



## Market Rally: When Should You Take Profit?

### Description

I was sitting on some hefty gains from new shares added in the recent market crash. My best gains are from **Couche-Tard** (TSX:ATD.B) and **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY), up 34% and 49%, respectively, in less than three months.

### Tax considerations are secondary

Both resided in my Tax-Free Savings Account (TFSA). If I held the shares in my non-registered account, I'd need to consider the tax consequences as well.

Which province or territory do you reside in? What's your tax bracket?

Depending on where you live, which tax bracket you're in, and how much you earn, your [effective tax rate](#) will be different.

Your investment income is taxed at lower rates than other income, such as your job's income. For most people, eligible Canadian dividends will probably be taxed at a lower rate than capital gains.

Anyhow, tax considerations are secondary to the actual investment itself. Being tax efficient improves your returns, but the important thing is to make the right investment decisions based on your investment experience, risk tolerance, and investment horizon.

It's helpful to be clear on why you're buying a stock before you buy it. At a fundamental level, you should know if you're buying for income or growth. Are you buying for long-term growth or do you have sell targets within a certain time frame?

It's always better to have a longer time frame than you intend to give sufficient time for your investment thesis to play out.

## Why I sold my Couche-Tard shares

Although Couche-Tard's fuel retailers and convenience stores are categorized as critical businesses and remain open, the COVID-19 pandemic still impacts its operations.

For example, fuel volumes and merchandise sales declined during the pandemic but have since stabilized.

However, it saw greater demand for alcohol, tobacco products, basic staples, canned and dry goods, and cleaning and sanitation products.

Because the impact on shopping trends from the virus in North America lagged against Europe's, Couche-Tard was able to learn from its Europe stores and better prepare for North America by stocking up on those items.

I bought Couche-Tard stock for growth. It pays a small yield of 0.65%. So, investors can only get satisfactory returns from price appreciation. The gains either come from normalization of the stock's valuation (if you bought the stock at a discount) or from growth of the business itself.

Additionally, the company is also paying an extra \$2.50 per hour in North America for all hourly store and distribution center employees as an emergency appreciation pay premium. This will cut into the company's near-term profits.

It also has other programs in place to support employees impacted by COVID-19. Couche-Tard is truly a great company run by wonderful people. Unfortunately, the stock appears fully valued now.

With all that's going on, it's not going to make any impactful acquisitions (if any) until things normalize, but M&A is its core growth strategy.

So, my guess is that there's little room for the stock to run in the short term. And if we get a second wave in COVID-19, I'll likely get another chance to pick up the stock on a dip.

## Why I'm keeping Brookfield Property

I bought Brookfield Property as a value and income investment. Both factors are playing out beautifully.

The real estate stock traded as low as 25% its book value earlier this year as investors worried about closed malls and people working from home, making malls and office properties obsolete.

As there were news of businesses reopening and people driving to work again, there was nowhere for the dirt-cheap stock to go but up! Meanwhile, the stock pays an awesome yield. At writing, it still provides a 10.2% yield!

The company has the financial position to maintain its dividend. However, if things get really bad, it might have to cut it temporarily. Even if it were to cut its dividend by half, I'll still get a yield of about 5% based on today's price.

Additionally, normally, BPY would trade at 60% of its book value, which suggests there's potential for a meaningful upside of 30%. So, I'm willing to hold and get a good passive income.

## The Foolish takeaway

Should you take profit in this market rally?

Investments must be analyzed on a case-by-case basis. The key thing is to invest in businesses that you believe in.

Think of the quality of the business, its valuation, and the total returns potential (from dividends and price appreciation) based on *today's* situation. Tax considerations are secondary.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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