



ADVISOR MANAGED ACCOUNTS: APRIL 2021 COMMENTARY



“Have you had your first does of vaccine?” - *common conversation starter heard on the streets of Victoria.*

Thankfully in Canada our supply chain issues have been resolved (At least in the short term) and the conversation has shifted from worrying about when we might get enough vaccine and jumped right into arguing about who should receive the first does first, who and when to administer second doses, and even being selective about which of the available vaccines to use. We’ll leave it our readers to have their own opinions about personal health care, but we view the shift in conversation as largely positive. We have moved away from issues that are predominantly out of our control and onto issues that can be debated and solved by experts in the field (note: we are not health care experts!).

April also brought us our first federal budget since 2019. There had been much concern and speculation about increased taxation measures that may be required to help repay the debt incurred by our government through covid relief and economic stimulus efforts. Increased taxation on capital gains, higher marginal rates on higher income earners, reduced contribution room to TFSA accounts and an introduction of taxation on a principle residence were all considered (at least by the media) but in the end none of these measures were introduced. Later? Perhaps. Only time will tell. For a look at the changes and benefits introduced please find the attached [2021 Federal Budget](#) summary written by Jamie Golombek, Managing Director, CIBC Tax and Estate Planning.



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Markets continued their upwards trend in April, albeit with ever-changing leadership that we have spoken about in prior commentaries. Larger, often more stable financials and industrials that lagged the broader market in 2020 have been positive this year. More recently we have also seen a surge in many commodity and cyclical sectors - Lumber and grain have led the charge, but we have also seen strong moves in copper and Natural gas, and to a lesser extent silver, oil and gold. We do not invest in commodities directly, but we take from this a positive economic message as the price increases are driven more by increased demand (from an improving economy) rather than a restriction in supply. Commodity increases may also help explain the strengthening Canadian dollar vs. US dollar. That, as well as speculation that Canada may have to move first to raise interest rates from the very low and accommodative rates we currently have. The Canadian dollar increased to over 81 cents US in April, up 2% for the month and up 17% from the 69-cent range we experienced one year ago.



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The Equity Action Call (EAC) 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 slightly to 18.6, with lower monthly ranges than March between 15 and 20. These levels are in line with long term averages,

implying a certain amount of calm in the market.

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

April 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 **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Lundin Mining Corporation** (Copper), **NFI Group Inc** (Construction Machinery & Heavy Trucks), **Enerflex Ltd.** (Oil & Gas Equipment & Services) and **Taiwan Semiconductor Mfg Co** (Semiconductors).

We added new positions in **AG Growth Intl Inc** (Agricultural & Farm Machinery), **BRP Incorporated** (Leisure Products), **Russel Metals Inc** (Trading Companies & Distributors), **ASML Holding Nv** (Semiconductor Equipment) and **Lightspeed Pos Inc** (Application Software).

A number of new 52-week highs were achieved in the portfolio including **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Russel Metals Inc** (Trading Companies & Distributors), **Bank Of Montreal** (Diversified Banks), **Ally Financial Inc** (Consumer Finance), **Mosaic Company New** (Holding Company) (Fertilizers & Agricultural Chemicals), **Alphabet Inc. (C)** (Interactive Media & Services), **Interfor Corp** (Forest Products), **BRP Incorporated** (Leisure Products), **Magna International Incorporated** (Auto Parts & Equipment), **ASML Holding Nv** (Semiconductor Equipment), **Canfor Corp** (Forest Products), **Corus Entertainment Inc Cl B** (Broadcasting), **Lam Research Corp** (Semiconductor Equipment), **Trimble Inc.** (Electronic Equipment & Instruments), **Parker Hannifin Corp** (Industrial Machinery), **CNH Industrial N.V.** (Agricultural & Farm Machinery) and **Applied Materials Inc** (Semiconductor Equipment).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

April 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 **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Computer Modelling Group Ltd** (Oil & Gas Equipment & Services), **Pason Systems Inc** (Oil & Gas Equipment & Services) and **NFI Group Inc** (Construction Machinery & Heavy Trucks).

We added new positions in **Bank Of Nova Scotia** (Diversified Banks), **Transalta Renewables Inc** (Renewable Electricity) and **Northland Power Inc** (Renewable Electricity).

A number of new 52-week highs were achieved in the portfolio including: **Corus Entertainment Inc Cl B** (Broadcasting), **Sleep Country Canada Holdings Inc** (Homefurnishing Retail), **Russel Metals Inc** (Trading Companies & Distributors), **National Bank Of Canada** (Diversified Banks), **Bank Of Montreal** (Diversified Banks), **Power Corp Canada** (Life & Health Insurance), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Keyera Corp** (Oil & Gas Storage & Transportation), **Altagas Ltd** (Gas Utilities), **Toronto Dominion Bank** (Diversified Banks), **Canadian Imperial Bk Of Commerce** (Diversified Banks), **Sun Life Financial Inc** (Life & Health Insurance), **Superior Plus Corp** (Gas Utilities), **Magna International Incorporated** (Auto Parts & Equipment), **Crombie REIT** (Retail REITs) and **Mullen Group Ltd** (Trucking).

BLUE HERON GLOBAL ESG LEADER

April 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 **Discovery Inc (A)** (Broadcasting), **Idexx Laboratories Corp** (Health Care Equipment), **Nike Inc** (Footwear), **Banco Bilbao Vizcaya Argentaria** (Diversified Banks), **Icici Bank Ltd** (Diversified Banks), **Banco Santander S. A.** (Diversified Banks), **Schlumberger Ltd** (Oil & Gas Equipment & Services) and **Taiwan Semiconductor Mfg Co** (Semiconductors).

We added new positions in **CBRE Group Inc** (Real Estate Services), **Hp Inc** (Technology Hardware, Storage & Peripherals), **Carmax Inc** (Automotive Retail), **CRH Plc** (Construction Materials), **JPMorgan Chase & Co** (Diversified Banks), **Lloyds Banking Group Plc** (Diversified Banks) and **Square Inc** (Data Processing & Outsourced Services).

A number of new 52-week highs were achieved in the portfolio including: **Ally Financial Inc** (Consumer Finance), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals), **HP Inc** (Technology Hardware, Storage & Peripherals), **CBRE Group Inc** (Real Estate Services), **Oneok Inc** (Oil & Gas Storage & Transportation), **Metlife Inc** (Life & Health Insurance), **Weyerhaeuser Co** (Specialized REITs), **Hilton Worldwide Holdings Inc** (Hotels, Resorts & Cruise Lines), **Cemex S.A.B. De C.V.** (Construction Materials), **Barclays Plc** (Diversified Banks), **Lloyds Banking Group Plc** (Diversified Banks), **Alphabet Inc. (C)** (Interactive Media & Services), **Lg Display Company Ltd** (Electronic Components), **Kansas City Southern** (Railroads), **ASML Holding Nv** (Semiconductor Equipment), **HCA Healthcare Inc** (Health Care Facilities), **CRH Plc** (Construction Materials), **Lam Research Corp** (Semiconductor Equipment), **Trimble Inc.** (Electronic Equipment & Instruments), **Parker Hannifin Corp** (Industrial Machinery), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Applied Materials Inc** (Semiconductor Equipment) and **Prudential Plc** (Life & Health Insurance).

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

Lightspeed POS Inc. (Ticker LSPD) offers omni-channel commerce-enabling software as a service platform. The Company's software platforms provide its customers with functionalities to engage with consumers, manage the operations and accept payments. It enables retailers, restaurants and other small and medium-sized enterprises (SMB) to engage with consumers across online, mobile, social and physical channels. It offers solutions, including Lightspeed Payments and Lightspeed Capital. Lightspeed Payments is the payments processing solution. Lightspeed Capital financing solutions enables merchants to buy inventory, invest in marketing, or manage cash flows by providing financing. The Company's platforms offer full omni-channel capabilities, point of sale, product and menu management, inventory management, analytics and reporting, multi-location connectivity, loyalty, customer management and financial services. It provides solutions for retail, hospitality and golf industries. (Thomson One. (2021). Retrieved from <https://www.thomsonone.com/>)

Lightspeed's rating is unchanged at 'A'. The company's governance practices appear stronger than those of peers due to robust board practices. As an enterprise software provider for e-commerce businesses that handles personal data of subscribers, the company is exposed to increased risks related to a data breach or misuse. However, it leads industry peers in data security management programs. However, its talent management programs related to employee retention and development seem limited relative to those of industry peers. The company's board is majority independent, with an independent chairman--governance structures associated with stronger management oversight. Further, the board is gender-diverse, as 3 of 8 directors are women. The company, however, falls short of leading global peers in adopting strong measures, such as compliance audit, to monitor corporate behavior. Lightspeed operates in the US and Europe, where data indicates the risk of privacy-related regulatory scrutiny is high. To manage the risk, the company has strong data protection programs, including breach management and access control mechanisms. As part of its growth strategy, the company has undertaken multiple acquisitions since 2019. Such activities may present complexities related to employee integration. The company, however, lags better-performing peers in adopting strong engagement channels to gauge job satisfaction levels. (MSCI ESG Manager. (2021). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS

BLUE HERON BALANCED**BLUE HERON GROWTH****April 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 **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **NFI Group Inc** (Construction Machinery & Heavy Trucks), **Teck Resources Limited** (Diversified Metals & Mining), **Cameco Corporation** (Coal & Consumable Fuels), **Ovintiv Inc** (Oil & Gas Exploration & Production) and **Taiwan Semiconductor Mfg Co** (Semiconductors).

We added new positions in **ECN Capital Corp** (Specialized Finance), **Ford Motor Company** (Automobile Manufacturers), **Topicus.Com Inc** (Application Software), **ASML Holding Nv** (Semiconductor Equipment), **BRP Incorporated** (Leisure Products), **Northland Power Inc** (Renewable Electricity) and **Exchange Income Corporation** (Airlines).

A number of new 52-week highs were achieved in the portfolio including: **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **TFI International Inc** (Trucking), **National Bank Of Canada** (Diversified Banks), **Bank Of Montreal** (Diversified Banks), **Toronto Dominion Bank** (Diversified Banks), **Canadian Imperial Bk Of Commerce** (Diversified Banks), **Topicus.Com Inc** (Application Software), **Alphabet Inc. (C)** (Interactive Media & Services), **BRP Incorporated** (Leisure Products), **Magna International Incorporated** (Auto Parts & Equipment), **WSP Global Inc** (Construction & Engineering), **Goeasy Ltd** (Consumer Finance), **Lam Research Corp** (Semiconductor Equipment), **Parker Hannifin Corp** (Industrial Machinery) and **Applied Materials Inc** (Semiconductor Equipment).

INCOME PORTFOLIOS**BLUE HERON CANADIAN DIVIDEND****BLUE HERON CANADIAN INCOME****April 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 ~4.48%, versus 2.68% for the TSX Composite.

During the month we sold our positions in **Canaccord Genuity Group Inc** (Investment Banking & Brokerage) and **Suncor Energy Inc** (Integrated Oil & Gas).

We added new positions in **Toronto Dominion Bank** (Diversified Banks) and **Northland Power Inc** (Renewable Electricity).

A number of new 52-week highs were achieved in the portfolio including: **Labrador Iron Ore Royalty Corp** (Steel), **Russel Metals Inc** (Trading Companies & Distributors), **National Bank Of Canada** (Diversified Banks), **Bank Of Montreal** (Diversified Banks), **Power Corp Cda** (Life & Health Insurance), **Keyera Corp** (Oil & Gas Storage & Transportation), **Toronto Dominion Bank** (Diversified Banks), **Smartcentres REIT** (Retail REITs), **Canadian Imperial Bk Of Commerce** (Diversified Banks), **Sun Life Financial Inc** (Life & Health Insurance), **Superior Plus Corp** (Gas Utilities), **Chemtrade Logistics Inc Fd** (Commodity Chemicals), **Magna International Incorporated** (Auto Parts & Equipment), **Canadian Tire** (Non Vtg A) (General Merchandise Stores), **Inovalis REIT** (Office REITs), **Goeasy Ltd** (Consumer Finance), **Mullen Group Ltd** (Trucking), **Dream Industrial REIT** (Industrial REITs) and **Corus Entertainment Inc** (Broadcasting).

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Securities

Ag Growth International Inc.	2g	Magna International Inc.	2a,2c,2g,7
AltaGas Ltd.	2a,2c,2e,2g,7	Mosaic Company	2g
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	Mullen Group Ltd.	2g
Bank of Nova Scotia	2a,2c,2e,2g,3a,3c,7	National Bank Of Canada	2a,2c,2e,2g,3a,3c,7
Canadian Tire Corporation, Ltd.	13,2g,7	NFI Group Inc.	2a,2c,2e,2g
Canfor Corporation	2g	Northland Power Inc.	2a,2c,2e,2g,3a,7
Capital Power Corporation	2a,2c,2e,2g,9	Ovintiv Inc.	2g
Corus Entertainment Inc.	13,2g,C1	Power Corporation of Canada	12,2g,7
Crombie REIT	2a,2e,2g	SmartCentres Real Estate Investment Trust	2a,2e,2g
Dream Industrial REIT	2a,2c,2e,2g	Sun Life Financial Inc.	2a,2c,2e,2g,7
BRP Inc.	12,2g	Suncor Energy Inc.	2a,2c,2e,2g,3a,3c,7,8
ECN Capital Corp.	2a,2c,2e,2g,3a,3c,7	Superior Plus Corp.	2a,2e,2g,9,C1
Enerflex Ltd.	2g	Teck Resources Limited	12,2a,2e,2g,7
Exchange Income Corporation	2a,2c,2e,2g	Toronto-Dominion Bank	2a,2c,2e,2g,3a,3c,7
Goeasy Ltd.	C1	TransAlta Renewables Inc.	2g
Interfor Corporation	2g	Sleep Country Canada Holdings Inc.	2g
Keyera Corporation	2a,2c,2e,2g,7	TFI International Inc.	2g
Lightspeed POS, Inc.	2a,2c,2e,2g	Tourmaline Oil Corp.	2a,2e,2g
Lundin Mining Corporation	2a,2e,2g	WSP Global Inc.	2a,2c,2e,2g

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