



## ADVISOR MANAGED ACCOUNTS: FEBRUARY 2019 COMMENTARY



February continued on from our positive experience in January, with major North American markets registering modest gains. As we mentioned last month, our Equity Action Call moved back up to “green” territory in the first few days of the month. As a result, our discretionary managed portfolios are fully invested up to their target equity weight.

Policy makers on both sides of our border have moderated their enthusiasm for raising interest rates in the short term, citing disappointing 4<sup>th</sup> quarter economic growth figures, a slowing housing market, and global trade issues, whose effects on growth are “difficult to disentangle.” That being said, we remain optimistic for equity markets given the recent round of earnings reported have been largely positive, and included dividend increases from four of Canada’s major banks.

A question that often came up this month as we helped our clients work their way through tax season is: “should I contribute to my RRSP or my TFSA?”. The answer is that both can be equally effective savings and investment tools, but depending on your personal expected tax rates, one or the other (or both!) may have different advantages for you. Using your personal financial plan as a guide, we are happy to provide recommendations, so please feel free to continue to ask us. In the meantime, we found this one-page comparison, [Retirement Savings Vehicles](#), written by QV Investors, a good summary of the similarities and differences.

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 14, with a monthly range between 13 and 17. 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

#### February 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:



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- We sold our positions in **Cigna Corp** (Health Care Services), **Humana Inc** (Managed Health Care), **Automatic Data Processing** (Data Processing & Outsourced Services), **iShares Short Term Treasury Bond ETF** and **Purpose High Interest Savings ETF**.
- We added new positions in **SSR Mining Inc** (Gold), **Killam Apartment REIT** (Residential REITs), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Square Inc** (Data Processing & Outsourced Services), **Edwards Lifesciences Corp** (Health Care Equipment), **Vmware Inc** (Systems Software) and **ServiceNow Inc** (Systems Software).
- A number of new 52-week highs were achieved, including: **ServiceNow Inc** (Systems Software), **Vmware Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Eli Lilly & Co** (Pharmaceuticals), **Thomson Reuters Corp** (Research & Consulting Services), **Rogers Communications Inc** (Wireless Telecommunication Services), **Brookfield Asset Management Inc** (Asset Management & Custody Banks), **Ssr Mining Inc** (Gold), **Toromont Inds Ltd** (Trading Companies & Distributors), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Diageo Plc New Ads** (Distillers & Vintners), **Edwards Lifesciences Corp** (Health Care Equipment), **American Tower REIT** (Specialized REITs), **Killam Apartment REIT** (Residential REITs), **Firstservice Corp** (Real Estate Services), **CGI Inc** (IT Consulting & Other Services), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power) and **Cameco Corporation** (Coal & Consumable Fuels).

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

### February 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 **Chorus Aviation Inc** (Airlines), **iShares Short Term Treasury Bond ETF** and **Purpose High Interest Savings ETF**.
- We added new positions in **Chorus Aviation Inc** (Airlines), **Enerflex Ltd.** (Oil & Gas Equipment & Services), **Emera Incorporated** (Electric Utilities) and **Transalta Renewables Inc** (Renewable Electricity).
- A number of new 52-week highs were achieved, including: **Killam Apartment REIT** (Residential REITs), **Enerflex Ltd.** (Oil & Gas Equipment & Services), **Thomson Reuters Corp** (Research & Consulting Services), **Rogers Communications Inc** (Wireless Telecommunication Services), **BCE Inc** (Integrated Telecommunication Services), **North West Company Inc** (Food Retail), **Sienna Senior Living Inc** (Health Care Facilities), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **Fortis Inc** (Electric Utilities), **Innervex Renewable Energy Inc** (Renewable Electricity), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power) and **Emera Incorporated** (Electric Utilities).

## BLUE HERON GLOBAL ESG LEADER

### February 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 **Cigna Corp** (Health Care Services), **Sony Corp** (Consumer Electronics), **Astrazeneca PLC** (Pharmaceuticals), **Visa Inc.** (Data Processing & Outsourced Services), **Automatic Data Processing** (Data Processing & Outsourced Services), **Humana Inc** (Managed Health Care), **Square Inc** (Data Processing & Outsourced Services) and **Cisco Systems Inc** (Communications Equipment). We also reduced our positions in

**Advanced Micro Devices Inc (Semiconductors) and iShares Short Term Treasury Bond ETF.**

- We added new positions in **Square Inc** (Data Processing & Outsourced Services), **Waters Corp** (Life Sciences Tools & Services), **Varian Medical Systems Inc** (Health Care Equipment), **Edwards Lifesciences Corp** (Health Care Equipment), **Cisco Systems Inc** (Communications Equipment), **Nokia Corp** (Communications Equipment), **Infosys Limited** (IT Consulting & Other Services), **Union Pacific Corp** (Railroads), **Deere & Co** (Agricultural & Farm Machinery), **Credicorp Ltd** (Diversified Banks), **Tractor Supply Co** (Specialty Stores), **Fastenal Co** (Trading Companies & Distributors) and **Novo Nordisk** (Pharmaceuticals).
- A number of new 52-week highs were achieved, including: **ServiceNow Inc** (Systems Software), **Vmware Inc** (Systems Software), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Eli Lilly & Co** (Pharmaceuticals), **Waters Corp** (Life Sciences Tools & Services), **Ball Corp** (Metal & Glass Containers), **Fastenal Co** (Trading Companies & Distributors), **Workday Inc** (Application Software), **Iqvia Holdings Inc** (Life Sciences Tools & Services), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Varian Medical Systems Inc** (Health Care Equipment), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Ericsson** (Communications Equipment), **Diageo Plc** (Distillers & Vintners), **Tractor Supply Co** (Specialty Stores), **Edwards Lifesciences Corp** (Health Care Equipment), **Union Pacific Corp** (Railroads), **American Tower Reit** (Specialized REITs), **Credicorp Ltd** (Diversified Banks) and **Infosys Limited** (IT Consulting & Other Services).

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

TransAlta Renewables Inc (Ticker RNW) is a Canada-based company engaged in developing, owning and operating renewable power generation facilities. The Company owns and operates over 10 hydro facilities and approximately 20 wind farms in Western and Eastern Canada. The Company also owns economic interests located in Ontario and Quebec. (Thomson One. (2019). Retrieved from <https://www.thomsonone.com/>)

TransAlta Renewables' rating is unchanged at 'A'. With majority of TransAlta Renewables operations related to power generation from hydro and wind, it has a lower environmental profile in comparison to peers generating power from fossil fuels. Further, the company has 59% of its installed capacity from renewable sources which is much higher than the industry average of 31% as of September 2017. All employees of the company work for TransAlta Corporation, the controlling parent company, and therefore benefit from the employee engagement programs implemented by TransAlta Corporation. However, the company does not appear to have strong programs to mitigate the water footprint of its operations. (MSCI ESG Manager. (2019). Retrieved from <https://esgmanager.msci.com/esgmanager/>)

**GROWTH PORTFOLIOS: BLUE HERON BALANCED & BLUE HERON GROWTH****February 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 **Mty Food Group Inc** (Restaurants) and **Motorola Solutions Inc** (Communications Equipment). We also reduced our positions in **Dynamic iShares Active Tactical Bond ETF** and **Pimco Monthly Income Fund**.
- We added new positions in **Air Canada** (Airlines), **Northland Power Inc** (Independent Power Producers & Energy Traders), **SSR Mining Inc** (Gold), **Restaurant Brands International Inc** (Restaurants), **Advanced Micro Devices Inc** (Semiconductors) and **Bombardier Inc** (Aerospace & Defense).
- A number of new 52-week highs were achieved, including: **Air Canada** (Airlines), **Paypal Holdings Inc** (Data Processing & Outsourced Services), **Thomson Reuters Corp** (Research & Consulting Services), **Alimentation Couche-Tard Inc** (Food Retail), **Rogers Communications Inc** (Wireless Telecommunication Services),

**Brookfield Asset Management Inc** (Asset Management & Custody Banks), **CAE Inc** (Aerospace & Defense), **Mastercard Incorporated** (Data Processing & Outsourced Services), **Automatic Data Processing** (Data Processing & Outsourced Services), **Constellation Software Inc** (Application Software), **SSR Mining Inc** (Gold), **Toromont Inds Ltd** (Trading Companies & Distributors), **Keysight Technologies Inc** (Electronic Equipment & Instruments), **Ericsson** (Communications Equipment), **Killam Apartment REIT** (Residential REITs), **Firstservice Corp New** (Real Estate Services), **Waste Connections Inc** (Environmental & Facilities Services), **Salesforce.Com Inc** (Application Software), **CGI Inc** (IT Consulting & Other Services), **Restaurant Brands International Inc** (Restaurants), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power) and **Cameco Corporation** (Coal & Consumable Fuels).

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

### February 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 position in **Dream Office REIT** (Office REITs). We also reduced our positions in **Dynamic iShares Active Tactical Bond ETF** and **Pimco Monthly Income Fund**.
- We added new positions in **Restaurant Brands International Inc** (Restaurants), **Corus Entertainment Inc** (Broadcasting) and **Aecon Group Inc** (Construction & Engineering).
- A number of new 52-week highs were achieved, including: **Dream Industrial REIT** (Industrial REITs), **Thomson Reuters Corp** (Research & Consulting Services), **Rogers Communications Inc** (Wireless Telecommunication Services), **BCE Inc** (Integrated Telecommunication Services), **North West Company Inc** (Food Retail), **Granite REIT** (Industrial REITs), **Killam Apartment REIT** (Residential REITs), **Pembina Pipeline Corporation** (Oil & Gas Storage & Transportation), **Restaurant Brands International Inc** (Restaurants), **Fortis Inc** (Electric Utilities), **Innergex Renewable Energy Inc** (Renewable Electricity), **Algonquin Power Utilities Corp** (Multi-Utilities & Unregulated Power), **Capital Power Corporation** (Independent Power Producers & Energy Traders) and **Emera Incorporated** (Electric Utilities).

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#### Securities

Aecon Group Inc.	2g,7
Air Canada	2g,C38
Algonquin Power & Utilities Corp.	2a,2c,2e,2g
Alimentation Couche-Tard Inc.	12,2g,7
BCE Inc.	2a,2c,2e,2g,7,9
Bombardier Inc.	12,2g,7
Brookfield Asset Management	14,2a,2c,2e,2g,3a,3c,7
CAE Inc.	2g,9
Cameco Corporation	2g,7
Capital Power Corporation	2g,7,9
Chorus Aviation	2g,CD15
Constellation Software Inc.	2g,7
CGI Group Inc.	12,2g,7
Dream Industrial REIT	2g,7
Emera Inc.	2a,2b,2c,2e,2g,7
Enerflex Ltd.	2g
FirstService Corporation	2g
Fortis Inc.	2a,2e,2g,7
Innergex Renewable Energy Inc.	2a,2c,2e,2g,7
Killam Apartment REIT	2a,2c,2e,2g,7,C1

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2a This company is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.

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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.

14 The equity securities of this company are limited 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.

C38 The Class A shares of Air Canada are variable voting shares. The Class B shares of Air Canada are converted to Class A shares if they become held by a person who is not a Canadian.

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.