



ADVISOR MANAGED ACCOUNTS: JANUARY 2021 COMMENTARY



January seemed to be the month of no important new news. This absence of important new news did not lead us to a well-deserved break from anxious making headlines, breathless popups and seductively named news links. Instead, we got the constant rehashing of news we knew - but now packaged with extra worry and enhanced hyperbole. The reality surrounding vaccine news is that we will be waiting longer than we would like - at the expense of appreciating what has been the swiftest development, production, and distribution of multiple vaccines (some with very novel approaches) in human history. Accounts of the havoc and terror of the “Black Death” or the more contemporary Spanish Flu are available to provide some proper context for the grave inconvenience we have endured.

In the markets a robust end of 2020 was followed, as often is the case, by a fretful January with 4Q earnings news in focus. With such a strong end of 2020, a pause and some volatility as leadership shifts was not unexpected. The search for a compelling “story” led to countless headlines about the fortunes of thinly known or owned companies and currencies that while “click worthy” are just not important.

We continue to focus on a consistent disciplined process to determine whether we should be fully invested or cautious. We also continue to refine this process and have made some thoughtful additions to how we track data related to industry groups in Canada, the US and Globally. We are finding this helpful to identify improving and weakening industry groups and to constantly monitor our investment positioning for our clients.

Worry is a reasonable emotion but it’s often unhelpful in decision making. Amongst all this worry we strive to ensure that we have an unemotional, consistent, repeatable process to identify a clear course of action, a clear mandate to be fully invested, or cautious, and a way to be decisive on what should be held, bought or sold.

As we begin 2021 we can say that our relative strength system is ‘Green’ indicating that we remain fully invested to our model equity weights. This system does not attempt to predict the future but gives us an objective view of money flows today. We use it to align ourselves with the best investment choices for your portfolio. U.S. Equities, Canadian Equities, and International Equities currently occupy the 3 of the top 4 spots (8 total), but as circumstances changes we will follow our rules and take action accordingly.

The VIX, or “fear gauge” (a forward looking gauge that measures U.S. market volatility) opened the month at a somewhat placid 23 and worked itself up to a less placid 33 by month end, with a monthly range between 21 and 37. These levels are consistent with long term averages, so on the whole unremarkable.

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**January 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 **Cummins Inc** (Construction Machinery & Heavy Trucks), **Nvidia Corp** (Semiconductors) and **West Fraser Timber Co Ltd** (Forest Products).

We added new positions in **Ally Financial Inc** (Consumer Finance), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Transalta Renewables Inc** (Renewable Electricity), **Goldman Sachs Group Inc** (Investment Banking & Brokerage) and **Sierra Wireless Inc** (Communications Equipment).

A number of new 52-week highs were achieved in the portfolio including **ECN Capital Corp** (Specialized Finance), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Interfor Corp** (Forest Products), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Tesla Inc** (Automobile Manufacturers), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Sierra Wireless Inc** (Communications Equipment), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Lam Research Corp** (Semiconductor Equipment), **Morgan Stanley** (Investment Banking & Brokerage), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Lightspeed Pos Inc** (Application Software), **Finning Intl Inc** (Trading Companies & Distributors), **Parker Hannifin Corp** (Industrial Machinery), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Ally Financial Inc** (Consumer Finance), **Boralex Inc** (Renewable Electricity), **Canadian Pacific Railway Ltd** (Railroads), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Trimble Inc.** (Electronic Equipment & Instruments), **Square Inc** (Data Processing & Outsourced Services), **Orsted A/S** (Electric Utilities), **Magna International Incorporated** (Auto Parts & Equipment) and **Transalta Renewables Inc** (Renewable Electricity).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER**January 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 **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation), **ECN Capital Corp** (Specialized Finance), **North West Company Inc** (Food Retail) and **West Fraser Timber Co Ltd** (Forest Products).

We added new positions in **Keyera Corp** (Oil & Gas Storage & Transportation), **Artis REIT** (Diversified REITs), **Russel Metals Inc** (Trading Companies & Distributors) and **Toronto Dominion Bank** (Diversified Banks).

A number of new 52-week highs were achieved in the portfolio including **Russel Metals Inc** (Trading Companies & Distributors), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Hydro One Ltd** (Electric Utilities), **Finning Intl Inc** (Trading Companies & Distributors), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Boralex Inc** (Renewable Electricity), **Superior Plus Corp** (Gas Utilities), **Canadian Pacific Railway Ltd** (Railroads), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Magna International Incorporated** (Auto Parts & Equipment) and **Transalta Renewables Inc** (Renewable Electricity).

BLUE HERON GLOBAL ESG LEADER**January 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 **Cummins Inc** (Construction Machinery & Heavy Trucks), **Norfolk Southern Corp** (Railroads), **Nvidia Corp** (Semiconductors), **Autoliv Inc** (Auto Parts & Equipment), **Ing Groep N V** (Diversified Banks) and **United Parcel Service Inc** (Air Freight & Logistics).

We added new positions in **Walt Disney Co** (Movies & Entertainment), **LG Display Company Ltd** (Electronic Components), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Rio Tinto Plc** (Diversified Metals & Mining), **ASE Technology Holding Co Ltd** (Semiconductors), **Comerica Inc** (Regional Banks), **Discovery Inc** (Broadcasting) and **Goldman Sachs Group Inc** (Investment Banking & Brokerage)

A number of new 52-week highs were achieved in the portfolio including **Ally Financial Inc** (Consumer Finance), **Comerica Inc** (Regional Banks), **Asml Holding Nv** (Semiconductor Equipment), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Hca Healthcare Inc** (Health Care Facilities), **Blackrock Inc** (Asset Management & Custody Banks), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **ASE Technology Holding Co Ltd** (Semiconductors), **Applied Materials Inc** (Semiconductor Equipment), **Discovery Inc** (Broadcasting), **Morgan Stanley** (Investment Banking & Brokerage), **Trimble Inc.** (Electronic Equipment & Instruments), **LG Display Company Ltd** (Electronic Components), **Rio Tinto Plc** (Diversified Metals & Mining), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Walt Disney Co** (Movies & Entertainment), **Cemex S.A.B. De C.V.** (Construction Materials), **Lam Research Corp** (Semiconductor Equipment), **Nike Inc** (Footwear), **Square Inc** (Data Processing & Outsourced Services), **Tesla Inc** (Automobile Manufacturers), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Parker Hannifin Corp** (Industrial Machinery), **Kansas City Southern** (Railroads), **Banco Bilbao Vizcaya Argentaria** (Diversified Banks), **Nice Ltd** (Application Software)

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

Ally Financial Inc. (ticker ALLY-US) is a digital financial services company. The Company is a bank and financial holding company. Its segments include Automotive Finance operations, Insurance operations, Mortgage Finance operations, Corporate Finance operations, and Corporate and Other. The Automotive Finance operations segment provides the United States-based automotive financing services to consumers and automotive dealers, and automotive and equipment financing services to companies and municipalities. The Insurance operations segment offers both consumer finance protection and insurance products sold through the automotive dealer channel, and commercial insurance products sold directly to dealers. The Mortgage Finance operations segment consists of the management of a held-for-investment consumer mortgage finance loan portfolio. The Corporate Finance operations segment provides senior secured leveraged cash flow and asset-based loans to mostly the United States-based middle market companies. (Thomson One. (2021). Retrieved from <https://www.thomsonone.com/>)

Ally Financial's rating is unchanged at 'A'. Ally Financial offers mortgage-lending services, money-market, checking accounts, certificates of deposit (CDs), and individual retirement accounts (IRAs). The presence of a majority independent, and fully independent audit and pay committees may help provide objective oversight of management. The 'one- share- one- vote' policy may help equate voting. Moreover, the board comprises four women directors (33% of the board), facilitating gender diversity. To tackle human management challenges, Ally Financial provides, non-salary benefits and, training to employees, and conducts annual engagement surveys. These programs may help the company attract and retain its talent pool. Despite the acquisitions of CardWorks (February 2020) and Health Credit Services, LLC (October 2019), the company's employee turnover rate remained stable at 3%, below the industry average of 3.6%. Our research indicates Ally Financial has invested in providing financial education through programs such as Ally Grants and Ally Wallet Wise. These practices indicate the company has been able to capitalize on opportunities in providing financing to the underserved. The consumer protection programs adopted appear robust, and include a complaint hotline, loan modification programs for financially vulnerable customers, and employee training on responsible lending practices. However, in August 2019, a lawsuit regarding alleged improper charges was against the company, which may result in hefty fines.

(MSCI ESG Manager. (2021). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS**BLUE HERON BALANCED****BLUE HERON GROWTH****NORTH AMERICAN TACTICAL ASSET ALLOCATION****INCOME PLUS****January 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 **Air Canada** (Airlines), **Cummins Inc** (Construction Machinery & Heavy Trucks) and **Nvidia Corp** (Semiconductors).

We added new positions in **First Quantum Minerals Ltd** (Copper), **Franco-Nevada Corp** (Gold), **Teck Resources Limited** (Diversified Metals & Mining) and **Ovintiv Inc** (Oil & Gas Exploration & Production).

A number of new 52-week highs were achieved in the portfolio including **Ballard Power Systems Inc** (Electrical Components & Equipment), **Tfi International Inc** (Trucking), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Tesla Inc** (Automobile Manufacturers), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Teck Resources Limited** (Diversified Metals & Mining), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Lam Research Corp** (Semiconductor Equipment), **Taiwan Semiconductor Manufacturing Co** (Semiconductors), **Goeasy Ltd** (Consumer Finance), **Lightspeed Pos Inc** (Application Software), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Parker Hannifin Corp** (Industrial Machinery), **Ovintiv Inc** (Oil & Gas Exploration & Production), **Canadian Pacific Railway Ltd** (Railroads), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Magna International Incorporated** (Auto Parts & Equipment), **First Quantum Minerals Ltd** (Copper), **Hudbay Minerals Inc** (Diversified Metals & Mining) and **Docebo Inc** (Application Software).

INCOME PORTFOLIOS**BLUE HERON CANADIAN DIVIDEND****BLUE HERON CANADIAN INCOME****January 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 ~ 4.71%, versus 2.99% for the TSX Composite.

During the month we sold our positions in **Mty Food Group Inc** (Restaurants), **Brookfield Property Partners L P** (Real Estate Operating Companies), **North West Company Inc** (Food Retail), **Premium Brands Holdings Corp** (Packaged Foods & Meats), **West Fraser Timber Co Ltd** (Forest Products) and **Summit Industrial Income Reit** (Industrial REITs).

We added new positions in **Labrador Iron Ore Royalty Corp** (Steel), **Imperial Oil Ltd** (Integrated Oil & Gas), **Keyera Corp** (Oil & Gas Storage & Transportation), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals) and **Dream Industrial REIT** (Industrial REITs).

A number of new 52-week highs were achieved in the portfolio including **Northwest Healthcare Properties Reit** (Health Care REITs), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Goeasy Ltd** (Consumer Finance), **Canadian Tire** (General Merchandise Stores), **Canadian Imperial Bank Of Commerce** (Diversified

Banks), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Boralex Inc** (Renewable Electricity), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Innergex Renewable Energy Inc** (Renewable Electricity), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Magna International Incorporated** (Auto Parts & Equipment) and **Transalta Renewables Inc** (Renewable Electricity).

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Securities

Air Canada	2a,2c,2e,2g,C38	First Quantum Minerals Ltd.
Algonquin Power & Utilities Corp.	2a,2c,2e,2g,7	Franco-Nevada Corporation
Artis Real Estate Investment Trust	2a,2e,2g	Hudbay Minerals Inc.
Boralex Inc. Class A	2a,2c,2e,2g	Hydro One Limited
Brookfield Property Partners LP	2g,7	Imperial Oil Limited
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Innergex Renewable Energy Inc.
Canadian Tire Corporation, Ltd.	13,2g,7	Inter Pipeline Ltd.
Docebo, Inc.	2a,2c,2e,2g	Keyera Corporation
Dream Industrial REIT	2a,2c,2e,2g	Lightspeed POS, Inc.
Finning International Inc.	2g,3a,3c	Magna International Inc.

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.

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

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

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.