



ADVISOR MANAGED ACCOUNTS: JUNE 2021 COMMENTARY



Markets on both sides of the border continued their upward trend in June. The benchmark Canadian TSX Index closed above 20,000 for the first time ever, up over 17% in the first half of 2021. Positive returns are being driven by the real estate, financial and energy sectors, with fairly broad-based strength in the general market. COVID vaccines are rolling out at an increased pace and we are optimistically looking at global economies opening up to travel and increased employment.

In times like these we find it valuable to re-visit your financial plan and make sure we have built in a sufficient cash buffer, the required bond ladder, and enough safety to weather any potential storm. Please feel free to reach out to us if you have any questions about you plan, and certainly if you are thinking about an increased need for cash in the future. Be that for travel, larger purchases, or helping out family or charities as the needs arise. Even though these lower risk portions of your portfolio do not earn as high a return (high interest savings in currently yielding 0.25% and 1 year guaranteed bonds are still below 1%), it is always easier to raise that cash when times are good because we can never tell when the next ‘bump’ in the markets might come. As we pointed out last month, too often investors will extrapolate recent events and become over confident with their ability to predict the future. When time are good, they will always be good, or at least that can be the risk. We prefer to prudently plan for your financial future. Build cash while the outlook is bright, build bond ladders with profits from equities, and enjoy the upswing as long as it may last knowing that the security has been built to weather whatever comes next.



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Finally, we have been following Cryptocurrency (bitcoin is the most notable) at least at a distance, in part because it is our business. We are always interested in evaluating the various investment options available to our clients. We are also following Cryptocurrency because its innovation is interesting to us. Especially innovation that is happening on a global scale. However, there is often a difference between what we find interesting and innovative, and that which we deem to be an appropriate investment. Please find attached a report from our Investment Strategy Group “Cryptocurrencies: are they really money?” for some recent thoughts. For now, we leave cryptocurrency as an interesting innovation, and perhaps a speculation. But we have not yet found a way to deem it an appropriate investment.



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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 continued to moderated down to 15.8, with a monthly range between 22 and 14. These levels are below long term averages and imply 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

June 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 **Aegon Nv** (Life & Health Insurance), **Aritzia Inc** (Apparel Retail), **Finning Intl Inc** (Trading Companies & Distributors), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **Interfor Corp** (Forest Products), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals) and **Parker Hannifin Corp** (Industrial Machinery)

We added new positions in **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Keyera Corp** (Oil & Gas Storage & Transportation), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Nvidia Corp** (Semiconductors) and **Wipro Limited** (IT Consulting & Other Services)

A number of new 52-week highs were achieved in the portfolio including **Colliers International Group Inc** (Real Estate Services), **Lightspeed Pos Inc** (Application Software), **ECN Capital Corp** (Specialized Finance), **WSP Global Inc** (Construction & Engineering), **Nvidia Corp** (Semiconductors), **Alphabet Inc.** (Interactive Media & Services), **Canaccord Genuity Group Inc** (Investment Banking & Brokerage), **Power Corp** (Life & Health Insurance), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **ASML Holding Nv** (Semiconductor Equipment), **Keyera Corp** (Oil & Gas Storage & Transportation), **Wipro Limited** (IT Consulting & Other Services), **Russel Metals Inc** (Trading Companies & Distributors), **Cameco Corporation** (Coal & Consumable Fuels), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Magna International Incorporated** (Auto Parts & Equipment), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals), **Morgan Stanley** (Investment Banking & Brokerage), **Goldman Sachs Group Inc** (Investment Banking & Brokerage) and **Ally Financial Inc** (Consumer Finance)

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER

June 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 **Manulife Financial Corp** (Life & Health Insurance), **North West Company Inc** (Food Retail), **Sun Life Financial Inc** (Life & Health Insurance) and **Sleep Country Canada Holdings Inc** (Home furnishing Retail).

We added new positions in **Great West Lifeco Inc** (Life & Health Insurance), **Labrador Iron Ore Royalty Corp** (Steel) and **Royal Bank Of Canada** (Diversified Banks).

A number of new 52-week highs were achieved in the portfolio including **WSP Global Inc** (Construction & Engineering), **Mullen Group Ltd** (Trucking), **Power Corp** (Life & Health Insurance), **Sienna Senior Living Inc** (Health Care Facilities), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Labrador Iron Ore Royalty Corp** (Steel), **Altgas Ltd** (Gas Utilities), **Extendicare Inc** (Health Care Facilities), **Boardwalk Real Estate Investment Trust** (Residential REITs), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Royal Bank Of Canada** (Diversified Banks), **Bank Of Nova Scotia** (Diversified Banks), **Keyera Corp** (Oil & Gas Storage & Transportation), **Superior Plus Corp** (Gas Utilities), **Crombie Real Estate Investment Trust** (Retail REITs), **Russel Metals Inc** (Trading Companies & Distributors), **Transcontinental Inc** (Commercial Printing), **Telus Corporation**

(Integrated Telecommunication Services), **Magna International Incorporated** (Auto Parts & Equipment), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals) and **Great West Lifeco Inc** (Life & Health Insurance).

BLUE HERON GLOBAL ESG LEADER

June 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 **Aegon Nv** (Life & Health Insurance), **Hilton Worldwide Holdings Inc** (Hotels, Resorts & Cruise Lines), **HP Inc** (Technology Hardware, Storage & Peripherals), **LG Display Company Ltd** (Electronic Components), **Weyerhaeuser Co** (Specialized REITs), **Caterpillar Inc** (Construction Machinery & Heavy Trucks), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **Jpmorgan Chase & Co** (Diversified Banks), **Mosaic Company** (Holding Company) (Fertilizers & Agricultural Chemicals) and **Parker Hannifin Corp** (Industrial Machinery).

We added new positions in **Gartner Inc** (IT Consulting & Other Services), **Nvidia Corp** (Semiconductors), **State Street Corp** (Asset Management & Custody Banks), **Wipro Limited** (IT Consulting & Other Services), **American Express Co** (Consumer Finance), **Marvell Technology Inc.** (Semiconductors), **Regency Centers Corp** (Retail REITs), **Simon Property Group Inc** (Retail REITs) and **Waters Corp** (Life Sciences Tools & Services).

A number of new 52-week highs were achieved in the portfolio including **Nvidia Corp** (Semiconductors), **Gartner Inc** (IT Consulting & Other Services), **Oneok Inc** (Oil & Gas Storage & Transportation), **Alphabet Inc.** (Interactive Media & Services), **Waters Corp** (Life Sciences Tools & Services), **Marvell Technology Inc.** (Semiconductors), **American Express Co** (Consumer Finance), **Cemex S.A.B. De C.V.** (Construction Materials), **ASML Holding Nv** (Semiconductor Equipment), **Wipro Limited** (IT Consulting & Other Services), **Regency Centers Corp** (Retail REITs), **Iron Mountain Inc** (Specialized REITs), **Simon Property Group Inc** (Retail REITs), **CNH Industrial N.V.** (Agricultural & Farm Machinery), **Morgan Stanley** (Investment Banking & Brokerage), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **Barclays Plc** (Diversified Banks), **CRH Plc** (Construction Materials), **Ally Financial Inc** (Consumer Finance), **CBRE Group Inc** (Real Estate Services), **HCA Healthcare Inc** (Health Care Facilities) and **Lam Research Corp** (Semiconductor Equipment).

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

Nvidia Corporation (Ticker **NVDA-US**) is an artificial intelligence computing company. It operates through two segments: Graphics and Compute & Networking. Its Graphics segment includes GeForce graphics processing unit (GPU), the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/NVIDIA RTX GPUs for enterprise workstation graphics; virtual graphics processing unit (vGPU) software for cloud-based visual and virtual computing; and automotive platforms for infotainment systems. Its Compute & Networking segment includes Data Center platforms and systems for artificial intelligence (AI), high-performance computing (HPC), and accelerated computing; Mellanox networking and interconnect solutions; automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions; and Jetson for robotics and other embedded platforms. Its platforms address markets such as Gaming, Professional Visualization, Data Center, and Automotive. (Thomson One. (2021). Retrieved from <https://www.thomsonone.com/>)

NVIDIA's rating is unchanged at 'AAA'. Following the takeover of Mellanox Technologies in 2019, NVIDIA announced a plan to acquire ARM Holdings for USD 40 billion in September 2020. Large acquisitions are often accompanied by restructuring activities such as layoffs that may weigh on workplace morale and efficiency. NVIDIA provides robust compensation benefits and engagement programs to reinforce employee morale. The company had also vowed to avoid job cuts despite lower revenues from the impact of COVID-19 pandemic. NVIDIA offers graphics processing units, system software, algorithms and services for visual computing through PC, mobile and cloud platforms. The company continues to lead peers in capacity for clean technology innovation, with a three-year (2017-19) R&D/sales ratio of 21.6% that outperforms the industry average of 13.4% as of September 2020. NVIDIA partakes in the Conflict Free Sourcing Initiatives (CFSI) and undertakes due diligence to conform to the OECD guidance. In 2019, NVIDIA reported a 100% response rate from suppliers to its conflict mineral reporting template, and 85% reported compliance with the responsible mineral assurance process. NVIDIA's board has an independent director

majority and fully independent audit and pay committees. The company also does not have a special structure; thus one vote right is afforded per common share. However, the board is entrenched with five of 12 directors serving for more than 15 years. This may impact the board's ability to provide effective oversight of management. (MSCI ESG Manager. (2021). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS

BLUE HERON BALANCED

BLUE HERON GROWTH

June 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 **Exchange Income Corporation** (Airlines), **Finning International Inc** (Trading Companies & Distributors), **Topicus.Com Inc** (Application Software), **Bank Of Nova Scotia** (Diversified Banks) and **Parker Hannifin Corp** (Industrial Machinery).

We added new positions in **Baytex Energy Corp** (Oil & Gas Exploration & Production), **Freehold Royalties Ltd** (Oil & Gas Exploration & Production), **Kelt Exploration Ltd** (Oil & Gas Exploration & Production), **Recipe Unlimited Corporation** (Restaurants), **Nvidia Corp** (Semiconductors) and **Power Corp** (Life & Health Insurance).

A number of new 52-week highs were achieved in the portfolio including **Baytex Energy Corp** (Oil & Gas Exploration & Production), **Freehold Royalties Ltd** (Oil & Gas Exploration & Production), **Goeasy Ltd** (Consumer Finance), **Lightspeed Pos Inc** (Application Software), **ECN Capital Corp** (Specialized Finance), **WSP Global Inc** (Construction & Engineering), **Tourmaline Oil Corp** (Oil & Gas Exploration & Production), **Nvidia Corp** (Semiconductors), **Alphabet Inc.** (Interactive Media & Services), **Enerplus Corporation** (Oil & Gas Exploration & Production), **Power Corp** (Life & Health Insurance), **Colliers International Group Inc** (Real Estate Services), **Kelt Exploration Ltd** (Oil & Gas Exploration & Production), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **ASML Holding Nv** (Semiconductor Equipment), **Magna International Incorporated** (Auto Parts & Equipment), **Goldman Sachs Group Inc** (Investment Banking & Brokerage), **CBRE Group Inc** (Real Estate Services), **Recipe Unlimited Corporation** (Restaurants) and **Lam Research Corp** (Semiconductor Equipment).

INCOME PORTFOLIOS

BLUE HERON CANADIAN DIVIDEND

BLUE HERON CANADIAN INCOME

June 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 **Finning Intl Inc** (Trading Companies & Distributors), **Chemtrade Logistics Inc** (Commodity Chemicals), **Canadian Tire** (General Merchandise Stores), **Manulife Financial Corp** (Life & Health Insurance) and **Sun Life Financial Inc** (Life & Health Insurance).

We added new positions in **Cardinal Energy Ltd** (Oil & Gas Exploration & Production), **Freehold Royalties Ltd** (Oil & Gas Exploration & Production), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Crombie Real Estate Investment Trust** (Retail REITs), **Extendicare Inc** (Health Care Facilities), **Great West Lifeco Inc** (Life &

Health Insurance) and **Whitecap Resources Inc** (Oil & Gas Exploration & Production).

A number of new 52-week highs were achieved in the portfolio including **Cardinal Energy Ltd** (Oil & Gas Exploration & Production), **Freehold Royalties Ltd** (Oil & Gas Exploration & Production), **Goeasy Ltd** (Consumer Finance), **Dream Industrial Real Estate Investment Trust** (Industrial REITs), **Mullen Group Ltd** (Trucking), **Power Corp** (Life & Health Insurance), **Sienna Senior Living Inc** (Health Care Facilities), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Labrador Iron Ore Royalty Corp** (Steel), **Altagas Ltd** (Gas Utilities), **Extendicare Inc** (Health Care Facilities), **Smartcentres Real Estate Investment Trust** (Retail REITs), **Bank Of Montreal** (Diversified Banks), **Canadian Imperial Bank Of Commerce** (Diversified Banks), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Keyera Corp** (Oil & Gas Storage & Transportation), **Superior Plus Corp** (Gas Utilities), **Crombie Real Estate Investment Trust** (Retail REITs), **Russel Metals Inc** (Trading Companies & Distributors), **Inovalis Real Estate Investment Trust** (Office REITs), **Telus Corporation** (Integrated Telecommunication Services), **Magna International Incorporated** (Auto Parts & Equipment), **Nutrien Ltd** (Fertilizers & Agricultural Chemicals) and **Great West Lifeco Inc** (Life & Health Insurance).

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Securities

AltaGas Ltd.	2a,2c,2e,2g,7	Exchange Income Corporation	2a,2c,2e,2g
Aritzia Inc.	12,1b,2a,2c,2e,2g,3a	Finning International Inc.	2g,3a,3c
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	Freehold Royalties Ltd.	2a,2c,2e,2g
Bank of Nova Scotia	2a,2c,2e,2g,3a,3c,7	Great-West Lifeco Inc.	2g
Baytex Energy Corp.	2g,7	Interfor Corporation	2g
Colliers International Group Inc.	12,2g	Kelt Exploration Ltd.	2g
Canadian Tire Corporation, Ltd.	13,2g,7	Keyera Corporation	2a,2c,2e,2g,7
Crombie REIT	2a,2c,2e,2g	Lightspeed POS, Inc.	2a,2c,2e,2g
Dream Industrial REIT	2a,2c,2e,2g	Magna International Inc.	2g,7
ECN Capital Corp.	2a,2c,2e,2g,3a,3c,7	Manulife Financial Corp.	2a,2c,2e,2g,7
Enerplus Corporation	2a,2c,2e,2g	Mullen Group Ltd.	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.

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.

7 CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by this company.

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

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