to have a very flat structure, so lines of communication are open right across the firm," Orrico explains, emphasizing the importance of a culture that encourages open dialogue, defying the status quo, and thinking outside the box. This approach has been pivotal in maximizing resources and nurturing a collaborative atmosphere.

"What distinguishes Middlefield in the industry is our longstanding relationships with advisors, spanning

over decades – more than 25 years for me personally and over 40 years for the firm. These enduring connections are invaluable and represent a significant barrier for new entrants, particularly within North America and Canada," says Orrico.

The fund manager believes the field is ripe with opportunities and can be highly rewarding. Since most entrants have similar academic backgrounds, success largely depends on one's ability to integrate within an organization. Supporting colleagues, regardless of their position – be it juniors, peers, or seniors – can significantly impact your career trajectory and ultimate success.

"I've observed that fostering a collaborative and collegial environment, rather than insisting on singular perspectives, often leads to the most effective solutions for both clients and the firm. Success in this industry is not just about having the right answers but about working together to find the best ones," says Orrico.

Read the full article at www.middlefield.com