

Middlefield Group of Canada Launches \$155M Healthcare Fund IPO

Law360, New York (October 23, 2014, 3:59 PM ET) -- Canadian investment manager Middlefield Group said Thursday it raised \$155 million through an initial public offering for its newest fund targeting dividend-paying health care companies, tapping into one of the year's hottest sectors.

Calgary, Alberta-based Middlefield said it sold 15.5 million units of its Global Healthcare Dividend Fund, which trades on the Toronto Stock Exchange under the symbol GHC.UN, at \$10 a piece. Proceeds came in below a \$200 million maximum it set when filing its prospectus last month.

The company said the fund aims to provide its investors a mix of long-term capital appreciation and steady cash, initially targeting an annual yield of 5 percent. Middlefield Chief Investment Officer Dean Orrico said the fund also fills a void in the company's investment arsenal.

"We really didn't have, at least in Canada, a global dividend health care fund made up of cash-flow producing health care companies," Orrico told Law360.

The fund taps into a rallying health care sector that has outperformed the market as a whole this year. The S&P Health Care Select Sector Index, which tracks the health care industry, is up more than 16 percent since Jan. 1, beating broader indexes like the S&P 500, up about 6 percent.

An earlier release by the company listed 28 eligible health care companies it can invest in, ranging from pharmaceutical giant Abbott Laboratories to animal health company Zoetis Inc.

Orrico said the fund will be filling its portfolio in the coming weeks, emphasizing preference for reliable revenue generators. He expects continued demand for dividend-paying companies, noting that historically low interest rates have made traditional fixed-income investments less attractive. By contrast, he said the fund won't be investing in young biotech companies, a high-growth potential but also volatile category.

"It's really designed for investors interested in income," Orrico said.

Middlefield, which manages about \$4 billion in assets for institutional and individual investors, sells mutual funds plus investment vehicles spanning closed-end funds, public and private resource funds, and venture capital and real estate.

The health care fund, joining 13 other Middlefield Funds listed on the TSX, follows a \$125 million IPO in July of its Global Infrastructure Dividend Fund, targeting dividend-paying infrastructure, energy, transportation and real estate companies.

The company also actively invests in the energy industry. Middlefield in April closed on a \$56 million resource fund, MRF 2014 Resource Limited Partnership, that invests in Canadian energy exploration and development companies, mostly in oil, gas and mining.

Middlefield Capital Corporation will provide investment management advice to the health care fund. Sector & Sovereign Research LLC, a Stamford, Connecticut, investment research boutique, will advise the fund on health care industry trends.

Underwriters were led by CIBC, RBC Capital Markets and Scotiabank and included BMO Capital Markets, National Bank Financial Inc., TD Securities Inc., GMP Securities LP, Canaccord Genuity Corp., Raymond James Ltd., Middlefield Capital Corp., Dundee Securities Ltd., Mackie Research Capital Corp. and Manulife Securities Inc.

Counsel information was not immediately available.

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