

## Harvesting Strategy

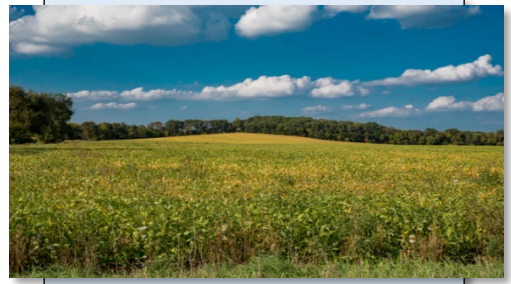
### Stocks Rally in Short Week; Longer Term, Tax Benefit Capture May Be Having its Moment

September 3 - 6, 2019

[Tax Loss Harvesting](#) (TLH), sometimes referred to more broadly as Tax Benefit Capture (TBC), is not a new strategy, but one whose time has finally arrived.

Why now?

One likely factor is that TBC shares one of the same drivers seen in the growth of indexing: the benefit of lowering investment costs. Yet while cost savings in indexing are increasingly measured in terms of a few basis points as Fund sponsors race to zero expense ratios, tax savings can still be measured in full percentages. Studies have shown that taxes are [the most significant cost](#) (and hence drag on returns) that investors face. Indexing already has a [demonstrated history of reducing tax costs, particularly with ETFs](#). Adding TBC to an indexing strategy has the potential to reduce tax costs across a broader portfolio even further.



Summer's over, so stocks can rally again. The S&P500 was up nearly 2% last week, leaving the bellwether index within 1.5% of its all-time high. There were a few select opportunities for Tax Benefit Capture this week despite stocks climbing each day.

Traditional year end-only approaches to TBC make for somewhat limited opportunity sets. But disciplined TBC programs that continuously monitor for opportunities throughout the year - including intra-day - can improve results dramatically. Further, incorporating a TBC mindset into portfolio construction can expand opportunities even further. For instance, State Street recently [described the potential benefits of a sector approach](#) to investing in US equities, along the lines of Green Harvest's flagship U.S. Equity strategy. Keep an eye out for upcoming publications as we dive deeper into this topic. Until then, have a great week!

#### If I'm already indexing, why do I need Tax Benefit Capture?

While indexing can help keep tax costs low, many High Net Worth investors may still be accumulating realized capital gains from other parts of their portfolio, such as investments in hedge funds, private equity and perhaps legacy mutual funds or other actively managed accounts. Capturing tax benefits (or losses) in the index portion of their portfolio could potentially be used to offset the gains received from other parts of the portfolio.

(continued)



**Market Data Summary for week of September 3 - 6, 2019:**

Market Exposure	Sectors/Regions with Tax Benefit Capture	Total Return (%)	Weekly Max Drawdown	
			(%)	Day of Low
<b>S&amp;P500</b>		<b>1.9%</b>	<b>-1.3%</b>	<b>Tuesday</b>
Materials	X	1.0%	-1.5%	Tuesday
Energy		2.7%	-1.9%	Tuesday
Financials		1.9%	-1.9%	Tuesday
Industrials	X	1.9%	-2.0%	Tuesday
Consumer Staples		1.2%	-1.2%	Tuesday
Utilities	X	0.4%	-1.9%	Tuesday
Health Care	X	0.7%	-1.0%	Wednesday
Real Estate		1.5%	-1.6%	Tuesday
Info Tech		2.5%	-1.6%	Tuesday
Consumer		2.8%	-1.0%	Thursday
Communication		2.4%	-1.3%	Tuesday
<b>MSCI ACWI Ex-US</b>		<b>2.2%</b>	<b>-0.8%</b>	<b>Tuesday</b>
Asia Ex-Japan		2.9%	-0.5%	Tuesday
Japan		1.6%	-0.3%	Tuesday
Australia		1.6%	-0.9%	Tuesday
Switzerland		2.1%	-0.8%	Tuesday
EuroZone		1.9%	-0.9%	Tuesday
United Kingdom		2.1%	-0.6%	Tuesday
Lat America		3.6%	-2.5%	Tuesday
Canada		1.4%	-0.6%	Tuesday
<p>Areas with Tax Benefit Captures (TBCs) indicates where individual tax-loss harvest trades were executed in each market exposure across all accounts for period specified.</p> <p>Max Drawdown calculated as max decline from interim peak to Intra-Day Low.</p> <p>Market Data Source: Bloomberg</p> <p>Market statistics calculated using representative ETFs.</p>				

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