



ADVISOR MANAGED ACCOUNTS: JULY 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 - and particularly Vancouver Island - and perhaps one benefit of this strange year will be a better appreciation and gratitude for our society.

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 were rotating our team's "in office" time to minimize the potential virus spread and had not been able to meet our clients in person. We have all returned to the office since late May but continue to curtail in office meetings to the bare minimum. We have rolled out video calls with screen sharing as a substitute for in-person reviews and we continue, with practice, to improve the quality of these meetings. We are able to provide the same level of information and have found that we are printing much less paper that ends up in the shredder.



Neil Chappell, BCom, CIM, FCSI
Vice-President, Portfolio Manager,
Investment Advisor
neil.chappell@cibc.ca
250 361-2258

While we were satisfied that we were able to do everything that needed to be done for you and your portfolios this spring when our in-office time was limited we have been working hard to ensure that we will be able to continue offering our full suite of services if circumstances require us to all work from home this Autumn.

To augment regular individual review meetings we hosted three video conferences to keep everyone up to date with our views and actions taken in our portfolios. We expect to make this a regular quarterly offering starting in the middle of September - and sooner if market conditions dictate. 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.



Graham Isenegger, BA, CIM, FCSI
Portfolio Manager, Investment Advisor
graham.isenegger@cibc.ca
250 361-2252

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.

This continues to be a relatively more 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.

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. Our best guess is that we have to be prepared for this to continue for the remainder of the year and into 2021.

Our morale remains high! We wanted to thank all of you for your understanding and kindness during this period of uncertainty. We have been cheered by your good wishes, chocolate cake (thanks Pam!), and artisan ice-cream sandwiches (thanks Dan!). We have also appreciated those of you who have introduced us to co-workers, friends and family who you thought might benefit from our services - these votes of confidence in these times are heartening.

It is at this time of year that our giving through CIBC's Children's Miracle Foundation occurs. The Blue Heron Advisory Group team, and you, raised over \$80,000.00 that has been distributed to 10 local charities including Victoria Literacy Connection, the physical literacy program operated by PISE, music therapy programs at Victoria's Conservatory of Music, child abuse prevention and counselling through Mary Manning Center, 1Up Single Parent Resource Centre, SD61's Hot Breakfast Program among others. We have received feedback from some of these that it has been a difficult year for fundraising and a year with no shortage of need. So thank you!

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

BLUE HERON CANADIAN ESG LEADER AND BLUE HERON BALANCED ESG LEADER

July 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 **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Barclays Plc** (Diversified Banks), **ECN Capital Corp** (Specialized Finance), **Innergex Renewable Energy Inc** (Renewable Electricity), **Magna International Incorporated** (Auto Parts & Equipment), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation), **Shawcor Ltd** (Oil & Gas Equipment & Services), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation) and **Blackberry Ltd** (Systems Software).

We added new positions in **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Fastenal Co** (Trading Companies & Distributors), **National Bank Of Canada** (Diversified Banks), **North West Company Inc** (Food Retail) and **Mullen Group Ltd** (Trucking).

A number of new 52-week highs were achieved in the portfolio including: **Lam Research Corp** (Semiconductor Equipment), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Lowes Companies Inc** (Home Improvement Retail), **Fastenal Co** (Trading Companies & Distributors), **Microsoft Corp** (Systems Software), **Ansys Inc** (Application Software), **Real Matters Inc** (Real Estate Services), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Northland Power Inc** (Independent Power Producers & Energy

Traders), **Prologis Inc** (Industrial REITs), **Shopify Inc** (Internet Services & Infrastructure), **Sprott Inc.** (Asset Management & Custody Banks), **Rockwell Automation Inc** (Electrical Components & Equipment), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods), **TMX Group Limited** (Financial Exchanges & Data), **Nice Ltd** (Application Software), **Boralex Inc** (Renewable Electricity), **Tesla Inc** (Automobile Manufacturers), **Ebay Inc** (Internet & Direct Marketing Retail), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Kinaxis Inc** (Application Software) and **Descartes Systems Group Inc** (Application Software).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

July 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 **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **ECN Capital Corp** (Specialized Finance), **Intel Corp** (Semiconductors), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation) and **Park Lawn Corp** (Specialized Consumer Services).

We added new positions in **Canadian National Railway** (Railroads), **Canadian Pacific Railway Ltd** (Railroads), **BRP Incorporated** (Leisure Products) and **West Fraser Timber Co Ltd** (Forest Products).

A number of new 52-week highs were achieved in the portfolio including: **Fastenal Co** (Trading Companies & Distributors), **Microsoft Corp** (Systems Software), **West Fraser Timber Co Ltd** (Forest Products), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Canadian National Railway** (Railroads), **Home Depot Inc** (Home Improvement Retail), **Sprott Inc.** (Asset Management & Custody Banks), **Canadian Pacific Railway Ltd** (Railroads), **TMX Group Limited** (Financial Exchanges & Data) and **Boralex Inc** (Renewable Electricity).

BLUE HERON GLOBAL ESG LEADER

July 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 **Barclays Plc** (Diversified Banks), **Darden Restaurants Inc** (Restaurants), **Ecolab Inc** (Specialty Chemicals), **LKQ Corporation** (Distributors), **Citigroup Inc** (Diversified Banks), **Welltower Inc** (Health Care REITs), **TE Connectivity Ltd** (Electronic Manufacturing Services) and **Mastercard Incorporated** (Data Processing & Outsourced Services).

We added new positions in **Nokia Corp** (Communications Equipment), **Nvidia Corp** (Semiconductors), **Abb Ltd** (Electrical Components & Equipment) and **Amazon.Com Inc** (Internet & Direct Marketing Retail).

A number of new 52-week highs were achieved in the portfolio including: **Nvidia Corp** (Semiconductors), **Lam Research Corp** (Semiconductor Equipment), **Apple Inc** (Technology Hardware, Storage & Peripherals),

Best Buy Co Inc (Computer & Electronics Retail), **Lowe's Companies Inc** (Home Improvement Retail), **Fastenal Co** (Trading Companies & Distributors), **Microsoft Corp** (Systems Software), **Ansys Inc** (Application Software), **Zoetis Inc** (Pharmaceuticals), **Accenture Plc** (IT Consulting & Other Services), **Idexx Laboratories Corp** (Health Care Equipment), **Prologis Inc** (Industrial REITs), **S&P Global Inc** (Financial Exchanges & Data), **Home Depot Inc** (Home Improvement Retail), **Rockwell Automation Inc** (Electrical Components & Equipment), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods), **Abb Ltd** (Electrical Components & Equipment), **Nice Ltd** (Application Software), **Tesla Inc** (Automobile Manufacturers), **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Ebay Inc** (Internet & Direct Marketing Retail), **ASML Holding** (Semiconductor Equipment) and **Moody's Corporation** (Financial Exchanges & Data).

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

Best Buy Co., Inc. (Ticker **BBY-US**) is a provider of technology products, services and solutions. The Company offers products and services to the customers visiting its stores, engaging with Geek Squad agents, or using its Websites or mobile applications. It has operations in the United States, Canada and Mexico.

(Thomson One. (2020). Retrieved from <https://www.thomsonone.com/>)

Best Buy's rating is unchanged at 'AAA'. The company's robust labor-management practices might help it tide over retention challenges after the Covid-19 pandemic. Large retailers, such as Best Buy, are exposed to labor challenges due to suspended store operations and potential health issues of employees amid the Covid-19 crisis. Like other peers, such as Macy's and GAP, it stated that it will continue to offer health benefits to furloughed employees (51,000 out of 125,000) and reduce pay for corporate leadership. Also, with some of the strongest training, employee engagement, and benefits programs among the US retailers, it is well-positioned to attract higher-skilled technical support staff after recovery from the crises.

(MSCI ESG Manager. (2020). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS

BLUE HERON BALANCED

BLUE HERON GROWTH

July 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 **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Barclays Plc** (Diversified Banks), **Humana Inc** (Managed Health Care), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Royal Bank Of Canada** (Diversified Banks), **Toronto Dominion Bank** (Diversified Banks), **WSP Global Inc** (Construction & Engineering) and **Keyera Corp** (Oil & Gas Storage & Transportation).

We added new positions in **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **MTY Food Group Inc** (Restaurants) and **Autocanada Inc** (Automotive Retail).

A number of new 52-week highs were achieved in the portfolio including: **Nvidia Corp** (Semiconductors), **Lam Research Corp** (Semiconductor Equipment), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Microsoft Corp** (Systems Software), **Real Matters Inc** (Real Estate Services), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Granite REIT** (Industrial REITs), **Shopify Inc** (Internet Services & Infrastructure), **Canadian National Railway** (Railroads), **Sprott Inc.** (Asset Management & Custody Banks), **Rockwell Automation Inc** (Electrical Components & Equipment), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods), **Canadian Pacific Railway Ltd** (Railroads), **TMX Group Limited** (Financial Exchanges & Data), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Nice Ltd** (Application Software), **Enghouse Systems Ltd** (Application Software), **Tesla Inc** (Automobile Manufacturers), **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Kinaxis Inc** (Application Software), **Cargojet Inc** (Air Freight & Logistics) and **Descartes Systems Group Inc** (Application Software).

INCOME PORTFOLIOS

BLUE HERON CANADIAN DIVIDEND

BLUE HERON CANADIAN INCOME

July 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 ~ 3.36%, versus 3.2% for the TSX Composite.

During the month we sold our positions in **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **ECN Capital Corp** (Specialized Finance), **Intel Corp** (Semiconductors), **Parkland Corp** (Oil & Gas Refining, Marketing & Transportation), **Royal Bank Of Canada** (Diversified Banks), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Brookfield Infrastructure Corporation** (Gas Utilities), **Brookfield Infrastructure** (Multi-Utilities & Unregulated Power), **Savaria Corporation** (Industrial Machinery), **WSP Global Inc** (Construction & Engineering) and **Northview Apartment REIT** (Residential REITs).

We added new positions in **BRP Incorporated** (Leisure Products), **National Bank Of Canada** (Diversified Banks), **West Fraser Timber Co Ltd** (Forest Products), **Enghouse Systems Ltd** (Application Software), **MTY Food Group Inc** (Restaurants), **CI Financial Corp** (Asset Management & Custody Banks), **Canadian Pacific Railway Ltd** (Railroads) and **Canadian National Railway** (Railroads).

A number of new 52-week highs were achieved in the portfolio including: **Microsoft Corp** (Systems Software), **West Fraser Timber Co Ltd** (Forest Products), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Granite REIT** (Industrial REITs), **Canadian National Railway** (Railroads), **Home Depot Inc** (Home Improvement Retail), **Sprott Inc.** (Asset Management & Custody Banks), **Canadian Pacific Railway Ltd** (Railroads), **TMX Group Limited** (Financial Exchanges & Data), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Boralex Inc** (Renewable Electricity) and **Enghouse Systems Ltd** (Application Software).

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. 2018. Yields/rates are as of 01/02/2019 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

Algonquin Power & Utilities Corp.	2a,2c,2e,2g	Gibson Energy Inc.	2a,2c,2e,2g,7
AutoCanada Inc.	2a,2e,2g,7	Granite REIT	2a,2c,2e,2g,7
BlackBerry Limited	2g	Innergex Renewable Energy Inc.	2a,2c,2e,2g
Boralex Inc. Class A	2g	Keyera Corporation	2a,2c,2e,2g,7
Boyd Group Services Inc.	2a,2c,2g,7	Kinaxis Inc.	2g,7
Brookfield Infrastructure Partners L.P.	2g,7	Shopify Inc.	12,2g
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Summit Industrial Income REIT	2a,2c,2e,2g
BRP Inc.	12,2g	TMX Group Limited	2g
Descartes Systems Group Inc.	2g	Toronto-Dominion Bank	2a,2c,2e,2g,3a,3c,7
ECN Capital Corp.	2a,2e,2g,3a,3c	West Fraser Timber Co. Ltd.	2g
Enghouse Systems	2g	WSP Global Inc.	2a,2c,2e,2g,7

Disclaimers

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

2a This company is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.

2c CIBC World Markets Inc. has managed or co-managed a public offering of securities for this company in the past 12 months.

2e CIBC World Markets Inc. has received compensation for investment banking services from this company in the past 12 months.

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.

3a This company is a client for which a CIBC World Markets company has performed non-investment banking, securities-related services in the past 12 months.

3c CIBC World Markets Inc. has received compensation for non-investment banking, securities-related services from this company in the past 12 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.

9 An executive committee member or director of Canadian Imperial Bank of Commerce (CIBC), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., or a member of his/her household is an officer, director or advisory board member of this company or one of its subsidiaries.