



ADVISOR MANAGED ACCOUNTS: SEPTEMBER 2020 COMMENTARY



A recap of our recent actions: The Equity Action Call (EAC) moved to the Red unfavored 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 continue to be fully invested across all models and will remain there while the equity markets continue to be a favoured investment choice.

This relatively more active trading period for us has moderated somewhat over the summer and into the fall. 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.



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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. 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.

We conducted a Webinar in September for our clients and distributed slides of the presentation to those who could not attend that provided quite a bit of detail around our thinking as we enter the Fall and winter.

Our best to you,

Blue Heron Advisory Group



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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

September 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 **Ebay Inc** (Internet & Direct Marketing Retail), **Lam Research Corp** (Semiconductor Equipment), **North West Company Inc** (Food Retail), **Real Matters Inc** (Real Estate Services), **TMX Group Limited** (Financial Exchanges & Data), **Shopify Inc** (Internet Services & Infrastructure), **Kinaxis Inc** (Application Software), **Tesla Inc** (Automobile Manufacturers), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Deutsche Bk** (Diversified Capital Markets), **Keyera Corp** (Oil & Gas Storage & Transportation), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods) & **Rockwell Automation Inc** (Electrical Components & Equipment).

We added new positions in **Orsted A/S** (Electric Utilities), **National Bank Of Canada** (Diversified Banks), **Park Lawn Corp** (Specialized Consumer Services), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Canadian National Railway** (Railroads), **Accenture Plc** (IT Consulting & Other Services), **Cummins Inc** (Construction Machinery & Heavy Trucks), **ECN Capital Corp** (Specialized Finance), **Genmab A/S** (Biotechnology) & **Nvidia Corp** (Semiconductors).

A number of new 52-week highs were achieved in the portfolio including: **Boralex Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Innergex Renewable Energy Inc** (Renewable Electricity), **Canadian National Railway** (Railroads), **Genmab A/S** (Biotechnology), **Lowes Companies Inc** (Home Improvement Retail), **Canadian Pacific Railway Ltd** (Railroads), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Mullen Group Ltd** (Trucking), **Lightspeed Pos Inc** (Application Software), **Descartes Systems Group Inc** (Application Software), **Nvidia Corp** (Semiconductors), **Trimble Inc.** (Electronic Equipment & Instruments), **Ansys Inc** (Application Software), **Fastenal Co** (Trading Companies & Distributors), **Microsoft Corp** (Systems Software), **Apple Inc** (Technology Hardware, Storage & Peripherals) & **Accenture Plc** (IT Consulting & Other Services).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

September 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 **IGM Financial Inc** (Asset Management & Custody Banks), **Open Text Corp** (Application Software), **Magna International Incorporated** (Auto Parts & Equipment) & **Toronto Dominion Bank** (Diversified Banks).

We added new positions in **Altagas Ltd** (Gas Utilities), **Canadian Western Bank** (Regional Banks), **ECN Capital Corp** (Specialized Finance) & **NFI Group Inc** (Construction Machinery & Heavy Trucks).

A number of new 52-week highs were achieved in the portfolio including: **Boralex Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Innergex Renewable Energy Inc** (Renewable Electricity), **North West Company Inc** (Food Retail), **Canadian National Railway** (Railroads), **Canadian Pacific Railway Ltd** (Railroads), **Fastenal Co** (Trading Companies & Distributors) & **Microsoft Corp** (Systems Software).

BLUE HERON GLOBAL ESG LEADER

September 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 **Ebay Inc** (Internet & Direct Marketing Retail), **Lam Research Corp** (Semiconductor Equipment), **Moody's Corporation** (Financial Exchanges & Data), **Nokia Corp** (Communications Equipment), **Tesla Inc** (Automobile Manufacturers), **Deutsche Bk** (Diversified Capital Markets), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods) & **Rockwell Automation Inc** (Electrical Components & Equipment).

We added new positions in **Ally Financial Inc** (Consumer Finance), **Orsted A/S** (Electric Utilities), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Varian Medical Systems Inc** (Health Care Equipment), **Weyerhaeuser Co** (Specialized REITs), **Kansas City Southern** (Railroads), **Air Products & Chemicals Inc** (Industrial Gases), **Cummins Inc** (Construction Machinery & Heavy Trucks), **Genmab A/S** (Biotechnology) & **Nike Inc** (Footwear).

A number of new 52-week highs were achieved in the portfolio including: **United Parcel Service Inc** (Air Freight & Logistics), **Nike Inc** (Footwear), **Genmab A/S** (Biotechnology), **Lowe's Companies Inc** (Home Improvement Retail), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Kansas City Southern** (Railroads), **Nvidia Corp** (Semiconductors), **Thermo Fisher Scientific Inc** (Life Sciences Tools & Services), **Air Products & Chemicals Inc** (Industrial Gases), **S&P Global Inc** (Financial Exchanges & Data), **Zoetis Inc** (Pharmaceuticals), **Trimble Inc.** (Electronic Equipment & Instruments), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Ansys Inc** (Application Software), **Fastenal Co** (Trading Companies & Distributors), **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Microsoft Corp** (Systems Software), **Apple Inc** (Technology Hardware, Storage & Peripherals) & **Accenture Plc** (Ireland) (IT Consulting & Other Services).

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

Orsted A/S (Ticker **DNNGY-US**) is a Denmark-based energy company engaged in procuring, producing, distributing and trading energy and related products in Northwestern Europe. The Company operates through three segments: Wind Power, engaged in the development, construction and operations of wind farms; Bioenergy and Thermal Power, responsible for the generation of electricity and heat from thermal power stations; and Distribution and Customer Solutions, responsible for the purchase, sale and distribution of energy. The Company's competences are aimed at three core activities: development and construction of assets, operations and maintenance of assets, and sales and optimization of the energy commodities portfolio.

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

Orsted's ESG rating is unchanged at 'AAA'. Orsted continues to be a market leader in the transition towards carbon neutrality. It targets achieving full decarbonization by 2025, including for its supply chain. LNG and energy supply businesses are the last remaining divestments for Orsted, and are scheduled to complete in 2020. Around 85% of Orsted's earnings is generated from on- and offshore windfarms (~60% of its operations, as of December 2019), resulting in a lower GHG and other air pollutants footprint in comparison to industry peers.

Orsted's three-year average carbon intensity at 0.11 tCO₂e/MWh is almost a fifth of the industry average of 0.53, as of April 2019. Orsted could outperform peers in the context of decarbonization if it attains its target of zero-carbon power generation by 2025. The company's investment programme appear to be aligned to this target with 95% of capex till 2025 dedicated to new wind capacity. Coal-to-biomass conversion of heat plants is also part of the decarbonization strategy.

(MSCI ESG Manager. (2019). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS

BLUE HERON BALANCED

BLUE HERON GROWTH

September 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 **Applied Materials Inc** (Semiconductor Equipment), **Lam Research Corp** (Semiconductor Equipment), **Real Matters Inc** (Real Estate Services), **TMX Group Limited** (Financial Exchanges & Data), **Kinaxis Inc** (Application Software), **Shopify Inc** (Internet Services & Infrastructure), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Tesla Inc** (Automobile Manufacturers), **Lululemon Athletica Inc** (Apparel, Accessories & Luxury Goods) & **Rockwell Automation Inc** (Electrical Components & Equipment).

We added new positions in **BRP Incorporated** (Leisure Products), **National Bank Of Canada** (Diversified Banks), **Canadian National Railway** (Railroads), **Royal Bank Of Canada** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Cummins Inc** (Construction Machinery & Heavy Trucks) & **Genmab A/S** (Biotechnology).

A number of new 52-week highs were achieved in the portfolio including: **Brookfield Renewable Partners Lp** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Innergex Renewable Energy Inc** (Renewable Electricity), **Canadian National Railway** (Railroads), **Genmab A/S** (Biotechnology), **Canadian Pacific Railway Ltd** (Railroads), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Lightspeed Pos Inc** (Application Software), **Enghouse Systems Ltd** (Application Software), **Descartes Systems Group Inc** (Application Software), **Nvidia Corp** (Semiconductors), **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Microsoft Corp** (Systems Software) & **Apple Inc** (Technology Hardware, Storage & Peripherals).

INCOME PORTFOLIOS

BLUE HERON CANADIAN DIVIDEND

BLUE HERON CANADIAN INCOME

September 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 ~3.27%, versus 3.27% for the TSX Composite Index.

During the month we sold our position in **Open Text Corp** (Application Software) and added a new position in **Canadian Imperial Bank Of Commerce** (Diversified Banks).

A number of new 52-week highs were achieved in the portfolio including: **Brookfield Renewable Partners Lp** (Renewable Electricity), **Boralex Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Innergex Renewable Energy Inc** (Renewable Electricity), **North West Company Inc** (Food Retail), **Canadian National Railway** (Railroads), **Canadian Pacific Railway Ltd** (Railroads), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Enghouse Systems Ltd** (Application Software) & **Microsoft Corp** (Systems Software).

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Securities

AltaGas Ltd.	2a,2c,2e,2g,7	IGM Financial Inc.	2a,2e,2g
Borex Inc. Class A	2a,2c,2e,2g,C1	Innergex Renewable Energy Inc.	2a,2c,2e,2g
BRP Inc.	12,2g	Keyera Corporation	2a,2c,2e,2g,7
Canadian National Railway Co.	2g,7	Kinaxis Inc.	2g
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Lightspeed POS, Inc.	2a,2c,2e,2g
Canadian Western Bank	2a,2c,2e,2g	Magna International Inc.	2a,2c,2g,4a,4b,7
Descartes Systems Group Inc.	2g	National Bank Of Canada	2a,2c,2e,2g,3a,3c,7
ECN Capital Corp.	2a,2c,2e,2g,3a,3c	NFI Group Inc.	2g
Enghouse Systems	2g		

Disclaimers

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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.

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4a This company is a client for which a CIBC World Markets company has performed non-investment banking, non-securities-related services in the past 12 months.

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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.

12 The equity securities of this company are subordinate 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.