



Tax Loss Selling

Portfolio Advice & Investment Research

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Seasonal Portfolio Restructuring Ideas

With the fourth quarter well underway and the end of the year in sight, many investors are beginning to consider tax loss selling strategies and portfolio restructuring for the upcoming year. While no one likes to experience losses in their portfolio, harvesting tax losses can help mitigate the taxes on realized gains, including those realized in previous years. We are not advocating that tax be the primary driver of an investment decision; however, we recognize tax loss selling is a tax planning strategy many investors employ.

Before you consider this strategy, it is important to consult with your tax advisor and ensure that you fully understand the rules. Examples of key rules include:

- **Superficial loss rule:** If you sell a security to trigger a loss, and you or an affiliated person (your spouse, a corporation you control, or a trust where you have a major beneficial interest, including an RRSP) purchases an identical security within 30 days before or after the sale date, and that person still owns the security 30 calendar days after the sale date, then the capital loss is denied.
- **Settlement date:** The trade must settle prior to year end. As such, the **last trading day for the 2014 taxation year is December 24 for Canadian stocks, and December 26 for U.S. stocks.**
- **Tax loss carry forward:** Tax losses can be applied to gains in the previous three years and can be carried forward for future use.

Down but not (sold) out

Before you decide to sell an investment for a tax loss, you need to assess the merits of the investment; stocks with strong fundamentals that you would be willing to purchase today may not be the best candidates for tax loss selling. In the case of a stock with weak fundamentals or a cloudy outlook, it may make sense to realize the loss and move on to better opportunities elsewhere in the market.

Even if you are not considering this strategy for your portfolio, the end of the year may create buying opportunities as stocks already off their highs may be pushed lower due to additional selling pressures as investors realize tax losses.

In Tables 1 and 2, we highlight S&P/TSX Composite Index and S&P 500 Index stocks that have experienced declines of 15% or more since the beginning of the year and may be tax loss selling candidates. Similarly, Table 3 highlights preferred shares trading at a discount of 15% or more from par value, and may also be candidates for tax loss selling.

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Please refer to Appendix A of this report for important disclosure information.

Table 1: Canadian Equity Potential Tax Loss Selling Candidates

Company Name	Ticker	Sector	Price Change Year-To-Date
Westport Innovations Inc	WPT	Industrials	-66.2
Horizon North Logistics Inc	HNL	Industrials	-53.5
Avigilon Corp	AVO	Information Technology	-48.5
Canexus Corp	CUS	Materials	-47.1
Labrador Iron Ore Royalty Corp	LIF	Materials	-44.6
Ithaca Energy Inc	IAE	Energy	-44.2
TransGlobe Energy Corp	TGL	Energy	-42.9
Penn West Petroleum Ltd	PWT	Energy	-42.5
Lightstream Resources Ltd	LTS	Energy	-42.3
Talisman Energy Inc	TLM	Energy	-41.4
Athabasca Oil Corp	ATH	Energy	-40.6
Argonaut Gold Inc	AR	Materials	-39.7
Teck Resources Ltd	TCK/B	Materials	-35.6
Kinross Gold Corp	K	Materials	-34.0
Trilogy Energy Corp	TET	Energy	-33.6
Bellatrix Exploration Ltd	BXE	Energy	-33.4
Gran Tierra Energy Inc	GTE	Energy	-32.5
Pengrowth Energy Corp	PGF	Energy	-31.7
Yamana Gold Inc	YRI	Materials	-31.6
Norbord Inc	NBD	Materials	-31.3
Capstone Mining Corp	CS	Materials	-31.0
Just Energy Group Inc	JE	Utilities	-30.0
First Majestic Silver Corp	FR	Materials	-28.7
BlackPearl Resources Inc	PXX	Energy	-28.6
Black Diamond Group Ltd	BDI	Industrials	-28.3
Trinidad Drilling Ltd	TDG	Energy	-28.0
Sherritt International Corp	S	Materials	-27.3
Savanna Energy Services Corp	SVY	Energy	-26.8
Alamos Gold Inc	AGI	Materials	-26.7
Dream Unlimited Corp	DRM	Financials	-25.9
IAMGOLD Corp	IMG	Materials	-25.8
Ensign Energy Services Inc	ESI	Energy	-25.2
AGF Management Ltd	AGF/B	Financials	-23.5
Mullen Group Ltd	MTL	Energy	-22.2
IGM Financial Inc	IGM	Financials	-22.0
Bonavista Energy Corp	BNP	Energy	-21.8
Legacy Oil + Gas Inc	LEG	Energy	-21.4
Trican Well Service Ltd	TCW	Energy	-20.3
Aimia Inc	AIM	Consumer Discretionary	-20.3
BRP Inc/CA	DOO	Consumer Discretionary	-19.9
Corus Entertainment Inc	CJR/B	Consumer Discretionary	-19.5
Barrick Gold Corp	ABX	Materials	-19.3
Husky Energy Inc	HSE	Energy	-19.1
TransAlta Corp	TA	Utilities	-17.8
Baytex Energy Corp	BTE	Energy	-16.1
Dorel Industries Inc	DII/B	Consumer Discretionary	-16.1
Silver Standard Resources Inc	SSO	Materials	-15.9
Bombardier Inc	BBD/B	Industrials	-15.4
Enerplus Corp	ERF	Energy	-15.4
Calfrac Well Services Ltd	CFW	Energy	-15.3
Cott Corp	BCB	Consumer Staples	-15.1

Source: Bloomberg Finance L.P. Price changes from December 31, 2013 to November 3, 2014.

Table 2: U.S. Equity Potential Tax Loss Selling Candidates

Company Name	Ticker	Sector	Price Change Year-To-Date
Transocean Ltd	RIG	Energy	-39.5
Coach Inc	COH	Consumer Discretionary	-39.4
Noble Corp plc	NE	Energy	-36.1
Avon Products Inc	AVP	Consumer Staples	-35.3
Mattel Inc	MAT	Consumer Discretionary	-35.0
Whole Foods Market Inc	WFM	Consumer Staples	-32.9
EnSCO PLC	ESV	Energy	-32.0
Diamond Offshore Drilling Inc	DO	Energy	-31.7
Owens-Illinois Inc	OI	Materials	-27.4
Amazon.com Inc	AMZN	Consumer Discretionary	-25.9
Jacobs Engineering Group Inc	JEC	Industrials	-24.8
Denbury Resources Inc	DNR	Energy	-24.5
General Motors Co	GM	Consumer Discretionary	-23.7
FMC Corp	FMC	Materials	-23.4
Freeport-McMoRan Inc	FCX	Materials	-23.1
Staples Inc	SPLS	Consumer Discretionary	-22.2
QEP Resources Inc	QEP	Energy	-21.5
Range Resources Corp	RRC	Energy	-20.1
Discovery Communications Inc	DISCA	Consumer Discretionary	-19.4
Murphy Oil Corp	MUR	Energy	-18.9
Cabot Oil & Gas Corp	COG	Energy	-18.4
Southwestern Energy Co	SWN	Energy	-18.2
Best Buy Co Inc	BBY	Consumer Discretionary	-18.1
Urban Outfitters Inc	URBN	Consumer Discretionary	-17.7
Bed Bath & Beyond Inc	BBBY	Consumer Discretionary	-17.4
Precision Castparts Corp	PCP	Industrials	-17.3
Fluor Corp	FLR	Industrials	-17.0
Leucadia National Corp	LUK	Financials	-17.0
GameStop Corp	GME	Consumer Discretionary	-16.7
Viacom Inc	VIAB	Consumer Discretionary	-16.5
Chesapeake Energy Corp	CHK	Energy	-15.9
Fossil Group Inc	FOSL	Consumer Discretionary	-15.7
PVH Corp	PVH	Consumer Discretionary	-15.2
CBS Corp	CBS	Consumer Discretionary	-15.2

Source: Bloomberg Finance L.P. Price changes from December 31, 2013 to November 3, 2014

Table 3: Preferred Share Potential Tax Loss Selling Candidates

Sector	Company Name	Ticker	Type	Bid Price	Discount to Par Value
Utilities	ATLANTIC PWR PFD EQUITY	AZP.pr.A	Perpetual	\$12.80	48.80%
Utilities	ATLANTIC PWR PFD EQUITY	AZP.pr.B	Rate-Reset	\$13.10	47.60%
Financial	FIRST NATIONAL FINANCIAL	FN.pr.A	Rate-Reset	\$15.93	36.28%
Utilities	TRANSALTA CORP	TA.pr.D	Rate-Reset	\$16.16	35.36%
Energy	CAPSTONE INFRASTRUCTURE	CSE.pr.A	Rate-Reset	\$18.51	25.96%
Financial	GMP CAPITAL INC	GMP.pr.B	Rate-Reset	\$18.51	25.96%
Utilities	CAPITAL POWER CORP	CPX.pr.A	Rate-Reset	\$18.90	24.40%
Energy	TRANSCANADA CORP	TRP.pr.B	Rate-Reset	\$18.95	24.20%
Financial	FAIRFAX FINL HLDGS LTD	FFH.pr.E	Rate-Reset	\$19.25	23.00%
Energy	INNERGEX RENEWABLE ENERG	INE.pr.A	Rate-Reset	\$19.30	22.80%
Utilities	TRANSALTA CORP	TA.pr.F	Rate-Reset	\$19.60	21.60%
Energy	TALISMAN ENERGY	TLM.pr.A	Rate-Reset	\$20.10	19.60%
Utilities	FORTIS INC	FTS.pr.H	Rate-Reset	\$20.18	19.28%
Financial	CANACCORD GENUITY GRP IN	CF.pr.A	Rate-Reset	\$20.35	18.60%
Energy	INNERGEX RENEWABLE ENERG	INE.pr.C	Perpetual	\$20.35	18.60%
Utilities	CU INC	CIU.pr.C	Rate-Reset	\$20.40	18.40%
Financial	ARTIS REAL ESTATE	AX.pr.E	Rate-Reset	\$20.70	17.20%
Utilities	NORTHLAND POWER INC	NPI.pr.A	Rate-Reset	\$21.02	15.92%
Financial	BROOKFIELD RENEW POW PFD	BRF.pr.F	Perpetual	\$21.05	15.80%
Financial	BROOKFIELD RENEW POW PFD	BRF.pr.E	Perpetual	\$21.08	15.68%
Industrial	BOMBARDIER INC	BBD.pr.C	Perpetual	\$21.12	15.52%
Financial	ARTIS REAL ESTATE	AX.pr.G	Rate-Reset	\$21.21	15.16%
Consumer, Cyclical	RONA INC	RON.pr.A	Rate-Reset	\$21.22	15.12%
Energy	TRANSCANADA CORP	TRP.pr.C	Rate-Reset	\$21.22	15.12%

Source: Bloomberg Finance L.P. As at November 3, 2014.

When employing a tax loss selling strategy, investors have the flexibility to redeploy the proceeds within the same sector or to look to other sectors of the market for replacements. Table 4 highlights Canadian and U.S. equities from each of the 10 economic sectors that we believe may represent attractive investments. Alternatively, investors can maintain exposure to a particular sector using exchange traded funds (ETFs), which can be found in Table 5.

Before investing, we strongly encourage investors consider their unique set of investment objectives and risk tolerance as well as consult the most recent research on the highlighted investments. Overall, we would use this time of year as an opportunity to review and, if necessary, rebalance portfolios to ensure the structure and holdings are in line with your long-term investment goals.

Table 4: Canadian and U.S. Investment Ideas

Sector	Canadian Equity	U.S. Equity
Consumer Discretionary	Dollarama Inc. (DOL-T) Magna International Inc. (MG-T) Gildan Activewear Inc. (GIL-T)	Ford Motor Co. (F-N) Delphi Automotive PLC (DLPH-N)
Consumer Staples	Alimentation Couche Tarde (ATD.B-T) Loblaw Ltd. (L-T)	Procter & Gamble Co. (PG-N)
Energy	ARC Resources Ltd. (ARX-T) Suncor Energy Inc. (SU-T) Crescent Point Energy Corp. (CPG-T) Enbridge Inc. (ENB-T) Tourmaline Oil Corp. (TOU-T) Vermilion Energy Inc. (VET-T)	
Financials	Royal Bank (RY-T) Toronto Dominion Bank (TD-T) Sunlife Financial (SLF-T) CI Financial (CIX-T)	MetLife Inc. (MET-N) JP Morgan Chase & Co. (JPM-N)
Health Care		UnitedHealth Group Inc. (UNH-N) Johnson & Johnson (JNJ-N)
Industrials	Canadian National Railway Co. (CNR-T) WSP Global (WSP-T) CAE Inc. (CAE-T)	Norfolk Southern Corp. (NSC-N) Eaton Corp. (ETN-N) General Electric Co. (GE-N) Caterpillar Inc. (CAT-N)
Information Technology	Open Text Corp. (OTC-T)	Qualcomm Inc. (QCOM-Q) Apple Inc. (AAPL-Q) Intel Corp. (INTC-Q)
Materials	Agrium Inc. (AGU-T) Franco Nevada Corp. (FNV-T) Teck Resources Ltd. (TCK.b-T)	
Telecommunications	Telus Corp. (T-T)	
Utilities	Fortis Inc. (FTS-T) Emera Inc. (EMA-T)	

Table 5: Canadian and U.S. ETFs to Maintain Sector Exposure

Sector	Exchange Traded Fund	Ticker
Canadian		
Energy	iShares S&P/TSX Capped Energy Index Fund	XEG-T
Financials	iShares S&P/TSX Capped Financials Index Fund	XFN-T
Materials	iShares S&P/TSX Capped Materials Index Fund	XMA-T
Utilities	iShares S&P/TSX Capped Utilities Index Fund	XUT-T
U.S.		
Consumer Discretionary	Consumer Discretionary Select Sector SPDR Fund	XLY-US
Consumer Staples	Consumer Staples Select Sector SPDR Fund	XLP-US
Energy	Energy Select Sector SPDR Fund	XLE-US
Financials	Financial Select Sector SPDR Fund	XLF-US
Health Care	Health Care Select Sector SPDR ETF	XLV-US
Industrials	Industrial Select Sector SPDR ETF	XLI-US
Information Technology	Technology Select Sector SPDR Fund	XLK-US
Materials	Materials Select Sector SPDR Fund	XLB-US
Telecommunications	Vanguard Telecommunication Services ETF	VOX-US
Utilities	Utilities Select Sector SPDR Fund	XLU-US

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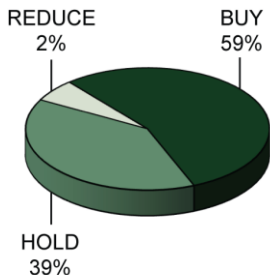
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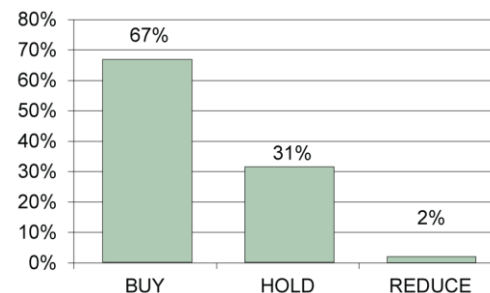
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