

Tax loss harvesting strategy in volatile markets

An effective strategy for investors amidst volatility is realizing losses on securities to offset capital gains in an investment portfolio. A tax loss harvesting strategy can be implemented without changing the long-term financial goals for an investor. These strategies apply only to **non-registered accounts**.

What is ‘tax loss harvesting’?

Tax loss harvesting is a method in which an investor incurs losses by choosing to sell securities that currently have a fair market value that is lower than its cost base. These losses will then allow the investor to offset capital gains realized on other investments in the portfolio, ultimately lowering the tax payable in the year.¹ Investors must be aware of superficial loss rules – when an investment is sold at a loss, and an identical investment is purchased either 30 days before or after the loss was realized, Canadian tax laws will deny the loss.

To ensure that the superficial loss rules don’t affect the long-term financial goals of the investor, the individual has the option to add a similar but not identical investment in their portfolio. For example, an ETF can be purchased with the same industry exposure as another ETF (tracking a different index), a mutual fund or other security that was sold to utilize its losses.

Trade Idea: Sell out of individual Canadian equities and invest in QCN or QCE

Canadian Stock Portfolio example				Mackenzie ETF Alternatives
Ticker	Name	Price change YTD	Price change 1 YR	Mackenzie ETF
RY	Royal Bank of Canada	-9.25%	-6.51%	QCN / QCE
ENB	Enbridge Inc	-16.11%	-12.61%	
CNR	Canadian National Railway Co	-7.62%	-2.76%	
TD	Toronto-Dominion Bank	-6.79%	-4.29%	
NTR	Nutrien Ltd	-14.01%	-22.26%	
BCE	BCE Inc	-11.87%	-11.10%	
ATZ	Aritzia Inc	-48.24%	-51.41%	
NPI	Northland Power Inc	-42.18%	-44.22%	

Source: Bloomberg; as of October 17, 2023

¹ If the full amount of capital losses cannot be applied against capital gains in the current year, the remaining value of the loss can be carried back for three years and forward indefinitely against capital gains incurred in future years.



Trade Idea: Sell out of individual US equities and invest in QUU / QAH / QUU.U

US Stock Portfolio example				Mackenzie ETF Alternatives
Ticker	Name	Price change YTD	Price change 1 YR	Mackenzie ETF
PFE	Pfizer Inc	-36.09%	-24.97%	QUU / QAH / QUU.U
NEE	NextEra Energy Inc	-35.20%	-26.45%	
JNJ	Johnson & Johnson	-11.64%	-6.30%	
SCHW	Charles Schwab Corp	-35.52%	-20.38%	
BAC	Bank of America Corp	-16.61%	-17.85%	
MRNA	Moderna Inc	-51.94%	-38.00%	
KO	Coca-Cola Co	-15.00%	-2.91%	

Source: Bloomberg; as of October 17, 2023

Trade Idea: Sell out of Canadian Aggregate Bond Index ETFs and invest in QBB

Canadian Aggregate Fixed Income ETFs						
Ticker	ETF	Underlying index	Mgmt fee	Price change YTD	Price change 1 YR	Price change 2 YR
QBB	Mackenzie Canadian Agg. Bond Index ETF	Solactive Cdn Float Adjusted Universe Bond Index	0.07%	-3.30%	-1.46%	-15.58%
XBB	iShares Core Cdn Universe Bond Index ETF	FTSE Canada Universe Bond Index	0.09%	-3.67%	-2.08%	-16.54%
VAB	Vanguard Canadian Agg. Bond Index ETF	Bloomberg Global Agg. Cdn Float Adj. Bond Index	0.08%	-3.69%	-2.00%	-16.45%
ZAG	BMO Agg. Bond Index ETF	FTSE Canada Universe Bond Index	0.09%	-4.00%	-2.58%	-17.46%

Source: Bloomberg and ETF providers' websites; as of October 17, 2023

Trade Idea: Sell out of Canadian Corporate Bond Index ETFs and invest in QCB

Canadian Corporate Fixed Income ETFs						
Ticker	ETF	Underlying index	Mgmt fee	Price change YTD	Price change 1 YR	Price change 2 YR
QCB	Mackenzie Canadian All Corp. Bond Index ETF	Solactive Canadian Corporate Bond Index	0.14%	-1.98%	-0.30%	-14.02%
XCB	iShares Core Canadian Corp. Bond Index ETF	FTSE Canada All Corporate Bond Index	0.15%	-2.20%	-0.47%	-14.56%
VCB	Vanguard Canadian Corporate Bond Index ETF	Bloomberg Barclays Global Agg. Cdn Credit Flt Adj. Bond Index	0.15%	-1.94%	-0.06%	-13.24%
ZCB	BMO Corporate Bond Index ETF	FTSE Canada All Corporate Bond Index	0.15%	-2.38%	-0.67%	-14.86%

Source: Bloomberg and ETF providers' websites; as of October 17, 2023



Trade Idea: Sell out of Canadian Short Term Bond Index ETFs and invest in QSB

Canadian Short Term Fixed Income ETFs						
Ticker	ETF	Underlying index	Mgmt fee	Price change YTD	Price change 1 YR	Price change 2 YR
QSB	Mackenzie Canadian Short-Term Bond Index ETF	Solactive Canadian Short Term Bond Index	0.08%	-0.87%	0.15%	-7.22%
XSB	iShares Core Cdn Short Term Bond Index ETF	FTSE Canada Short Term Overall Bond Index	0.09%	-1.15%	-0.43%	-7.87%
VS	Vanguard Canadian Short-Term Bond Index ETF	Bloomberg Global Aggregate Canadian Government/Credit 1-5 year Float Adjusted Bond Index	0.10%	-1.15%	-0.29%	-7.66%
ZSB	BMO Short-Term Bond Index ETF	FTSE Canada Short Term Overall Bond Index	0.09%	-1.18%	-0.43%	-8.31%

Source: Bloomberg and ETF providers' websites; as of October 17, 2023

Trade Idea: Sell out of US Investment Grade Corporate Bond Index ETFs and invest in QUIG

US Investment Grade Corporate Bond Index ETFs						
Ticker	ETF	Underlying index	Mgmt fee	Price change YTD	Price change 1 YR	Price change 2 YR
QUIG	Mackenzie US Inv. Grade Corp. Bond Index ETF (CAD-H)	Solactive Select USD Investment Grade Corporate Hedged to CAD TR Index	0.15%	-4.73%	-1.59%	-22.99%
XIG	iShares US IG Corporate Bond Index ETF CAD-Hedged	Markit iBoxx USD Liquid Investment Grade Total Return Index hedged in CAD	0.30%	-5.63%	-1.68%	-25.85%
ZMU	BMO Mid-Term US IG Corp. Bond Hedged to CAD Index ETF	Bloomberg Barclays US Investment Grade 5 to 10 Year Corporate Bond Capped Index CAD Hedged	0.25%	-5.01%	-1.63%	-22.76%
ZIC	BMO Mid-Term US IG Corporate Bond Index ETF	Bloomberg Barclays US Investment Grade 5 to 10 Year Corporate Bond Capped Index (CAD)	0.25%	-3.36%	-1.08%	-13.26%

Source: Bloomberg and ETF providers' websites; as of October 17, 2023



The Mackenzie Index ETF value proposition

Not all index ETFs are built the same. Mackenzie's Index ETF suite tracks indexes from Solactive & CSI, providing investors with similar exposures, yet are structured differently. This means that investors do have the option to switch to Mackenzie's index ETFs in using a tax loss harvesting strategy.

It is not enough to compare one index ETF versus another by name alone; investors must also assess the indexes such ETFs track. Some key methodology differences that can exist between one index versus another include investment strategy differences that are not obvious in the index name; free-float adjustments; rebalancing timing; index turnover; optimization techniques; tax treatment; and FX rates.

Mackenzie's index ETFs, which track Solactive indexes, offer many differentiators as compared to other brand name indexes:

- Index returns are calculated net of withholding tax from a Canadian investor's perspective (contrary to other indices, which are typically Net of Lux / Net Tax or US RIC tax). This does not impact the ETF holdings or performance; however, it does impact the tracking error of an ETF versus its index.
- Off-cycle rebalancing schedule versus other mainstream indices, which typically lowers portfolio turnover/transaction costs (Solactive's indexes rebalance 5 weeks ahead of many other brand name index providers).
- Index rules that we believe better address tradability and portfolio management execution.

Connect with your Mackenzie representative to learn more about [Mackenzie ETFs](#).

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Index performance does not include the impact of fees, commissions, and expenses that would be payable by investors in the investment products that seek to track an index.

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