



ADVISOR MANAGED ACCOUNTS: MAY 2020 COMMENTARY



Let us start by wishing that you and your family are well. An event like the COVID-19 pandemic reminds us that issues of health and safety trump almost everything else. We are fortunate in Canada that it is not often we have had to worry about viral infections, and certainly not on such a widespread scale. But here we are in the midst of it and it seems that everybody has had their lives affected in one way or another. "We are all in this together" is appropriate as it will continue to take our collective actions to get us through.

Since COVID became an imminent health threat in Canada by the middle of March we at the Blue Heron Advisory Group have been doing our best to adjust to our new circumstances. In an effort to keep everyone safe we are rotating our team's "in office" time to minimize the potential virus spread and have not been able to meet our clients in person. This had been a particularly difficult change for us as we value our connections with you and look forward to when we can again meet face to face. Instead we have been spending more time working remotely which gives us the ability to continue to perform all of the necessary parts of our commitment to you. It has been an adjustment to our workflow and processes and has been meaningfully less efficient in these initial stages. The result being that while all of our "have to do" functions continue to operate, some of our less imperative, or "want to do" functions (such as this regular market commentary!) have been on hiatus. In place of regular individual review meetings we have hosted a monthly video conferences to keep everyone up to date with our current views and actions taken in our portfolios. This in particular has been an interesting endeavor for us and we are exploring how video conference capabilities (either group based or individually focused) may become part of our ongoing offering. We continue to be accessible, by phone and by email, and encourage you to contact us if you have any questions or would like to discuss the current circumstances and how they relate to your personal financial and investment plan.



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As a recap of our recent actions: The Equity Action Call (EAC) moved to the Red unfavoured zone after the market close on March 12th. As markets began to find their footing the EAC moved up to the Yellow neutral zone on April 20th, and improved again to the Green favoured zone on April 29th. We are now back to fully invested across all models and will remain there while the equity markets continue to be a favoured investment choice.



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This has been a relatively active trading period for us driven by the many changes in leadership between the broad asset classes (equities, cash and bonds) as well as within the various sectors that make up the equity market. Even while fully invested we continue to rotate our holdings to the strongest choices in the market to give our portfolios the best chance to outperform their respective benchmarks over time. One offshoot of our active strategy is that recent losses in individual holdings (where available) have largely been harvested. This may help in taxable accounts as losses can be applied against capital gains to reduce taxes owing. However, the recent rebound in market performance, together with our extended period of above average gains over the past several years means that we continue to find our portfolios have net unrealized capital gains to contend with. We will be in touch throughout this

year to address your specific taxation issues and opportunities in your portfolios as they relate to your personal financial plan.

Volatility in the market has moderated some, but remains above long term averages and well above the "complacent" levels we experienced for much of 2019. The rate of change and the abundance of information flow has been quite something for the first half of 2020. Our best guess is that we have to be prepared for this to continue for the remainder of the year. It is periods like this that we are particularly thankful you have trusted us to manage your portfolios on a discretionary basis. We are heartened that we have put in place a structured and repeatable process that allows us to manage the rapid change in information, and as a result we have been able to generate consistently strong returns for our clients over time. We continue to analyze market information each and every day, and translate that into disciplined, rules based, objective decisions for your portfolios. We also commit to review our processes and results on a regular basis - and especially after a period of heightened volatility such as this - as a way to confirm the parts that worked and an opportunity to improve the parts we were not entirely pleased with for the next time. We believe we have to be willing to learn by objectively reviewing what we do and improve upon it. One of the few constants we have found in our 20+ year careers at Wood Gundy is there are no shortage of opportunities to learn!

Let us close of these remarks where we started, by wishing you and your families good health.

Our best to you,

Blue Heron Advisory Group

Please locate your specific model from the sections below and read about what activity went on in your portfolio.

BLUE HERON CANADIAN ESG LEADER AND BLUE HERON BALANCED ESG LEADER

May Trade Notes:

We manage this portfolio with the aim of generating a superior total return combining capital growth and dividends while investing only in Canadian companies who score in the top 40% of their peer group based upon Environmental, Social, and Corporate Governance (ESG) considerations. Global companies, who also must score in the top 40% of their peer group, based upon ESG criteria, make up about 30% of the portfolio.

During the month we sold our positions in **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Loblaw Cos Ltd** (Food Retail), **Element Fleet Management Corp** (Specialized Finance), **Hydro One Ltd** (Electric Utilities), **Sierra Wireless Inc** (Communications Equipment), **Brookfield Asset Management Inc** (Asset Management & Custody Banks) and **Transalta Renewables Inc** (Renewable Electricity), **Intact Financial Corp** (Property & Casualty Insurance), **Morneau Shepell Inc** (Human Resource & Employment Services) and **Taiwan Semiconductor Mfg Co** (Semiconductors).

We added new positions in **Fiera Capital Corp** (Asset Management & Custody Banks), **Keyera Corp** (Oil & Gas Storage & Transportation), **Shopify Inc** (Internet Services & Infrastructure), **Canfor Pulp Products Inc** (Paper Products), **BRP Incorporated** (Leisure Products), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Kinaxis Inc** (Application Software), **Lightspeed POS Inc** (Application Software), **Real Matters Inc** (Real Estate Services), **Tesla Inc** (Automobile Manufacturers), **Aimia Inc** (Advertising), **Blackberry Ltd** (Systems Software), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation), **ECN Capital Corp** (Specialized Finance) and **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods).

A number of new 52-week highs were achieved in the portfolio including **Descartes Systems Group Inc** (Application Software), **Nice Ltd** (Application Software), **Real Matters Inc** (Real Estate Services), **Kinaxis Inc** (Application Software), **Shopify Inc** (Internet Services & Infrastructure), **Vertex Pharmaceuticals** (Biotechnology) and **TMX Group Limited** (Financial Exchanges & Data).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER**May Trade Notes:**

We manage this portfolio with the aim of generating a superior total return combining capital growth and dividends while investing only in Canadian companies who score in the top 40% of their peer group based upon Environmental, Social, and Corporate Governance (ESG) considerations. Global companies, who also must score in the top 40% of their peer group, based upon ESG criteria, make up about 10% of the portfolio. There is an emphasis on generating dividend income. Blue Heron Income ESG Leader is the balanced version of Blue Heron Dividend ESG Leader.

During the month we sold our positions in **Loblaw Cos Ltd** (Food Retail), **Rogers Communications Inc** (Wireless Telecommunication Services), **Artis Real Estate Investment Trust** (Diversified REITs), **Merck & Co Inc** (Pharmaceuticals), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **National Bank Of Canada** (Diversified Banks), **Transalta Renewables Inc** (Renewable Electricity), **Telus Corporation** (Integrated Telecommunication Services), **Amgen Inc** (Biotechnology), **Fortis Inc** (Electric Utilities) and **Intact Financial Corp** (Property & Casualty Insurance).

We added new positions in **Altagas Ltd** (Gas Utilities), **Fiera Capital Corp** (Asset Management & Custody Banks), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Keyera Corp** (Oil & Gas Storage & Transportation), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Canfor Pulp Products Inc** (Paper Products), **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation), **Open Text Corp** (Application Software), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation), **Canadian Apt Properties** (Residential REITs), **Magna International Incorporated** (Auto Parts & Equipment), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **CI Financial Corp** (Asset Management & Custody Banks), **Ecn Capital Corp** (Specialized Finance), **Park Lawn Corp** (Specialized Consumer Services) and **Sleep Country Canada Holdings Inc** (Homefurnishing Retail).

A number of new 52-week highs were achieved in the portfolio including **Fastenal Co** (Trading Companies & Distributors), **Home Depot Inc** (Home Improvement Retail) and **TMX Group Limited** (Financial Exchanges & Data).

BLUE HERON GLOBAL ESG LEADER**May Trade Notes:**

We manage this portfolio with the aim of generating a superior total return combining capital growth and dividends while investing in global companies, who also must score in the top 40% of their peer group based upon ESG criteria.

During the month we sold our positions in **Aramark** (Restaurants), **Duke Realty Corp** (Industrial REITs), **Kansas City Southern** (Railroads), **Amgen Inc** (Biotechnology), **Eli Lilly & Co** (Pharmaceuticals), **Resmed Inc** (Health Care Equipment) and **Taiwan Semiconductor Mfg Co** (Semiconductors).

We added new positions in **Aramark** (Restaurants), **Home Depot Inc** (Home Improvement Retail), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods), **Activision Blizzard Inc** (Interactive Home Entertainment), **Best Buy Co Inc** (Computer & Electronics Retail), **Ebay Inc** (Internet & Direct Marketing Retail), **Deutsche Bank** (Diversified Capital Markets), **Idexx Laboratories Corp** (Health Care Equipment), **Lowes Companies Inc** (Home Improvement Retail) and **Rockwell Automation Inc** (Electrical Components & Equipment).

A number of new 52-week highs were achieved in the portfolio including: **Tesla Inc** (Automobile Manufacturers), **Humana Inc** (Managed Health Care), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Accenture Plc** (IT Consulting & Other Services), **Resmed Inc** (Health Care Equipment), **Nice Ltd** (Application Software), **Ebay Inc** (Internet & Direct Marketing Retail), **Microsoft Corp** (Systems Software), **Prologis Inc** (Industrial REITs) and **Abbott Labs** (Health Care Equipment).

We highlight one ESG screened company each month from our Blue Heron Portfolios:

Real Matters Inc. (Ticker **REAL.TO**) is a technology and network management company providing appraisal services through its Solidifi brand to the mortgage lending industry in the United States and Canada, title and closing services through its Solidifi brand to the mortgage lending industry in the United States and insurance inspection services through its iv3 brand to the insurance industry in Canada. A residential appraisal is a survey of a home by a qualified appraiser providing their opinion on the market value of a residential property. Pricing for residential appraisals varies by region, type of residential mortgage being conducted and property type. It offers and/or coordinate title services for refinancing, purchase, commercial, short sale and real estate owned transactions to financial institutions. As an independent title agent, it provides all services required to close a mortgage transaction, including title search, closing and escrow services, and title policy issuance.
(Thomson One. (2020). Retrieved from <https://www.thomsonone.com/>)

Real Matter's overall corporate governance stands out among its domestic and global peers, particularly in terms of the board's composition and pay practices, driving its strong ESG rating of 'AA'. Its board is independent of management, which indicates an ability to effectively oversee the management. Additionally, Real Matter's executive pay practices and disclosure meets some of the industry's best practices. Real Matters' human capital management initiatives--specifically employee benefits, training, and share incentives--appear to be on par with those of most better-performing global industry peers. However, our research found no evidence of engagement surveys, which could be a useful tool to gauge the morale of the workforce. Real Matters' role as an important appraiser for residential mortgages in the US (with a market share of 11% in 2019) could attract increased regulatory attention in cases related to potential employee misconduct or involvement in corrupt practices, such as misuse of sensitive property data or unfair assessment value of a home.
(MSCI ESG Manager. (2020). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS

BLUE HERON BALANCED

BLUE HERON GROWTH

May Trade Notes:

We manage these portfolios with the aim of generating a superior total return combining capital growth and dividends.

During the month we sold our positions in **BCE Inc** (Integrated Telecommunication Services), **Husky Energy Inc** (Integrated Oil & Gas), **Telus Corporation** (Integrated Telecommunication Services), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Element Fleet Management Corp** (Specialized Finance), **National Bank Of Canada** (Diversified Banks), **Transalta Renewables Inc** (Renewable Electricity), **Sierra Wireless Inc** (Communications Equipment), **Brookfield Infrastructure** (Multi-Utilities & Unregulated Power), **Brookfield Infrastructure Corporation** (Gas Utilities), **Intact Financial Corp** (Property & Casualty Insurance), **Morneau Shepell Inc** (Human Resource & Employment Services), **Stmicroelectronics NV** (Semiconductors), **Thomson Reuters Corp** (Research & Consulting Services) and **TC Energy Corp** (Oil & Gas Storage & Transportation).

We added new positions in **Cargojet Inc** (Air Freight & Logistics), **Lightspeed POS Inc** (Application Software), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods), **Shopify Inc** (Internet Services & Infrastructure), **Sierra Wireless Inc** (Communications Equipment), **Tesla Inc** (Automobile Manufacturers), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Keyera Corp** (Oil & Gas Storage & Transportation), **Restaurant Brands International Inc** (Restaurants), **Canfor Pulp Products Inc** (Paper Products), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Goeasy Ltd** (Consumer Finance), **Osisko Gold Royalties Ltd** (Gold) and **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation).

A number of new 52-week highs were achieved in the portfolio including **Enghouse Systems Ltd** (Application Software), **Descartes Systems Group Inc** (Application Software), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods), **Nvidia Corp** (Semiconductors), **Nice Ltd** (Application Software), **Real Matters Inc** (Real Estate Services), **Kinaxis Inc** (Application Software), **Shopify Inc** (Internet Services & Infrastructure), **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Humana Inc** (Managed Health Care), **Vertex Pharmaceuticals** (Biotechnology) and **TMX Group Limited** (Financial Exchanges & Data).

INCOME PORTFOLIOS

BLUE HERON CANADIAN DIVIDEND

BLUE HERON CANADIAN INCOME

May Trade Notes:

We manage these portfolios with the aim of generating an above average stream of dividend income and providing, over time, a superior total return combining dividends with capital growth. The portfolio currently has a dividend yield of ~4.00%, versus 3.58% for the TSX Composite.

During the month we sold our positions in **Dream Office REIT** (Office REITs), **Husky Energy Inc** (Integrated Oil & Gas), **BCE Inc** (Integrated Telecommunication Services), **Brookfield Property Partners L P** (Real Estate Operating Companies), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Dream Industrial REIT** (Industrial REITs), **Exchange Income Corporation** (Airlines), **Loblaw Cos Ltd** (Food Retail), **Merck & Co Inc** (Pharmaceuticals), **Telus Corporation** (Integrated Telecommunication Services), **Intertape Polymer Grp Inc** (Metal & Glass Containers), **National Bank Of Canada** (Diversified Banks), **Northwest Healthcare Properties REIT** (Health Care REITs), **Transalta Renewables Inc** (Renewable Electricity), **Sun Life Financial Inc** (Life & Health Insurance), **Amgen Inc** (Biotechnology), **Emera Incorporated** (Electric Utilities), **Fortis Inc** (Electric Utilities), **Intact Financial Corp** (Property & Casualty Insurance), **Thomson Reuters Corp** (Research & Consulting Services) and **TC Energy Corp** (Oil & Gas Storage & Transportation).

We added new positions in **Altagas Ltd** (Gas Utilities), **Exchange Income Corporation** (Airlines), **Fiera Capital Corp** (Asset Management & Custody Banks), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Keyera Corp** (Oil & Gas Storage & Transportation), **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation), **Intertape Polymer Grp Inc** (Metal & Glass Containers), **Restaurant Brands International Inc** (Restaurants), **Boralex Inc** (Renewable Electricity), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Canfor Pulp Products Inc** (Paper Products), **Nortonlifelock Inc** (Systems Software), **Open Text Corp** (Application Software), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation), **WSP Global Inc** (Construction & Engineering), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Goeasy Ltd** (Consumer Finance), **Osisko Gold Royalties Ltd** (Gold), **Premium Brands Holdings Corp** (Packaged Foods & Meats), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **Canadian Tire** (General Merchandise Stores) and **Savaria Corporation** (Industrial Machinery).

A number of new 52-week highs were achieved in the portfolio including **TMX Group Limited** (Financial Exchanges & Data) and **Home Depot Inc** (Home Improvement Retail).

Disclaimers: “CIBC Private Wealth Management” consists of services provided by CIBC and certain of its subsidiaries, through CIBC Private Banking; CIBC Private Investment Counsel, a division of CIBC Asset Management Inc. (“CAM”); CIBC Trust Corporation; and CIBC Wood Gundy, a division of CIBC World Markets Inc. (“WMI”). CIBC Private Banking provides solutions from CIBC Investor Services Inc. (“ISI”), CAM and credit products. CIBC World Markets Inc. and ISI are both Members of the Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada. CIBC Private Wealth Management services are available to qualified individuals. The CIBC logo and “CIBC Private Wealth Management” are registered trademarks of CIBC. This information, including any opinion, is based on various sources believed to be reliable, but its accuracy cannot be guaranteed and is subject to change. CIBC and CIBC World Markets Inc., their affiliates, directors, officers and employees may buy, sell, or hold a position in securities of a company mentioned herein, its affiliates or subsidiaries, and may also perform financial advisory services, investment banking or other services for, or have lending or other credit relationships with the same. CIBC World Markets Inc. and its representatives will receive sales commissions and/or a spread between bid and ask prices if you purchase, sell or hold the securities referred to above. © CIBC World Markets Inc. 2020. Yields/rates are as of 06/01/2020 and are subject to availability and change without notification. Minimum investment amounts may apply. CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and a Member of the Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada. Graham Isenegger & Neil Chappell are Investment Advisors with the Blue Heron Advisory Group of CIBC Wood Gundy in Victoria, BC

Securities

AltaGas Ltd.	7	Fortis Inc.	7
BCE Inc.	7	Husky Energy Inc.	2g,7
BlackBerry Limited	7	Intact Financial Corp.	7
Brookfield Asset Management	14,7	Inter Pipeline Ltd.	7,C1
BRP Inc.	12,7	Keyera Corporation	7,C1
Canadian Apartment Properties REIT	7	Magna International Inc.	7
Canadian Tire Corporation, Ltd.	13,7	Morneau Shepell Inc.	2g
Capital Power Corporation	7	Open Text Corporation	7
CI Financial Corp.	7	Pembina Pipeline Corporation	7,C1,C1
Dream Industrial REIT	2g	Rogers Communications Inc.	13,7
Dream Office REIT	7	Sun Life Financial Inc.	7
Element Fleet Management Corp.	7	TELUS Corporation	13,7,C1,C1
Emera Inc.	7	TMX Group Limited	7

Disclaimers

2g CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

7 CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by this company.

12 The equity securities of this company are subordinate voting shares.

13 The equity securities of this company are non-voting shares.

14 The equity securities of this company are limited voting shares.

C1 CIBC World Markets Inc. is connected to this company because CIBC World Markets Inc. is acting as underwriter for this company and it or one of its affiliates is part of a lending syndicate that has made credit facilities available to this company.