



## ADVISOR MANAGED ACCOUNTS: MARCH 2021 COMMENTARY



March continued the market strength of February but with different actors in the lead roles. The strength of information technology, particularly in Canada, waned markedly and the recently rarely spotted enthusiasm for energy backed off from early year enthusiasm. The rotation from “sexy” technology and renewable power stocks to dull and predictable financials, consumer discretionary and staples, industrials and real estate continues. Our Growth and Global models, in particular, look like entirely different beasts than six month ago. Markets in Canada, the US and Globally look very investable with the US out in front for the first time this year. Canadian dividend stocks look more robust and consequently our Dividend models are outperforming growth for the first time.

Our models continue to look upon equity markets as very favorable but the forefront of that rosy backdrop continues to be 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.



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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 look 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. (I think I feel the need to recycle these paragraphs for a few more months.)

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, paying very close attention to where strength in the market is manifesting itself, and showing a willingness to change horses when necessary.



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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 19.4 after starting the month 25.2, with a monthly range between 18.6 and 31.9. These levels are consistent with long term averages, but the current level markedly moderated in March from the higher levels experienced through most of the 1<sup>st</sup> quarter.

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****March 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 **Toromont Inds Ltd** (Trading Companies & Distributors), **Transalta Renewables Inc** (Renewable Electricity), **Mullen Group Ltd** (Trucking), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Nice Ltd** (Application Software), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Lightspeed Pos Inc** (Application Software), **Shopify Inc** (Internet Services & Infrastructure), **Square Inc** (Data Processing & Outsourced Services), **Stmicroelectronics N V** (Semiconductors), **Sierra Wireless Inc** (Communications Equipment), **Tesla Inc** (Automobile Manufacturers) and **Ivanhoe Mines Ltd** (Diversified Metals & Mining).

We added new positions in **Lundin Mining Corporation** (Copper), **Aegon Nv** (Life & Health Insurance), **Enerflex Ltd.** (Oil & Gas Equipment & Services), **NFI Group Inc** (Construction Machinery & Heavy Trucks), **Canfor Corp** (Forest Products), **Ivanhoe Mines Ltd** (Diversified Metals & Mining), **Aritzia Inc** (Apparel Retail), **Applied Materials Inc** (Semiconductor Equipment), **CAE Inc** (Aerospace & Defense), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Manulife Financial Corp** (Life & Health Insurance), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals) and **Bank Of Montreal** (Diversified Banks).

A number of new 52-week highs were achieved in the portfolio including **Applied Materials Inc** (Semiconductor Equipment), **Trimble Inc.** (Electronic Equipment & Instruments), **Bank Of Montreal** (Diversified Banks), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Manulife Financial Corp** (Life & Health Insurance), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Mosaic Company (Holding Company)** (Fertilizers & Agricultural Chemicals), **Ally Financial Inc** (Consumer Finance), **Morgan Stanley** (Investment Banking & Brokerage), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Parker Hannifin Corp** (Industrial Machinery), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Cameco Corporation** (Coal & Consumable Fuels), **ECN Capital Corp** (Specialized Finance), **Aritzia Inc** (Apparel Retail), **Aegon Nv** (Life & Health Insurance), **Enerflex Ltd.** (Oil & Gas Equipment & Services), **CAE Inc** (Aerospace & Defense) and **Finning Intl Inc** (Trading Companies & Distributors).

**BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER****March 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 **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Boralex Inc** (Renewable Electricity), **Innergex Renewable Energy Inc** (Renewable Electricity), **Fiera Capital Corp** (Asset Management & Custody Banks), **Northland Power Inc** (Independent Power Producers & Energy Traders) and **Transalta Renewables Inc** (Renewable Electricity).

We added new positions in **NFI Group Inc** (Construction Machinery & Heavy Trucks), **Transcontinental Inc** (Commercial Printing), **Computer Modelling Group Ltd** (Oil & Gas Equipment & Services), **Pason Systems Inc** (Oil & Gas Equipment & Services), **Boardwalk REIT** (Residential REITs), **Aecon Group Inc** (Construction & Engineering), **CAE Inc** (Aerospace & Defense) and **Crombie REIT** (Retail REITs).

A number of new 52-week highs were achieved in the portfolio including **Bank Of Montreal** (Diversified Banks), **Superior Plus Corp** (Gas Utilities), **Crombie REIT** (Retail REITs), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Manulife Financial Corp** (Life & Health Insurance), **National Bank Of Canada** (Diversified Banks), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Power Corp Cda** (Life & Health Insurance), **Toronto Dominion Bank** (Diversified Banks), **Keyera Corp** (Oil & Gas Storage & Transportation), **Altagas Ltd** (Gas Utilities), **Mullen Group Ltd** (Trucking), **Boardwalk REIT** (Residential REITs), **Pason Systems Inc** (Oil & Gas Equipment & Services), **Transcontinental Inc** (Commercial Printing), **Sun Life Financial Inc** (Life & Health Insurance), **Aecon Group Inc** (Construction & Engineering), **CAE Inc** (Aerospace & Defense), **Canadian Western Bank** (Regional Banks), **Artis REIT** (Diversified REITs) and **Finning Intl Inc** (Trading Companies & Distributors).

## BLUE HERON GLOBAL ESG LEADER

### March 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 **Nice Ltd** (Application Software), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Square Inc** (Data Processing & Outsourced Services), **Stmicroelectronics N V** (Semiconductors), **Tesla Inc** (Automobile Manufacturers), **Blackrock Inc** (Asset Management & Custody Banks) and **Rio Tinto Plc** (Diversified Metals & Mining).

We added new positions in **ICICI Bank Ltd** (Diversified Banks), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Oneok Inc** (Oil & Gas Storage & Transportation), **Schlumberger Ltd** (Oil & Gas Equipment & Services), **Metlife Inc** (Life & Health Insurance) and **Prudential Plc** (Life & Health Insurance).

A number of new 52-week highs were achieved in the portfolio including **Applied Materials Inc** (Semiconductor Equipment), **Kansas City Southern** (Railroad), **Trimble Inc.** (Electronic Equipment & Instruments), **Barclays Plc** (Diversified Banks), **ASML Holding Nv** (Semiconductor Equipment), **Discovery Inc** (Broadcasting), **Mosaic Company (Holding Company)** (Fertilizers & Agricultural Chemicals), **Ally Financial Inc** (Consumer Finance), **Morgan Stanley** (Investment Banking & Brokerage), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Parker Hannifin Corp** (Industrial Machinery), **Metlife Inc** (Life & Health Insurance), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Prudential Plc** (Life & Health Insurance), **Oneok Inc** (Oil & Gas Storage & Transportation), **Hilton Worldwide Holdings Inc** (Hotels, Resorts & Cruise Lines), **Cemex S.A.B. De C.V.** (Construction Materials), **Schlumberger Ltd** (Oil & Gas Equipment & Services), **HCA Healthcare Inc** (Health Care Facilities), **Aegon Nv** (Life & Health Insurance) and **Walt Disney Co** (Movies & Entertainment).

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

**MetLife, Inc.** (Ticker **MET-US**) is a provider of life insurance, annuities, employee benefits and asset management. The Company's segments include U.S.; Asia; Latin America; Europe, the Middle East and Africa (EMEA); MetLife Holdings, and Corporate & Other. Its U.S. segment is organized into Group Benefits, Retirement and Income Solutions and Property & Casualty businesses. Its Asia segment offers products, including life insurance; accident and health insurance, and retirement and savings products. Latin America offers products, including life insurance, and retirement and savings products. Life insurance includes universal, variable and term life products. EMEA offers products, including life insurance, accident and health insurance, retirement and savings products, and credit insurance. (Thomson One. (2021). Retrieved from <https://www.thomsonone.com/>)

MetLife has been upgraded to 'A' from 'BB'. The rating upgrade is driven mainly by MetLife's industry-leading integration of ESG factors into its investment processes, and proactive engagement with investee companies to enhance sustainability in its business practices. Governance practices appear to have

improved, too, with a majority independent board and a fully independent chairman. Also, governance risks posed by related-party transactions are perceived to be lower than in our previous assessment. MetLife has a majority independent board, as well as independent audit and pay committees, which could strengthen oversight of management, financial reporting, and executive pay practices, respectively. The board had no over-boarded non-executive directors, as of October 2020. MetLife's subsidiary, MetLife Investment Management (MIM), which manages fund operations for the group, became a signatory to the United Nations Principle for Responsible Investment (UNPRI) in 2019, thereby exhibiting commitment to integrating ESG principles in its investments. It actively explores emerging opportunities in green finance and has green investments of USD 18 billion. MetLife has annual data privacy training programs for employees to raise cybersecurity awareness, and incident response plans to mitigate potential theft or leakage of data. However, we did not find evidence of system audits to assess the strength of its IT infrastructure.

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

## GROWTH PORTFOLIOS

### BLUE HERON BALANCED

### BLUE HERON GROWTH

#### March 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 **Docebo Inc** (Application Software), **Nice Ltd** (Application Software), **Apple Inc** (Technology Hardware, Storage & Peripherals), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Ballard Power Systems Inc** (Electrical Components & Equipment), **Hudbay Minerals Inc** (Diversified Metals & Mining), **Lightspeed Pos Inc** (Application Software), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Shopify Inc** (Internet Services & Infrastructure), **Tesla Inc** (Automobile Manufacturers), **Cemex S.A.B. De C.V.** (Construction Materials), **First Quantum Minerals Ltd** (Copper), **Seven Generations Energy Ltd** (Oil & Gas Exploration & Production) and **Well Health Technologies Corp** (Health Care Services).

We added new positions in **NFI Group Inc** (Construction Machinery & Heavy Trucks), **Applied Materials Inc** (Semiconductor Equipment), **Seven Generations Energy Ltd** (Oil & Gas Exploration & Production), **Bank Of Montreal** (Diversified Banks), **Cemex S.A.B. De C.V.** (Construction Materials), **Finning Intl Inc** (Trading Companies & Distributors), **Alphabet Inc.** (Interactive Media & Services), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Manulife Financial Corp** (Life & Health Insurance), **National Bank Of Canada** (Diversified Banks), **Bank Of Nova Scotia** (Diversified Banks) and **Toronto Dominion Bank** (Diversified Banks).

A number of new 52-week highs were achieved in the portfolio including **Applied Materials Inc** (Semiconductor Equipment), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Magna International Incorporated** (Auto Parts & Equipment), **Manulife Financial Corp** (Life & Health Insurance), **National Bank Of Canada** (Diversified Banks), **Bank Of Nova Scotia** (Diversified Banks), **Toronto Dominion Bank** (Diversified Banks), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Parker Hannifin Corp** (Industrial Machinery), **Cameco Corporation** (Coal & Consumable Fuels), **Goeasy Ltd** (Consumer Finance), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **CAE Inc** (Aerospace & Defense), **Ovintiv Inc** (Oil & Gas Exploration & Production) and **Finning Intl Inc** (Trading Companies & Distributors).

## INCOME PORTFOLIOS

**BLUE HERON CANADIAN DIVIDEND**  
**BLUE HERON CANADIAN INCOME****March 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 ~4.55%, versus 2.78% for the TSX Composite.

During the month we sold our positions in **CI Financial Corp** (Asset Management & Custody Banks), **Innergex Renewable Energy Inc** (Renewable Electricity), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Fiera Capital Corp** (Asset Management & Custody Banks), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Transalta Renewables Inc** (Renewable Electricity) and **Tourmaline Oil Corp** (Oil & Gas Exploration & Production).

We added new positions in **Chemtrade Logistics Inc Fund** (Commodity Chemicals), **Inovalis REIT** (Office REITs), **Superior Plus Corp** (Gas Utilities), **Smartcentres REIT** (Retail REITs), **Alaris Equity Partners Income Trust Unit** (Asset Management & Custody Banks), **Artis REIT** (Diversified REITs), **Finning Intl Inc** (Trading Companies & Distributors), **Suncor Energy Inc** (Integrated Oil & Gas), **Mullen Group Ltd** (Trucking) and **Telus Corporation** (Integrated Telecommunication Services).

A number of new 52-week highs were achieved in the portfolio including **Bank Of Montreal** (Diversified Banks), **Superior Plus Corp** (Gas Utilities), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Corus Entertainment Inc** (Broadcasting), **Magna International Incorporated** (Auto Parts & Equipment), **Manulife Financial Corp** (Life & Health Insurance), **National Bank Of Canada** (Diversified Banks), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Power Corp Cda** (Life & Health Insurance), **Keyera Corp** (Oil & Gas Storage & Transportation), **Smartcentres REIT** (Retail REITs), **Dream Industrial REIT** (Industrial REITs), **Goeasy Ltd** (Consumer Finance), **Labrador Iron Ore Royalty Corp** (Steel), **Mullen Group Ltd** (Trucking), **Suncor Energy Inc** (Integrated Oil & Gas), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Sun Life Financial Inc** (Life & Health Insurance), **Alaris Equity Partners Income Trust Unit** (Asset Management & Custody Banks), **Canadian Western Bank** (Regional Banks), **Chemtrade Logistics Inc Fund** (Commodity Chemicals), **Artis REIT** (Diversified REITs) and **Finning Intl Inc** (Trading Companies & Distributors).

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## Securities

Aecon Group Inc.	2g	Hudbay Minerals Inc.	2a,2e,2g,8,CD61
Alaris Equity Partners Income Trust	2a,2c,2e,2g	Innervex Renewable Energy Inc.	2g
Algonquin Power & Utilities Corp.	2a,2c,2e,2g,7	Interfor Corporation	2g
AltaGas Ltd.	2a,2c,2e,2g,7	Lightspeed POS, Inc.	2a,2c,2e,2g
Aritzia Inc.	12,1b,2g,3a	Lundin Mining Corporation	2a,2e,2g
Artis Real Estate Investment Trust	2a,2e,2g	Magna International Inc.	2a,2c,2g,7
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	Manulife Financial Corp.	2a,2c,2e,2g,7
Bank of Nova Scotia	2a,2c,2e,2g,3a,3c,7	Mosaic Company	2g
Boardwalk REIT	2g,7	Mullen Group Ltd.	2g
CAE Inc.	2a,2c,2e,2g,9	National Bank Of Canada	2a,2c,2e,2g,3a,3c,7
Canadian Natural Resources Ltd.	2a,2c,2e,2g,7	NFI Group Inc.	2a,2c,2e,2g
Canadian Western Bank	2a,2c,2e,2g	Northland Power Inc.	2a,2c,2e,2g,3a,7
Canfor Corporation	2g	Power Corporation of Canada	12,2g,7
Chemtrade Logistics Income Fund	2a,2c,2e,2g	Shopify Inc.	12,2g
CI Financial Corp.	2a,2c,2e,2g	Sierra Wireless Inc.	2g
Corus Entertainment Inc.	13,2g	Sleep Country Canada Holdings Inc.	2g
Crombie REIT	2a,2e,2g	Sun Life Financial Inc.	2a,2c,2e,2g,7
Docebo, Inc.	2a,2c,2e,2g	Suncor Energy Inc.	2a,2c,2e,2g,3a,3c,7,8
Enerflex Ltd.	2g	Superior Plus Corp.	2a,2e,2g,9
Exchange Income Corporation	2g	TELUS Corporation	13,2a,2c,2e,2g,7,9,C1
Fiera Capital Corporation	12,1b,2g	TFI International Inc.	2g
Finning International Inc.	2g,3a	Toromont Industries Ltd.	2g,3a
First Quantum Minerals Ltd.	2a,2e,2g,7		

## Disclaimers

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

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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.