



## ADVISOR MANAGED ACCOUNTS: FEBRUARY 2021 COMMENTARY



February continued the fretful trend of January but with overall better performance from equity markets. We have gone from worried that the market will never recover to the anxiety that the recovery will be too robust and lead to higher inflation and interest rates. We would like to actually see the recovery before deciding upon whether it has inappropriate vigor. We tend to be trend followers rather than trend leaders so this period in the doldrums - lacking in defined direction and strength - is absolutely no fun.

This is the sort of unsettled and fickle market that punishes the swift and decisive. We feel compelled to move a little slower and to watch a lot closer. Our models currently look upon equity markets as very favorable but the forefront of that rosy backdrop is very unsettled, bubbling and roiling. We are following our rules, exercising discipline but mostly watchfully waiting. Watchfully waiting may be the theme of both our lives, the economy and the market through the end of the summer as we await for vaccine supply and delivery to lead us out of lockdown and into a somewhat uncertain reopening.

Much like how the pandemic downturn was distributed unevenly to sectors of the economy we can expect similar unevenness in recovery. We are again reminded that the economy and the stock markets do not move in lock step and so we can experience market strength and weakness that would not be dictated by what the economy is presently experiencing. The market is very forward looking, but the farther forward you looking the murkier the picture is. Looking forward is no guarantee that you are accurately seeing what is coming and consensus can change - often times quite rapidly.

We aim, as always, to be mostly right rather than absolutely wrong. We do this by being process driven rather than driven by emotion, to be disciplined rather than foolhardy, and sometimes moving swiftly and other times - like now- more deliberately.

The Equity Action Call (EAC) remains 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.

The VIX, or “fear gauge” (a forward looking gauge that measures U.S. market volatility) has moderated to 27.9 after starting the month 31.4, with a monthly range between 19.6 and 33.9. These levels are consistent with long term averages, but the current level is leaning towards “high normal” consistent with currently unsettled nature of the equity markets.

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

### February 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 **Boralex Inc** (Renewable Electricity), **Canadian Pacific Railway Ltd** (Railroads), **Orsted A/S** (Electric Utilities) and **Innergex Renewable Energy Inc** (Renewable Electricity).

We added new positions in **Cameco Corporation** (Uranium), **Alphabet Inc.** (Interactive Media & Services) and **Shopify Inc** (Internet Services & Infrastructure).

A number of new 52-week highs were achieved in the portfolio including **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Finning Intl Inc** (Trading Companies & Distributors), **Aritzia Inc** (Apparel Retail), **Ally Financial Inc** (Consumer Finance), **Trimble Inc.** (Electronic Equipment & Instruments), **Parker Hannifin Corp** (Industrial Machinery), **Enerflex Ltd.** (Oil & Gas Equipment & Services), **Morgan Stanley** (Investment Banking & Brokerage), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Aegon Nv** (Life & Health Insurance), **ECN Capital Corp** (Specialized Finance), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Ivanhoe Mines Ltd** (Diversified Metals & Mining), **Lundin Mining Corporation** (Copper), **Cameco Corporation** (Coal & Consumable Fuels), **Interfor Corp** (Forest Products), **Canfor Corp** (Forest Products), **Lam Research Corp** (Semiconductor Equipment), **Alphabet Inc.** (Interactive Media & Services), **Square Inc** (Data Processing & Outsourced Services), **Taiwan Semiconductor Mfg Co** (Semiconductors), **Stmicroelectronics N V** (Semiconductors), **Colliers International Group Inc** (Real Estate Services), **Sleep Country Canada Hldgs Inc** (Homefurnishing Retail), **Shopify Inc** (Internet Services & Infrastructure), **Lightspeed Pos Inc** (Application Software) and **Canaccord Genuity Group Inc** (Investment Banking & Brokerage).

## BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

### February 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 Pacific Railway Ltd** (Railroads) and **Hydro One Ltd** (Electric Utilities). We added a new position in **Telus Corporation** (Integrated Telecommunication Services)

A number of new 52-week highs were achieved in the portfolio including **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Finning Intl Inc** (Trading Companies & Distributors), **Manulife Financial Corp** (Life & Health Insurance), **Canadian Western Bank** (Regional Banks), **National Bank Of Canada** (Diversified Banks), **Power Corp** (Life & Health Insurance), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Sun Life Financial Inc** (Life & Health Insurance), **Bank Of Montreal** (Diversified Banks), **Toronto Dominion Bank** (Diversified Banks), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Superior Plus Corp** (Gas Utilities), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Russel Metals Inc** (Trading Companies & Distributors), **Telus Corporation** (Integrated Telecommunication Services), **Northland Power Inc** (Independent Power Producers & Energy Traders) and **Canaccord Genuity Group Inc** (Investment Banking & Brokerage).

## BLUE HERON GLOBAL ESG LEADER

### February 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 **Comerica Inc** (Regional Banks), **Orsted A/S** (Electric Utilities) and **PPG Inds Inc** (Specialty Chemicals).

We added new positions in **Aegon Nv** (Life & Health Insurance) and **Alphabet Inc.** (Interactive Media & Services).

A number of new 52-week highs were achieved in the portfolio including **Discovery Inc** (Broadcasting), **Ally Financial Inc** (Consumer Finance), **Trimble Inc.** (Electronic Equipment & Instruments), **Parker Hannifin Corp** (Industrial Machinery), **Morgan Stanley** (Investment Banking & Brokerage), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Hilton Worldwide Holdings Inc** (Hotels, Resorts & Cruise Lines), **Weyerhaeuser Co** (Specialized REITs), **Cemex S.A.B. De C.V.** (Construction Materials), **Aegon Nv** (Life & Health Insurance), **Rio Tinto Plc** (Diversified Metals & Mining), **Banco Bilbao Vizcaya Argentaria** (Diversified Banks), **Barclays Plc** (Diversified Banks), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **Walt Disney Co** (Movies & Entertainment), **Applied Materials Inc** (Semiconductor Equipment), **LG Display Company Ltd** (Electronic Components), **Idexx Laboratories Corp** (Health Care Equipment), **Lam Research Corp** (Semiconductor Equipment), **Alphabet Inc.** (Interactive Media & Services), **Square Inc** (Data Processing & Outsourced Services), **ASML Holding Nv** (Semiconductor Equipment), **Taiwan Semiconductor Mfg Co** (Semiconductors), **ICICI Bank Ltd** (Diversified Banks), **Ase Technology Holding Co Ltd** (Semiconductors), **Stmicroelectronics N V** (Semiconductors) and **HCA Healthcare Inc** (Health Care Facilities).

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

Canaccord Genuity Group Inc. (Ticker **CF**) is a Canada-based independent financial services company. The Company has operations in two principal segments of the securities industry: wealth management and capital markets. The Company's segments include Canaccord Genuity, Canaccord Genuity Wealth Management, and Corporate and Other. The Canaccord Genuity segment provides investment banking, research, and sales and trading services to corporate, institutional and government clients, as well as conducting principal trading activities in Canada, the United States, the United Kingdom and Europe, and the Asia-Pacific region. The Canaccord Genuity Wealth Management segment provides wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries. The Corporate and Other segment includes Pinnacle Correspondent Services, interest, foreign exchange revenue and expenses not allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

(Thomson One. (2021). Retrieved from <https://www.thomsonone.com/>)

Canaccord Genuity's rating is unchanged at 'BBB'. Canaccord Genuity continues to exhibit strong commitment towards sustainability sectors through its advisory and underwriting business. However, it lags its peers in adopting effective talent management programs. Canaccord Genuity has continued to integrate ESG factors in its investment banking activities, creating a team that understands sustainability perspective in order to achieve strategic and financial goals. Further, the company has a majority independent board with fully independent audit and pay committees, which may help strengthen oversight of management, financial and pay practices, respectively. However, Canaccord Genuity's efforts to address operational risks associated with talent retention seem limited due to lack of evidence of engagement programs such as staff surveys that help gauge workforce satisfaction levels and morale.

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

**GROWTH PORTFOLIOS****BLUE HERON BALANCED****BLUE HERON GROWTH****February 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 Pacific Railway Ltd** (Railroads), **Franco-Nevada Corp** (Gold), **Innergex Renewable Energy Inc** (Renewable Electricity) and **MTY Food Group Inc** (Restaurants).

We added new positions in **Cameco Corporation** (Uranium), **Shopify Inc** (Internet Services & Infrastructure) and **Well Health Technologies Corp** (Health Care Services).

A number of new 52-week highs were achieved in the portfolio including **Ovintiv Inc** (Oil & Gas Exploration & Production), **Magna International Incorporated** (Auto Parts & Equipment), **CAE Inc** (Aerospace & Defense), **Parker Hannifin Corp** (Industrial Machinery), **First Quantum Minerals Ltd** (Copper), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Goeasy Ltd** (Consumer Finance), **Teck Resources Limited** (Diversified Metals & Mining), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Hudbay Minerals Inc** (Diversified Metals & Mining), **Applied Materials Inc** (Semiconductor Equipment), **Seven Generations Energy Ltd** (Oil & Gas Exploration & Production), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Cameco Corporation** (Coal & Consumable Fuels), **Lam Research Corp** (Semiconductor Equipment), **Taiwan Semiconductor Mfg Co** (Semiconductors), **Colliers International Group Inc** (Real Estate Services), **TFI International Inc** (Trucking), **Shopify Inc** (Internet Services & Infrastructure), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Well Health Technologies Corp** (Health Care Services), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Lightspeed Pos Inc** (Application Software) and **Canaccord Genuity Group Inc** (Investment Banking & Brokerage).

**INCOME PORTFOLIOS****BLUE HERON CANADIAN DIVIDEND****BLUE HERON CANADIAN INCOME****February 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 -4.7%, versus 2.9% for the TSX Composite.

During the month we sold our positions in **Boralex Inc** (Renewable Electricity) and **Imperial Oil Ltd** (Integrated Oil & Gas).

We added new positions in **CI Financial Corp** (Asset Management & Custody Banks) and **Russel Metals Inc** (Trading Companies & Distributors).

A number of new 52-week highs were achieved in the portfolio including **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Labrador Iron Ore Royalty Corp** (Steel), **Manulife Financial Corp** (Life & Health Insurance), **Canadian Western Bank** (Regional Banks), **National Bank Of Canada** (Diversified Banks), **Power Corp** (Life & Health Insurance), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Sun Life Financial Inc** (Life & Health Insurance), **Goeasy Ltd** (Consumer Finance), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Bank Of Montreal** (Diversified Banks), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Canadian Tire** (General Merchandise Stores), **Superior Plus Corp** (Gas Utilities), **Russel Metals Inc** (Trading Companies & Distributors), **Northland Power Inc**

(Independent Power Producers & Energy Traders) and **Canaccord Genuity Group Inc** (Investment Banking & Brokerage).

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### Securities

Aritzia Inc.	12,1b,2g,3a,3c	Imperial Oil Limited	2g
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	Innergex Renewable Energy Inc.	2g
Boralex Inc. Class A	2a,2c,2e,2g	Lightspeed POS, Inc.	2a,2c,2e,2g
CAE Inc.	2a,2c,2e,2g,9	Lundin Mining Corporation	2a,2e,2g
Canadian Natural Resources Ltd.	2a,2c,2e,2g,7	Magna International Inc.	2a,2c,2g,7
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,3a,3c,7,9	Manulife Financial Corp.	2a,2c,2e,2g,7
Canadian Tire Corporation, Ltd.	13,2g,7	MTY Food Group Inc.	2a,2e,2g
Canadian Western Bank	2a,2c,2e,2g	National Bank Of Canada	2a,2c,2e,2g,3a,3c,7
Canfor Corporation	2g,3a	Northland Power Inc.	2a,2c,2e,2g,3a,7
CI Financial Corp.	2a,2c,2e,2g	Nutrien Ltd.	2a,2c,2g,7
Colliers International Group Inc.	12,2a,2c,2e,2g	Ovintiv Inc.	2g
Corus Entertainment Inc.	13,2g	Power Corporation of Canada	12,2g,7
ECN Capital Corp.	2a,2c,2e,2g,3a,3c	Sun Life Financial Inc.	2a,2c,2e,2g,7
Enerflex Ltd.	2g	Superior Plus Corp.	2a,2e,2g,9
Finning International Inc.	2g,3a,3c	Teck Resources Limited	12,2a,2e,2g,7
First Quantum Minerals Ltd.	2a,2e,2g,7	Toronto-Dominion Bank	2a,2c,2e,2g,3a,3c,7
Franco-Nevada Corporation	2a,2e,2g,7	Seven Generations Energy Ltd.	2f,2g
Hudbay Minerals Inc.	2a,2e,2g,8,CD61	Sleep Country Canada Holdings Inc.	2g
Hydro One Limited	2a,2c,2e,2g	Tourmaline Oil Corp.	2a,2e,2g

### Disclaimers

1b CIBC WM Inc. makes a market in the securities of this company.

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.

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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.

CD61 The Associate who covers Hudbay Minerals Inc. previously owned shares in the company, but was required by CIBC World Markets policy to sell the entire position before the issuance of this report.