

Canadian Preferred Shares Report

Holding Pattern

Canadian preferred shares had a mediocre second quarter with a total return of 0.85%, outpacing bonds which came in at 0.50%, but underperforming Canadian equities by nearly 6%. Halfway through 2018 preferred shares performance has been lackluster at 0.70%, especially coming off a strong 2017 and second half of 2016.

The Bank of Canada (BoC), in trying to keep inflation at its target of 2%, has utilized four rate hikes in the past twelve months. Currently the market is forecasting another rate hike by year end and economists are predicting possibly two more next year. Even with the rate hikes, preferreds have not performed as expected especially knowing the relationship between fixed-resets and yields. In this issue, we will look at some of the reasons surrounding the lack of performance.

Although trade wars and tariffs have dominated headlines, the BoC has stated Canadian exports have been seeing a boost off of strong global demand and rising commodity prices. Despite the volatility that trade talks have caused, we believe that global central banks will continue to reduce monetary stimulus and that bond yields in Canada will move higher.

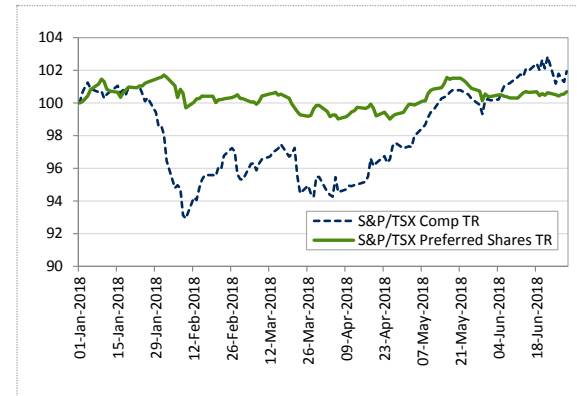
Preferred share investors should remain patient and continue to get paid to wait as we believe higher yields will be positive for fixed-resets. We continue to recommend using preferred shares in addition to a laddered bond portfolio and other fixed income instruments to enhance yield and we suggest remaining overweight fixed-resets vs perpetuals.

Phil Kwon
Fixed Income

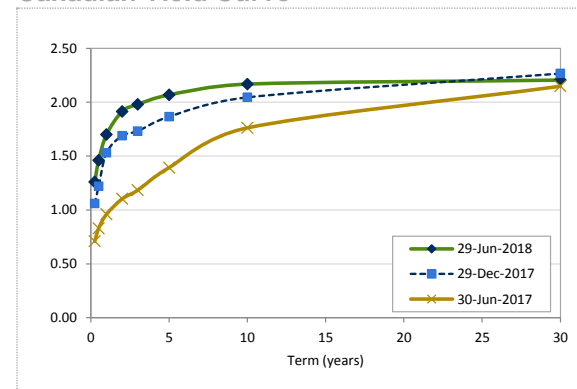
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2018 Performance



Canadian Yield Curve



Source: Bloomberg, Raymond James Ltd.

Please read domestic and foreign disclosure/risk information beginning on page 10.

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Stay the Course and Be Realistic

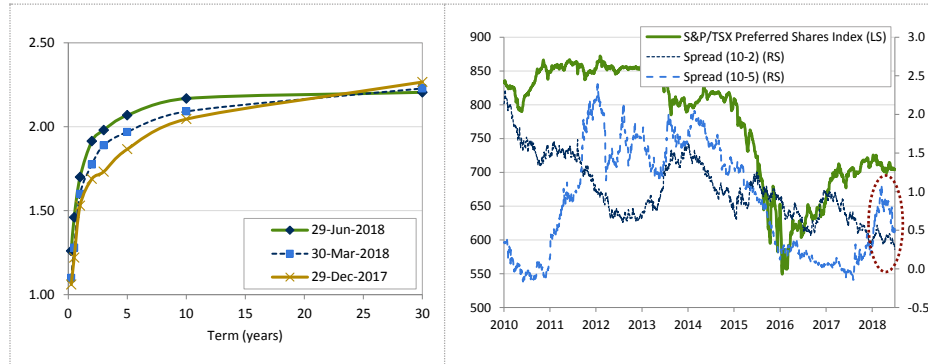
There have been four rate hikes in Canada in the past twelve months. The latest hike came on July 11 when the BoC raised the key interest rate to 1.50%, with inflation running at its highest level in seven years. The statement didn't introduce any new "dovish" concerns and only reinforced that more hikes will be needed to occur to keep inflation in check. The move is signalling that the BoC has confidence in the Canadian economy's ability to cope with both higher borrowing costs and the increasing trade war tensions.

With rates going higher, many preferred share investors have been questioning their lackluster returns, especially knowing that fixed-resets tend to move higher when rates go higher. So why hasn't the pref market performed better this year?

1. Flat Yield Curve

The yield curve has been steepening on the short end as we've seen rate hikes in Canada, but has been severely flattening in the mid- to long-term areas. However, despite these changes, the GoC 5-year yield is not far from where it was at the beginning of the year. A flat yield curve is typically indicative of a weaker macroeconomic outlook or least one that is uncertain.

Yield Curve Continues to Flatten



Source: Bloomberg, Raymond James Ltd.

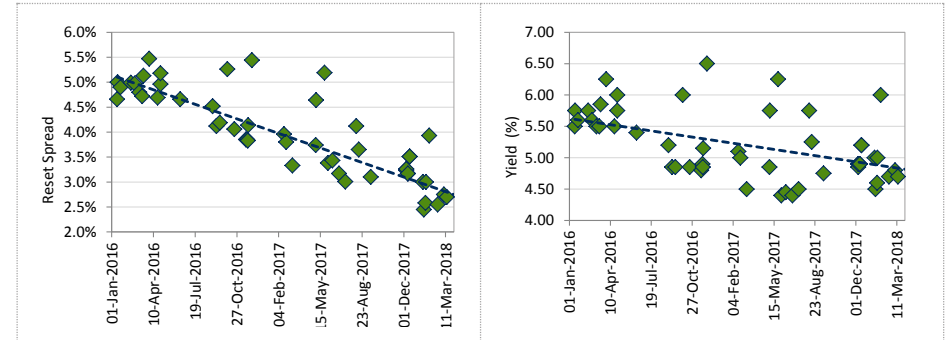
This is not surprising considering the number of key headline risks that have been introduced this year which could negatively affect the Canadian economy including: trade-war and tariffs with the US, an increase in oil production by OPEC and a

raising of the cap, and NAFTA. A positive is that markets are predicting another rate hike at the end of the year, suggesting that some of these concerns should fade.

2. New Issues are not as Attractive

As reset spreads tightened, the new issue market became less attractive. Gone are the bank issues we saw in late 2015 and 2016 with reset spreads of 400+ bps and issue yields north of 5%. Despite this, there has been a decent flow of product so far in 2018. The spreads, yields and issue sizes may not be quite as high as several years ago but they are in the context of today's market - one that is healthier. The slightly slower pace in issuance may be partly due to the lack of issues being called, meaning issuers do not have a need to raise new capital. Issuance is typically quiet during the summer months and picks up in September.

New Issues



Source: Bloomberg, Raymond James Ltd.

As mentioned at the beginning of 2018, we were not looking for last year's performance to repeat again this year, a call that has been correct so far. The widespread gains seen in the pref market in 2016-2017 is in the past, leaving investors needing to be more selective and more realistic. There are still opportunities to purchase prefs with dividends likely to increase in the next 12 months that are currently yielding 4% and issues that are trading at a discount with probabilities of being called whose prices are creeping higher. Fund flows into preferred share ETFs continue to remain positive. With the indication that rates are likely going to move higher as opposed to lower, fixed-resets should benefit.

Consensus Canadian Bond Yield Forecasts

	Curr.	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
30-Year	2.17	2.43	2.60	2.72	2.79	2.86	3.06	3.15
10-Year	2.12	2.39	2.53	2.67	2.77	2.85	3.00	3.22
2-Year	1.92	2.00	2.13	2.22	2.30	2.40	2.56	2.78
3-Month	1.42	1.45	1.65	1.86	2.04	2.21	2.35	2.64
BoC Rate	1.50	1.50	1.65	1.85	2.00	2.20	2.35	2.55
10-2 Yr Spread	0.2	0.40	0.40	0.45	0.48	0.45	0.44	0.44

Source: Bloomberg. As at July 18, 2018

Conclusion: Portfolio Positioning

Since our stance has not changed since last quarter's report we believe that investors should continue to use these guidelines to position preferred shares portfolios.

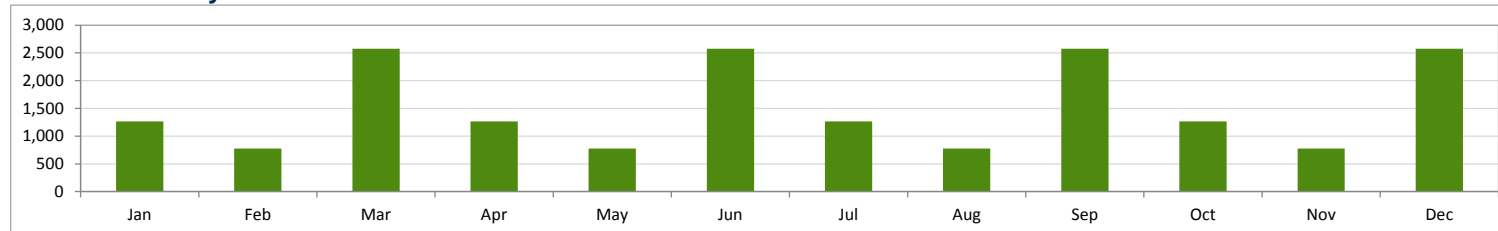
- ***Overweight fixed-resets, underweight perpetuals:*** Rising rates are not good for interest-rate sensitive perpetuals, but better for fixed-reset whose dividends are reset off a benchmark yield. Higher yields lead to higher dividends on these products.
- ***Underweight high-reset preferreds:*** Most high reset preferreds are now trading at premiums due to the high likelihood of being called at their next reset date. Despite paying a nice dividend, you may encounter a capital loss (if purchased at premiums) if they do get called making the total return mediocre.
- ***Buy issues with near-term reset dates looking to increase the dividend:*** There may be a little bit of math involved but unlike 2015 when a lot of dividends were being reduced, we are now in an environment where dividends will likely go higher for fixed-resets.
- ***Increase weighting of lower reset preferreds:*** As higher reset prefs are called, ones with lower reset spreads become more attractive in a rising rate environment. This is because when new issue reset spreads are tightening, the potential for these discounted issues to get called move higher. As the probability of a fixed-reset preferred share being called increases, the call date becomes more like a maturity date. Keep in mind that from an issuer perspective, they want to issue at the lowest reset spread possible and call in those issues with high reset spreads.

Highlights: Sample Portfolio

General Information			Rating	Pricing			Dividend		Possible Calls			Shares	Value	Weight
Issuer	Series	Symbol	DBRS	Par	Last	Current Yield	Annual	MMMM-DD	Date	Price	YTC			
Fixed Reset														
BCE INC	AQ	BCE.PR.Q	Pfd-3	\$25.00	\$24.50	4.34%	\$1.06	MJSD-31	30-Sep-2018	\$25.00	13.72	2,000	\$49,000	85.5%
BROOKFIELD OFFICE PROP	T	BPO.PR.T	Pfd-3	\$25.00	\$22.75	5.05%	\$1.15	MJSD-31	31-Dec-2018	\$25.00	24.97	2,000	\$45,500	9.8%
ENBRIDGE INC	N	ENB.PR.N	Pfd-3H	\$25.00	\$20.75	4.82%	\$1.00	MJSD-1	01-Dec-2018	\$25.00	60.14	2,000	\$41,500	9.1%
FAIRFAX FINL HLDGS LTD	K	FFH.PR.K	Pfd-3H	\$25.00	\$24.15	4.84%	\$1.17	MJSD-31	31-Mar-2022	\$25.00	5.73	2,000	\$48,300	8.3%
HUSKY ENERGY INC	3	HSE.PR.C	Pfd-2L	\$25.00	\$25.00	4.50%	\$1.13	MJSD-31	31-Dec-2019	\$25.00	4.57	2,000	\$50,000	9.6%
MANULIFE FINANCIAL CORP	11	MFC.PR.J	Pfd-2	\$25.00	\$25.05	4.72%	\$1.18	MJSD-19	19-Mar-2023	\$25.00	4.75	2,000	\$50,100	10.0%
ROYAL BANK OF CANADA	BD	RY.PR.J	Pfd-2	\$25.00	\$24.68	3.65%	\$0.90	FMAN-24	24-May-2020	\$25.00	4.54	2,000	\$49,360	10.0%
TORONTO-DOMINION BANK	5	TD.PF.C	Pfd-2	\$25.00	\$23.26	4.03%	\$0.94	JAJO-31	31-Jan-2020	\$25.00	8.24	2,000	\$46,520	9.8%
TRANSCANADA CORP	11	TRP.PR.G	Pfd-2L	\$25.00	\$24.58	3.86%	\$0.95	JAJO-30	30-Nov-2020	\$25.00	4.85	2,000	\$49,160	9.8%
Perpetuals														
GREAT-WEST LIFECO INC	T	GWO.PR.T	Pfd-2H	\$25.00	\$24.32	5.29%	\$1.29	MJSD-31	30-Jun-2026	\$25.00	5.62	1,000	\$24,320	14.5%
POWER FINANCIAL CORP	V	PWF.PR.Z	Pfd-2H	\$25.00	\$23.40	5.50%	\$1.29	JAJO-31	31-Jul-2024	\$25.00	6.14	1,000	\$23,400	4.8%
ROYAL BANK OF CANADA	BJ	RY.PR.P	Pfd-2	\$25.00	\$25.35	5.18%	\$1.31	FMAN-24	24-Feb-2025	\$25.00	5.14	1,000	\$25,350	4.7%
TOTAL						4.55%					\$502,510			

General Information			Quarterly	Annual	
Issuer	Series	Symbol	Income	Income	
Fixed Reset					
BCE INC	AQ	BCE.PR.Q	\$532	\$2,126	5yr GoC +2.64%
BROOKFIELD OFFICE PROP	T	BPO.PR.T	\$575	\$2,300	5yr GoC +3.16%
ENBRIDGE INC	N	ENB.PR.N	\$500	\$2,000	5yr GoC +2.65%
FAIRFAX FINL HLDGS LTD	K	FFH.PR.K	\$584	\$2,336	5yr GoC +3.51%
HUSKY ENERGY INC	3	HSE.PR.C	\$563	\$2,250	5yr GoC +3.13%
MANULIFE FINANCIAL CORP	11	MFC.PR.J	\$592	\$2,366	5yr GoC +2.61%
ROYAL BANK OF CANADA	BD	RY.PR.J	\$450	\$1,800	5yr GoC +2.74%
TORONTO-DOMINION BANK	5	TD.PF.C	\$469	\$1,876	5yr GoC +2.25%
TRANSCANADA CORP	11	TRP.PR.G	\$475	\$1,900	5yr GoC +2.96%
Perpetuals					
GREAT-WEST LIFECO INC	T	GWO.PR.T	\$323	\$1,290	Par call at \$25 on June 30, 2023
POWER FINANCIAL CORP	V	PWF.PR.Z	\$323	\$1,290	Par call at \$25 on July 31, 2024
ROYAL BANK OF CANADA	BJ	RY.PR.P	\$328	\$1,310	Par call at \$25 on February 24, 2025
TOTAL			\$5,711	\$22,844	

Cash Flow Analysis



Source: Bloomberg, Raymond James Ltd., Prices as at July 18, 2018.

Most Actively Traded

Trading volume data as at July 10, 2018. 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
TORONTO-DOMINION BANK	T	TD.PR.T	14,797	8,523
POWER FINANCIAL CORP	Q	PWF.PR.Q	11,190	10,740
BANK OF MONTREAL	17	BMO.PR.R	8,643	28,015
BCE INC	AH	BCE.PR.H	8,525	7,215
BCE INC	AE	BCE.PR.E	7,710	10,196
BOMBARDIER INC	B	BBD.PR.B	7,324	4,564
TORONTO-DOMINION BANK	Z	TD.PR.Z	7,304	200
BCE INC	AB	BCE.PR.B	7,210	3,621
BCE INC	AD	BCE.PR.D	6,271	4,738
THOMSON REUTERS CORP	B	TRI.PR.B	6,218	11,799

Retractable

Issuer	Series	Symbol	30-Day	5-Day
CANOE EIT INCOME FUND	2	EIT.PR.B	5,738	4,560
CANOE EIT INCOME FUND	1	EIT.PR.A	2,687	2,925
CANADIAN GENL INVESTMENT	4	CGI.PR.D	1,320	1,282
BIRCHCLIFF ENERGY LTD	C	BIR.PR.C	1,020	1,222
BROOKFIELD INVESTMENTS	A	BRN.PR.A	618	824

Perpetual

Issuer	Series	Symbol	30-Day	5-Day
BOMBARDIER INC	4	BBD.PR.C	14,380	8,590
POWER FINANCIAL CORP	R	PWF.PR.R	14,293	2,710
ROYAL BANK OF CANADA	W	RY.PR.W	14,045	3,669
MANULIFE FINANCIAL	2	MFC.PR.B	10,542	3,556
SUN LIFE FINANCIAL INC	4	SLF.PR.D	10,442	13,638
BROOKFIELD ASSET MAN INC	37	BAM.PF.D	9,267	10,043
POWER CORPORATION CANADA	G	POW.PR.G	7,959	1,509
ROYAL BANK OF CANADA	BJ	RY.PR.P	7,835	1,015
GREAT-WEST LIFECO INC	G	GWO.PR.G	7,070	14,476
FORTIS INC	J	FTS.PR.J	6,923	4,247

Fixed-Reset

Issuer	Series	Symbol	30-Day	5-Day
KINDER MORGAN CANADA LTD	1	KML.PR.A	45,690	6,766
BCE INC	AA	BCE.PR.A	19,825	23,619
BANK OF MONTREAL	27	BMO.PR.S	18,712	5,590
TORONTO-DOMINION BANK	12	TD.PF.G	18,088	15,599
NATIONAL BANK OF CANADA	40	NA.PR.E	17,934	3,539
TORONTO-DOMINION BANK	16	TD.PF.I	17,924	9,417
FORTIS INC	M	FTS.PR.M	17,580	10,909
ROYAL BANK OF CANADA	AJ	RY.PR.I	16,555	9,249
TRANSCANADA CORP	15	TRP.PR.K	16,532	7,722
ENBRIDGE INC	11	ENB.PF.C	15,448	2,886

New Issues

Emera, Series H

- **Symbol:** EMA.PR.H
- **Type:** Fixed-Reset, Cumulative
- **Issue:** \$25.00 | 12.0 million shares | May 31, 2018
- **Rating:** BBB- (S&P)
- **Dividend:** 4.90% | FMAN-15
- **Notes:** Coupon is 4.90% until January 31, 2023, thereafter resets every 5 years @+2.54% over 5-year GoC bond yield. The minimum coupon is 4.90%.

Intact Financial, Series 7

- **Symbol:** IFC.PR.G
- **Type:** Fixed-Reset, Non-Cumulative
- **Issue:** \$25.00 | 12.0 million shares | June 11, 2018
- **Rating:** Pfd-2L (DBRS)
- **Dividend:** 4.90% | MJSD-31
- **Notes:** Coupon is 4.90% until June 30, 2023, thereafter resets every 5 years @+2.55% over 5-year GoC bond yield.

National Bank of Canada, Series 42

- **Symbol:** NA.PR.G
- **Type:** Fixed-Reset, Non-Cumulative
- **Issue:** \$25.00 | 12.0 million shares | June 11, 2018
- **Rating:** Pfd-2L (DBRS)
- **Dividend:** 4.95% | FMAN-15
- **Notes:** Coupon is 4.95% until November 15, 2023, thereafter resets every 5 years @+2.77% over 5-year GoC bond yield.

Credit Rating Changes

Company Name	Date	Agency	Curr Rtg	Last Rtg
E Split Corp	06/29/2018	DBRS	Pfd-3H	
Global Dividend Growth Split Corp	06/15/2018	DBRS	Pfd-3H	
Kinder Morgan Canada Ltd	05/31/2018	DBRS	Pfd-3H *-	Pfd-3H

Source: Bloomberg, WR = Withdrawn Rating, NR = No rating has been requested. June 30, 2018.

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.

Disclaimer

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