

Canadian Preferred Shares Report

Third Quarter Update: Stay the Course

Canadian preferred shares had a good third quarter, posting a total return (TR) of 4.7% compared to the S&P/TSX Comp TR of 5.5% and the FTSE TMX Canada Universe TR at 1.1% for the same period. Yields during the quarter were slightly lower since last quarter, but have risen substantially in October (at the time of writing). Despite yields remaining near record lows, preferred shares, in particular fixed-resets, fared well through the third quarter.

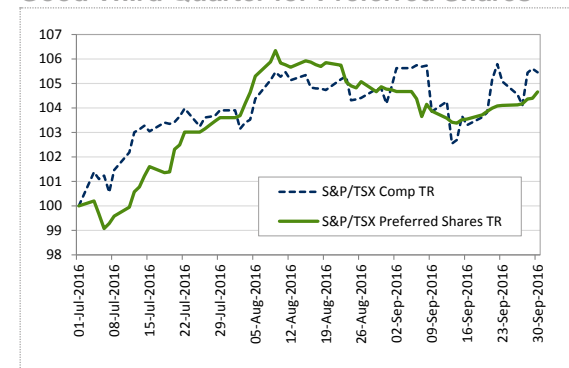
There were three Bank of Canada (BoC) rate announcements since the end of the second quarter and in all cases, interest rate policies were left unchanged. In the latest announcement (Oct 20), BoC Governor Stephen Poloz stated policy markets “actively” discussed the possibility of adding more stimulus, but decided to hold off given the increased number of unknowns. Currently, interest rate markets are pricing in, more or less, no movement by the BoC for the remainder of this year and into 2017. A survey of economists is showing the first rate hike happening in Q1-2018. In the US, it is a different story. With US elections occurring in November, the probability of a rate hike in December has been flip flopping with every economic data point and word of a Federal Reserve member. According to the CME FedWatch Tool (which looks 30-Day Fed Fund futures prices), the market is pricing in about a 65% chance of rate hike by year end.

With yields seemingly directionless for the next little while in Canada, preferred shares have regained some of their popularity after being under extreme pressure in 2015. A steady stream of new issues have also helped bring investors back into the market, especially from an institutional standpoint. We are still advocating a “getting paid to wait” strategy and to the stay the course. Holding a market weight in perpetuals and a barbell strategy when it comes to fixed-resets is a great way to enhance yield in a fixed-income laddered portfolio.

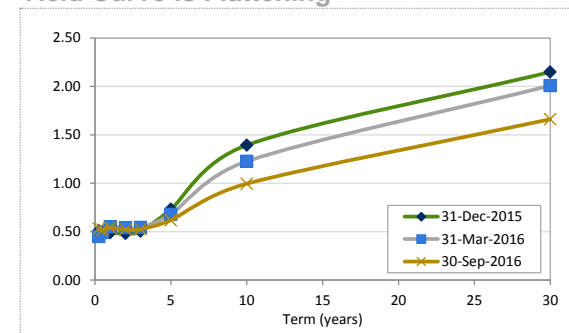
Inside this Report

- Summer Doldrums in New Issues, but More to Come.....2
- Stay the Course.....2
- Positioning a 5% Portfolio.....2
- Highlights: Sample Portfolio3
- Most Actively Traded.....4
- New Issues.....5
- Appendix A: Yield Tables6
- Appendix B: Credit Ratings Comparisons6
- Appendix C: Education and Glossary7
- Disclaimer9

Good Third Quarter for Preferred Shares



Yield Curve is Flattening



Source: Bloomberg, Raymond James Ltd.

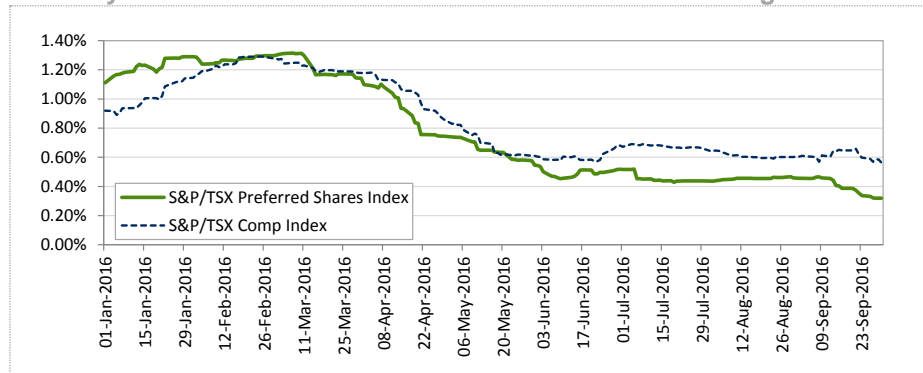
Phil Kwon
Fixed Income

Summer Doldrums in New Issues, but More to Come

It was not surprising to see the new issue market in preferred shares slow-down in the summer. We only saw a small handful come to market but the largest issues occurred in September when investors were back to school/work. The most notable was a C\$1 bln deal from TD Bank (TD.PF.H) which was the largest Canadian preferred shares offering ever issued.

Demand has definitely picked up in 2016 for new issues, especially for those from the banks. This was sparked by new minimum/floor yield preferred shares that started getting issued in September 2015. Keep in mind that banks can not put minimum yields on their preferred shares. On average for 2016, deal sizes were upsized by over 60% due to high demand. A lot of this pick up has been due to the increased level of institutional participation. For bank issues, over 50% were bought by institutional investors.

Volatility Has Subsided in Preferred Shares: 3-Month Rolling SD*



Source: Bloomberg, Raymond James Ltd. *SD = Standard Deviation.

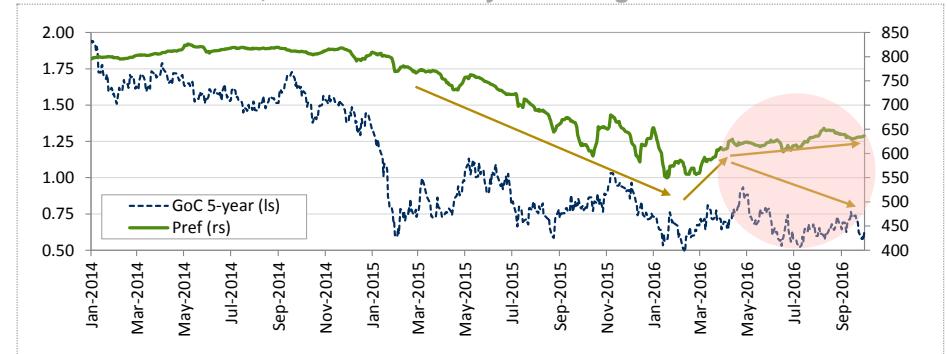
With volatility in preferreds decreasing and with such high demand for yield, we see more new issues to come. However, as we have seen through 2016, yields are starting to come down and reset spreads are tightening.

Stay the Course

Last year we showed that fixed-resets have a high correlation to the GoC 5-year yield. This makes complete sense since the dividend of the fixed-reset is benchmarked to that yield. However, since the emergence of the minimum yield

fixed-reset and the notion of dividend reduction protection in these new issues, the preferred market has held up better in this low interest rate environment. Unless we get a rate cut in Canada, we expect preferreds to steadily go higher and advocate a “getting paid to wait” strategy as we move into some foreseeable volatility with US elections and the OPEC meeting on the near term horizon.

Yields Remain Low, Preferreds Slowly Tread Higher



Source: Bloomberg, Raymond James Ltd.

Positioning a 5% Portfolio

With rates potentially staying put until 2018, we continue to suggest a market weight in perpetuals and the remainder in fixed-resets for your preferred shares portfolio. Focus on finding yield has been at the forefront of many fixed-income investors and below are some guidelines on how to create a pref portfolio that will yield 5%. On the next page, a sample highlighted portfolio using the guidelines is depicted.

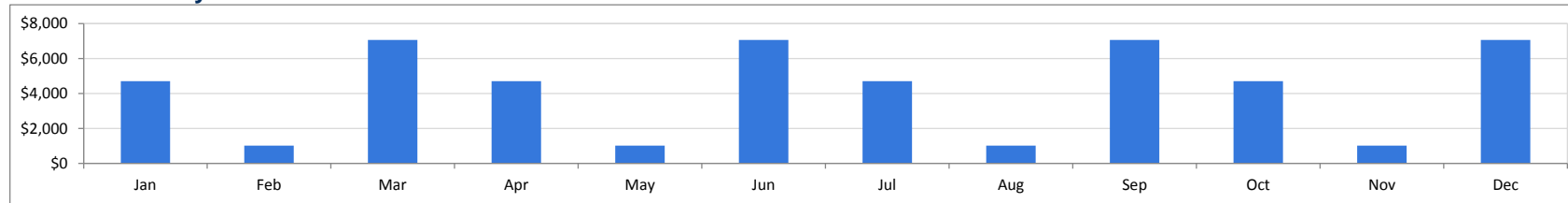
- **Have a market weight (30%) in perpetuals.** This will help with volatility in a low-interest rate environment;
- **Use a barbell strategy with fixed-resets.** Depending on your risk tolerance, have a mix of newly issued fixed-resets (eg. ones with yield minimums, and bank/insurance issues), and those that were issued prior to these features. When looking at the latter (which are trading at a substantial discount), look to ones with fixed-reset dates that are 4+ years out with a higher relative reset versus its peers. Patience will be the key and investors will need to look out at least two reset dates.

Highlights: Sample Portfolio

Issuer	General Information		Rating	Pricing			Dividend		Possible Calls			Spd vs Govt Cda	Shares	Value	Weight
	Ser	Symbol	DBRS	Par	Last	Current Yield	Annual	MMMM-DD	Date	Price	YTC				
Fixed-Resets															
BANK OF NOVA SCOTIA	38	BNS.PR.H	Pfd-2	\$25.00	\$25.88	4.69%	\$1.213	JAJO-28	27-Jan-2022	\$25.00	4.19	3.46	3,800	\$98,344	9.9%
BROOKFIELD OFFICE PROP	R	BPO.PR.R	Pfd-3 /*	\$25.00	\$19.10	5.44%	\$1.039	MJSD-31	30-Sep-2021	\$25.00	10.40	9.69	4,200	\$80,220	8.0%
BROOKFIELD RENEWABLE PAR	7	BEP.PR.G	Pfd-3H	\$25.00	\$25.40	5.41%	\$1.375	JAJO-31	31-Jan-2021	\$25.00	4.86	4.21	3,900	\$99,060	9.9%
FAIRFAX FINL HLDGS LTD	M	FFH.PR.M	Pfd-3	\$25.00	\$22.85	5.20%	\$1.188	MJSD-31	31-Mar-2020	\$25.00	7.72	7.12	3,900	\$89,115	8.9%
HUSKY ENERGY INC	5	HSE.PR.E	Pfd-2L	\$25.00	\$21.34	5.27%	\$1.125	MJSD-31	31-Mar-2020	\$25.00	9.43	8.83	4,000	\$85,360	8.6%
PEMBINA PIPELINE CORP	11	PPL.PR.K	Pfd-3	\$25.00	\$26.46	5.43%	\$1.438	MJSD-1	01-Mar-2021	\$25.00	4.59	3.93	3,700	\$97,902	9.8%
TORONTO-DOMINION BANK	9	TD.PF.E	Pfd-2	\$25.00	\$21.33	4.34%	\$0.925	JAJO-31	31-Oct-2020	\$25.00	7.49	6.86	4,100	\$87,453	8.8%
VERESEN INC	E	VSN.PR.E	Pfd-3 /*-	\$25.00	\$21.99	5.68%	\$1.250	MJSD-31	30-Jun-2020	\$25.00	8.96	8.35	4,000	\$87,960	8.8%
Perpetuals															
CANADIAN UTILITIES LTD	AA	CU.PR.D	Pfd-2H	\$25.00	\$24.68	4.96%	\$1.23	MJSD-1	01-Sep-2021	\$25.00	5.37	4.67	3,600	\$88,848	8.9%
POWER CORPORATION CANADA	G	POW.PR.G	Pfd-2	\$25.00	\$25.55	5.48%	\$1.40	JAJO-15	15-Apr-2021	\$25.00	5.08	4.42	3,600	\$91,980	9.2%
ROYAL BK CANADA	AE	RY.PR.E	Pfd-2H	\$25.00	\$25.23	4.46%	\$1.13	FMAN-24	18-Nov-2016	\$25.00	-1.63	NA	3,600	\$90,828	9.1%
TOTAL															
5.12%															
\$997,070															

Issuer	General Information		Quarterly Income	Annual Income	Notes
	Ser	Symbol			
Fixed-Resets					
BANK OF NOVA SCOTIA	38	BNS.PR.H	\$1,152	\$4,608	Reset to GoC 5-year yield + 4.19% on January 27, 2022.
BROOKFIELD OFFICE PROP	R	BPO.PR.R	\$1,091	\$4,363	Reset to GoC 5-year yield + 3.48% on September 30, 2021.
BROOKFIELD RENEWABLE PAR	7	BEP.PR.G	\$1,341	\$5,363	Reset to GoC 5-year yield + 5.01% on January 31, 2021. Minimum/floor yield of 5.75%.
FAIRFAX FINL HLDGS LTD	M	FFH.PR.M	\$1,158	\$4,631	Reset to GoC 5-year yield + 3.98% on March 31, 2021.
HUSKY ENERGY INC	5	HSE.PR.E	\$1,125	\$4,500	Reset to GoC 5-year yield + 3.57% on March 31, 2021.
PEMBINA PIPELINE CORP	11	PPL.PR.K	\$1,330	\$5,319	Reset to GoC 5-year yield + 5.00% on March 1, 2021. Minimum/floor yield of 5.75%.
TORONTO-DOMINION BANK	9	TD.PF.E	\$948	\$3,793	Reset to GoC 5-year yield + 2.87% on October 31, 2020.
VERESEN INC	E	VSN.PR.E	\$1,250	\$5,000	Reset to GoC 5-year yield + 4.27% on June 30, 2020.
Perpetuals					
CANADIAN UTILITIES LTD	AA	CU.PR.D	\$1,103	\$4,410	Next par call date is September 1, 2021 at \$25.
POWER CORPORATION CANADA	G	POW.PR.G	\$1,260	\$5,040	Next par call date is April 15, 2021 at \$25.
ROYAL BK CANADA	AE	RY.PR.E	\$1,013	\$4,050	Next par call date is anytime at \$25.
TOTAL					
\$51,075					

Cash Flow Analysis



Source: Bloomberg, Raymond James Ltd., Prices as at October 19, 2016. Settlement date October 24, 2016.

Most Actively Traded

Trading volume data as at October 17, 2016. 30-Day = Average volume over past 30 days. 5-Day = Average volume over past 5 days

Floating-Rate

Issuer	Series	Symbol	30-Day	5-Day
BROOKFIELD ASSET MGMT	13	BAM.PR.K	21,745	45,032
BCE INC	AE	BCE.PR.E	19,198	2,718
BROOKFIELD ASSET MAN INC	2	BAM.PR.B	12,165	3,156
BCE INC	AD	BCE.PR.D	12,140	4,847
TRANSCANADA CORP	2	TRP.PR.F	11,715	26,882
BCE INC	AH	BCE.PR.H	9,823	13,539
BOMBARDIER INC	B	BBD.PR.B	8,505	4,232
BCE INC	Y	BCE.PR.Y	8,382	5,012
BCE INC	AJ	BCE.PR.J	7,726	8,561
BCE INC	AB	BCE.PR.B	7,014	14,911

Retractable

Issuer	Series	Symbol	30-Day	5-Day
BROOKFIELD OFFICE PROP	J	BPO.PR.J	12,858	3,809
BROOKFIELD OFFICE PROP	K	BPO.PR.K	9,361	45,252
CANADIAN GENL INVESTMENT	4	CGI.PR.D	4,825	2,070
BIRCHCLIFF ENERGY LTD	C	BIR.PR.C	2,766	3,040
BROOKFIELD INVESTMENTS	A	BRN.PR.A	547	280

Perpetual

Issuer	Series	Symbol	30-Day	5-Day
BANK OF NOVA SCOTIA	16	BNS.PR.N	24,525	16,971
GREAT-WEST LIFECO INC	H	GWO.PR.H	18,595	13,039
FORTIS INC	J	FTS.PR.J	17,924	45,787
BROOKFIELD ASSET MAN INC	36	BAM.PF.C	15,461	10,214
WESTCOAST ENERGY INC	8	W.PR.J	13,019	568
BANK OF NOVA SCOTIA	17	BNS.PR.O	12,709	7,003
ROYAL BANK OF CANADA	AA	RY.PR.A	12,361	4,610
BROOKFIELD ASSET MAN INC	17	BAM.PR.M	11,881	3,769
POWER CORPORATION CANADA	B	POW.PR.B	10,750	2,670
SUN LIFE FINANCIAL INC	1	SLF.PR.A	10,411	6,614

Fixed-Reset

Issuer	Series	Symbol	30-Day	5-Day
TORONTO-DOMINION BANK	14	TD.PF.H	122,138	122,138
NATIONAL BANK OF CANADA	36	NA.PR.A	68,249	68,249
ROYAL BANK OF CANADA	BB	RY.PR.H	49,340	49,340
TORONTO-DOMINION BANK	1	TD.PF.A	47,954	47,954
TRANSCANADA CORP	7	TRP.PR.D	45,084	45,084
BROOKFIELD ASSET MAN INC	26	BAM.PR.T	43,898	43,898
BCE INC	AK	BCE.PR.K	42,598	42,598
BANK OF NOVA SCOTIA	38	BNS.PR.H	41,911	41,911
ROYAL BANK OF CANADA	BM	RY.PR.R	38,630	38,630
MANULIFE FINANCIAL CORP	17	MFC.PR.M	35,548	35,548

New Issues

Bank of Nova Scotia, Series 38

- **Symbol:** BNS.PR.H
- **Type:** Fixed-Reset, Non-Cumulative
- **Issue:** \$25.00 | 20.0 million shares | September 16, 2016
- **Rating:** Pfd-2 (DBRS)
- **Dividend:** 4.85% | JAJ0-28
- **Notes:** Coupon is 4.85% until January 27, 2022, thereafter resets every 5 years @+4.19% over 5-year GoC bond yield.

TD Bank, Series 14

- **Symbol:** TD.PF.H
- **Type:** Fixed-Reset, Non-Cumulative
- **Issue:** \$25.00 | 40.0 million shares | September 8, 2016
- **Rating:** NR (DBRS)
- **Dividend:** 4.85% | JAJ0-31
- **Notes:** Coupon is 4.85% until October 31, 2021, thereafter resets every 5 years @+4.12% over 5-year GoC bond yield.

Westcoast Energy, Series 12

- **Symbol:** W.PR.M
- **Type:** Fixed-Reset, Cumulative
- **Issue:** \$25.00 | 12.0 million shares | August 30, 2016
- **Rating:** NR (DBRS)
- **Dividend:** 5.20% | JAJ0-15
- **Notes:** Coupon is 5.20% until October 15, 2021, thereafter resets every 5 years @+4.52% over 5-year GoC bond yield. The minimum coupon is 5.20%.

Credit Rating Changes

Company Name	Date	Agency	Curr Rtg	Last Rtg
BCE Inc	08/08/2016	DBRS	Pfd-3	Pfd-3H *-
BNS Split Corp II	09/13/2016	DBRS	Pfd-2	Pfd-2L
Element Fleet Management Corp	10/14/2016	DBRS	Pfd-3H	Pfd-3 *+
Enbridge Gas Distribution Inc	09/08/2016	DBRS	Pfd-2L	Pfd-2L *
Enbridge Gas Distribution Inc	09/06/2016	DBRS	Pfd-2L *	Pfd-2L
Enbridge Inc	09/06/2016	DBRS	Pfd-3H *	Pfd-3H
Fortis Inc/Canada	10/19/2016	DBRS	Pfd-3H	Pfd-2L *-
Westcoast Energy Inc	09/08/2016	DBRS	Pfd-2L	Pfd-2L *
Westcoast Energy Inc	09/06/2016	DBRS	Pfd-2L *	Pfd-2L

Source: Bloomberg, WR = Withdrawn Rating, NR = No rating has been requested.
As at October 20, 2016

Appendix A: Yield Tables

Yields tables are included as a separate report/attachment, and are also available on a daily basis from the Fixed Income Group of Raymond James Ltd.

Appendix B: Credit Ratings Comparisons

DBRS	S&P	S&P Global	Description
Pfd-1 (high)	P-1 (high)	AA	Superior: High quality with minimal credit risk. Such a rating is back by strong earnings and balance sheet.
Pfd-1	P-1	AA-	
Pfd-1	P-1	A+	
Pfd-1 (low)	P-1 (low)	A	
Pfd-1 (low)	P-1 (low)	A-	
Pfd-2 (high)	P-2 (high)	BBB+	Satisfactory: Upper-medium grade and comes with moderate credit risk. There is substantial protection of dividend and principal.
Pfd-2	P-2	BBB	
Pfd-2 (low)	P-2 (low)	BBB-	
Investment Grade Cut-Off			
Pfd-3 (high)	P-3 (high)	BB+	Adequate: Medium grade and comes with moderate credit risk. There may be speculative characteristics.
Pfd-3	P-3	BB	
Pfd-3 (low)	P-3 (low)	BB-	
Pfd-4 (high)	P-4 (high)	B+	Speculative: substantial credit risk, and are speculative in nature. The protection of dividend and principal is uncertain, but especially so during times of economic adversity.
Pfd-4	P-4	B	
Pfd-4 (low)	P-4 (low)	B-	
Pfd-5 (high)	P-5 (high)	CCC+	Highly Speculative: Very high credit risk due to chance of default. The protection of dividend and principal is uncertain.
Pfd-5	P-5	CCC	
Pfd-5 (low)	P-5 (low)	CCC-	
Pfd-5 (low)	CC	CC	
Pfd-5 (low)	C	C+	
Pfd-5 (low)	C	C	
Pfd-5 (low)	C	C-	
D	D	D	
			In Arrears: The lowest rated class. Low prospect for recovery of principal and interest.

Appendix C: Education and Glossary

What are Preferred Shares?

Preferred shares are equity securities that provide investors a fixed dividend which must be paid out before common share dividends are paid. Preferred shares have characteristics of both equity and debt instruments. The fixed dividend is stated by a coupon rate and is commonly paid out quarterly. In the event of a dissolution or liquidation of the issuer, preferred shareholders' claims on assets are senior to common shareholders but behind debt holders.

Preferred vs Common

- Like most common shares, these are equity instruments which pay dividends
- Potential for price appreciation but price is less volatile than common shares
- Not able to participate in the upside profits from ownership of the company and usually have no voting rights unlike common shares

Preferreds vs Debt Securities

- React similarly to interest rates as bond instruments
- Many preferred shares are issued at a fixed par value
- Rated by the major credit rating agencies
- Redeemable for a set amount at the end of a fixed term
- Typically pay a fixed dividend

What are the Benefits?

- **Favourable tax treatment:** Better after-tax return for preferred share distributions from Canadian corporations; preferred dividends are less heavily taxed due to the dividend tax credit compared to interest which is fully taxable as income under Canadian federal and provincial legislation.
- **Higher yield than other fixed income products:** Preferreds tend to have higher yields than other fixed income products such as bonds since distributions are less assured. Yields are not guaranteed but many major public companies will meet preferred share obligations even in times of losses. However, some issuers have the right to defer (or suspend) payment of dividends upon financial hardship.
- **Price stability compared to common shares:** Less volatility in price of preferreds.

- **Addresses reinvestment risk:** available in longer terms unlike money market products such as GICs

What are the Drawbacks?

- **Interest Rate Risk:** Many preferreds pay a fixed rate distribution similar to fixed income securities; there is an inverse relationship between changes in interest rates and the price of the preferred shares. Price sensitivity of the preferreds is greater for longer terms and for lower coupon rates. Preferreds are less price sensitive to interest rate fluctuations than bonds.
- **Call Risk:** Callable preferreds tend to have higher yield to maturities given the call risk. However, the call risk is a disadvantage to the investor for the following reasons: future dividend income stream is uncertain, reinvestment risk for the investor since the issuer often exercises the call provision when interest rates have fallen in order to refinance at lower rates. Callable issues are unlikely to appreciate in price when interest rates fall and possibly decline below the call price given a significant rise in rates.
- **Credit Risk:** Independent agencies such as the Dominion Bond Rating Service (DBRS), and Standard & Poor's (S&P), assess an issuer's ability to fulfill its obligations and assign a credit rating. A decline in credit quality can negatively impact the price of preferreds and the dividend policy of the issuer.
- **Liquidity Risk:** Preferreds often have light trading volumes, i.e. "thin" markets. This lack of liquidity can cause exaggerated swings in price when buy or sell volumes pick up from normal levels.

What to Look for in Buying Preferreds?

- **Credit Quality:** Higher quality preferreds provide higher assurance of a dependable income stream. The price of preferred shares is likely to erode much more upon the issuer facing financial difficulty than from a shift in rates. High credit quality preferreds are rated P1 and P2 by DBRS.
- **Yield to Call/Redemption:** This is the yield shown to a call date or reset date.
- **Liquidity:** - Certain issuers are more easily purchased or sold on the market due to higher liquidity. The size of the initial preferred offering can influence liquidity. In general, the larger the issuance size, the better the liquidity.
- **Diversification:** Selecting preferreds in different industries and with different features can help provide balance and flexibility to an investor.

Types of Preferred Shares

Preferreds can be structured in a variety of ways based on a combination of features related to the 1) term or maturity (fixed or no maturity date), 2) payment provision (fixed or floating rate), 3) dividend policy (cumulative or non-cumulative), and 4) other unique qualities. It is easy to see that there can be a number of different combinations of the different features for preferred shares which give the holder/issuer different rights. Therefore, prior to investing in preferred shares, it is important to understand the specific features of the particular preferred share issuance. The following is a description of the different types of preferred shares.

1. Term to Maturity

- Perpetual/straight preferreds have no fixed maturity date, the stated dividend rate is paid in perpetuity. Although the issuer does have redemption rights.
- (Hard) Retractable/term preferreds have a set maturity date at the time of issue, the investor would get back his capital investment at the end of the specified period.
- Soft Retractable preferreds pay out the retraction amount either as cash or an equivalent amount in common shares of the issuer, at the option of the issuer. Typically, the stock price used to calculate the number of common shares is 95% of the average price of the common shares in a time period before the retraction occurs.

2. Payment Provision

- Fixed Rate preferreds have a fixed dividend at issue date, can be a fixed dollar value of a stated percentage of par value, normally paid quarterly
- Floating Rate preferreds offer a floating dividend tied to a benchmark, typically as a percentage of the bank prime rate
- Resettables pay a fixed dividend rate for a specified period, usually for five years after their date of issue. On and after that date and on every fifth anniversary, if the issue is not redeemed by the issuer, the holder has the option to either receive a floating-rate dividend, or exchange the series for a further series of a fixed-rate preferred.

3. Dividend Policy

- Cumulative means any missed dividends are accumulated and paid in full before common dividends are paid or preferred shares are redeemed.
- Non-cumulative means dividends are paid only when declared and to do not accumulate if missed. The trend in the marketplace has been issuances with non-cumulative preferred shares.

4. Other Features

- Convertible preferreds allow the holder to convert the preferreds into common shares based on a specified conversion formula, there are not many of these in the market nowadays.
- Redeemable or Callable features allow the issuer to reserve the right to redeem or “buy back” shares at a predetermined price after a specific date. A small premium above the par value per share is often paid as compensation to the investor when the shares are called. Non-callables, which are rare, cannot be called or redeemed as long as the issuing company is in existence.

There are a couple of other types of preferred shares which have characteristics which are quite different from conventional preferred shares and are described below.

- Deferred Preferred Shares are non-dividend-paying preferred shares, similar to strip bonds, the shares are redeemed at a set par value on a set date in the future. However, unlike strip bonds, the accrued dividends (the dividend premium) on a deferred preferred share are not subject to yearly tax. When the holder is an individual, such dividends do not qualify for the gross-up and dividend tax credit rules normally applicable to dividends received by individuals from taxable Canadian corporations. If the preferred is held to redemption, the accrued dividends are fully taxable as interest income.
- Synthetic Preferreds (Split Shares, Structured, Equity Dividend Shares) are preferreds where holders give up the right to all capital gains to common shareholders while receiving all the dividends on the common shares. The maturity values of such structured shares are dependent upon the value of the underlying common. Another feature of many Split Shares is a possible early redemption date.

Tax Consequences

For tax purposes, there is usually a disposition when preferred shares are redeemed or called. Here is a list of tax related terminology related to such an event.

- **Deemed Dividend:** The difference between the redemption price and the shares' paid up capital
- **Deemed Proceeds of Disposition:** The deemed dividend deducted from the redemption price
- **Adjusted Cost Base (ACB):** This is generally the purchase price plus sales commissions
- **Capital Gain/Loss on the Disposition:** The amount the deemed proceeds of disposition exceeds (or is less than) the adjusted cost base

The table below provides a few illustrative examples of the tax consequences upon redemption of preferred shares.

Tax Consequences

Redemption	Tax Consequence
Redemption Price Equals Paid-up Capital	<ul style="list-style-type: none"> ▪ No deemed dividend ▪ Deemed proceeds of disposition is the paid-up capital
Redemption When Paid-Up Capital Is Less Than Par	<ul style="list-style-type: none"> ▪ Can result in a significant deemed dividend ▪ Deemed proceeds of disposition well below par resulting in the realization of a significant capital loss on the redemption
Purchase price above par value & Redemption at Par	<ul style="list-style-type: none"> ▪ Capital loss, can offset any capital gains realized in calendar year of redemption or carry back 3 yrs or carried forward indefinitely
Redemption Price Above Par	<ul style="list-style-type: none"> ▪ Paid-up capital rarely greater than par, thus, this results in deemed dividend ▪ Deemed proceeds of disposition is the paid-up capital

Please note that the tax implications in the examples are for illustrative purposes only, and should not be considered an interpretation of the Income Tax Act; nor do they purport to constitute specific tax advice. Clients should seek independent advice on tax-related matters from qualified professionals licensed to practice in that area.

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