



## ADVISOR MANAGED ACCOUNTS: SEPTEMBER 2019 COMMENTARY



September started off with a decided shift in market leadership. Many of the previous ‘winners’ supported by growth and momentum were sold off in favour of previous market laggards. Growth style investing has outperformed for some time, while Value style investing - dominated by commodities, financials and dividend paying slower growth companies - have lagged. Time will tell if this is a temporary adjustment within the market or a sustained and longer term change in trend, but as always, we have been busy sifting and sorting with the aim of putting the strongest ‘team’ on the field and the strongest investment choices in our portfolios. This change in leadership has happened within the context of our Equity Action Call (EAC) staying ‘green’, or positive, implying that our portfolios remain fully invested to their target equity weight.

Towards the end of September the Canadian market pushed to an all-time high with the TSX just shy of the 17,000 mark. Within our relative strength system Canadian Equity has moved to the #1 ranked asset class. This is the first time in 5 years, since September of 2014, that Canadian Equity has ranked higher than U.S. Equity. Canadian Equity was supported by gains in the Materials sector (particularly gold stocks) over the summer. Recently, the Energy sector has started to rally along with the oil price on renewed concerns about risks to global supply after seeing Industrials and Technology lead the way earlier this year. Not only have recent Canadian economic reports been positive, the Bank of Canada once again declined to join the parade of central banks cutting rates or launching new stimulus this year, a big vote of confidence in Canada’s business environment from its central bank.

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, with a monthly range between 13 and 19. These levels are below 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

#### September 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



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ESG criteria, make up about 30% of the portfolio.

During the month we sold our positions in **Workday Inc** (Application Software), **Advanced Micro Devices Inc** (Semiconductors), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Canadian National Railway** (Railroads), **Gildan Activewear Inc** (Apparel, Accessories & Luxury Goods), **Progressive Corp** (Property & Casualty Insurance), **Shopify Inc** (Internet Services & Infrastructure) and **Sprott Inc.** (Asset Management & Custody Banks).

We added new positions in **Lam Research Corp** (Semiconductor Equipment), **Ecolab Inc** (Specialty Chemicals), **Home Depot Inc** (Home Improvement Retail), **Taiwan Semiconductor Manufacturing** (Semiconductors), **Dream Office REIT** (Office REITs), **Brp Incorporated** (Leisure Products), **Intact Financial Corp** (Property & Casualty Insurance) and **Sun Life Financial Inc** (Life & Health Insurance).

A number of new 52-week highs were achieved in the portfolio including **Ballard Power Systems Inc** (Electrical Components & Equipment), **Intact Financial Corp** (Property & Casualty Insurance), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canadian Apt Properties** (Residential REITs), **Lam Research Corp** (Semiconductor Equipment), **WSP Global Inc** (Construction & Engineering), **Dream Office REIT** (Office REITs), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Sun Life Financial Inc** (Life & Health Insurance), **Microsoft Corp** (Systems Software), **Visa Inc.** (Data Processing & Outsourced Services), **Edwards Lifesciences Corp** (Health Care Equipment), **Automatic Data Processing** (Data Processing & Outsourced Services), **Thomson Reuters Corp** (Research & Consulting Services), **Cgi Inc** (IT Consulting & Other Services), **SBA Communications Corp** (Specialized REITs), **Morneau Shepell Inc** (Human Resource & Employment Services), **American Water Works Co** (Water Utilities), **American Tower Reit** (Specialized REITs) and **Diageo Plc** (Distillers & Vintners).

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

### September 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 **Altagas Ltd** (Gas Utilities), **Emera Incorporated** (Electric Utilities), **Transalta Renewables Inc** (Renewable Electricity), **Canadian National Railway** (Railroads), **Darden Restaurants Inc** (Restaurants), **Paychex Inc** (Data Processing & Outsourced Services) and **Sprott Inc.** (Asset Management & Custody Banks).

We added new positions in **Artis REIT** (Diversified REITs), **Boralex Inc** (Renewable Electricity), **Extencicare Inc** (Health Care Facilities), **IA Financial Corporation** (Life & Health Insurance) and **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation).

A number of new 52-week highs were achieved in the portfolio including **Intact Financial Corp** (Property & Casualty Insurance), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canadian Apt Properties** (Residential REITs), **Fortis Inc** (Electric Utilities), **National Bank Of Canada** (Diversified Banks), **IA Financial Corporation** (Life & Health Insurance), **First Capital Realty Inc** (Real Estate Operating Companies), **WSP Global Inc** (Construction & Engineering), **Boralex Inc** (Renewable Electricity), **Timbercreek Financial Corp** (Thriffs & Mortgage Finance), **Dream Office REIT** (Office REITs), **Sun Life Financial Inc** (Life & Health Insurance), **Innergex Renewable Energy Inc** (Renewable Electricity), **Royal Bank Of Canada** (Diversified Banks), **Microsoft Corp** (Systems Software), **Inter Pipeline Ltd** (Oil & Gas Storage & Transportation), **Thomson Reuters Corp** (Research & Consulting Services) and **Morneau Shepell Inc** (Human Resource & Employment Services).

## BLUE HERON GLOBAL ESG LEADER

### September 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 **Workday Inc** (Application Software), **Advanced Micro Devices Inc** (Semiconductors), **Companhia Energetica De Minas Gerais** (Electric Utilities), **Gold Fields Ltd** (Gold), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Broadridge Financial Solutions** (Data Processing & Outsourced Services), **Progressive Corp** (Property & Casualty Insurance) and **Tractor Supply Co** (Specialty Stores).

We added new positions in **Lam Research Corp** (Semiconductor Equipment), **Ecolab Inc** (Specialty Chemicals), **Home Depot Inc** (Home Improvement Retail), **STMicroelectronics** (Semiconductors), **Taiwan Semiconductor Manufacturing** (Semiconductors), **Akamai Technologies Inc** (Internet Services & Infrastructure) and **Moody's Corporation** (Financial Exchanges & Data).

A number of new 52-week highs were achieved in the portfolio including **Edwards Lifesciences Corp** (Health Care Equipment), **Lam Research Corp** (Semiconductor Equipment), **Astrazeneca Plc** (Pharmaceuticals), **Microsoft Corp** (Systems Software), **Asml Holding Nv** (Semiconductor Equipment), **Ally Financial Inc** (Consumer Finance), **STMicroelectronics** (Semiconductors), **Zoetis Inc** (Pharmaceuticals), **S&P Global Inc** (Financial Exchanges & Data), **Visa Inc.** (Data Processing & Outsourced Services), **Estee Lauder Companies Inc** (Personal Products), **Resmed Inc** (Health Care Equipment), **Moody's Corporation** (Financial Exchanges & Data), **Akamai Technologies Inc** (Internet Services & Infrastructure), **Accenture Plc** (IT Consulting & Other Services), **SBA Communications Corp** (Specialized REITs), **Ball Corp** (Metal & Glass Containers), **American Water Works Co** (Water Utilities), **American Tower Reit** (Specialized REITs) and **Diageo Plc** (Distillers & Vintners).

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

**Ecolab Inc.** (Ticker ECL-US) provides water, hygiene and energy technologies and services. The Company's cleaning and sanitizing programs and products, pest elimination services and equipment maintenance and repair services support customers in the foodservice, food and beverage processing, hospitality, healthcare, government and education, retail, textile care and commercial facilities management sectors in over 170 countries.

(Thomson One. (2019). Retrieved from <https://www.thomsonone.com/>)

Ecolab's ESG rating is unchanged at 'AAA'. Ecolab, a provider of water treatment solutions, plans to spin off its upstream energy units including oil field chemicals production and the WellChem drilling and well completion chemistry business by mid-2020. It plans to retain the downstream business, which serves refineries and petrochemical plants. This separation may allow Ecolab to focus on the hygiene, food safety and industrial water markets, providing a compelling opportunity for investors looking to capitalize on the demand for energy and water scarcity solutions. Ecolab has embarked on a significant investment in digital capabilities to improve its monitoring of customer accounts and production and marketing efficiency which is helping its customers to optimize water use in their processes. Further, this move towards a digital strategy will help Ecolab leverage data from its customers to develop tailored analytical solutions to reduce water and energy consumption in their facilities. Ecolab faces high regulatory risks and potential reformulation costs as it derives significant revenues from the markets including the US and Europe, where the chemical safety regulations are stringent. It has a strong chemical safety management system with strict adherence to REACH regulations and safety data sheets for its products. Although, only 2% of its product portfolio contains SVHCs, Ecolab plans to phase out high concern chemicals. Ecolab has comprehensive environmental strategy including quantitative targets to reduce its water, carbon and toxic emissions to manage its environmental risks.

(MSCI ESG Manager. (2019). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

**BLUE HERON BALANCED****BLUE HERON GROWTH****September 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 **Workday Inc** (Application Software), **Advanced Micro Devices Inc** (Semiconductors), **Gold Fields Ltd** (Gold), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Carmax Inc** (Automotive Retail), **Canadian National Railway** (Railroads), **Park Lawn Corp** (Specialized Consumer Services), **Shopify Inc** (Internet Services & Infrastructure) and **Sprott Inc.** (Asset Management & Custody Banks).

We added new positions in **Altagas Canada Inc** (Gas Utilities), **Ecolab Inc** (Specialty Chemicals), **Home Depot Inc** (Home Improvement Retail), **STMicroelectronics** (Semiconductors), **Taiwan Semiconductor Manufacturing** (Semiconductors), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Intact Financial Corp** (Property & Casualty Insurance) and **Sun Life Financial Inc** (Life & Health Insurance).

A number of new 52-week highs were achieved in the portfolio including **Intact Financial Corp** (Property & Casualty Insurance), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canadian Apt Properties** (Residential REITs), **Dream Global REIT** (Diversified REITs), **WSP Global Inc** (Construction & Engineering), **Constellation Software Inc** (Application Software), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Sun Life Financial Inc** (Life & Health Insurance), **Royal Bank Of Canada** (Diversified Banks), **Microsoft Corp** (Systems Software), **STMicroelectronics** (Semiconductors), **Boyd Group Inc** (Diversified Support Services), **Resmed Inc** (Health Care Equipment), **Automatic Data Processing** (Data Processing & Outsourced Services), **Thomson Reuters Corp** (Research & Consulting Services), **Cgi Inc** (IT Consulting & Other Services), **Morneau Shepell Inc** (Human Resource & Employment Services) and **Restaurant Brands International Inc** (Restaurants).

**INCOME PORTFOLIOS****BLUE HERON CANADIAN DIVIDEND****BLUE HERON CANADIAN INCOME****September 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 ~4.2%, versus 3.12% for the TSX Composite.

During the month we sold our positions in **Altagas Ltd** (Gas Utilities), **Cisco Systems Inc** (Communications Equipment), **Canadian National Railway** (Railroads), **Paychex Inc** (Data Processing & Outsourced Services) and **Sprott Inc.** (Asset Management & Custody Banks).

We added new positions in **Altagas Canada Inc** (Gas Utilities), **Intact Financial Corp** (Property & Casualty Insurance), **Tmx Group Limited** (Financial Exchanges & Data), **Canadian Natural Resources Limited** (Oil & Gas Exploration & Production), **Husky Energy Inc** (Integrated Oil & Gas) and **Suncor Energy Inc** (Integrated Oil & Gas).

A number of new 52-week highs were achieved in the portfolio including **Brookfield Renewable Partners Lp** (Renewable Electricity), **Exchange Income Corporation** (Airlines), **Intact Financial Corp** (Property & Casualty Insurance), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Brookfield Infrastructure** (Multi-Utilities & Unregulated Power), **Canadian Apt Properties** (Residential REITs), **Emera Incorporated** (Electric Utilities), **Fortis Inc** (Electric Utilities), **National Bank Of Canada** (Diversified Banks), **Dream Global REIT** (Diversified REITs), **Timbercreek Financial Corp** (Thrifths & Mortgage Finance), **Sun Life Financial Inc** (Life & Health Insurance), **Innergex**

**Renewable Energy Inc** (Renewable Electricity), **Royal Bank Of Canada** (Diversified Banks), **Microsoft Corp** (Systems Software), **Oneok Inc** (Oil & Gas Storage & Transportation), **Thomson Reuters Corp** (Research & Consulting Services), **Granite REIT** (Industrial REITs), **Morneau Shepell Inc** (Human Resource & Employment Services), **Northview Apartment REIT** (Residential REITs), **Tc Energy Corp** (Oil & Gas Storage & Transportation) and **Restaurant Brands International Inc** (Restaurants).

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#### Securities

Algonquin Power & Utilities Corp.	2a,2c,2e,2g	Dream Global REIT	2g
AltaGas Canada Inc.	2a,2c,2e,7	Dream Industrial REIT	2a,2c,2e,2g
AltaGas Ltd.	2g,7	Dream Office REIT	2g
Artis Real Estate Investment Trust	2a,2c,2e,2g	Emera Inc.	7
Boralex Inc. Class A	2g,7	Exchange Income Corporation	2a,2c,2e,2g
Boyd Group Income Fund	2g	Extencare Inc.	2g
Brookfield Asset Management	14,2a,2e,2g,3a,3c,7	First Capital Realty Inc.	2a,2c,2e,2g
Brookfield Infrastructure Partners L.P.	2a,2c,2e,2g,7	Fortis Inc.	2g,7
Canadian Apartment Properties REIT	2a,2c,2e,2g,7	Gildan Activewear Inc.	2g,3a,3c
Canadian National Railway Co.	2g,7	Granite REIT	2a,2c,2e,2g,7
Canadian Natural Resources Ltd.	2g,7	Husky Energy Inc.	2a,2c,2g
Colliers International Group Inc.	12,2g,7	Industrial Alliance Insurance And Financial Services Inc.	2a,2c,2e,2g
BRP Inc.	12,2a,2c,2e,2g	Innergex Renewable Energy Inc.	2a,2c,2g,C1
CGI Inc.	12,2g	Intact Financial Corp.	2a,2c,2e,2g,7
Constellation Software Inc.	2g,7	Inter Pipeline Ltd.	2a,2c,2e,2g,7

#### Disclaimers

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.

14 The equity securities of this company are limited voting shares.

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