

Tax Loss Strategy

Did anyone notice Christmas is just around the corner? Hard to miss when decorations popped up in store fronts November 12th and Starbucks has been serving up their Christmas cups for the past two weeks. As we prepare for the festive season, we can't forget to deal with the naughty little stocks that have weighed on our portfolio returns. That's right, its tax-loss selling season! This year's naughty list includes stocks like Maxar Technologies which has slipped over 70% and we'd be remiss not to highlight AltaGas, down 45%, amid concerns over the dividend. We know the perfect stocking stuffer for AltaGas this year, a nice big lump of coal.

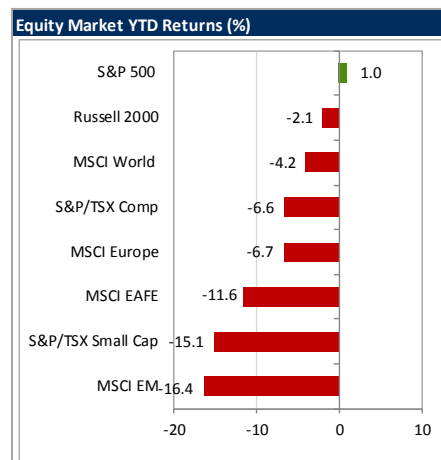
This year, we run our typical screen to identify tax-loss candidates that have fallen more than 20% ytd (as of November 9th). If history holds, the tax-loss selling basket typically falls 15%, on average, during selling season (November to mid-December) and subsequently experiences an average 6.5% recovery post selling season (mid-December to mid-January). This year's basket has remained under pressure over the past two weeks and we suspect additional selling pressure for the remainder of November. Investors looking to play the bounce may wish to begin accumulating, while those looking to crystalize losses, while maintaining a similar return profile, we identify an ETF and corresponding correlation. We attempted to find the ETF with the highest correlation, but in some cases the correlation is low or non-existent.

This year's basket looks oddly similar to 2017's basket, although the number of securities has expanded; in fact, it's almost doubled to 71 versus 39 last year. It's hard to image so much carnage at a time when the US market and economy have been firing on all cylinders, but here we are with a plethora of candidates to cut loose.

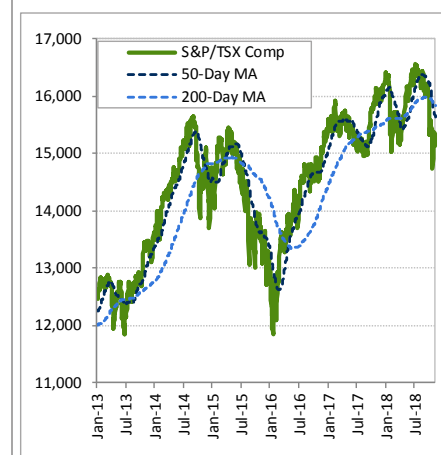
Key Tax Dates to Remember

- Dec-17-2018** - Fourth quarter tax installment payment for 2018 due.
- Dec-27-2018** - Last day to sell securities on Canadian markets to realize a gain or loss. Settlement is now T+2 days.
- Dec-27-2018** - Last day to sell securities on U.S. markets to realize a gain or loss. Settlement is now T+2 days.
- Dec-31-2018** - Last day to pay prescribed rate loan interest to deduct in 2018.
- Dec-31-2018** - Last day to complete charitable contributions for 2018; be sure you allow enough time to complete donations that may require additional lead time.
- Dec-31-2018** - Annual tax instalment payment for 2018 due for farming and fishing income.
- Jan-30-2019** - Must pay prescribed rate loan interest by this date to maintain income splitting (deductible in 2019).
- Feb-28-2019** - Deadline for employers to send T4 receipts to individuals.
- Mar-01-2019** - Deadline to contribute to a Registered Retirement Savings Plan to claim as a 2018 deduction.
- Apr-30-2019** - Deadline to pay your 2018 taxes and file your 2018 Individual T1 tax return.
- Jun-17-2019** - Deadline to file your 2018 Individual T1 tax return if you or your spouse earned self-employment income.

Source: Raymond James Ltd.



Canadian Sectors	Weight	Recommendation	
Consumer Discretionary	4.3	Market weight	
Consumer Staples	3.7	Underweight	
Energy	18.3	Overweight	
Financials	34.2	Market weight	
Health Care	1.7	Market weight	
Industrials	10.6	Overweight	
Technology	3.9	Market weight	
Materials	10.3	Overweight	
Communications	5.7	Market weight	
Utilities	4.1	Underweight	
Real Estate	3.2	Market weight	
Technical Considerations		Level	Target
S&P/TSX Composite		15,133	17,650



Source: Bloomberg, Raymond James Ltd.
Sectors are based on Bloomberg classifications

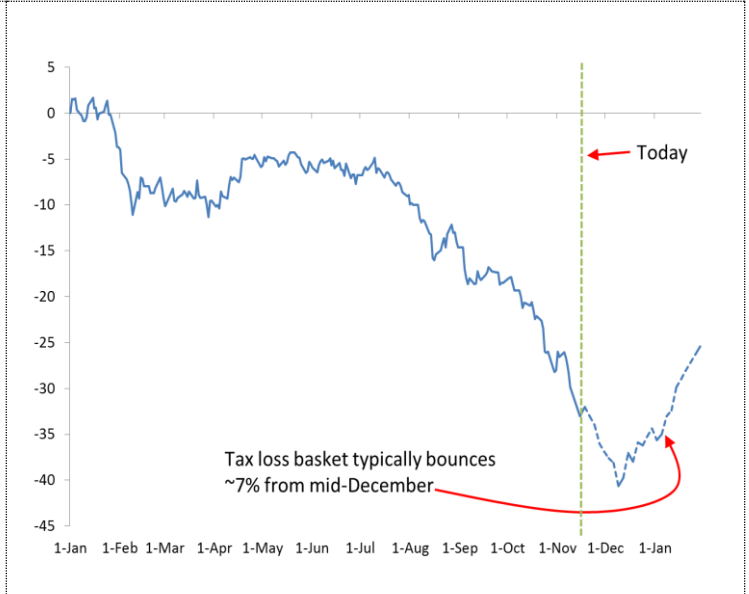
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Typically, tax loss baskets perform reasonably well in the following year. However that was not the case for last year's basket. Our 2017 basket, which was 80% weighted towards energy and material stocks, continued to slide in January, falling an additional 15%+ (see first chart below). The current basket performance looks very similar to the 2017 basket, although the current basket has come under more relentless selling pressure in the past few weeks. This year's basket has a 44% weighting to materials, 25% to energy, 10% to consumer discretionary and the remainder spread across utilities, real estate, industrials, financials and communication services.

2017 Basket Performance Under Pressure...



...Current (2018) Basket Relentless Selling



Source: Bloomberg, Raymond James Ltd.

S&P/TSX Tax Loss Selling Candidates

Company	Ticker	GICS Sector	YTD	ETF Ticker	ETF Name	Correlation
Communication Services						
Cogeco Communications Inc	CCA	Communication Services	-24.8%	XIC	iShares Core S&P/TSX Capped ETF	0.30
Consumer Discretionary						
Dorel Industries Inc	DII/B	Consumer Discretionary	-36.2%	XIC	iShares Core S&P/TSX Capped ETF	0.26
Linamar Corp	LNR	Consumer Discretionary	-34.1%	DISC	BMO Global Consumer Discrt H CAD ETF	0.40
Sleep Country Canada Holdings Inc	ZZZ	Consumer Discretionary	-33.0%	XIC	iShares Core S&P/TSX Capped ETF	0.27
Martinrea International Inc	MRE	Consumer Discretionary	-29.6%	XIC	iShares Core S&P/TSX Capped ETF	0.37
Dollarama Inc	DOL	Consumer Discretionary	-29.4%	XIC	iShares Core S&P/TSX Capped ETF	0.26
Hudson's Bay Co	HBC	Consumer Discretionary	-23.7%	XIC	iShares Core S&P/TSX Capped ETF	0.26
Stars Group Inc/The	TSGI	Consumer Discretionary	-21.8%	DISC	BMO Global Consumer Discrt H CAD ETF	0.31
Energy						
Trican Well Service Ltd	TCW	Energy	-62.7%	ZJO	BMO Junior Oil ETF	0.62
Paramount Resources Ltd	POU	Energy	-56.8%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.65
CES Energy Solutions Corp	CEU	Energy	-48.4%	ZJO	BMO Junior Oil ETF	0.58
Crescent Point Energy Corp	CPG	Energy	-41.1%	ZEO	BMO Equal Weight Oil & Gas ETF	0.81
NuVista Energy Ltd	NVA	Energy	-41.0%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.70
PrairieSky Royalty Ltd	PSK	Energy	-39.6%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.55
Advantage Oil & Gas Ltd	AAV	Energy	-38.0%	ZEO	BMO Equal Weight Oil & Gas ETF	0.58
TORC Oil & Gas Ltd	TOG	Energy	-34.9%	ZEO	BMO Equal Weight Oil & Gas ETF	0.79

Company	Ticker	GICS Sector	YTD	ETF Ticker	ETF Name	Correlation
Energy						
Whitecap Resources Inc	WCP	Energy	-33.9%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.71
Freehold Royalties Ltd	FRU	Energy	-32.5%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.71
Vermillion Energy Inc	VET	Energy	-30.8%	XEG	iShares S&P/TSX Capped Energy ETF	0.74
Encana Corp	ECA	Energy	-30.4%	ZJO	BMO Junior Oil ETF	0.75
Baytex Energy Corp	BTE	Energy	-30.2%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.75
Seven Generations Energy Ltd	VII	Energy	-30.0%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.70
ARC Resources Ltd	ARX	Energy	-28.9%	ZEO	BMO Equal Weight Oil & Gas ETF	0.71
Kelt Exploration Ltd	KEL	Energy	-27.7%	HEE	Horizons Enhanced Inc Energy ETF Comm	0.77
Peyto Exploration & Development Corp	PEY	Energy	-25.7%	ZEO	BMO Equal Weight Oil & Gas ETF	0.65
ShawCor Ltd	SCL	Energy	-20.7%	XEG	iShares S&P/TSX Capped Energy ETF	0.53
Financials						
CI Financial Corp	CIX	Financials	-32.4%	HEF	Horizons Enhan Inc Financials ETF Comm	0.41
Laurentian Bank of Canada	LB	Financials	-26.0%	HEF	Horizons Enhan Inc Financials ETF Comm	0.46
IGM Financial Inc	IGM	Financials	-22.5%	XFN	iShares S&P/TSX Capped Financials ETF	0.53
Element Fleet Management Corp	EFN	Financials	-21.9%	BNC	Purpose Canadian Financial Income ETF	0.38
Industrials						
Maxar Technologies Ltd	MAXR	Industrials	-70.6%	N/A	N/A	N/A
WestJet Airlines Ltd	WJA	Industrials	-30.3%	ZIN	BMO Equal Weight Industrials ETF	0.32
Chorus Aviation Inc	CHR	Industrials	-27.0%	ZIN	BMO Equal Weight Industrials ETF	0.35
NFI Group Inc	NFI	Industrials	-23.6%	ZIN	BMO Equal Weight Industrials ETF	0.29
Richelieu Hardware Ltd	RCH	Industrials	-22.3%	ZIN	BMO Equal Weight Industrials ETF	0.42
Materials						
New Gold Inc	NGD	Materials	-73.6%	ZJG	BMO Junior Gold ETF	0.44
Guyana Goldfields Inc	GUY	Materials	-68.5%	ZGD	BMO Equal Weight Global Gold ETF	0.48
Eldorado Gold Corp	ELD	Materials	-51.6%	ZGD	BMO Equal Weight Global Gold ETF	0.55
Tahoe Resources Inc	THO	Materials	-49.1%	ZMT	BMO Equal Weight Gbl BM Hdgd to CAD ETF	0.54
Turquoise Hill Resources Ltd	TRQ	Materials	-44.8%	XGD	iShares S&P/TSX Global Gold ETF	0.74
IAMGOLD Corp	IMG	Materials	-43.7%	HEP	Horizons Enhanced Inc Gold Prod ETF Comm	0.63
MAG Silver Corp	MAG	Materials	-42.3%	ZGD	BMO Equal Weight Global Gold ETF	0.69
Alamos Gold Inc	AGI	Materials	-41.9%	ZMT	BMO Equal Weight Gbl BM Hdgd to CAD ETF	0.80
Hudbay Minerals Inc	HBM	Materials	-41.2%	ZMT	BMO Equal Weight Gbl BM Hdgd to CAD ETF	0.58
Ivanhoe Mines Ltd	IVN	Materials	-40.1%	XGD	iShares S&P/TSX Global Gold ETF	0.75
Kinross Gold Corp	K	Materials	-36.9%	FHM	FT AlphaDEX US Materials Sector ETF	0.44
Chemtrade Logistics Income Fund	CHE-U	Materials	-36.4%	XBM	iShares S&P/TSX Global Base Metals ETF	0.68
Lundin Mining Corp	LUN	Materials	-36.1%	ZGD	BMO Equal Weight Global Gold ETF	0.70
Osisko Gold Royalties Ltd	OR	Materials	-32.7%	XBM	iShares S&P/TSX Global Base Metals ETF	0.80
First Quantum Minerals Ltd	FM	Materials	-32.0%	FHM	FT AlphaDEX US Materials Sector ETF	0.38
Interfor Corp	IFP	Materials	-31.4%	ZGD	BMO Equal Weight Global Gold ETF	0.44
Pretium Resources Inc	PVG	Materials	-30.6%	ZGD	BMO Equal Weight Global Gold ETF	0.44
Fortuna Silver Mines Inc	FVI	Materials	-28.2%	ZGD	BMO Equal Weight Global Gold ETF	0.60
Detour Gold Corp	DGC	Materials	-28.1%	HEP	Horizons Enhanced Inc Gold Prod ETF Comm	0.62
Endeavour Mining Corp	EDV	Materials	-27.4%	ZJG	BMO Junior Gold ETF	0.59
Yamana Gold Inc	YRI	Materials	-26.0%	ZGD	BMO Equal Weight Global Gold ETF	0.74
Goldcorp Inc	G	Materials	-24.1%	XGD	iShares S&P/TSX Global Gold ETF	0.83
SEMAFO Inc	SMF	Materials	-23.0%	ZJG	BMO Junior Gold ETF	0.66
Canfor Corp	CFP	Materials	-23.0%	FHM	FT AlphaDEX US Materials Sector ETF	0.40
Wheaton Precious Metals Corp	WPM	Materials	-22.5%	HEP	Horizons Enhanced Inc Gold Prod ETF Comm	0.75
Western Forest Products Inc	WEF	Materials	-22.4%	FHM	FT AlphaDEX US Materials Sector ETF	0.36
Cascades Inc	CAS	Materials	-22.3%	FHM	FT AlphaDEX US Materials Sector ETF	0.26
Agnico Eagle Mines Ltd	AEM	Materials	-22.0%	XGD	iShares S&P/TSX Global Gold ETF	0.83
Lucara Diamond Corp	LUC	Materials	-21.7%	ZMT	BMO Equal Weight Gbl BM Hdgd to CAD ETF	0.21
Sandstorm Gold Ltd	SSL	Materials	-20.7%	ZJG	BMO Junior Gold ETF	0.64
Centerra Gold Inc	CG	Materials	-20.3%	ZJG	BMO Junior Gold ETF	0.59
Real Estate						
Altus Group Ltd/Canada	AIF	Real Estate	-31.4%	VRE	Vanguard FTSE Canadian Capped REIT ETF	0.21
Artis Real Estate Investment Trust	AX-U	Real Estate	-27.3%	ZRE	BMO Equal Weight REITs ETF	0.66
Cominar Real Estate Investment Trust	CUF-U	Real Estate	-20.7%	ZRE	BMO Equal Weight REITs ETF	0.57
Utilities						
AltaGas Ltd	ALA	Utilities	-45.0%	HOG	Horizons Can Midstream Oil & Gas ETF	0.40
Boralex Inc	BLX	Utilities	-29.1%	ZUT	BMO Equal Weight Utilities ETF	0.53

Source: Bloomberg

S&P/Preferred Share Index Tax Loss Selling Candidates

The Canadian preferred shares market has performed reasonably well, although the market stumbled in October along with the S&P/TSX. It has been amazing to see good quality fixed-resets that will be resetting their coupons at a higher level in the next few

months selling off. We suppose, if you're looking for the definition of irrational look no further than the Canadian rate-reset market! The basket below includes preferred shares that have fallen more than 10% year-to-date (YTD). Regardless, if you're looking to do some tax-loss selling and wish to maintain exposure via an ETF, we recommend actively managed Horizons Active Preferred Share ETF (HPR-T) which is sub-advised by Fiera Capital's Nicolas Normandeau. When looking at ETFs, we prefer to stick with active management in this space as they have the flexibility to position the portfolio for both declining and rising rates. Fiera has demonstrated their ability to help protect on the downside, as well as participate during in a rising market. Below is a list of tax loss preferred share candidates based on their YTD performance. As with all tax matters, please speak with a tax specialist before execution.

Type	Issuer	Ser	Symbol	DBRS	Next Reset/ Call Date	Reset	YTD
Fixed Rate-Reset							
FR	ALTAGAS LTD	G	ALA.PR.G	Pfd-3 *	30-Sep-19	5yr GoC +3.06%	-23.1%
FR	ALTAGAS LTD	E	ALA.PR.E	Pfd-3 *	31-Dec-18	5yr GoC +3.17%	-21.6%
FR	ALTAGAS LTD	A	ALA.PR.A	Pfd-3 *	30-Sep-20	5yr GoC +2.66%	-19.6%
FR	ALTAGAS LTD	K	ALA.PR.K	N/A	31-Mar-22	5yr GoC +3.80% (Min 5.00%)	-18.8%
FR	ELEMENT FLEET MANAGEMENT	I	EFN.PR.I	Pfd-3H	30-Jun-22	5yr GoC +4.64% (Min 5.75%)	-15.1%
FR	ALTAGAS LTD	I	ALA.PR.I	Pfd-3 *	31-Dec-20	5yr GoC +4.19% (Min 5.25%)	-14.7%
FR	BROOKFIELD RENEW POW PFD		BRF.PR.C	Pfd-3H	31-Jul-19	5yr GoC +2.94%	-12.1%
FR	ECN CAPITAL CORP	A	ECN.PR.A	Pfd-3L	31-Dec-21	5yr GoC +5.44% (Min 6.50%)	-12.0%
FR	BROOKFIELD PROPERTIES CO	AA	BPO.PR.A	Pfd-3	31-Dec-19	5yr GoC +3.15%	-12.0%
FR	TRANSALTA CORP	E	TA.PR.H	Pfd-3L	30-Sep-22	5yr GoC +3.65%	-12.0%
FR	LAURENTIAN BANK OF CDA	13	LB.PR.H	Pfd-3	15-Jun-19	5yr GoC +2.55%	-11.6%
FR	ELEMENT FLEET MANAGEMENT	E	EFN.PR.E	Pfd-3H	30-Sep-19	5yr GoC +4.72%	-11.6%
FR	ARTIS REAL ESTATE	G	AX.PR.G	Pfd-3L	31-Jul-19	5yr GoC +3.13%	-11.5%
FR	BROOKFIELD OFFICE PROP	P	BPO.PR.P	Pfd-3	31-Mar-22	5yr GoC +3.00%	-11.3%
FR	BCE INC	R	BCE.PR.R	Pfd-3	1-Dec-20	≥80% of 5yr GoC	-11.2%
FR	NORTHLAND POWER INC	3	NPI.PR.C	N/A	31-Dec-22	5yr GoC +3.46%	-10.9%
FR	ENBRIDGE INC	15	ENB.PF.G	Pfd-3H	1-Sep-20	5yr GoC +2.68%	-10.7%
FR	ARTIS REAL ESTATE	E	AX.PR.E	Pfd-3L	30-Sep-23	5yr GoC +3.30%	-10.7%
FR	TRANSCANADA CORP	9	TRP.PR.E	Pfd-2L	30-Oct-19	5yr GoC +2.35%	-10.5%
FR	ECN CAPITAL CORP	C	ECN.PR.C	Pfd-3L	30-Jun-22	5yr GoC +5.19% (Min 6.25%)	-10.2%
FR	BROOKFIELD OFFICE PROP	II	BPO.PR.I	Pfd-3	31-Dec-22	5yr GoC +3.23% (Min 4.85%)	-10.2%
FR	ENBRIDGE INC	11	ENB.PF.C	Pfd-3H	1-Mar-20	5yr GoC +2.64%	-10.2%
Perpetuals							
Perp	DUNDEE CORP	5	DC.PR.E	N/A	14-Dec-18		-22.5%
Perp	BROOKFIELD RENEWABLE PAR	5	BEP.PR.E	N/A	10-Dec-18		-11.1%
Floating Rate							
Float	ALTAGAS LTD	B	ALA.PR.B	Pfd-3 *	30-Sep-20	3-Mo T-Bill + 2.66	-17.8%

Source: Bloomberg; as of Nov 14, 2018

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