Green Harvest
ASSET MANAGEMENT

April 6, 2020

Harvesting Strategy

Manage Risk Thoughtfully and Efficiently

Stocks rallied strongly today. Last week volatility receded as the S&P 500 lost *only* 2.25%. We say "only" because the prior five weeks the S&P500 moved an average of 8%.[1] Even that average masks the extent of recent volatility as markets frequently whipsawed daily.

One way to mitigate volatility and risk is to hedge. As we discussed last week, Green Harvest designed our hedge strategy using direct shorting of liquid ETFs to mitigate downside risk but also to be a potential enhancer of Tax Benefit Capture (TBC): *For the first two months of 2020, these strategies were an excellent source of additional TBC as stocks went up and the hedges went down as expected - an extra opportunity to capture benefits on the short side. That dynamic mostly shifted toward the end of February as stocks rolled over. The hedges were no longer the primary source of TBC but became the ballast in the storm, protecting them from the full extent of the market's declines*.

TBC is another tool that can mitigate and even exploit volatility. Simultaneously swapping (selling and buying) similar ETFs when prices fall enables tax benefit capture without reducing investment exposure. When volatile markets bottom, by maintaining exposure at the bottoms, our clients can still participate in the upside afterwards.

Green Harvest believes in continuously evaluating TBC opportunities and despite the relatively muted volatility last week, we did capture benefits, particularly in the hardest hit Utilities and REIT sectors. Whether hedging or long only, it's worth considering how your portfolio is affected or benefited by volatility.

Until next time, wishing you successful investing and hoping you and yours are safe and well.

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[1]Returns during those prior weeks were respectively, -11.4%, 0.7%, -8.7%, -15.0%, 10.3%.

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Market Data Summary for week of March 30 – April 3, 2020:

Market Exposure	Sectors/Regions with GHAM Tax Benefit Capture	Total Return (%)	Weekly Max Drawdown (%)	Weekly Max Drawdown Day of Low
S&P500		**-2.2%**	**-6.8%**	**Wednesday**
Materials	X	-3.7%	-7.1%	Friday
Energy	X	5.3%	-6.3%	Wednesday
Financials	X	-6.5%	-9.6%	Friday
Industrials	X	-4.3%	-7.0%	Wednesday
Consumer Staples	X	3.4%	-5.3%	Thursday
Utilities	X	-7.0%	-11.5%	Wednesday
Health Care	X	2.1%	-5.7%	Thursday
Real Estate	X	-6.1%	-11.1%	Wednesday
Info Tech	X	-1.9%	-7.3%	Thursday
Consumer Discretionary	X	-5.8%	-8.9%	Friday
Communication Services	X	-1.4%	-6.2%	Friday
MSCI ACWI Ex-US		**-2.2%**	**-5.0%**	**Friday**
Asia Ex-Japan	X	1.3%	-3.8%	Wednesday
Japan	X	-6.8%	-8.5%	Friday
Australia	X	-0.1%	-3.6%	Friday
Switzerland	X	-3.4%	-6.1%	Friday
EuroZone	X	-4.7%	-7.2%	Friday
United Kingdom		-3.3%	-5.7%	Friday
Lat America	X	-4.7%	-7.6%	Friday
Canada	X	-0.1%	-4.8%	Wednesday

Areas with Tax Benefit Captures (TBCs) indicates where individual tax-loss harvest trades were executed in each market exposure across all eligible accounts for period specified.

Max Drawdown calculated as max decline from interim peak to Intra-Day Low.

Market Data Source: Bloomberg

Market statistics calculated using representative ETFs.

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Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when the portfolio is liquidated. Current performance may be higher or lower than that quoted. Performance of an index is not illustrative of any particular investment. It is not possible to invest directly in an index.

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Reasons to harvest capital losses, sources of capital gains and the suggestion that mutual funds distribute capital gains are for example purposes only and not meant to be tax, estate planning or investment advice in any form or for any specific client.

The availability of tax alpha is highly dependent upon the initial date and time of investment as well as market direction and security volatility during the investment period. Tax loss harvesting outcomes may vary greatly for clients who invest on different days, weeks, months and all other time periods.

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<u>Hedged Strategies Risk</u>

The Hedged Strategies take "short" positions by selling an index ETF that the client portfolio does not own, which exposes the portfolio to costs and risks that are not associated with owning securities long. Certain of these costs and risks are described in the margin disclosure statement provided to you by the financial institution holding your account, and we encourage you to discuss those risks and costs with your advisor. The following disclosure discusses the risks related to Green Harvest's investment strategy.

A short position has an opposing or "inverse" relationship to a long position on the same asset. Generally, the short index position will lose money when the overall long portfolio is rising in value, and the short position will increase in value when the long portfolio is losing money. This relationship provides the "hedging" aspect of the Strategy. Green Harvest seeks to short an index ETF that is expected to have a strong inverse relationship with the strategy benchmark. If the index ETF underlying the short position deviates from this inverse correlation to the benchmark performance, then the Strategy will not perform as desired, and you could have limited tax loss harvesting outcomes as well as low or negative portfolio returns. Although the short position is intended as a hedge against negative or low returns of the markets, the Strategy's return may be negative. Any dividends paid by ETFs underlying the short position must be paid to the institution lending the security and thus will not generate income for your account.

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Tax loss harvesting opportunities exist when the long portfolio has gains and when the short position has losses. Portfolio losses may result in margin calls from your financial institution, and when you instruct Green Harvest to sell portfolio assets in response to margin calls, such sales could generate taxable capital gains. Alternatively, you will be required to add cash to the account in response to margin calls.

Short positions can lead to more volatile performance of the underlying security. In addition, the ETFs underlying short positions may experience periods of low trading volume or reduced liquidity, which would restrict the ability to enter short positions. In these periods, Green Harvest can seek to enter short positions through other available transactions, which may have higher transaction costs. All investments are subject to liquidity risk, especially when markets are not functioning normally. If Green Harvest is unable to acquire or dispose of holdings quickly or at prices that represent perceived market value, then the Strategy will be negatively impacted. Examples of events that can lead to heightened liquidity risk include domestic and foreign economic crises, natural disasters, political instability, and regulatory changes.