



ADVISOR MANAGED ACCOUNTS: MAY 2021 COMMENTARY



“Sell in May and go away” is the investment truism that, like most, is only occasionally and randomly correct. Markets in North America were positive although the strong Canadian dollar cancelled out the US market gains.

Our progress towards normalcy continues but despite a lot of good news on vaccine roll out and declining cases there continues to be a reluctance to embrace optimism. Perhaps the same disbelief of the scale of the problem in the Spring of 2020 is mirrored in the Summer of 2021 around the scale and permanence of our exit from the shadow of COVID-19.

It's probably time for all of us to revisit “Triumph of the Optimists: 101 Years of Global Investment Returns” the 2002 book Elroy Dimson, Paul Marsh, Mike Staunton that looks at 100 years of investment returns. The key message being that investors too often extrapolate from recent experience. This extrapolation applies to both irrational exuberance and unreasonable pessimism. Equity investors with longer time scales have an inherent advantage over those who have an urgent or time sensitive need for money. This thinking permeates our approach to planning and asset allocation and most often dictates our intent to build “structural patience” into client portfolios. Structural patience aims to have sufficient liquidity in lower risk investments to meet anticipated and unanticipated needs and to allow the equity portion of a portfolio to take advantage of the benefits of time.

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 16.7, with a monthly range between 28.9 and 15.9. There was more movement in the gauge than the range implied by the start of the month at 18.6 and the end at 16.7. There is lots of trepidation in the market and we continue to see, and be impacted, by the rapidly shifting of leadership between sectors and geographies. We expect this to continue as worries around inflation, growth and global trade swirl around over the summer.

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**May 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 **AG Growth Intl Inc** (Agricultural & Farm Machinery), **Canfor Corp** (Forest Products), **BRP Incorporated** (Leisure Products), **Manulife Financial Corp** (Life & Health Insurance) and **Sleep Country Canada Holdings Inc** (Home furnishing Retail).

We added new positions in **National Bank Of Canada** (Diversified Banks), **Power Corp Canada** (Life & Health Insurance), **SNC Lavalin Group Inc** (Construction & Engineering) and **WSP Global Inc** (Construction & Engineering).

A number of new 52-week highs were achieved in the portfolio including **Russel Metals Inc** (Trading Companies & Distributors), **Power Corp Canada** (Life & Health Insurance), **National Bank Of Canada** (Diversified Banks), **Bank Of Montreal** (Diversified Banks), **Morgan Stanley** (Investment Banking & Brokerage), **ASML Holding Nv Ny Reg Shs** (Semiconductor Equipment), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **WSP Global Inc** (Construction & Engineering), **Interfor Corp** (Forest Products), **ECN Capital Corp** (Specialized Finance), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Ally Financial Inc** (Consumer Finance), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Parker Hannifin Corp** (Industrial Machinery) and **Colliers International Group Inc** (Real Estate Services).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER**May 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 **Aecon Group Inc** (Construction & Engineering), **Northland Power Inc** (Renewable Electricity) and **Transalta Renewables Inc** (Renewable Electricity).

We added new positions in **Extendicare Inc** (Health Care Facilities), **North West Company Inc** (Food Retail), **Sienna Senior Living Inc** (Health Care Facilities) and **WSP Global Inc** (Construction & Engineering)

A number of new 52-week highs were achieved in the portfolio including **Power Corp Canada** (Life & Health Insurance), **National Bank Of Canada** (Diversified Banks), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Canadian Western Bank** (Regional Banks), **Bank Of Nova Scotia** (Diversified Banks), **Toronto Dominion Bank** (Diversified Banks), **Extendicare Inc** (Health Care Facilities), **Sienna Senior Living Inc** (Health Care Facilities), **Russel Metals Inc** (Trading Companies & Distributors), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Altagas Ltd** (Gas Utilities), **Keyera Corp** (Oil & Gas Storage & Transportation), **WSP Global Inc** (Construction & Engineering), **Sleep Country Canada Holdings Inc** (Home furnishing Retail), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Crombie REIT** (Retail REITs), **Superior Plus Corp** (Gas Utilities) and **Sun Life Financial Inc** (Life & Health Insurance).

BLUE HERON GLOBAL ESG LEADER**May 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 **ASE Technology Holding Co Ltd Ads** (Semiconductors), **Walt Disney Co** (Movies & Entertainment), **Carmax Inc** (Automotive Retail) and **Square Inc** (Data Processing & Outsourced Services).

We added new positions in **Deutsche Bk A G** (Diversified Capital Markets), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **Iron Mountain Inc (Reit)** (Specialized REITs) and **United Parcel Service Inc** (Air Freight & Logistics).

A number of new 52-week highs were achieved in the portfolio including **Lloyds Banking Group Plc Ads** (Diversified Banks), **CRH Plc Ads** (Construction Materials), **CBRE Group Inc Cl A** (Real Estate Services), **Morgan Stanley** (Investment Banking & Brokerage), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **JPMorgan Chase & Co** (Diversified Banks), **ASML Holding Nv Ny Reg Shs** (Semiconductor Equipment), **Deutsche Bk A G** (Diversified Capital Markets), **Iron Mountain Inc (Reit)** (Specialized REITs), **Mosaic Company New** (Holding Company) (Fertilizers & Agricultural Chemicals), **Oneok Inc** (Oil & Gas Storage & Transportation), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Kansas City Southern** (Railroads), **Ally Financial Inc** (Consumer Finance), **United Parcel Service Inc** (Air Freight & Logistics), **HCA Healthcare Inc** (Health Care Facilities), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **Metlife Inc** (Life & Health Insurance), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Parker Hannifin Corp** (Industrial Machinery), **Weyerhaeuser Co** (Specialized REITs), **HP Inc** (Technology Hardware, Storage & Peripherals), **Cemex S.A.B. De C.V. Ads** (Construction Materials) and **Prudential Plc Ads** (Life & Health Insurance).

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

National Bank of Canada (ticker **NA-T**) offers financial services to individuals, businesses, institutional clients and governments across Canada. The Company operates through four segments: Personal and Commercial, Wealth Management, Financial Markets and U.S. Specialty Finance and International (USF&I). The Personal and Commercial segment includes the banking, financing, and investing services offered to individuals, advisors and businesses, as well as insurance operations. The Wealth Management segment comprises investment solutions, banking services, lending services and other wealth management solutions. The Financial Markets segment includes corporate banking and investment banking and financial solutions for large and mid-size corporations, public sector organizations, and institutional investors.

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

National Bank has been upgraded to 'AA' from 'A'. Factoring in a more granular assessment of National Bank's loan portfolio, which has a low exposure to industries having high environmental impact, has led to an improvement in its score on the Financing Environmental Impact parameter, and is a key contributor to the upgrade. Further, National Bank continues to lead peers in governance due to its strong practices, specifically pertaining to board structure and pay practices. National Bank's board has a majority of independent directors, separate CEO and chairman roles and includes six women directors, which demonstrates commitment to diversity and equality. It also has fully independent audit and pay committees, which may help strengthen oversight of financial reporting and pay practices. National Bank has adopted some of the best practices for preventing unethical or corrupt behavior, such as formal anti-money laundering policies, employee training on ethics, and whistleblower protection programs. Its fully independent risk committee may help to keep a check on excessive risk-taking behavior among senior decisionmakers. National Bank offers variable cash and equity-linked compensation to its staff, which can help to bolster productivity and align employee and company interests. It also conducts staff surveys that may help gauge employee morale. However, National Bank has a high employee attrition rate (15.7% in 2019 vs. 10% industry average, as of 2019), which may indicate potential gaps in the implementation of employee programs.

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

GROWTH PORTFOLIOS

BLUE HERON BALANCED

BLUE HERON GROWTH

May 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 **Northland Power Inc** (Renewable Electricity), **Ford Motor Company** (Automobile Manufacturers), **Canfor Corp** (Forest Products), **BRP Incorporated** (Leisure Products) and **Manulife Financial Corp** (Life & Health Insurance).

We added new positions in **CBRE Group Inc Cl A** (Real Estate Services), **Canfor Corp** (Forest Products), **Enerplus Corporation** (Oil & Gas Exploration & Production), **Lightspeed Pos Inc** (Application Software) and **SNC Lavalin Group Inc** (Construction & Engineering).

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), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Bank Of Nova Scotia (The)** (Diversified Banks), **Toronto Dominion Bank** (Diversified Banks), **CBRE Group Inc Cl A** (Real Estate Services), **ASML Holding Nv Ny Reg Shs** (Semiconductor Equipment), **SNC Lavalin Group Inc** (Construction & Engineering), **Enerplus Corporation** (Oil & Gas Exploration & Production), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **WSP Global Inc** (Construction & Engineering), **ECN Capital Corp** (Specialized Finance), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Parker Hannifin Corp** (Industrial Machinery), **Goeasy Ltd** (Consumer Finance) and **Topicus.Com Inc** (Application Software).

INCOME PORTFOLIOS

BLUE HERON CANADIAN DIVIDEND

BLUE HERON CANADIAN INCOME

May 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 ~4.29%, versus 2.62% for the TSX Composite.

During the month we sold our positions in **Northland Power Inc** (Renewable Electricity), **Artis Real Estate Investment Trust** (Diversified REITs) and **Northwest Healthcare Properties REIT** (Health Care REITs).

We added new positions in **Altagas Ltd** (Gas Utilities) and **Sienna Senior Living Inc** (Health Care Facilities)

A number of new 52-week highs were achieved in the portfolio including **National Bank Of Canada** (Diversified Banks), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Canadian Western Bank** (Regional Banks), **Toronto Dominion Bank** (Diversified Banks), **Sienna Senior Living Inc** (Health Care Facilities), **Russel Metals Inc** (Trading Companies & Distributors), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Altagas Ltd** (Gas Utilities), **Labrador Iron Ore Royalty Corp** (Steel), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Keyera Corp** (Oil & Gas Storage & Transportation), **Dream Industrial REIT** (Industrial REITs), **Canadian Tire (Non Vtg A)** (General Merchandise Stores), **Smartcentres REIT** (Retail REITs), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Superior Plus Corp** (Gas Utilities), **Alaris Equity Partners Income Trust Unit** (Asset Management & Custody Banks), **Goeasy Ltd** (Consumer Finance), **Sun Life Financial Inc** (Life & Health Insurance) and **Chemtrade Logistics Income Fund** (Commodity Chemicals).

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Securities

Aecon Group Inc.	2g	Interfor Corporation	2g
Ag Growth International Inc.	2g	Keyera Corporation	2a,2c,2e,2g,7
AltaGas Ltd.	2a,2c,2e,2g,7	Lightspeed POS, Inc.	2a,2c,2e,2g
Artis Real Estate Investment Trust	2a,2e,2g	Manulife Financial Corp.	2a,2c,2e,2g,7
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	National Bank Of Canada	2a,2c,2e,2g,3a,3c,7
Bank of Nova Scotia	2a,2c,2e,2g,3a,3c,7	North West Company Inc.	2g
BRP Inc.	12,2g	Northland Power Inc.	2a,2c,2e,2g,3a,7
Canadian Natural Resources Ltd.	2a,2c,2e,2g,7	Nutrien Ltd.	2a,2c,2g,7
Canadian Tire Corporation, Ltd.	13,2g,7	Power Corporation of Canada	12,2g,7
Canadian Western Bank	2a,2c,2e,2g	Sienna Senior Living Inc.	C1
Canfor Corporation	2g	Sleep Country Canada Holdings Inc.	2g
Capital Power Corporation	2a,2c,2e,2g,9,C1	SmartCentres Real Estate Investment Trust	2a,2e,2g
Chemtrade Logistics Income Fund	2a,2c,2e,2g	SNC-Lavalin Group Inc.	2a,2e,2g,7
Colliers International Group Inc.	12,2a,2c,2e,2g	Sun Life Financial Inc.	2a,2c,2e,2g,7
Crombie REIT	2a,2c,2e,2g,C1	Superior Plus Corp.	2a,2e,2g,9
Dream Industrial REIT	2a,2c,2e,2g	Toronto-Dominion Bank	2a,2c,2g,3a,3c,7
ECN Capital Corp.	2a,2c,2e,2g,3a,3c,7	Tourmaline Oil Corp.	2a,2e,2g
Enerplus Corporation	2a,2c,2e,2g	TransAlta Renewables Inc.	2g
Exchange Income Corporation	2a,2c,2e,2g	WSP Global Inc.	2a,2c,2e,2g

Disclaimers

12 The equity securities of this company are subordinate voting shares.

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

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.

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.

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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.