



ADVISOR MANAGED ACCOUNTS: MARCH 2019 COMMENTARY



The first quarter of 2019 finished on a positive note with major markets around the world registering positive month and year-to-date returns. Quite a dramatic turnaround from the fourth quarter of 2018. So much so in fact, that we think this is an excellent time to review your cash flow requirements for the coming year. If you have any expected or potentially large expenditures coming up be sure to let us know. We're happy to review your current financial plan and make sure you have enough liquidity to deal with any circumstance. Our general rule is that it's much easier to raise cash when the markets are strong.

We came across the article ["Here are 24 Cognitive biases that are warping your perception of reality"](#) that examines the cognitive biases that influence decision making. We thought this was a great illustration of the typical pitfalls we all might fall victim to when trying to make a rational decision. True enough, "confirmation bias" as outlined may be at play here because we have spent a lot of time and effort to make the portfolio management aspect of our business in particular a rules based, objective and repeatable system. We believe the best way we can add value is by being disciplined in what we do, rather than trying to be "smarter" than everyone else. We have found that laying out reasonable rules for our portfolios, applying them on a regular basis, and reviewing the results with an eye to constantly increase our chances of success has improved the performance we are able to provide for our clients. Removing emotional responses and market 'noise' is harder than it sounds but well worth the effort in our view.



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Of particular interest is the "sunk cost fallacy" as it applies to investing. A common mistake investors make is irrationally clinging to an investment that you have invested money, time, and perhaps emotion in because it is painful to let it go. As the article points out, the correct question is to ask yourself is: "If I had not already invested in this, would I do so now?"

These biases don't just apply to investing, but all aspects of decision making. Have a look through some of the most common biases and examine how to avoid falling victim to them yourself.



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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 remained below long-term averages, with a monthly range between 12 and 18. These levels continue to imply an orderly and less volatile market than normal.

Please locate your specific model from the sections below and read about what activity went on in your portfolio.

BLUE HERON CANADIAN ESG LEADER**March 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 **Centene Corporation** (Managed Health Care), **Cameco Corporation** (Coal & Consumable Fuels), **Franco-Nevada Corp** (Gold), **Toronto Dominion Bank** (Diversified Banks) and **National Bank Of Canada** (Diversified Banks).
- We added new positions in **Franco-Nevada Corp** (Gold), **American Water Works Co** (Water Utilities), **Dirtt Environmental Solutions Ltd** (Building Products), **Descartes Systems Group Inc** (Application Software), **Enerflex Ltd.** (Oil & Gas Equipment & Services), **Element Fleet Management Corp** (Specialized Finance) and **Shopify Inc** (Internet Services & Infrastructure).
- A number of new 52-week highs were achieved, including: **Descartes Systems Group Inc** (Application Software), **Firstservice Corp** (Real Estate Services), **Killam Apartment REIT** (Residential REITs), **Thomson Reuters Corp** (Research & Consulting Services), **CGI Inc** (IT Consulting & Other Services), **Canadian National Railway** (Railroads), **Dirtt Environmental Solutions Ltd** (Building Products), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canadian Apt Properties** (Residential REITs), **Eli Lilly & Co** (Pharmaceuticals), **Diageo Plc** (Distillers & Vintners), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **American Tower Reit** (Specialized REITs), **American Water Works Co** (Water Utilities), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Servicenow Inc** (Systems Software), **Vmware Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software), **Edwards Lifesciences Corp** (Health Care Equipment), **Nice Ltd** (Application Software), **Shopify Inc** (Internet Services & Infrastructure), **Enerflex Ltd.** (Oil & Gas Equipment & Services) and **Progressive Corp Oh** (Property & Casualty Insurance).

BLUE HERON DIVIDEND ESG LEADER AND BLUE HERON INCOME ESG LEADER**March 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 **Emera Incorporated** (Electric Utilities), **BCE Inc** (Integrated Telecommunication Services), **North West Company Inc** (Food Retail), **CME Group Inc** (Financial Exchanges & Data) and **Canadian Imperial Bank Of Commerce** (Diversified Banks).
- We added new positions in **Corus Entertainment Inc** (Broadcasting), **Infosys Limited** (IT Consulting & Other Services), **Altagas Ltd** (Gas Utilities), **AG Growth Intl Inc** (Agricultural & Farm Machinery), **Sprott Inc.** (Asset Management & Custody Banks), **Element Fleet Management Corp** (Specialized Finance) and **TMX Group Limited** (Financial Exchanges & Data).
- A number of new 52-week highs were achieved, including: **Killam Apartment REIT** (Residential REITs), **Thomson Reuters Corp** (Research & Consulting Services), **Transalta Renewables Inc** (Renewable Electricity), **Fortis Inc** (Electric Utilities), **Telus Corporation** (Integrated Telecommunication Services), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Sienna Senior Living Inc** (Health Care Facilities), **Canadian Apt Properties** (Residential REITs), **Infosys Limited** (IT Consulting & Other Services), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **Microsoft Corp** (Systems Software), **Northland Power Inc**

(Independent Power Producers & Energy Traders) and Enerflex Ltd. (Oil & Gas Equipment & Services).

BLUE HERON GLOBAL ESG LEADER

March 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 **Centene Corporation** (Managed Health Care), **CME Group Inc** (Financial Exchanges & Data), **Latam Airlines Group S. A** (Airlines), **HCA Healthcare Inc** (Health Care Facilities) and **Nokia Corp** (Communications Equipment).
- We added new positions in **American Water Works Co** (Water Utilities), **Intercontinental Hotels Group** (Hotels, Resorts & Cruise Lines), **Astrazeneca P L C** (Pharmaceuticals), **Salesforce.Com Inc** (Application Software) and **Royal Bank Of Scotland Plc** (Diversified Banks).
- A number of new 52-week highs were achieved, including: **Eli Lilly & Co** (Pharmaceuticals), **Diageo Plc** (Distillers & Vintners), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **American Tower Reit** (Specialized REITs), **Waters Corp** (Life Sciences Tools & Services), **Varian Medical Systems Inc** (Health Care Equipment), **American Water Works Co** (Water Utilities), **Infosys Limited** (IT Consulting & Other Services), **Servicenow Inc** (Systems Software), **Vmware Inc** (Systems Software), **Salesforce.Com Inc** (Application Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software), **Ball Corp** (Metal & Glass Containers), **Fastenal Co** (Trading Companies & Distributors), **Ericsson** (Communications Equipment), **Astrazeneca P L C** (Pharmaceuticals), **Novo Nordisk** (Pharmaceuticals), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **Credicorp Ltd** (Diversified Banks), **Edwards Lifesciences Corp** (Health Care Equipment), **Nice Ltd** (Application Software), **Workday Inc** (Application Software) and **Progressive Corp Oh** (Property & Casualty Insurance).

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

VMware, Inc. (Ticker: **VMW-US**) is an information technology (IT) company. The Company is engaged in development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware. The Company offers various products, which allow organizations to manage IT resources across private clouds and multi-cloud, multi-device environments by leveraging synergies across three product categories: Software-Defined Data Center (SDDC), Hybrid Cloud Computing and End-User Computing (EUC). The SDDC is designed to transform and modernize the data center into an on-demand service that addresses application requirements by abstracting, pooling and automating the services that are required from the underlying hardware. (Thomson One. (2019). Retrieved from <https://www.thomsonone.com/>)

VMWare has been upgraded to 'AA' from 'A'. The updated privacy framework now covers its website, products and services, and offline events (collectively referred as Properties). The policy also elaborates on its mobile apps having their own privacy notices which vary across applications. VMWare maintains ISO 27001 certification for its vCloud Air suite (data centre virtualization). With its virtualization solutions, cloud computing platform and IT optimization solutions, the company is poised to benefit from the high growth trend in SMAC (social, mobile, analytics and cloud) technologies. (MSCI ESG Manager. (2019). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

GROWTH PORTFOLIOS: BLUE HERON BALANCED & BLUE HERON GROWTH

March 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 **Cameco Corporation** (Coal & Consumable Fuels), **Sap Se** (Application Software) and **Canadian Imperial Bank Of Commerce** (Diversified Banks).
- We added new positions in **Intercontinental Hotels Group** (Hotels, Resorts & Cruise Lines), **Franco-Nevada Corp** (Gold), **Servicenow Inc** (Systems Software), **Dirtt Environmental Solutions Ltd** (Building Products) and **Enerflex Ltd.** (Oil & Gas Equipment & Services).
- A number of new 52-week highs were achieved, including: **Descartes Systems Group Inc** (Application Software), **Firstservice Corp** (Real Estate Services), **Waste Connections Inc** (Environmental & Facilities Services), **Killam Apartment REIT**(Residential REITs), **Thomson Reuters Corp** (Research & Consulting Services), **CGI Inc** (IT Consulting & Other Services), **Restaurant Brands International Inc** (Restaurants), **Alimentation Couche-Tard Inc** (Food Retail), **Canadian National Railway** (Railroads), **Automatic Data Processing** (Data Processing & Outsourced Services), **Dirtt Environmental Solutions Ltd** (Building Products), **CAE Inc** (Aerospace & Defense), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Canadian Apt Properties** (Residential REITs), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Boyd Group Inc**(Diversified Support Services), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Servicenow Inc** (Systems Software), **Salesforce.Com Inc** (Application Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Microsoft Corp** (Systems Software), **Ericsson** (Communications Equipment), **Nice Ltd** (Application Software), **Northland Power Inc** (Independent Power Producers & Energy Traders), **Franco-Nevada Corp** (Gold) and **Enerflex Ltd.** (Oil & Gas Equipment & Services).

INCOME PORTFOLIOS: BLUE HERON CANADIAN DIVIDEND & BLUE HERON CANADIAN INCOME

March 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 **Telus Corporation** (Integrated Telecommunication Services) and **Morneau Shepell Inc** (Human Resource & Employment Services).
- We added new positions in **Infosys Limited** (IT Consulting & Other Services), **Transalta Renewables Inc** (Renewable Electricity), **Ag Growth Intl Inc** (Agricultural & Farm Machinery), **Sienna Senior Living Inc** (Health Care Facilities) and **Altagas Ltd** (Gas Utilities).
- A number of new 52-week highs were achieved, including: **Killam Apartment REIT**(Residential REITs), **Thomson Reuters Corp** (Research & Consulting Services), **Northview Apartment REIT**(Residential REITs), **Restaurant Brands International Inc** (Restaurants), **Transalta Renewables Inc** (Renewable Electricity), **Fortis Inc** (Electric Utilities), **Telus Corporation** (Integrated Telecommunication Services), **Dream Industrial REIT**(Industrial REITs), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Sienna Senior Living Inc** (Health Care Facilities), **Canadian Apt Properties** (Residential REITs), **Granite REIT** (Industrial REITs), **Emera Incorporated** (Electric Utilities), **Infosys Limited** (IT Consulting & Other Services), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **Northwest Healthcare Properties REIT** (Health Care REITs), **Microsoft Corp** (Systems Software), **Capital Power Corporation** (Independent Power Producers & Energy Traders), **Northland Power Inc** (Independent Power Producers & Energy Traders) and **Brookfield Infrastructure** (Multi-Utilities & Unregulated Power).

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Securities

| | | | |
|------------------------------------|-------------------------------|--------------------------------------|------------------------|
| Ag Growth International Inc. | 2a,2c,2e,2g | Fortis Inc. | 2a,2e,2g,7 |
| Algonquin Power & Utilities Corp. | 2a,2c,2e,2g | Franco-Nevada Corporation | 2a,2c,2e,2g,7 |
| Alimentation Couche-Tard Inc. | 12,2g,7 | Killam Apartment REIT | 2a,2c,2e,2g,7 |
| AltaGas Ltd. | 2a,2c,2e,2g,7 | Morneau Shepell Inc. | 2a,2c,2e,2g |
| Bank of Montreal | 2a,2c,2e,2g,3a,3c,7 | National Bank Of Canada | 2a,2c,2e,2g,3a,3c,7 |
| BCE Inc. | 2a,2c,2e,2g,7,9 | North West Company Inc. | 2g,7 |
| Boyd Group Income Fund | 2g | Northland Power Inc. | 2a,2e,2g,C1 |
| Brookfield Asset Management | 14,2a,2c,2e,2g,3a,3c,7 | Northview Apartment REIT | 2g,3a |
| CAE Inc. | 2g,9 | NorthWest Healthcare Properties REIT | 2a,2c,2e,2g |
| Cameco Corporation | 2g,7 | Pembina Pipeline Corporation | 2a,2c,2e,2g,7 |
| Canadian Apartment Properties REIT | 2a,2c,2e,2g,7 | Restaurant Brands International Inc. | 2g,7 |
| Canadian Imperial Bank of Commerce | 2a,2c,2e,2g,3a,3c,6a,7,9,CD37 | Saputo Inc. | 2a,2c,2e,2g |
| Canadian National Railway Co. | 2g,7,9 | Sienna Senior Living Inc. | 2a,2c,2e,2g |
| Corus Entertainment Inc. | 13,2a,2c,2e,2g | TransAlta Renewables Inc. | 2a,2c,2e,2g |
| Capital Power Corporation | 2g,7,9 | Sprott Inc. | 2a,2e,2g |
| CGI Group Inc. | 12,2g,7 | TELUS Corporation | 13,2a,2c,2e,2g,7,9 |
| Descartes Systems Group Inc. | 2g | Thomson Reuters Corporation | 2g |
| Dream Industrial REIT | 2g,7 | TMX Group Limited | 2g,7,CD25 |
| Element Financial Corporation | 2a,2e,2g,7 | Toronto-Dominion Bank | 2a,2c,2d,2e,2g,3a,3c,7 |
| Emera Inc. | 2a,2b,2c,2e,2g,7 | Waste Connections Inc. | 2g,4a,4b |
| Enerflex Ltd. | 2g | WSP Global Inc. | 2a,2c,2e,2g |
| FirstService Corporation | 2g | | |

Disclaimers

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

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

14 The equity securities of this company are limited 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.

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.

2d CIBC World Markets Corp. has received compensation for investment banking services from 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.

4a This company is a client for which a CIBC World Markets company has performed non-investment banking, non-securities-related services in the past 12 months.

4b CIBC World Markets Corp. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.

6a The CIBC World Markets Inc. fundamental analyst(s) who covers this company also has a long position in its common equity securities.

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CD25 CIBC World Markets Inc. owns or controls an equity interest in TMX Group Limited and TMX Group Inc. in excess of 1% of the issued and outstanding equity securities thereof and has a nominee director

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Desjardins, Jeff (2018) Here are 24 cognitive biases that are warping your perception of reality.

<https://www.weforum.org/agenda/2018/12/24/cognitive-biases-that-are-warping-your-perception-of-reality/>