



April 13, 2020

Harvesting Strategy

Alpha Turnover?

Hope you all enjoyed the holiday weekend and had a chance to reflect and at least virtually connect with family. I thought about how much has changed so quickly. For instance, the term “turnover” means different things depending on the context. A restaurant that can turnover its tables quickly may see more profits, or some may think of “turnover” in terms of their favorite pastry (e.g. “apple turnover”). In less favorable contexts, high employee turnover is generally not a good thing, or if a football team has too many turnovers, it’s never good.

In the world of finance, many people think of “turnover” as more of an interception than a warm apple pastry. It tends to indicate increased transaction costs and perhaps a lack of investment discipline. One notable exception (and one that is dear to our hearts) is turning over a portfolio to harvest tax benefits.

If not familiar, at Green Harvest (GH) [we trade in and out of Exchange Traded Funds](#) to generate Tax Benefit Captures (TBC) while maintaining exposure to a particular benchmark or model portfolio. It probably will not come as a surprise that a falling market tends to mean more trading for GH and increased benefits for our clients.

For March the turnover gauges were running full throttle. On average we turned clients’ portfolios over 1.5 times. For example, a \$1 million account with GH may have cumulatively experienced over \$1.5 million in buys AND \$1.5mm in sells. Results vary by accounts but suffice to say Green Harvest had a record month in TBC– in many cases capturing much if not all of the broader market drawdown. By design, the exceptional benefits captured for our clients far outweighed the transaction costs.

On a different note, even the aforementioned examples of “turnover” have taken on a different feel of late. Sadly, tables aren’t being turned over any more at restaurants; and there might not be much employee turnover... as jobs are evaporating while the pace of new hires shrinks.

Let’s hope and pray we “turn over” a new leaf soon.

Jeff Conway, CFA CAIA

Chief Investment Officer

Green Harvest Asset Management

[Download Our Latest White Paper: Future Value of Tax Benefits](#)

Market Data Summary for week of April 6 – April 9, 2020:

Market Exposure	Sectors/Regions with GHAM Tax Benefit Capture	Total Return (%)	Weekly Max Drawdown	
			(%)	Day of Low
S&P500		12.1%	-6.3%	Monday
Materials		20.7%	-4.7%	Wednesday
Energy		13.7%	-5.1%	Wednesday
Financials	X	19.0%	-3.8%	Wednesday
Industrials	X	12.2%	-3.0%	Wednesday
Consumer Staples	X	5.0%	-2.6%	Monday
Utilities		17.5%	-5.4%	Wednesday
Health Care		9.3%	-4.3%	Wednesday
Real Estate		21.3%	-6.8%	Wednesday
Info Tech	X	10.5%	-4.4%	Monday
Consumer Discretionary	X	15.4%	-4.3%	Monday
Communication Services		10.5%	-3.2%	Monday
MSCI ACWI Ex-US		8.4%	-2.0%	Monday
Asia Ex-Japan	X	5.9%	-0.6%	Wednesday
Japan		8.1%	-1.7%	Monday
Australia	X	4.4%	-1.3%	Wednesday
Switzerland		10.8%	-1.8%	Wednesday
EuroZone		10.6%	-2.0%	Monday
United Kingdom		11.6%	-1.7%	Monday
Lat America	X	14.2%	-3.7%	Wednesday
Canada		10.3%	-1.6%	Monday
<p>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.</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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