



## ADVISOR MANAGED ACCOUNTS: APRIL 2019 COMMENTARY



April continued the strong trend from the first quarter with major equity market indexes around the world registering strong positive returns. Growth oriented investments continue to lead the upward charge in Canada, while some of the more conservative and income oriented sectors (utilities, telcom, real estate, consumer staples) lagged this month. Part of these strong market moves has been due to many central banks abandoning their interest rate increase policies. This month the Bank of Canada followed suit by leaving interest rates unchanged, and due to their slower domestic growth outlook they believe an accommodative policy is warranted (read flat to lower interest rates expected).

On a recent trip to Toronto, we met with Dominique Barker, Portfolio Manager and Senior Analyst at CIBC Asset Management. Like us, she shares a passion for integrating sustainable investment screening into traditional portfolio management using Environmental, Social and Governance (ESG) factors. We were certainly impressed by Dominique's commitment to this area, and very encouraged by the expertise and dedication of her and her team.

Please see the attached article focused on [Responsible Investing](#), and in particular, the links to some of Dominique's thoughts on the nuclear energy debate, the oil industry (comparing its similarities to the salt industry) and the maritime industry's declining use of bunker fuel in search of cleaner alternatives.

If you have any comments about these articles, or would like to hear more about other sustainable investment topics, we would love to hear from you. We are always interested to hear what is important to you, our clients. As always, please let us know if you would like to discuss how our sustainable investment strategies can help you achieve your financial goals.

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 continued to moderate down to 13, with a narrow monthly range between 12 and 14. These levels are below long-term averages, implying relative calm in the market.

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****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. This month:

- We sold our positions in **Rogers Communications Inc** (Wireless Telecommunication Services), **Eli Lilly & Co** (Pharmaceuticals), **Square Inc** (Data Processing & Outsourced Services), **Northland Power Inc** (Independent Power Producers & Energy Traders) and **SSR Mining Inc** (Gold).
- We added new positions in **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Precision Drilling Corporation** (Oil & Gas Drilling), **Salesforce.Com Inc** (Application Software), **Automatic Data Processing** (Data Processing & Outsourced Services), **ECN Capital Corp** (Specialized Finance) and **Northland Power Inc** (Independent Power Producers & Energy Traders).
- A number of new 52-week highs were achieved, including **Dirtt Environmental Solutions Ltd** (Building Products), **Thomson Reuters Corp** (Research & Consulting Services), **Vmware Inc** (Systems Software), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software), **Cgi Inc** (IT Consulting & Other Services), **Canadian Pacific Railway Ltd** (Railroads), **Canadian National Railway** (Railroads), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Norfolk Southern Corp** (Railroads), **Automatic Data Processing** (Data Processing & Outsourced Services), **Adobe Inc.** (Application Software), **Shopify Inc** (Internet Services & Infrastructure), **Nice Ltd** (Application Software), **Progressive Corp Oh** (Property & Casualty Insurance), **Firstservice Corp** (Real Estate Services), **Descartes Systems Group Inc** (Application Software), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Toromont Inds Ltd** (Trading Companies & Distributors), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation) and **Killam Apartment REIT** (Residential REITs).

**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. This month:

- We sold our positions in **Dream Office REIT** (Office REITs), **Rogers Communications Inc** (Wireless Telecommunication Services), **Northland Power Inc** (Independent Power Producers & Energy Traders) and **Aecon Group Inc** (Construction & Engineering).

We added new positions in **Magna International Incorporated** (Auto Parts & Equipment), **First Capital Realty Inc** (Real Estate Operating Companies), **Manulife Financial Corp** (Life & Health Insurance) and **Gibson Energy Inc.** (Oil & Gas Storage & Transportation).

- A number of new 52-week highs were achieved, including **Thomson Reuters Corp** (Research & Consulting Services), **Microsoft Corp** (Systems Software), **Corus Entertainment Inc** (Broadcasting), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **Royal Bank Of Canada** (Diversified Banks), **Telus Corporation** (Integrated Telecommunication Services), **Fortis Inc** (Electric Utilities), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Transalta Renewables Inc** (Renewable Electricity), **Infosys Limited** (IT Consulting & Other Services), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Killam Apartment REIT** (Residential REITs) and **Sienna Senior Living Inc** (Health Care Facilities).

**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. This month:

- We sold our positions in **Waters Corp** (Life Sciences Tools & Services), **Eli Lilly & Co** (Pharmaceuticals) and **Credicorp Ltd** (Diversified Banks).
- We added new positions in **Roper Technologies Inc** (Industrial Conglomerates), **S&P Global Inc** (Financial Exchanges & Data) and **Zoetis Inc** (Pharmaceuticals).
- A number of new 52-week highs were achieved, including **Vmware Inc** (Systems Software), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software), **Roper Technologies Inc** (Industrial Conglomerates), **S&P Global Inc** (Financial Exchanges & Data), **Tractor Supply Co** (Specialty Stores), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Norfolk Southern Corp** (Railroads), **Fastenal Co** (Trading Companies & Distributors), **Adobe Inc.** (Application Software), **Ball Corp** (Metal & Glass Containers), **Nice Ltd** (Application Software), **Union Pacific Corp** (Railroads), **Deere & Co** (Agricultural & Farm Machinery), **Csx Corp** (Railroads), **Progressive Corp Oh** (Property & Casualty Insurance), **Ericsson** (Communications Equipment), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **Infosys Limited Ads** (IT Consulting & Other Services), **Zoetis Inc** (Pharmaceuticals), **American Tower Reit** (Specialized REITs) and **Varian Medical Systems Inc** (Health Care Equipment).

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

ServiceNow, Inc. (Ticker **NOW-US**) is provider of enterprise cloud computing solutions that define, structure, manage and automate services for global enterprises. The Company offers a set of cloud-based services that automate workflow within and between departments in an enterprise. It provides workflow solutions, and focuses on service management for customer support, human resources, security operations and other enterprise departments. The platform also enables customers to create, by themselves or with its partners, their own service-oriented business applications throughout the enterprise. The Company delivers its software through the Internet as a service. It markets its services to enterprises in a range of industries, including financial services, consumer products, information technology services, healthcare, government, education and technology. It operates data centers in Australia, Brazil, Canada, Hong Kong, the Netherlands, Singapore, Switzerland, the United Kingdom and the United States. (Thomson One. (2019). Retrieved from <https://www.thomsonone.com/> )

ServiceNow's rating is unchanged at 'BBB'. The company continues to have human capital programs that include a broad based employee stock option program and employee benefits that are typical to the industry. ServiceNow lags leadership development programs and initiatives focused on diversity management. The company offers cloud-based enterprise software for marketing, human resources, and other departments. It invests approximately a billion for every 5 billion earned in sales into clean technology R&D and is well-positioned to monetize opportunities in the clean technology space. (MSCI ESG Manager. (2019). 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. This month:

- We sold our positions in **Rogers Communications Inc** (Wireless Telecommunication Services), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Blackberry Ltd** (Systems Software), **SSR Mining Inc** (Gold) and **Franco-Nevada Corp** (Gold).
- We added new positions in **Park Lawn Corp** (Specialized Consumer Services), **Cardinal Energy Ltd** (Oil & Gas Exploration & Production), **Dream Industrial REIT** (Industrial REITs), **ECN Capital Corp** (Specialized Finance), **Transalta Renewables Inc** (Renewable Electricity) and **Blackberry Ltd** (Systems Software).
- A number of new 52-week highs were achieved, including **Dirtt Environmental Solutions Ltd** (Building Products), **Waste Connections Inc** (Environmental & Facilities Services), **Thomson Reuters Corp** (Research & Consulting Services), **Servicenow Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software), **Cgi Inc** (IT Consulting & Other Services), **Canadian National Railway** (Railroads), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Norfolk Southern Corp** (Railroads), **Automatic Data Processing** (Data Processing & Outsourced Services), **Cae Inc** (Aerospace & Defense), **Royal Bank Of Canada** (Diversified Banks), **Nice Ltd** (Application Software), **Restaurant Brands International Inc** (Restaurants), **Ericsson** (Communications Equipment), **Firstservice Corp** (Real Estate Services), **Alimentation Couche-Tard Inc** (Food Retail), **Constellation Software Inc** (Application Software), **Descartes Systems Group Inc** (Application Software), **Boyd Group Inc** (Diversified Support Services), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Transalta Renewables Inc** (Renewable Electricity), **Toromont Inds Ltd** (Trading Companies & Distributors), **Dream Industrial REIT** (Industrial REITs) and **Killam Apartment REIT** (Residential REITs).

**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 ~4.3%, versus 3.1% for the TSX Composite. This month:

- We sold our positions in **Dream Office REIT** (Office REITs), **Rogers Communications Inc** (Wireless Telecommunication Services) and **Aecon Group Inc** (Construction & Engineering).
- We added new positions in **Enerflex Ltd.** (Oil & Gas Equipment & Services), **Cardinal Energy Ltd** (Oil & Gas Exploration & Production), **Sprott Inc.** (Asset Management & Custody Banks) and **Gibson Energy Inc.** (Oil & Gas Storage & Transportation).
- A number of new 52-week highs were achieved, including **Thomson Reuters Corp** (Research & Consulting Services), **Microsoft Corp** (Systems Software), **Corus Entertainment Inc** (Broadcasting), **Pembina Pipeline**

**Corporation** (Oil & Gas Storage & Transportation), **Royal Bank Of Canada** (Diversified Banks), **Restaurant Brands International Inc** (Restaurants), **Telus Corporation** (Integrated Telecommunication Services), **Fortis Inc** (Electric Utilities), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Transalta Renewables Inc** (Renewable Electricity), **Infosys Limited** (IT Consulting & Other Services), **Dream Industrial REIT** (Industrial REITs), **Gibson Energy Inc.** (Oil & Gas Storage & Transportation), **Killam Apartment REIT** (Residential REITs) and **Sienna Senior Living Inc** (Health Care Facilities).

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### Securities

Algonquin Power & Utilities Corp.	2a,2c,2e,2g	Dream Industrial REIT	2g,7
Alimentation Couche-Tard Inc.	12,2g,7	Dream Office REIT	2g,7
Bank of Montreal	2a,2c,2e,2g,3a,3c,7	CGI Group Inc.	12,2g,7
BlackBerry Limited	2g,7	Descartes Systems Group Inc.	2g
Boyd Group Income Fund	2g	Enerflex Ltd.	2g
Brookfield Asset Management	14,2a,2c,2e,2g,3a,3c,7	FirstService Corporation	2g
CAE Inc.	2g,9	Fortis Inc.	2a,2e,2g,7
Canadian Apartment Properties REIT	2a,2c,2e,2g,7	Franco-Nevada Corporation	2a,2c,2e,2g,7
Canadian Pacific Railway Ltd.	2a,2c,2e,2g,9	Gibson Energy Inc.	2a,2c,2e,2g
Cardinal Energy Ltd.	2a,2c,2e,2g	Killam Apartment REIT	2a,2c,2e,2g,7
Constellation Software Inc.	2g,7	Rogers Communications Inc.	C1
Corus Entertainment Inc.	13,2a,2c,2e,2g		

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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.

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