



Harvesting Strategy

Where's the Tax Alpha? A Tale of Two Sectors

Energy was the worst performing sector last week and a top source of Tax Benefit Capture (TBC).¹ But perhaps the more interesting story was in the larger (10.75% of S&P 500) and 2nd worst performing Communications Services sector:

- Facebook, the sector's largest position at 21%, fell 8.3% Friday, wiping out more than \$50 billion of market cap amid announcements from multiple companies including Honda, Coca Cola and Unilever that they were pulling or suspending advertising.
- The [two Alphabet stocks](#), the 2nd and 3rd largest positions in the sector, each fell over 5% Friday as well.
- Declines from those three stocks alone accounted for the majority of the sector's 5.3% decline for the week.

Companies in the Communications and Technology sectors sometimes get lumped together as "Technology". However, the [relatively recent official GICS industry sector split](#) revealed a meaningful distinction last week. For those keeping score, Information Technology, with Microsoft and Apple at the top, was the best performing of all eleven sectors, ending the week nearly flat. This divergence between sectors offered TBC opportunities in the harder hit Communications sector. It is here where Green Harvest capitalized - by simultaneously swapping (selling and buying) ETFs with similar exposures. Tax benefits were captured, and investment exposure was maintained – should the Facebooks and Alphabets of this world bounce back.

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¹ Tax Benefit Capture (TBC) in this context refers to the practice of purposely capturing realized losses to minimize taxes by offsetting realized gains

Market Data Heat Map Summary for week of June 22 – June 26, 2020:

Market Exposure	Sectors/Regions with GHAM Tax Benefit Capture	Total Return (%)	Weekly Max Drawdown	
			(%)	Day of Low
S&P500		-2.8%	-4.0%	Friday
Materials	X	-2.5%	-4.1%	Thursday
Energy	X	-6.5%	-7.5%	Friday
Financials	X	-5.2%	-5.5%	Friday
Industrials	X	-4.0%	-5.0%	Thursday
Consumer Staples	X	-3.4%	-3.5%	Friday
Utilities	X	-3.2%	-4.8%	Friday
Health Care	X	-2.8%	-3.5%	Thursday
Real Estate	X	-3.8%	-5.2%	Wednesday
Info Tech	X	-0.4%	-3.2%	Friday
Consumer Discretionary	X	-2.6%	-4.5%	Friday
Communication Services	X	-5.3%	-6.3%	Friday
MSCI ACWI Ex-US		-0.7%	-2.7%	Friday
Asia Ex-Japan		0.5%	-2.0%	Friday
Japan		-1.0%	-2.3%	Wednesday
Australia	X	-1.1%	-2.4%	Thursday
Switzerland		-1.6%	-3.7%	Friday
EuroZone	X	-0.5%	-3.4%	Thursday
United Kingdom		-1.6%	-3.9%	Friday
Lat America		-4.7%	-6.3%	Friday
Canada	X	-2.3%	-3.2%	Friday
<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. Darker shaded areas contained more TBCs.</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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