Wealth Management
Dominion Securities

RBC Dominion Securities Inc.
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Update On Your Discretionary Portfolio

Summary of recent changes & Tax Loss Selling

November 2022

Dear clients,

We are getting closer to the end of 2022, and we wanted to provide you with an update on recent activity in your discretionary portfolio. The past several months, we have remained focused on owning more quality names within your equity portfolio. We have also taken advantage of the recent hikes in interest rates to lock in some higher yielding bonds and GICs. More detail can be found in the Portfolio Comments section below.

At this time each year we look to see if there are opportunities in the portfolio to initiate any “tax-loss selling” transactions, for clients that hold assets in non-registered (taxable) accounts. We often refer to the adage “we don’t let the tax tail wag the dog” so the transaction must make sense from a portfolio management standpoint. We do this by selling a position in the non-registered account that is currently trading at a loss, and then replace it with either shares of another company already in the model, a new position, or by using an index

ETF. If we purchase an ETF the objective is to purchase the security back after 30 days. Any of the positions that we have sold at a loss, are able to be bought back in the portfolio after 30 days, as the capital loss becomes crystallized for tax purposes. By performing this action, we are able to reduce previous capital gains that may have been realized earlier this year, while maintaining the same equity exposure. Any excess capital losses realized at the end of the year could also be used to offset capital gains from previous years, or could be carried forward to reduce capital gains in any future year.

We hope you have all been reading our monthly publication "Not Your ORDinary Newsletter" that we will continue to send out early in the month. The Market Update at the beginning of the newsletter can provide our most up-to-date thoughts on the market and economy. Briefly, we will note that the most recent U.S. CPI inflation reading in October started to trend in the right direction (and was a fair amount lower than the expectation). This has led to the market pricing in a smaller 50bps interest rate hike at the upcoming December meeting of the Federal Reserve. This is a good sign, however we will remain cautious in our optimism, as additional positive data will need to come out before causing the Fed to change course and pause their hikes. The stock market has found its footing a bit since the end of September, and hopefully the seasonal patterns we have pointed to in recent newsletters can provide a bit of an additional boost into year end.

Portfolio Comments

In the past couple of months, we have made a few small changes that we feel will continue to increase quality within your portfolio. Included in that was selling our previous position of Minto REIT (MI.UN), and replacing it with the larger capitalized Canadian Apartment REIT (CAR.UN). This was partially a tax-loss sell, but allowed us to upgrade to a higher quality REIT that had also seen its valuation drop quite a bit during the recent market downturn. At the same time (late September), we also added a new position in Restaurant Brands (QSR), and added a little to our existing position in CargoJet (CJT) near its recent low.

In early October, we made the decision to again increase our Canadian equity exposure vs. the US, and to also take advantage of the strong US dollar. We sold our positions in DocuSign (DOCU), and trimmed a little from other companies (AMZN, AAPL, HON, MCD and XYL). We then converted the USD proceeds to CAD at an exchange rate above 1.35, and bought additional positions in Restaurant Brands (QSR) and Canadian Apartment REIT (CAR.UN).

We have done a fair amount of tax loss selling in the portfolio during November:

We sold General Motors (GM) and PayPal (PYPL) from the model entirely, and spread those proceeds across various existing companies including UnitedHealth (UNH); Costco (COST); Constellation Brands (STZ); Microsoft (MSFT); Alphabet (GOOG) and Visa (V).

Nike (NKE) and Walt Disney (DIS) were sold in non-registered accounts only, to take the loss, and the cash was invested into an S&P 500 ETF (SPY). We currently intend to buy back NKE and DIS after the loss is crystallized.

In Canada, our tax-loss selling transactions included selling Shopify (SHOP); Magna (MG); Nuvei (NVEI) and Park Lawn (PLC) and investing the proceeds into a TSX ETF (XIU). We also plan on buying those companies back after the 30 day mark as well.

Most recently, we sold 1/3 of our Algonquin Power (AQN) position on the morning after their earnings announcement. We added the proceeds to existing positions of Brookfield Infrastructure (BIP.UN); Enbridge (ENB); and Telus (T).

On the fixed income side, we have been adding exposure to 2-3 year GICs and individual corporate (bank) and government bonds. By doing so, we are locking in interest rates over 5% (some as high as 5.35%), while reducing risk. Going forward, fixed income may actually provide some decent returns just on the interest alone, which has not really been the case for the past decade. Additionally, the bonds that we purchased were also trading at a discount to par ($100), so they are more tax-efficient in non-registered accounts, due to part of the eventual profit coming from capital gains instead of interest alone.

As always, we will continue to be proactive in monitoring the economic and market conditions, and will make changes if necessary within the portfolio.

Please feel free to contact us directly if you have any questions.

Best regards,

Ord Private Wealth Management
John, Tim, Liam & Mikail