



ADVISOR MANAGED ACCOUNTS: DECEMBER 2020 COMMENTARY



We find 2020 has been a year where all the negatives - and there have been plenty - are being added at the end of the year with an almost ghoulish pleasure. Rather than focusing on that, we would like to focus on the many positives we have experienced personally, professionally and as part of our community - and be extraordinarily thankful. We have collectively managed to show resiliency, adaptability and resourcefulness in the face of what for most of us was a novel and stressful experience.

We consider ourselves privileged to work for such a wonderful group of clients - so hats off to you! We have appreciated your patience and kindness as we navigated some unfamiliar territory for all of us. We take our work, and how it contributes to your family's financial success, very personally. Thus, the market untidiness in the Spring was a call to action to demonstrate our discipline, focus and teamwork to deliver on our commitment to you. We think when we sit down together (virtually for a bit) and review the year you will be pleased.

Professionally, we saw Rick Weigel and Anna Veltri join our group this year. Its been a challenge and lots of fun meeting all our new clients as the year went on. Rick retired at the end of 2020, but we really enjoyed our time working together and we hope to carry on his good work on your behalf. In other team news Courtney Lance and her husband welcomed their first child in October. So while she won't be working with us for a little while, we are assured she is working harder than ever. Hanna Kent bought her first house, Ashley Camponi got a kitten and James Spencer got a lovely hollow body Gretsch electric guitar - so lots of new and exciting things going on for all of us.

We have been so grateful to live in this particular corner of Canada this year. We witnessed the outpouring of support for the Victoria "Rapid Relief Fund" in the spring and throughout this year to help the most vulnerable in our city. Our collective willingness to shoulder some inconveniences with the aim of not imperilling our neighbors is a heartening reminder of the value of community.

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 December at 22.7 largely unchanged from the start of the month, with a monthly range between 20 and 31.5. The closing levels are below long-term averages, implying a certain amount of calm in the market and hope that the roll out of vaccines will allow a return to normalcy.

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

December 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 **Accenture Plc** (IT Consulting & Other Services), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canadian National Railway** (Railroads), **Fiera Capital Corp** (Asset Management & Custody Banks), **Canada Goose Holdings Inc** (Apparel, Accessories & Luxury Goods), **Lowes Companies Inc** (Home Improvement Retail) and **Park Lawn Corp** (Specialized Consumer Services).

We added new positions in **Ballard Power Systems Inc** (Electrical Components & Equipment), **Colliers International Group Inc** (Real Estate Services), **Finning Intl Inc** (Trading Companies & Distributors), **Interfor Corp** (Forest Products), **Morgan Stanley** (Investment Banking & Brokerage) and **STmicroelectronics N V** (Semiconductors).

A number of new 52-week highs were achieved in the portfolio including **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Boralex Inc** (Renewable Electricity), **ECN Capital Corp** (Specialized Finance), **Canadian Pacific Railway Ltd** (Railroads), **Tesla Inc** (Automobile Manufacturers), **Taiwan Semiconductor Mfg Co** (Semiconductors), **Lightspeed Pos Inc** (Application Software), **Innergex Renewable Energy Inc** (Renewable Electricity), **Trimble Inc** (Electronic Equipment & Instruments), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Orsted A/S** (Electric Utilities), **Nice Ltd** (Application Software), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Interfor Corp** (Forest Products), **Magna International Incorporated** (Auto Parts & Equipment), **Morgan Stanley** (Investment Banking & Brokerage), **Square Inc** (Data Processing & Outsourced Services), **Sleep Country Canada Hldgs Inc** (Homefurnishing Retail), **Mullen Group Ltd** (Trucking), **West Fraser Timber Co Ltd** (Forest Products), **Toromont Inds Ltd** (Trading Companies & Distributors), **Lam Research Corp** (Semiconductor Equipment), **STmicroelectronics N V** (Semiconductors) and **Finning Intl Inc** (Trading Companies & Distributors).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

December 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 **Canadian National Railway** (Railroads) and **Northwest Healthcare Properties REIT** (Health Care REITs) and added a new position in **Manulife Financial Corp** (Life & Health Insurance).

A number of new 52-week highs were achieved in the portfolio including **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Boralex Inc** (Renewable Electricity), **Transalta Renewables Inc** (Renewable Electricity), **ECN Capital Corp** (Specialized Finance), **Canadian Pacific Railway Ltd** (Railroads), **Innergex Renewable Energy Inc** (Renewable Electricity), **Magna International Incorporated** (Auto Parts & Equipment), **Canadian Imperial Bk Of Comm** (Diversified Banks), **Sleep Country Canada Hldgs Inc** (Homefurnishing Retail), **Mullen Group Ltd** (Trucking), **West Fraser Timber Co Ltd** (Forest Products), **Finning Intl Inc** (Trading Companies & Distributors), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals) and **Hydro One Ltd** (Electric Utilities)

BLUE HERON GLOBAL ESG LEADER**December 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 **Abb Ltd** (Electrical Components & Equipment), **Accenture Plc** (IT Consulting & Other Services), **Best Buy Co Inc** (Computer & Electronics Retail), **CRH Plc** (Construction Materials), **Lowes Companies Inc** (Home Improvement Retail), **Nio Inc** (Automobile Manufacturers), **Thermo Fisher Scientific Inc** (Life Sciences Tools & Services) and **Zoetis Inc** (Pharmaceuticals).

We added new positions in **Banco Bilbao Vizcaya Argentaria** (Diversified Banks), **Blackrock Inc** (Asset Management & Custody Banks), **Cemex S.A.B. De C.V.** (Construction Materials), **HCA Healthcare Inc** (Health Care Facilities), **ING Groep N V** (Diversified Banks), **Morgan Stanley** (Investment Banking & Brokerage), **Banco Santander S. A.** (Diversified Banks) and **STmicroelectronics N V** (Semiconductors).

A number of new 52-week highs were achieved in the portfolio including **Tesla Inc** (Automobile Manufacturers), **Ally Financial Inc** (Consumer Finance), **Taiwan Semiconductor Mfg Co** (Semiconductors), **ASML Holding Nv** (Semiconductor Equipment), **Trimble Inc.** (Electronic Equipment & Instruments), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Kansas City Southern** (Railroads), **Orsted A/S** (Electric Utilities), **Nice Ltd** (Application Software), **Idexx Laboratories Corp** (Health Care Equipment), **HCA Healthcare Inc** (Health Care Facilities), **Morgan Stanley** (Investment Banking & Brokerage), **Square Inc** (Data Processing & Outsourced Services), **Nike Inc** (Footwear), **Weyerhaeuser Co** (Specialized REITs), **Applied Materials Inc** (Semiconductor Equipment), **Autoliv Inc** (Auto Parts & Equipment), **Lam Research Corp** (Semiconductor Equipment), **STmicroelectronics N V** (Semiconductors), **Cemex S.A.B. De C.V.** (Construction Materials), **Blackrock Inc** (Asset Management & Custody Banks) and **PPG Inds Inc** (Specialty Chemicals).

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

Ballard Power Systems Inc (Ticker **BLDP**) is a Canada-based proton exchange membrane (PEM) fuel cell products designer. The Company's principal business is the design, development, manufacture, sale and service of PEM fuel cell products for a variety of applications, focusing on its power product markets of Heavy-Duty Motive, Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions, including engineering services and the license and sale of its intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

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

Ballard Power Systems' rating is unchanged at 'A'. We note no major changes since the company's last rating review. The company manufactures fuel cells, power modules and stacks, which provide access to growing cleantech markets. In FY2018, 54.30% of total revenue was derived from clean tech applications. It also has a higher three-year average R&D/sales ratio than its industry peers (20.00% vs. 3.24% EE average, as of March 2019) which appears to have a key strategic objectives to capitalize on its opportunities in cleantech markets. Ballard's board structure may minimize governance risks for shareholders due to a majority independent board that may provide effective management oversight. We also note the presence of a fully independent pay committee which could support alignment between the company's pay practices and sustainable shareholder interests. As a fuel cell manufacturer, the company has relatively high exposure to risks associated with its toxic emission. Despite obtaining the ISO14001 certification for some sites, we found no disclosure on reduction targets and programs for reducing toxic and waste releases.

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

GROWTH PORTFOLIOS

BLUE HERON BALANCED

BLUE HERON GROWTH

December 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 **Canadian National Railway** (Railroads), **Descartes Systems Group Inc** (Application Software), **Canada Goose Holdings Inc** (Apparel, Accessories & Luxury Goods), **Summit Industrial Income REIT** (Industrial REITs) and **National Bank Of Canada** (Diversified Banks).

We added new positions in **Colliers International Group Inc** (Real Estate Services), **WSP Global Inc** (Construction & Engineering), **Air Canada** (Airlines) and **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production).

A number of new 52-week highs were achieved in the portfolio including **Lightspeed Pos Inc** (Application Software), **Docebo Inc** (Application Software), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Canadian Pacific Railway Ltd** (Railroads), **Tesla Inc** (Automobile Manufacturers), **Taiwan Semiconductor Mfg Co** (Semiconductors), **Innergex Renewable Energy Inc** (Renewable Electricity), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Nice Ltd** (Application Software), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Magna International Incorporated** (Auto Parts & Equipment), **Canadian Imperial Bk Of Comm** (Diversified Banks), **Goeasy Ltd** (Consumer Finance), **WSP Global Inc** (Construction & Engineering), **Lam Research Corp** (Semiconductor Equipment), **Hudbay Minerals Inc** (Diversified Metals & Mining) and **Brookfield Renewable Partners LP** (Renewable Electricity).

INCOME PORTFOLIOS

BLUE HERON CANADIAN DIVIDEND

BLUE HERON CANADIAN INCOME

December 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%, versus 2.95% for the TSX Composite.

During the month we sold our position in **Canadian National Railway** (Railroads) and added a new position in **Manulife Financial Corp** (Life & Health Insurance).

A number of new 52-week highs were achieved in the portfolio including **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Boralex Inc** (Renewable Electricity), **Transalta Renewables Inc** (Renewable Electricity), **Innergex Renewable Energy Inc** (Renewable Electricity), **Magna International Incorporated** (Auto Parts & Equipment), **Canadian Imperial Bk Of Comm** (Diversified Banks), **Canadian Tire (Non Vtg A)** (General Merchandise Stores), **Goeasy Ltd** (Consumer Finance), **West Fraser Timber Co Ltd** (Forest Products), **Premium Brands Holdings Corp** (Packaged Foods & Meats) and **Brookfield Renewable Partners Lp** (Renewable Electricity).

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Securities

Air Canada	2a,2c,2e,2g,C1,C38	Lightspeed POS, Inc.
Algonquin Power & Utilities Corp.	2a,2c,2e,2g,7	Magna International Inc.
AltaGas Ltd.	2a,2c,2e,2g,7	Manulife Financial Corp.
CAE Inc.	2a,2c,2e,2g,9	Mullen Group Ltd.
Colliers International Group Inc.	12,2a,2c,2e,2g	National Bank Of Canada
Canada Goose Holdings Inc.	12,2g	NorthWest Healthcare Properties REIT
Canadian National Railway Co.	2g,7	Nutrien Ltd.
Canadian Natural Resources Ltd.	2a,2c,2e,2g,7	Park Lawn Corporation Limited
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Power Corporation of Canada
Canadian Tire Corporation, Ltd.	13,2g,7	Sleep Country Canada Holdings Inc.
Docebo, Inc.	2a,2c,2e,2g	Summit Industrial Income REIT
ECN Capital Corp.	2a,2c,2e,2g,3a,3c	Toromont Industries Ltd.
Finning International Inc.	2g,3a,3c	TransAlta Renewables Inc.
Hudbay Minerals Inc.	2a,2e,2g	West Fraser Timber Co. Ltd.
Hydro One Limited	2a,2c,2e,2g	WSP Global Inc.
Innergex Renewable Energy Inc.	2g	

Disclaimers

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

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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.

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.

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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.

C38 The Class A shares of Air Canada are variable voting shares. The Class B shares of Air Canada are converted to Class A shares if they become held by a person who is not a Canadian.