



ADVISOR MANAGED ACCOUNTS: OCTOBER 2020 COMMENTARY



We are prone to review our actions to assess what worked as we had hoped and what could be improved upon. Through the early part of this year we are heartened that our investment process based around the equity action call - when to be cautious and raise cash, and when to return to fully invested - have added value for our clients.

As the COVID pandemic began to move around the globe in early March uncertainty became apparent and the equity markets deteriorated. Our Equity Action Call moved from green to yellow to red in fairly short order and by rule we raised cash in our managed portfolios. We feel this was a prudent move not just in the context of following our discipline, but also in the general context of uncertainty. Many of our colleagues and investors across the country took similar action so we do not feel this to be a particularly bold or unique call.

However, more interesting to us was that by the middle of April the equity markets had started to regain their footing and money began to flow back in. Despite a continuing abundance of uncertainty and economic disruption, stock prices began to rise. By the end of April our Equity Action call had returned to green and our portfolios were again fully invested. This allowed our clients to participate in a substantial rise in equity values over the last 6 months from May through October, double digit gains in many of our portfolios.

What we take from this is the decision of when to re-invest in the market is, in our opinion, equally if not more important than knowing when to sell. The sell decision can sometime be evident. The uptrend has halted, uncertainty has occurred, and many are heading for the exits as prices begin to fall. But that feeling of uncertainty can last long after prices have declined, and often well after prices have turned around and moved back up. Moving back to fully invested this past April may not have been the comfortable thing to do (you can ask our stomachs to verify that) but by having an objective methodology to give us an unbiased, unemotional view of the market we were able to align our portfolios with where the money was flowing and as a result generate superior returns for our clients.

We end October with equity markets looking south to the upcoming presidential election. We're not in the business of making predictions, and certainly not in the political arena. However, we are in the business of following our discipline. While the Equity Action Call remains green, money is flowing into the equity markets making them an attractive asset class and our portfolios remain fully invested. As always we monitor the situation daily and are ready to act as circumstances change.

The Equity Action Call (EAC) green implying that our portfolios continue to be fully invested to their target equity weights. As always, we remain watchful as events develop and will take appropriate actions in our portfolios as conditions dictate.



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



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

The VIX, or “fear gauge” (a forward looking gauge that measures U.S. market volatility) has moderated to 14, with a monthly range between 13 and 17. These levels are below long term averages, implying a certain amount of calm in the market.

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

October 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 **Sprott Inc.** (Asset Management & Custody Banks), **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Fastenal Co** (Trading Companies & Distributors) and **National Bank Of Canada** (Diversified Banks).

We added new positions in **Canada Goose Holdings Inc** (Apparel, Accessories & Luxury Goods), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Toromont Inds Ltd** (Trading Companies & Distributors), **Tesla Inc** (Automobile Manufacturers) and **Sleep Country Canada Holdings Inc** (Homefurnishing Retail).

A number of new 52-week highs were achieved in the portfolio including **Cummins Inc** (Construction Machinery & Heavy Trucks), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Toromont Inds Ltd** (Trading Companies & Distributors), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Canadian Pacific Railway Ltd** (Railroads), **Canadian National Railway** (Railroads), **Lowes Companies Inc** (Home Improvement Retail), **Ansys Inc** (Application Software), **BRP Incorporated** (Leisure Products), **Boralex Inc** (Renewable Electricity), **Lightspeed Pos Inc** (Application Software), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Orsted A/S** (Electric Utilities), **Nice Ltd** (Application Software) and **Prologis Inc** (Industrial REITs).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

October 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 **Ci Financial Corp** (Asset Management & Custody Banks), **Fastenal Co** (Trading Companies & Distributors), **Keyera Corp** (Oil & Gas Storage & Transportation), **Sprott Inc.** (Asset Management & Custody Banks), **WSP Global Inc** (Construction & Engineering), **NFI Group Inc** (Construction Machinery & Heavy Trucks), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation) and **Royal Bank Of Canada** (Diversified Banks).

We added new positions in **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Power Corp Canada** (Life & Health Insurance), **Magna International Incorporated** (Auto Parts & Equipment), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Mullen Group Ltd** (Trucking) and **Superior Plus Corp** (Gas Utilities).

A number of new 52-week highs were achieved in the portfolio including: **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Canadian Pacific Railway Ltd** (Railroads), **Canadian National Railway** (Railroads), **BRP Incorporated** (Leisure Products), **Boralex Inc** (Renewable

Electricity) and **Hydro One Ltd** (Electric Utilities).

BLUE HERON GLOBAL ESG LEADER

October 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 **Fastenal Co** (Trading Companies & Distributors), **S&P Global Inc** (Financial Exchanges & Data) and **Varian Medical Systems Inc** (Health Care Equipment).

We added new positions in **Autoliv Inc** (Auto Parts & Equipment), **PPG Inds Inc** (Specialty Chemicals) and **Tesla Inc** (Automobile Manufacturers).

A number of new 52-week highs were achieved in the portfolio including: **Idexx Laboratories Corp** (Health Care Equipment), **Thermo Fisher Scientific Inc** (Life Sciences Tools & Services), **Cummins Inc** (Construction Machinery & Heavy Trucks), **United Parcel Service Inc** (Air Freight & Logistics), **Nike Inc** (Footwear), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Best Buy Co Inc** (Computer & Electronics Retail), **PPG Inds Inc** (Specialty Chemicals), **Lowe's Companies Inc** (Home Improvement Retail), **Ansys Inc** (Application Software), **ASML Holding Nv** (Semiconductor Equipment), **Zoetis Inc** (Pharmaceuticals), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Orsted A/S** (Electric Utilities), **Nice Ltd** (Application Software), **Abb Ltd** (Electrical Components & Equipment) and **Prologis Inc** (Industrial REITs).

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

Power Corporation of Canada (Ticker: **POW**) is a diversified management and holding company. The Company has interest in the financial services, renewable energy, communications and other business sectors. Its principal asset is the controlling interest in Power Financial Corporation (Power Financial). Its segments are Great-West Lifeco Inc. (Lifeco), IGM Financial Inc. (IGM) and Pargesa Holding SA (Pargesa). Lifeco offers life insurance, health insurance, retirement and investment services, and is engaged in the asset management and reinsurance business. IGM is a financial services company operating in Canada, primarily within the advice segment of the financial services market. Pargesa is a holding company with diversified interests in Europe-based companies active in various sectors, such as minerals-based specialty solutions for industry; cement, aggregates and concrete; testing, inspection and certification; wines and spirits, and electricity, natural gas and energy and environmental services (Thomson One. (2020). Retrieved from <https://www.thomsonone.com/>)

Power Corp of Canada has been upgraded to 'A' from 'BBB'. The upgrade is driven by additional disclosures by PCC on its programs such as employee satisfaction surveys and results, training and development, and stock ownership plans, which can benefit PCC in employee motivation and productivity. It has also disclosed its biodiversity policies. PCC has strengthened efforts to integrate ESG factors into its investment portfolio. The mandate to investment managers has been amended to include ESG criteria. Efforts to engage with investee companies on sustainable business practices have been increased, too. PCC has regular meetings for ESG integration with its subsidiaries Power Financial, Great-West Lifeco, and IGM Financial. PCC, through Canada Life, demonstrates strong awareness of and research in emerging health and demographic risks in Canada. Evidence suggests it has translated this research into product offerings that include insurance plans for cancer, mental health, and specific major diseases. However, PCC continues to lag global industry peers in governance practices due to lack of an independent majority board and controlling shareholder concerns. This, coupled with overboarding issues and related party transactions with the controlling shareholder, further exacerbates concerns related to oversight

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

GROWTH PORTFOLIOS**BLUE HERON BALANCED****BLUE HERON GROWTH****October 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 **Sprott Inc.** (Asset Management & Custody Banks), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation), **Seven Generations Energy Ltd** (Oil & Gas Exploration & Production), **Genmab A/S** (Biotechnology) and **Royal Bank Of Canada** (Diversified Banks).

We added new positions in **Canada Goose Holdings Inc** (Apparel, Accessories & Luxury Goods), **TFI International Inc** (Trucking) and **Tesla Inc** (Automobile Manufacturers).

A number of new 52-week highs were achieved in the portfolio including: **Cummins Inc** (Construction Machinery & Heavy Trucks), **TFI International Inc** (Trucking), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Innergex Renewable Energy Inc** (Renewable Electricity), **Cargojet Inc** (Air Freight & Logistics), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Canadian Pacific Railway Ltd** (Railroads), **Canadian National Railway** (Railroads), **BRP Incorporated** (Leisure Products), **Lightspeed Pos Inc** (Application Software), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Nice Ltd** (Application Software) and **Brookfield Renewable Partners Lp** (Renewable Electricity).

INCOME PORTFOLIOS**BLUE HERON CANADIAN DIVIDEND****BLUE HERON CANADIAN INCOME****October 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 ~3.34%, versus 3.32% for the TSX Composite.

During the month we sold our positions in **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Ci Financial Corp** (Asset Management & Custody Banks), **Enghouse Systems Ltd** (Application Software), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Keyera Corp** (Oil & Gas Storage & Transportation), **Nortonlifelock Inc** (Systems Software), **Sprott Inc.** (Asset Management & Custody Banks), **WPT Industrial REIT** (Industrial REITs), **Inovalis REIT** (Office REITs) and **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation).

We added new positions in **Canadian Western Bank** (Regional Banks), **Exchange Income Corporation** (Airlines), **Northwest Healthcare Properties Reit** (Health Care REITs), **Power Corp Canada** (Life & Health Insurance), **Transalta Renewables Inc** (Renewable Electricity), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production) and **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power).

A number of new 52-week highs were achieved in the portfolio including: **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Canadian Pacific Railway Ltd** (Railroads), **Canadian National Railway** (Railroads), **BRP Incorporated** (Leisure Products), **Boralex Inc** (Renewable Electricity) and **Brookfield Renewable Partners Lp** (Renewable Electricity).

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,7	MTY Food Group Inc.	2a,2e,2g
Boralex Inc. Class A	2a,2c,2e,2g,C1	National Bank Of Canada	2a,2c,2e,2g,3a,3c,7
BRP Inc.	12,2g	NFI Group Inc.	2g
Canadian National Railway Co.	2g,7	North West Company Inc.	2g
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Northland Power Inc.	2a,2c,2e,2g,3a,7
Canadian Western Bank	2a,2c,2e,2g	Power Corporation of Canada	12,2g,7
Capital Power Corporation	2a,2c,2e,2g,9	Royal Bank of Canada	2a,2c,2e,2g,3a,3c,7
Cargojet Inc.	2a,2c,2e,2g,7	Seven Generations Energy Ltd.	2f,2g
CI Financial Corp.	2a,2c,2e,2g	Sleep Country Canada Holdings Inc.	2g
Docebo, Inc.	2a,2c,2e,2g	Summit Industrial Income REIT	2a,2c,2e,2g,C1
Exchange Income Corporation	2g	Superior Plus Corp.	2a,2e,2g,9
Canada Goose Holdings Inc.	12,2g	TFI International Inc.	2g
Gibson Energy Inc.	2a,2c,2e,2g,7	Toromont Industries Ltd.	2g,3a,3c
Hydro One Limited	2a,2c,2e,2g	Tourmaline Oil Corp.	2g
Innergex Renewable Energy Inc.	2g	TransAlta Renewables Inc.	2g
Inter Pipeline Ltd.	2a,2c,2e,2g,7	West Fraser Timber Co. Ltd.	2g
Keyera Corporation	2a,2c,2e,2g,7	WPT Industrial REIT	2a,2c,2e,2g
Lightspeed POS, Inc.	2a,2c,2e,2g	WSP Global Inc.	2a,2c,2e,2g,7
Magna International Inc.	2a,2c,2g,7		

Disclaimers

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.

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

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.