



## ADVISOR MANAGED ACCOUNTS: NOVEMBER 2020 COMMENTARY



November was one of those interesting sort of months in one of those peculiar sorts of years.

Market strategist and renowned value investor Forest Gump’s Momma said it best: “Life was like a box of chocolates. You never know what you’re gonna get.”

What we got was the best month of the year for equities in quite some time. This market strength is presented against a backdrop of a hotly contested US election and a global surge in COVID-19 infections that brought renewed restrictions on gathering together. The second wave of infections - that had been widely telegraphed as likely since March - seems to have been greeted with surprise by the media and fatigue by the populace.

I’m not sure if we are suffering from COVID fatigue or media fatigue, or maybe it’s autumn and getting dark at 3:00 in the afternoon fatigue. When we talk to clients everyone seems to be focused on doing the right thing, are focused on the well-being of their families and our community and are determined to display a stiff upper lip in the face of this adversity. No sooner are encouraging vaccine trials announced than headlines become populated with angst around who will get the vaccine first - an issue that seems to have been settled months ago - probably those most at risk and those in contact with them first. All that is left is the keeping safe and waiting...

The market is very forward looking and has little memory capacity. Thus, the ongoing successful trials of several vaccine candidates and the relatively easy year over year corporate earnings comparisons that await us in 2021 look like fertile ground for optimism. Whether this rosy near future can continue to eclipse our rather murky present in market performance will be the interesting narrative of the next year. We are glad to have a disciplined methodology and process to help us navigate all this murk.

The Equity Action Call (EAC) remains Green - as it has since the end of April - 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.

The VIX, or “fear gauge” (a forward looking gauge that measures U.S. market volatility) closed November at 20.5 has lower than the 38 at the start of the month, with a monthly range between 19 and 38. The closing levels are below long term averages, implying a certain amount of calm in the market that was restored after a certain amount of unease at the beginning of the month ahead of the US election.

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



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**BLUE HERON CANADIAN ESG LEADER AND BLUE HERON BALANCED ESG LEADER****November 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 **Ansys Inc** (Application Software), **BRP Incorporated** (Leisure Products), **Descartes Systems Group Inc** (Application Software), **Genmab A/S** (Biotechnology), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software) and **Prologis Inc** (Industrial REITs).

We added new positions in **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Corus Entertainment Inc** (Broadcasting), **Lam Research Corp** (Semiconductor Equipment), **Magna International Incorporated** (Auto Parts & Equipment), **Parker Hannifin Corp** (Industrial Machinery) and **Square Inc** (Data Processing & Outsourced Services).

A number of new 52-week highs were achieved in the portfolio including **Lightspeed POS Inc** (Application Software), **ECN Capital Corp** (Specialized Finance), **Toromont Inds Ltd** (Trading Companies & Distributors), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Tesla Inc** (Automobile Manufacturers), **Lam Research Corp** (Semiconductor Equipment), **Square Inc** (Data Processing & Outsourced Services), **Accenture Plc** (IT Consulting & Other Services), **West Fraser Timber Co Ltd** (Forest Products), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Magna International Incorporated** (Auto Parts & Equipment), **Parker Hannifin Corp** (Industrial Machinery), **Trimble Inc.** (Electronic Equipment & Instruments), **Orsted A/S** (Electric Utilities), **Canadian Pacific Railway Ltd** (Railroads), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Sleep Country Canada Holdings Inc** (Home furnishing Retail), **Innergex Renewable Energy Inc** (Renewable Electricity), **Cummins Inc** (Construction Machinery & Heavy Trucks) and **Nice Ltd** (Application Software).

**BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER****November 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 **BRP Incorporated** (Leisure Products), **Home Depot Inc** (Home Improvement Retail), **Microsoft Corp** (Systems Software) and **TMX Group Limited** (Financial Exchanges & Data).

We added new positions in **Bank Of Montreal** (Diversified Banks), **Corus Entertainment Inc** (Broadcasting), **Northwest Healthcare Properties Reit** (Health Care REITs) and **Sleep Country Canada Holdings Inc** (Home furnishing Retail)

A number of new 52-week highs were achieved in the portfolio including: **ECN Capital Corp** (Specialized Finance), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **West Fraser Timber Co Ltd** (Forest Products), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Magna International Incorporated** (Auto Parts & Equipment), **Finning Intl Inc** (Trading Companies & Distributors), **Canadian Pacific Railway Ltd** (Railroads), **Sleep Country Canada Holdings Inc** (Home furnishing Retail), **Innergex Renewable Energy Inc** (Renewable Electricity) and **Hydro One Ltd** (Electric Utilities)

**BLUE HERON GLOBAL ESG LEADER****November 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 **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Ansys Inc** (Application Software), **Air Products & Chemicals Inc** (Industrial Gases), **Genmab A/S** (Biotechnology), **Home Depot Inc** (Home Improvement Retail), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Microsoft Corp** (Systems Software), **Prologis Inc** (Industrial REITs) and **Paypal Holdings Inc** (Data Processing & Outsourced Services).

We added new positions in **Applied Materials Inc** (Semiconductor Equipment), **Barclays Plc** (Diversified Banks), **Hilton Worldwide Holdings Inc** (Hotels, Resorts & Cruise Lines), **Lam Research Corp** (Semiconductor Equipment), **Nio Inc** (Automobile Manufacturers), **Norfolk Southern Corp** (Railroads), **Parker Hannifin Corp** (Industrial Machinery) and **Square Inc** (Data Processing & Outsourced Services).

A number of new 52-week highs were achieved in the portfolio including: **Tesla Inc** (Automobile Manufacturers), **Lam Research Corp** (Semiconductor Equipment), **Square Inc** (Data Processing & Outsourced Services), **Applied Materials Inc** (Semiconductor Equipment), **ASML Holding Nv** (Semiconductor Equipment), **Accenture Plc** (IT Consulting & Other Services), **CRH Plc** (Construction Materials), **Parker Hannifin Corp** (Industrial Machinery), **Trimble Inc.** (Electronic Equipment & Instruments), **Nio Inc** (Automobile Manufacturers), **Autoliv Inc** (Auto Parts & Equipment), **Orsted A/S** (Electric Utilities), **Norfolk Southern Corp** (Railroads), **Abb Ltd** (Electrical Components & Equipment), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Idexx Laboratories Corp** (Health Care Equipment), **Cummins Inc** (Construction Machinery & Heavy Trucks), **Hilton Worldwide Holdings Inc** (Hotels, Resorts & Cruise Lines), **Nike Inc** (Footwear), **PPG Industries Inc** (Specialty Chemicals), **Thermo Fisher Scientific Inc** (Life Sciences Tools & Services), **Best Buy Co Inc** (Computer & Electronics Retail), **Zoetis Inc** (Pharmaceuticals) and **Nice Ltd** (Application Software).

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

NICE Ltd., (ticker **NICE-US**) formerly NICE-Systems Ltd., is a global enterprise software provider. The Company's segments include Customer Interactions Solutions, and Financial Crime and Compliance Solutions. The Customer Interactions Solutions segment provides data driven insights that enable businesses to deliver personalized experience to customers. The Financial Crime and Compliance Solutions segment provides real time and cross-channel fraud prevention, anti-money laundering, brokerage compliance and enterprise-wide case management. The Company serves contact centers, back office operations and retail branches, covering various industries, including communications, banking, insurance, healthcare, business processes outsourcing (BPO), government, utilities, travel and entertainment. Its Multi-Channel Recording and Interaction Management enables organizations to capture structured and unstructured customer interaction and transaction data from multiple channels.

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

Nice's rating is unchanged at 'BBB'. While the company appears to have enhanced its career development as well as diversity and inclusion programs, its overall employee management efforts remain relatively weak compared to peers. It continues to lead global market peers in executive pay practices. The company appears to have faced no significant challenge in employee integration despite the acquisitions it has made thus far. Nice appears to have diversity and inclusion initiatives, and internal career mobility programs that could motivate employees. However, it lags peers in adopting robust engagement initiatives such as surveys to monitor employee satisfaction levels. Nice leads home market peers in its executive pay practices, which appear to align well with sustainable shareholder interests. The company has a clawback provision that could help align executive pay with performance. The company's cleantech initiatives include artificial intelligence-based applications and robotic process automation. Though software development comprises only 20% of its FY 2019 revenue, Nice could leverage its involvement in these emerging technologies to capitalize on the growing demand for clean technology.

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

## GROWTH PORTFOLIOS

### BLUE HERON BALANCED

### BLUE HERON GROWTH

#### November 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 **Amazon.Com Inc** (Internet & Direct Marketing Retail), **BRP Incorporated** (Leisure Products), **Enghouse Systems Ltd** (Application Software), **Microsoft Corp** (Systems Software), **Granite REIT** (Industrial REITs), **Boyd Group Services Inc** (Diversified Support Services) and **Cargojet Inc** (Air Freight & Logistics).

We added new positions **Hudbay Minerals Inc** (Diversified Metals & Mining), **Lam Research Corp** (Semiconductor Equipment), **Magna International Incorporated** (Auto Parts & Equipment), **Parker Hannifin Corp** (Industrial Machinery), **Ballard Power Systems Inc** (Electrical Components & Equipment) and **CAE Inc** (Aerospace & Defense)

A number of new 52-week highs were achieved in the portfolio including **Lightspeed POS Inc** (Application Software), **Hudbay Minerals Inc** (Diversified Metals & Mining), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Tesla Inc** (Automobile Manufacturers), **Lam Research Corp** (Semiconductor Equipment), **Docebo Inc** (Application Software), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Magna International Incorporated** (Auto Parts & Equipment), **Parker Hannifin Corp** (Industrial Machinery), **Goeasy Ltd** (Consumer Finance), **Canadian Pacific Railway Ltd** (Railroads), **TFI International Inc** (Trucking), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Summit Industrial Income Reit** (Industrial REITs), **Innergex Renewable Energy Inc** (Renewable Electricity), **Cummins Inc** (Construction Machinery & Heavy Trucks) and **Nice Ltd** (Application Software).

## INCOME PORTFOLIOS

### BLUE HERON CANADIAN DIVIDEND

### BLUE HERON CANADIAN INCOME

#### November 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 ~3.83%, versus 2.97% for the TSX Composite.

During the month we sold our positions in **BRP Incorporated** (Leisure Products), **Home Depot Inc** (Home Improvement Retail), **Microsoft Corp** (Systems Software), **TMX Group Limited** (Financial Exchanges & Data), **Restaurant Brands International Inc** (Restaurants), **Granite REIT** (Industrial REITs) and **Canadian Pacific Railway Ltd** (Railroads).

We added new positions in **Bank Of Montreal** (Diversified Banks), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Brookfield Property Partners L P** (Real Estate Operating Companies) and **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production)

A number of new 52-week highs were achieved in the portfolio including **Canadian Tire** (Non Vtg A) (General Merchandise Stores), **Northland Power Inc** (Independent Power Producers & Energy Traders), **West Fraser Timber Co Ltd** (Forest Products), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Magna International Incorporated** (Auto Parts & Equipment), **Goeasy Ltd** (Consumer Finance), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Summit Industrial Income Reit** (Industrial REITs), **Innergex Renewable Energy Inc**

(Renewable Electricity) and **Premium Brands Holdings Corp** (Packaged Foods & Meats).

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### Securities

Ballard Power Systems, Inc.	2a,2e,2g	Descartes Systems Group Inc.	2g
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	Docebo, Inc.	2a,2c,2e,2g
Boyd Group Services Inc.	2a,2c,2g,7	Enghouse Systems	2g
CAE Inc.	2g,9	Finning International Inc.	2g,3a,3c
Corus Entertainment Inc.	13,2g	Granite REIT	2a,2c,2e,2g,7
BRP Inc.	12,2g	Hydro One Limited	2a,2c,2e,2g
Canadian Natural Resources Ltd.	2a,2c,2e,2g,7	Innergex Renewable Energy Inc.	2g
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Lightspeed POS, Inc.	2a,2c,2e,2g
Canadian Tire Corporation, Ltd.	13,2g,7	Magna International Inc.	2a,2c,2g,7
Cargojet Inc.	2a,2c,2e,2g,7,C1		

### Disclaimers

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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.

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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.

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

13 The equity securities of this company are non-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.