

Tax loss harvesting strategy in volatile markets

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

What is “tax loss harvesting”?

Tax loss harvesting involves an investor selling securities at a fair market value that is *lower* than their adjusted cost base, resulting in a capital loss. These realized capital losses can then be used to offset capital gains realized on other securities in the portfolio, ultimately lowering the investor’s taxes payable for the year.¹ While harvesting losses can provide immediate tax benefits, the broader objective is to optimize long-term after-tax returns without altering the investor’s overall financial goals or market exposure.

To maintain portfolio positioning, investors often replace the sold security with a similar **but not identical** investment. For example, one might sell an ETF

tracking a specific index and purchase another ETF in the same sector that tracks a different index.

Purchasing a security that is not identical to the sold security is critical to ensuring the “superficial loss” rules under Canadian tax law do not apply. Generally, these rules deny a capital loss if the same or an identical security is repurchased within 30 calendar days before or after the sale. Instead, the amount of the denied loss is added to the adjusted cost base of the identical asset acquired. Using comparable but not identical securities ensures the loss is not denied while preserving the desired market exposure and investment strategy.

FIGURE 1 – 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	Mackenzie ETF
AC	Air Canada	-17.78%	QCN / QCE
CSU	Constellation Software Inc/Canada	-14.39%	
CNR	Canadian National Railway Co	-9.00%	
ATD	Alimentation Couche-Tard Inc	-6.33%	
BHC	Bausch Health Cos Inc	-25.12%	
WPK	Winpak Ltd	-7.45%	
CJT	Cargojet Inc	-22.85%	

Source: Bloomberg as at October 27, 2025.



FIGURE 2 – Trade idea: sell out of individual US equities and invest in QUU or QAH

US stock portfolio example			Mackenzie ETF alternatives
Ticker	Name	Price change YTD	Mackenzie ETF
LULU	Lululemon Athletica Inc	-51.94%	QUU / QAH
MRNA	Moderna Inc	-35.78%	
CMG	Chipotle Mexican Grill Inc	-31.64%	
TGT	Target Corp	-27.80%	
CRM	Salesforce Inc	-23.47%	
ADBE	Adobe Inc	-20.59%	

Source: Bloomberg as at October 27, 2025.

The Mackenzie advantage in index investing

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](#).

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

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