



ADVISOR MANAGED ACCOUNTS: JUNE 2019 COMMENTARY



As we move into summer markets were generally positive again on both sides of the border. Trade wars and resulting tariffs (or threats of potential tariffs) continue to make headlines and add friction to the global economy. Meanwhile, a general shift from central banks from a tightening stance (raising interest rates) to neutral and accommodative (holding or lowering interest rates) has help buoy the markets.

One reversal of trend we note is the recent strength of the Canadian dollar vs. US dollar. During the month the Canadian dollar rose over 3% from \$0.740 to over \$0.764. In the short term this reduces the Canadian dollar value of your US holdings, but longer term we view this as an opportunity to take advantage of our currency's strength and add foreign exposure to portfolios where appropriate. Our bank's forecast is for the Canadian dollar to fall back to the \$0.72 range by the end of next year, implying this strength may be short lived.

Following on from our recycling storyline from last month a client referenced this article ([Navigating the fast-changing landscape of bioplastics and biomaterials](#)) highlighting some of the many efforts currently underway to address the vast amounts of waste our society produces. We applaud innovative solutions such as converting avocado seeds and other food waste to reusable or compostable containers and look forward to the long term benefits being proven.

The Equity Action Call (EAC) is 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 down to 15 through the month. 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

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.



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During the month we sold our positions in **Corus Entertainment Inc** (Broadcasting), **Darden Restaurants Inc** (Restaurants), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Vmware Inc** (Systems Software) and **Salesforce.Com Inc** (Application Software).

We added new positions in **Roper Technologies Inc** (Industrial Conglomerates), **Royal Bank Of Canada** (Diversified Banks), **Workday Inc** (Application Software), **Sba Communications Corp** (Specialized REITs) and **Visa Inc.** (Data Processing & Outsourced Services).

A number of new 52-week highs were achieved in the portfolio including: **Visa Inc.** (Data Processing & Outsourced Services), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Microsoft Corp** (Systems Software), **Diageo Plc** (Distillers & Vintners), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Canadian Pacific Railway Ltd** (Railroads), **Transalta Renewables Inc** (Renewable Electricity), **Adobe Inc.** (Application Software), **Automatic Data Processing** (Data Processing & Outsourced Services), **Shopify Inc** (Internet Services & Infrastructure), **Morneau Shepell Inc** (Human Resource & Employment Services), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Workday Inc** (Application Software), **American Tower Reit** (Specialized REITs), **SBA Communications Corp** (Specialized REITs), **Firstservice Corp** (Real Estate Services), **CGI Inc** (IT Consulting & Other Services), **Killam Apartment REIT** (Residential REITs), **Gildan Activewear Inc** (Apparel, Accessories & Luxury Goods), **Roper Technologies Inc** (Industrial Conglomerates), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Advanced Micro Devices Inc** (Semiconductors), **Thomson Reuters Corp** (Research & Consulting Services), **Progressive Corp Oh** (Property & Casualty Insurance) and **American Water Works Co** (Water Utilities).

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 **Corus Entertainment Inc** (Broadcasting) and added a new position in **NFI Group Inc** (Construction Machinery & Heavy Trucks).

A number of new 52-week highs were achieved in the portfolio including: **Sprott Inc.** (Asset Management & Custody Banks), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Fortis Inc** (Electric Utilities), **Microsoft Corp** (Systems Software), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Transalta Renewables Inc** (Renewable Electricity), **First Capital Realty Inc** (Real Estate Operating Companies), **Cisco Systems Inc** (Communications Equipment), **Morneau Shepell Inc** (Human Resource & Employment Services), **Sienna Senior Living Inc** (Health Care Facilities), **Killam Apartment REIT** (Residential REITs), **Thomson Reuters Corp** (Research & Consulting Services) and **Telus Corporation** (Integrated Telecommunication Services).

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 **Darden Restaurants Inc** (Restaurants), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Varian Medical Systems Inc** (Health Care Equipment), **Vmware Inc** (Systems Software) and **Salesforce.Com Inc** (Application Software).

We added new positions in **Broadridge Financial Solutions** (Data Processing & Outsourced Services), **Cisco Systems Inc** (Communications Equipment), **Estee Lauder Companies Inc** (Personal Products), **Sba Communications Corp** (Specialized REITs) and **Visa Inc.** (Data Processing & Outsourced Services).

A number of new 52-week highs were achieved in the portfolio including: **Ball Corp** (Metal & Glass Containers), **Estee Lauder Companies Inc** (Personal Products), **Visa Inc.** (Data Processing & Outsourced Services), **Starbucks Corp** (Restaurants), **Microsoft Corp** (Systems Software), **Diageo Plc** (Distillers & Vintners), **Relx Plc** (Research & Consulting Services), **Cisco Systems Inc** (Communications Equipment), **Adobe Inc.** (Application Software), **Accenture Plc (Ireland)** (IT Consulting & Other Services), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Workday Inc** (Application Software), **American Tower Reit** (Specialized REITs), **Zoetis Inc** (Pharmaceuticals), **SBA Communications Corp** (Specialized REITs), **S&P Global Inc** (Financial Exchanges & Data), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **Roper Technologies Inc** (Industrial Conglomerates), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Advanced Micro Devices Inc** (Semiconductors), **Ingersoll Rand Plc (Ireland)** (Industrial Machinery), **Progressive Corp Oh** (Property & Casualty Insurance), **Tractor Supply Co** (Specialty Stores) and **American Water Works Co** (Water Utilities).

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

Accenture plc (ticker **ACN-US**) is a professional services company serving clients in various industries and in geographic regions, including North America, Europe and Growth Markets. It provides management and technology consulting services. Its segments include Communications, Media and Technology; Financial Services; Health and Public Service; Products, and Resources. The Communications, Media & Technology segment serves communications, electronics, technology, media and entertainment industries. The Financial Services segment serves banking, capital markets and insurance industries. The Health & Public service segment serves healthcare payers and providers, and government departments and agencies, public service organizations, educational institutions and non-profit organizations. The Resources segment serves chemicals, energy, forest products, metals and mining, utilities and related industries. It also offers digital advertising services.

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

Accenture's rating is unchanged at 'AAA'. Embracing innovation as its major thrust, Accenture has grown its net revenues to USD 39.6 billion, 10.5% growth from the past year. Accenture offers an array of managed security, data protection and privacy services to its clients which helped it drive the strong financial performance. The company appears to have been rigorous in maintaining strong data security controls over its servers, with full scope ISO 27001 certification. The company has also used its strong balance sheet to enhance its capabilities in these areas through multiple acquisitions in these fields. Its innovation approach positions the company well to capture opportunities in new technology fields, such as in AI research.

(MSCI ESG Manager. (2019). 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 **Apple Inc** (Technology Hardware, Storage & Peripherals), **Amazon.Com Inc** (Internet & Direct Marketing Retail), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Maxar Technologies Inc** (Aerospace & Defense) and **Corus Entertainment Inc** (Broadcasting).

We added new positions in **Canadian Pacific Railway Ltd** (Railroads), **Roper Technologies Inc** (Industrial Conglomerates), **Shopify Inc** (Internet Services & Infrastructure), **Workday Inc** (Application Software), **Tmx Group Limited** (Financial Exchanges & Data) and **NFI Group Inc** (Construction Machinery & Heavy Trucks).

A number of new 52-week highs were achieved in the portfolio including: **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Microsoft Corp** (Systems Software), **Canadian Pacific Railway Ltd** (Railroads), **Transalta Renewables Inc** (Renewable Electricity), **Automatic Data Processing** (Data Processing & Outsourced Services), **Shopify Inc** (Internet Services & Infrastructure), **Morneau Shepell Inc** (Human Resource & Employment Services), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Workday Inc** (Application Software), **Firstservice Corp** (Real Estate Services), **Alimentation Couche-Tard Inc** (Food Retail), **Constellation Software Inc** (Application Software), **CGI Inc** (IT Consulting & Other Services), **Killam Apartment REIT** (Residential REITs), **Roper Technologies Inc** (Industrial Conglomerates), **Boyd Group Inc** (Diversified Support Services), **Dream Industrial REIT** (Industrial REITs), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Advanced Micro Devices Inc** (Semiconductors) and **Thomson Reuters Corp** (Research & Consulting Services).

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 -4.4%, versus 3.1% for the TSX Composite.

During the month we sold our positions in **Chorus Aviation Inc** (Airlines), **Enbridge Inc** (Oil & Gas Storage & Transportation) and **NFI Group Inc** (Construction Machinery & Heavy Trucks).

We added new positions in **WSP Global Inc** (Construction & Engineering), **Enbridge Inc** (Oil & Gas Storage & Transportation), **Corus Entertainment Inc** (Broadcasting) and **Exchange Income Corporation** (Airlines).

A number of new 52-week highs were achieved in the portfolio including: **Sprott Inc.** (Asset Management & Custody Banks), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Fortis Inc** (Electric Utilities), **Microsoft Corp** (Systems Software), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Transalta Renewables Inc** (Renewable Electricity), **Cisco Systems Inc** (Communications Equipment), **Exchange Income Corporation** (Airlines), **Morneau Shepell Inc** (Human Resource & Employment Services), **Emera Incorporated** (Electric Utilities), **Sienna Senior Living Inc** (Health Care Facilities), **Killam Apartment REIT** (Residential REITs), **Brookfield Renewable Partners Lp** (Renewable Electricity), **Northwest Healthcare Properties Reit** (Health Care REITs), **Dream Industrial REIT** (Industrial REITs), **Thomson Reuters Corp** (Research & Consulting Services) and **Telus Corporation** (Integrated Telecommunication Services).

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Securities

| | | | |
|---|----------------|-----------------------------|-----------------------|
| Algonquin Power & Utilities Corp. | 2a,2c,2e,2g | Emera Inc. | 2a,2b,2c,2e,2g,7 |
| Alimentation Couche-Tard Inc. | 12,2g,7 | Enbridge Inc. | 2a,2c,2e,2g,7 |
| Boyd Group Income Fund | 2g | Exchange Income Corporation | 2a,2c,2e,2g |
| Brookfield Renewable Energy Partners LP | 2a,2c,2e,2g | First Capital Realty Inc. | 2a,2c,2e,2g |
| Canadian National Railway Co. | 2g,7,9 | FirstService Corporation | 2g |
| Canadian Pacific Railway Ltd. | 2a,2c,2e,2g,9 | Fortis Inc. | 2a,2e,2g,7 |
| CGI Group Inc. | 12,2g,7 | Gibson Energy Inc. | 2a,2c,2e,2g |
| Chorus Aviation | 2g,CD15 | Gildan Activewear Inc. | 2g,3a,3c,7 |
| Constellation Software Inc. | 2g,7 | Killam Apartment REIT | 2a,2c,2e,2g,7 |
| Corus Entertainment Inc. | 13,2a,2c,2e,2g | TELUS Corporation | 13,2a,2c,2e,2g,7,9,C1 |
| Dream Industrial REIT | 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.

2b CIBC World Markets Corp. has managed or co-managed a public offering of securities for this company 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.

9 An executive committee member or director of Canadian Imperial Bank of Commerce (“CIBC”), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., or a member of his/her household

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

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

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.

CD15 The Class A shares of Chorus Aviation are variable voting shares. The Class B shares of Chorus Aviation are converted to Class A shares if they become held by a person who is not a Canadian.

Secor, Holly. Green Biz 101: Navigating the fast-changing landscape of bioplastics and biomaterials. *GreenBiz 101*. June 7, 2019.

<https://www.greenbiz.com/article/navigating-fast-changing-landscape-bioplastics-and-biomaterials>.