TD Wealth

Oh Canada

Monthly Perspectives | Portfolio Advice & Investment Research

April 2017

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Please refer to the last page of this report for important information.

Budget 2017

Canadian budget rumours flowed in heavy since late last year but the actual 2017 budget came in with the viscosity of maple syrup. Changes in capital gains inclusion rates and the tax treatment of dividend income fell short of expectations. This is good news for investors but let's not forget the budget occurs on an annual basis. There's always next year.

In this issue of Monthly Perspectives, we remind investors that tax planning is not something that should be left until the end of the year. Instead, investors should consider taxes on a regular basis and make tax planning a part of their portfolio management process.

Additionally, we include a summary of budget changes as well as insights from our business partners at TD Economics and Wealth Advisory Services.

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Early bird gets the gain

Chris Blake, CFA, MBA, Senior Portfolio Manager; David Montreuil, CFA, Manager; Brian Galley, CFA, Senior Manager

Below the 49th parallel, President Donald Trump has indicated that he wants to slash corporate and personal taxes to help drive economic growth in the United States. Here in Canada, it seemed prior to the budget that the opposite might happen. However, contrary to rumours building in the weeks before the Canadian budget was brought down, the budget contained no change in capital gains inclusion rates, nor was there a change in the tax treatment of dividend income, meaning there was no change in the relative attractiveness of dividend income over capital gains income. That is great news for now, but what about the next budget? Investors should take a long-term approach to tax planning.

A little background:

Capital gains were free of tax in Canada until January 1, 1972 when the Liberal government of Pierre Trudeau introduced taxation at an inclusion rate of 50%. The inclusion rate was first increased by the Conservative government of Brian Mulroney in 1988 to 66.7%, and then again in 1990 with a move to a 75% inclusion rate. The Liberals were the ones to bring it back down to 50% in a two-step move in 2000, first to 66.7% in February and then to 50% in October. Only net capital gains are subject to tax, with losses being netted against gains first.

Tax planning and portfolio management

The recent discussions about potential changes in how the capital markets are taxed have brought attention to the topics of tax planning and portfolio management. We understand that for many investors, tax planning is an end of the year endeavor. As the holiday season approaches, people put down their shopping lists and determine if they are in a position to realize net capital gains, or if the capital gains taken in the year to date are greater than any capital losses realized. When investors determine that they are in a tax paying situation, they scramble to mitigate the tax burden by finding positions that are showing a loss to sell, leading to the phenomenon we all know as "tax-loss selling season".

Our message: don't wait until the end of the year

Capital gain or loss harvesting should be an ongoing exercise. Triggering capital gains and losses should be carried out as a regular part of portfolio management, at more advantageous points in time when there is no time pressure and possibly better market pricing. When everyone tries to effect tax loss selling at the same time, the result is greater pressure on stock prices leading to a lower price realization. To the contrary, one could take advantage of any year-end selling pressure to gain a more advantageous entry price by buying securities when prices are artificially depressed.

Although we do not advocate tax driven investment management, we recognize that everyone has an aversion to paying tax. One way to mitigate the tax burden of investing and maximizing returns is through the strategic use of capital losses by pairing gains with losses when possible. However, this needs to be done with some thought given to the portfolio's composition. Overweighting the influence of unrealized capital gains in any decision making process can cause a customized portfolio to have fundamentally different risk and return characteristics than were originally intended, resulting in a portfolio that over time diverges from its original long-term goals and objectives.

When selling a position to take a loss, be conscious of the original intent behind the position's inclusion in the portfolio. For example, selling a losing energy position to buy a bank could accidentally upset the balance and driving factors behind the portfolio's performance. Try to use a substitute exposure through a similar company. For example, had you purchased Ford Motor Co. in 2015 when it was trading at $15 and now it is trading at $12, you can substitute with a similar company (General Motors Co. or Fiat-Chrysler Automobiles for example). Remember that you can switch back to the original company once the waiting period to avoid the "artificial loss rule" has passed; please consult a tax advisor for specifics. It is important to remember that proper portfolio construction and diversification are key to achieving goals and reducing volatility. An important part of portfolio management is re-balancing the portfolio to mitigate risk. When you understand this exercise as something that restores balance to your portfolio, you will have an easier time framing capital gains as more beneficial than you initially envisioned.

While we all seem pre-disposed to avoiding tax by holding onto capital gains, it is important to remember that the presence of capital gains is confirmation that assets are growing. It's concrete evidence that you are moving forward on a path to realizing your financial objectives. Having to pay tax is a high quality problem; it is a far bigger issue to not have capital gains in your portfolio.

While we all strive to have zero capital losses in our portfolio, inevitably we end up with some. The practice of pairing losses with gains becomes incrementally important as the inclusion rate increases with the potential of a larger tax bill at the end of the year. Remember that re-balancing a portfolio and accessing capital gains in a tax efficient manner can be a multi-year process.

We encourage clients and advisors to have conversations about the capital gains embedded in portfolios and how those gains can be pruned over time to help manage the tax impact.

Prudent prologue

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While the federal government waits to see what will happen south of the border, it has brought down a cautious, prudent budget. With regard to tax measures affecting investment and personal income tax, Ottawa has decided to hold tight. For example, despite all the ink shed on a potential hike of the capital gains inclusion rate and strategies for dealing with an increase, the federal government has held off for the time being.

The biggest target on the personal taxation side of the ledger is taxpayers with private corporations. As described below, using them simply as income-splitting tools is on Ottawa's radar.

Private corporations under scrutiny

A review of federal tax expenditures in the summer of 2016 highlighted issues regarding private corporations used by individuals for tax planning.

For example, private corporations can be used to split income with family members, who are often subject to lower personal tax rates.

It is also possible to use a private corporation to take advantage of planning resulting in converting regular income into capital gains. Presently only one-half of capital gains are included as income for tax purposes, which often results in a lower tax rate than receiving income in the form of dividends or regular income.

In Budget 2017, the government states that in the coming months it intends to review tax planning strategies that "inappropriately reduce personal taxes of high income earners". In addressing these issues, the government seeks to ensure that private corporations which actively invest in their business and create economic growth will continue to benefit from a competitive tax system.

If you own a private corporation, talk to your TD Advisor about ways to effectively invest the income. Review your tax planning strategies with your tax advisor to help ensure your company is compliant with the new rules.

Canada Savings Bonds

The post-war Canada Savings Bond (CSB) Program is being phased out. Since reaching its peak in the late 1980s, the CSB program has declined to less than 1% (about $5 billion) of total federal market debt. It's no longer a cost-effective way for Ottawa to source funds, and it has lost its position among Canadians as a safe and easily accessible investment option. CSB sales will be discontinued in 2017, but all outstanding retail debt will be honoured.

Talk to your TD Advisor about what to do with any CSBs you own, and possible alternative investments as you review your overall asset allocation.

Strengthening the Ecogift Program

The ecological gifts program provides a way for Canadians who own ecologically sensitive land to contribute to the protection of Canada's environment. The "ecogift" program is administered by Environment and Climate Change Canada (ECCC). In the 2017 Budget Ottawa is proposing a number of measures to ensure protection of such gifts of land:

- If the transferee of the property changes the use of the property or disposes of it without the consent of the ECCC, it shall be subject to a 50% tax.
- The ECCC will have the ability to determine whether proposed changes to the use of land would degrade conservation protection.
- The ECCC will have the ability to approve ecogift recipients on a gift-by-gift basis.
- As the directors of private foundations are generally not at arm's length from each other, ecogifts can give rise to conflicts of interest. To prevent conflicts of interest, Budget 2017 is proposing that private foundations no longer be able to receive ecogifts.

These measures will apply to transactions occurring on or after March 22, 2017.

Do you have ecologically sensitive land that you intend to donate? You can ensure the transferee understands the implications of the new federal rules on your gift.

New "Canada Caregiver Credit"

The federal government is proposing a new "Canada Caregiver Credit" that will replace the existing Caregiver Credit, Infirm Dependant Credit and Family Caregiver Credit. This single, new, non-refundable credit will provide tax relief in the amount of:

- $6,883 (in 2017) with respect to expenses for care of dependent relatives with infirmities (including people with disabilities) – parents, brothers, sisters, adult children and other specific relatives.
- $2,150 (in 2017) with respect to expenses for care of a dependent spouse/common-law partner or minor child with an infirmity (including a disability).

The previous credits had varying eligibility rules, maximum amounts and income phase-outs. It's expected that the new credit will extend tax relief to more caregivers, particularly those providing care to relatives that do not live with their caregivers.

Prudent prologue (cont'd)

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The new credit will start to be reduced when the dependent person's net income is above $16,163 (in 2017). Going forward the income threshold and the amount of the credit will be indexed to inflation.

Does your family benefit from one of the caregiver credits that Ottawa is eliminating? How will the new credit work within your overall financial plan? Talk to your TD Advisor.

Expanding some tax credits – eliminating others

Ottawa proposes to extend the Tuition Tax Credit to students taking occupational skills courses at a post-secondary institution. This change is to take effect as of the 2017 tax year.

Budget 2017 is proposing to clarify the application of the Medical Expense Tax Credit to individuals who require medical intervention in order to conceive a child. This measure will apply to the 2017 tax year and subsequent tax years.

Meanwhile Ottawa is eliminating several tax measures which it has deemed inefficient. They include:

The Public Transit Tax Credit, effective as of transit use occurring after June 30, 2017. Budget 2017 states the credit has not been effective in encouraging use of public transit or reducing greenhouse gas emissions.

The 25% Investment Tax Credit for Child Care Spaces. Budget 2017 says there has been very low uptake of this credit and it has not been effective in increasing the number of childcare spaces by employers. However, the Budget proposes to invest an additional $7 billion over the next 10 years, beginning in 2018-19 to create affordable child care spaces across Canada.

The first-time donor super credit will be allowed to expire. Budget 2017 states that it has not encouraged charitable donations as previously anticipated and other tax measures aimed at encouraging giving are sufficient.

The deduction for employee home relocation loans will be eliminated. Ottawa says this benefit disproportionately benefits wealthier Canadians and does little to help the middle class or Canadians working hard to improve their lives.

Closing tax loopholes

The 2017 Budget proposes several measures to close tax loopholes. They include:

- Extend anti-avoidance rules similar to the one applied to Registered Retirement Savings Plans and Tax-Free Savings Accounts to Registered Education Savings Plans and Registered Disability Savings Plans. These rules include the "prohibited investment rules", which generally ensure that investments held by a registered plan are arm's length portfolio investments, and the non-qualified investment rules, which restrict the classes of investments that may be held by a registered plan. Meanwhile, the federal government recognizes these proposals "are not expected to have an impact" on most RESP and RDSP holders, who usually invest in ordinary portfolio investments.
- Prevent the avoidance or deferral of tax through the use of offsetting derivative positions in "straddle transactions". In simple form, a straddle is a transaction in which a taxpayer concurrently holds two or more derivative positions, expected to generate equal, offsetting gains and losses. The Budget proposes to introduce a "stop-loss" rule that will defer the realization of any loss on the disposition of a position to the extent of any unrealized gain on an offsetting transaction.
- In the past there was uncertainty around whether taxpayers could mark to market their derivatives held on income account under the general principles of profit computation. To provide a clear framework for exercising the choice of using the mark-to-market method and ensure it does not lead to tax avoidance, the 2017 Budget proposes to introduce an election for choosing this method. Once made, the election will remain effective for all subsequent tax years, unless it is revoked with the consent of the Minister of National Revenue.

Have you engaged in any of these strategies? Speak with your TD Advisor about any necessary changes to your approach.

Strengthening tax enforcement

The Budget proposes to strengthen the Canada Revenue Agency's (CRA) ability to combat tax evasion and avoidance by:

- Increasing verification activities
- Hiring more auditors and specialists with a focus on the underground economy
- Improving the quality of investigative work

Back to business as usual

Beata Caranci, VP & Chief Economist, Brian DePratto, Senior Economist, TD Economics

Last year's budget was a big bang on tax and spend initiatives. This year, not so much. The government announced a net $4.4 billion in new initiatives over a five year period. For comparison, this is roughly one-fifth the amount announced last year, spread over a longer timeframe. Hot-button issues, such as changes to the capital gains tax and the potential sale of airports, were not acted upon. This budget was more about trimming the edges on labour market and tax inefficiencies. By applying conservative assumptions on economic growth, the government shows a debt-to-GDP ratio that holds steady, edging down only modestly from 31.5% to 30.9% by 2021/22. This is a market-neutral budget, with nothing of note to rattle financial markets.

Just a bit more borrowing

The near term outlook for the federal deficit has improved (figure 1), with a budgetary balance of -$23 billion forecast for the current fiscal year. Relative to what was presented in last year's 5-year plan, slightly wider deficits are projected in Budget 2017, resulting in a modest $6.4 billion in net additional borrowing over the 2015/16 to 2020/21 period.

Underpinning these projections are more conservative assumptions on the future pace of economic growth. This stems from the use of a somewhat outdated survey (from December 2016; table 1), which doesn't capture the significant improvement in the near-term economic outlook, and thus likely overstates the near-term deficit outlook. Conversely, the December survey does appear to better reflect the medium-term growth headwinds facing Canada, presenting a lower long-term growth profile than that used in Budget 2016.

Even this slower profile does not fully reflect the longer-term headwinds facing Canada. TD Economics remains of the view that growth is likely to trend closer to 1.4% in coming years, creating a potential fiscal headwind. Perhaps reflecting this, the government has reintroduced a 'risk adjustment', adding $3 billion per year to the projected deficit from fiscal 2017/18 onwards. This, in combination with the government's growth outlook, suggests that near-term deficits may come in smaller than what has been indicated.

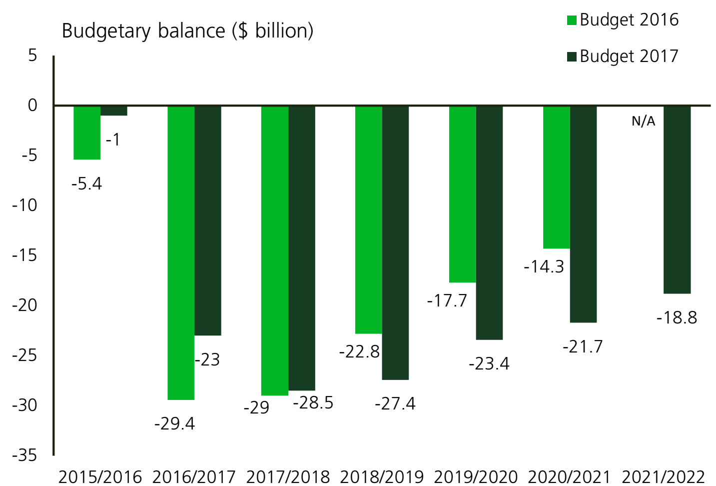
Persistent deficits

A largely unchanged deficit outlook means that there remains nothing but red ink on the horizon. The size of the deficits are fairly small in the grand scheme of things, and the federal debt-to-GDP ratio is set to stabilize through time, settling at around 31% of GDP by fiscal 2021-22. Despite this, gone from the budget are explicit references to a target level of the debt ratio. While the best fiscal anchor could be debated (we would suggest a modestly declining debt-to-GDP ratio as a reasonable target), having a fiscal anchor, whatever it may be, provides reassurances to markets that some form of fiscal restraint is in place. A return to an explicit anchor would thus be a welcome development.

Spending what was planned

The budget is largely focused on implementing existing promises. The government made significant spending commitments in key areas such as housing, but the bulk of the funds allocated are back-end-loaded. The rubber hits the road over the five year fiscal horizon, where only $5.2 billion in net new spending was introduced in the budget, as the impact of newly announced measures were offset by shifting funds from other areas. For instance, the government announced $6.6 billion in planned spending to support skills and innovation. But, once the reshuffling of pre-existing commitments is taken into account, the net impact on the deficit is expected to be $2.9 billion. In some areas, the government has actually reduced its planned spending (on net) over the near-term horizon.

Figure 1: Smaller near-term deficits offset by balooning back-end



Source: Source: Department of Finance Canada. As at March 22, 2017.

These include what the government calls "Communities Built for Change", such as infrastructure spending, early learning and childcare initiatives, and indigenous communities. When it comes to existing spending commitments, the government provided an indication of progress to date. Most major areas are reported to be largely on track (in terms of Budget 2016 commitments), with the exception of infrastructure spending, where only 50% to 75% of projects are reported to be on track. From an economic growth perspective, even this statistic may be somewhat misleading, as it tracks cash disbursements, not shovels in the ground. Indeed, data from Infrastructure Canada indicates that only a small fraction of projects approved since the time of last year's budget have actually begun construction.

Back to business as usual (cont'd)

Beata Caranci, VP & Chief Economist, Brian DePratto, Senior Economist, TD Economics

Thus TD Economics remains of the view that the majority of the growth impact from existing spending commitments is yet to come, and will extend into 2018 given delays already observed.

Nothing comprehensive, but some tax tweaks in the offing

The federal government had been planning a comprehensive tax expenditure review, but it was not to be found in the budget. Nor were changes to the inclusion rate for capital gains, or the treatment of stock option compensation. Still, many tweaks around the edges were brought into play. Key among these:

- Elimination of the public transit tax credit
- The tax credit for oil and gas exploration is being tweaked to gradually decline over time, rather than deducted immediately
- The alcohol tax will be nudged up immediately, and continue to increase in line with the pace of consumer inflation.
- The definition of a taxi service is to be changed such that ridesharing services such as Uber are taxed in the same way as traditional taxi services.
- Last year's increase in CRA vigilance will be met with a further budget increase aimed at cracking down on tax evasion.

The government's cautious approach to the tax system is likely warranted in light of the significant uncertainty emanating from south of the border. Discussions and negotiations are underway that could result in significant reductions in U.S. corporate tax burdens, impacting Canada's current competitive advantage. At the same time, it would have been unusual to see significant changes around capital gains or stock options as part of a budget focused on innovation. Ultimately though, while caution was the watchword, this is not the end of the story. It would hardly be surprising to see the tax system revisited once there is more certainty around Canada's relative competitiveness on this front.

Innovation a focus

As was communicated heading into the budget, a significant portion of the document was devoted to Canadian innovation. Measures included funds aimed at supporting innovation "superclusters", the creation of a "Strategic Innovation Fund" that consolidates and expands a number of existing funds and initiatives, and spending to support Clean-Tech and AgTech development. A focus was also placed on support for skills training. A welcome development is a change to the EI qualification system, allowing EI recipients to pursue education without losing their EI payments.

Potential market reaction

Ahead of the budget, rumours were swirling around potential tax changes – particularly the treatment of capital gains. In the event, no major changes were in the offing, with the changes that were put in place generally consisting of minor tweaks. As a result, it is unlikely that the budget will have any meaningful market impact.

Table 1: Economic Assumptions for Canada

Annual, percent change (unless otherwise indicated)						
Calendar Year	2016	2017	2018	2019	2020	2021
Real GDP						
Budget 2017	1.3	1.9	2.0	1.7	1.7	1.8
TD Forecast	1.4	2.3	1.9	1.6	1.4	1.4
Nominal GDP						
Budget 2017	2.0	4.1	4.0	3.5	3.8	3.8
TD Forecast	2.1	4.7	4.0	3.6	3.4	3.5
Nominal GDP ($ billion)						
Budget 2017	2,025	2,109	2,194	2,271	2,357	2,447
TD Forecast	2,027	2,123	2,207	2,286	2,365	2,447
3-Month T-Bill Rate						
Budget 2017	0.5	0.6	0.9	1.4	1.8	2.3
TD Forecast	0.5	0.5	0.8	1.3	1.9	2.3
10-Year Gov't Bond Yield						
Budget 2017	1.3	1.8	2.3	2.7	3.0	3.3
TD Forecast	1.3	2.1	2.7	3.0	3.3	3.3

Source: Source: Department of Finance Canada, TD Economics. As at March 22, 2017.

The theme of minor tweaks extends to the debt management strategy. Reflecting the modest spending commitments, gross bond issuance is expected to reach $142 billion in fiscal 2017-18, an increase of $7 billion from the year prior. The focus is likely to remain again on shorter-term debt (2-, 3-, and 5-year bonds), and no changes to the target maturity pattern or benchmark sizes are planned. There is no explicit plan, but the government again indicated a willingness to issue ultra-long maturity bonds on a 'tactical' basis.

Bottom line

Ultimately, what the government delivered felt more like a fiscal update than a budget. Little was on offer in terms of new spending, while at the same time much of the concern around significant tax changes proved misplaced. This lack of excitement may not be a bad thing. The economic landscape remains shrouded by uncertainty, presenting a strong case for the wait and see approach.

Monthly market review

		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Canadian Indices ($CA) Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
S&P/TSX Composite (TR)	50,695	1.34	2.41	2.41	18.62	5.82	7.84	4.70	7.49
S&P/TSX Composite (PR)	15,548	0.96	1.70	1.70	15.22	2.74	4.64	1.68	5.01
S&P/TSX 60 (TR)	2,413	1.27	2.44	2.44	19.27	6.86	8.55	4.92	7.90
S&P/TSX SmallCap (TR)	1,022	1.00	1.47	1.47	29.48	3.29	3.38	1.81	-
U.S. Indices ($US) Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
S&P 500 (TR)	4,538	0.12	6.07	6.07	17.17	10.37	13.30	7.51	7.86
S&P 500 (PR)	2,363	-0.04	5.53	5.53	14.71	8.06	10.90	5.22	5.86
Dow Jones Industrial (PR)	20,663	-0.72	4.56	4.56	16.84	7.88	9.36	5.28	5.89
NASDAQ Composite (PR)	5,912	1.48	9.82	9.82	21.39	12.08	13.84	9.34	8.20
Russell 2000 (TR)	6,752	0.13	2.47	2.47	26.22	7.22	12.35	7.12	8.67
U.S. Indices ($CA) Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
S&P 500 (TR)	6,046	0.68	5.25	5.25	20.36	17.46	20.01	9.07	7.65
S&P 500 (PR)	3,148	0.52	4.72	4.72	17.83	15.00	17.47	6.75	5.65
Dow Jones Industrial (PR)	27,529	-0.16	3.75	3.75	20.02	14.81	15.84	6.81	5.68
NASDAQ Composite (PR)	7,876	2.05	8.97	8.97	24.69	19.28	20.59	10.93	8.00
Russell 2000 (TR)	8,995	0.69	1.67	1.67	29.65	14.10	19.01	8.68	8.46
MSCI Indices ($US) Total Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
World	7,328	1.14	6.53	6.53	15.43	6.12	9.99	4.81	6.55
EAFE (Europe, Australasia, Far East)	6,954	2.87	7.39	7.39	12.25	0.96	6.32	1.53	5.04
EM (Emerging Markets)	2,041	2.55	11.49	11.49	17.65	1.55	1.17	3.05	5.87
MSCI Indices ($CA) Total Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
World	9,763	1.70	5.70	5.70	18.57	12.93	16.51	6.33	6.35
EAFE (Europe, Australasia, Far East)	9,265	3.44	6.56	6.56	15.30	7.45	12.62	3.01	4.84
EM (Emerging Markets)	2,719	3.12	10.62	10.62	20.85	8.07	7.16	4.55	5.67
Currency	Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
Canadian Dollar ($US/$CA)	75.06	-0.56	0.78	0.78	-2.65	-6.03	-5.59	-1.44	0.19
Regional Indices (Native Currency) Price Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	20 Years
London FTSE 100 (UK)	7,323	0.82	2.52	2.52	18.59	3.53	4.89	1.50	0.03
Hang Seng (Hong Kong)	24,112	1.56	9.60	9.60	16.05	2.87	3.24	1.99	3.33
Nikkei 225 (Japan)	18,909	-1.10	-1.07	-1.07	12.83	8.44	13.40	0.90	0.25
Benchmark Bond Yields		3 Month		5 Year		10 Year		30 Year	
Government of Canada Yields		0.54		1.11		1.63		2.32	
U.S. Treasury Yields		0.77		1.96		2.42		3.03	

Canadian Bond Indices ($CA) Total Return	Index Level	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
FTSE TMX Canada Universe Bond Index	1023.95	0.41	1.24	1.24	1.51	4.09	3.52	4.82
FTSE TMX Canadian Short Term Bond Index (1-5 Years)	701.09	0.13	0.67	0.67	1.27	2.09	2.21	3.53
FTSE TMX Canadian Mid Term Bond Index (5-10)	1125.42	0.20	1.47	1.47	1.55	4.57	4.17	5.60
FTSE TMX Long Term Bond Index (10+ Years)	1621.73	0.95	1.88	1.88	1.72	6.59	4.85	6.40

Sources: TD Securities Inc., Bloomberg Finance L.P. TR: total return, PR: price return. As at March 31, 2017.

Important information

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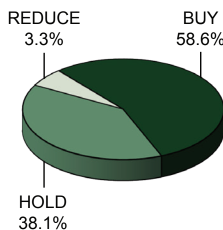
Research Ratings

Overall Risk Rating in order of increasing risk: Low (7.8% of coverage universe), Medium (38.1%), High (42.9%), Speculative (11.1%)

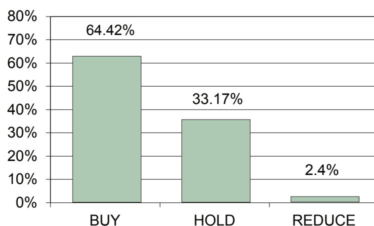
Action List BUY: The stock's total return is expected to exceed a minimum of 15%, on a risk-adjusted basis, over the next 12 months and it is a top pick in the Analyst's sector. BUY: The stock's total return is expected to exceed a minimum of 15%, on a risk-adjusted basis, over the next 12 months. SPECULATIVE BUY: The stock's total return is expected to exceed 30% over the next 12 months; however, there is material event risk associated with the investment that could result in significant loss. HOLD: The stock's total return is expected to be between 0% and 15%, on a risk-adjusted basis, over the next 12 months. TENDER: Investors are advised to tender their shares to a specific offer for the company's securities. REDUCE: The stock's total return is expected to be negative over the next 12 months.

Distribution of Research Ratings



Percentage of subject companies under each rating category—BUY (covering Action List BUY, BUY and Spec. BUY ratings), HOLD and REDUCE (covering TENDER and REDUCE ratings).
As at April 3, 2017.

Investment Services Provided



Percentage of subject companies within each of the three categories (BUY, HOLD and REDUCE) for which TD Securities Inc. has provided investment banking services within the last 12 months.
As at April 3, 2017.

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