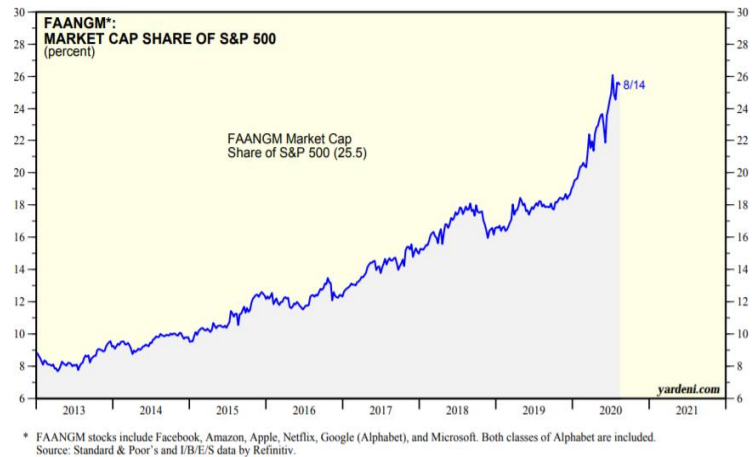


Harvesting Strategy

Tech and Taxes: Harvest Your Gain with Less Pain

We took a break from writing the last two weeks but there's much to discuss, particularly the incredible and continued rally of technology-related stocks over the last decade and especially over the last 4+ months. For illustration, on Friday, Apple Inc. (AAPL) was just a few billion dollars short of becoming the world's first \$2 trillion dollar company by market capitalization. After 40 years of accumulating the first trillion, a second trillion of market capitalization (which is about \$130 per human being on the planet) was nearly added in the span of just five months. The combined market capitalizations of the so-called FAANGM stocks (including Apple) now represent more than 1/4 of the whole S&P 500 index - see chart, courtesy of [Yardeni Research, Inc.](#)



While tech stocks could continue their strong performance - having defied skeptics thus far - a few concerns remain. For instance, as market commenter Louis-Vincent Gave recently [wrote](#), Google and Facebook, two advertising giants with a combined \$1.75 trillion in market capitalization, already captured roughly 1/3 of the entire 2019 global advertising market between them. Investors must ask how much future growth (not to mention market share from would-be disruptors) the likes of the Apples, Googles, Facebooks and the rest of the trillion or near-trillion market cap stocks can sustain.

And, don't forget about *taxes*. Investors fortunate enough to have been invested in technology stocks are likely sitting on significant unrealized gains. Such investors may be increasingly concerned about diversification and capital preservation, while remaining sensitive to the tax cost and optimal timing of realizing gains.¹

What to do

With preserving tech gains and minimizing tax costs at the forefront of many investors' concerns, now might be the time to address these twin challenges. In a later post, we'll further discuss two strategies that we've been implementing: 1) transitioning shares to a target benchmark in a tax sensitive way and 2) for those actively involved in gifting to charitable interests, intertwining those activities with an [active Tax Benefit Capture \(TBC\) program](#) can have the effect of maximizing benefits for both the gifter and giftee. Talk to us to learn more.

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¹ With an election looming, the economic recovery in question, and the fiscal deficit soaring into the trillions, tax rate changes are gaining attention. One presidential candidate has proposed [raising](#) capital gains taxes while another has proposed [lowering](#) them.

Tax Benefit Capture **Heat Map** for period spanning July 27 – August 14, 2020:

| Market Exposure | Sectors/Regions with GHAM Tax Benefit Capture | Total Return (%) | Weekly Max Drawdown | |
|---|---|------------------|---------------------|--------------------------|
| | | | (%) | Date of Intra-Period Low |
| Broad Market Index (e.g. S&P500) | | 5.0% | -1.7% | 7/30 |
| Materials | X | 1.9% | -4.4% | 7/31 |
| Energy | X | 1.8% | -6.3% | 7/31 |
| Financials | X | 3.7% | -3.1% | 3/1 |
| Industrials | X | 7.9% | -3.0% | 7/31 |
| Consumer Staples | X | 3.3% | -1.5% | 8/4 |
| Utilities | X | 0.2% | -2.5% | 8/11 |
| Health Care | X | 1.6% | -2.6% | 7/31 |
| Real Estate | X | 3.0% | -2.8% | 8/3 |
| Info Tech | | 8.3% | -3.7% | 8/11 |
| Consumer Discretionary | | 5.9% | -1.3% | 7/30 |
| Communication Services | | 5.2% | -2.6% | 8/6 |
| MSCI ACWI Ex-US | | 2.7% | -3.5% | 7/31 |
| Asia Ex-Japan | | 3.5% | -1.9% | 8/7 |
| Japan | | 3.9% | -4.9% | 7/31 |
| Australia | X | 1.4% | -3.7% | 7/31 |
| Switzerland | | 2.1% | -4.2% | 7/31 |
| EuroZone | | 1.5% | -4.9% | 7/31 |
| United Kingdom | X | 2.0% | -3.7% | 7/31 |
| Lat America | X | -2.9% | -7.3% | 8/4 |
| Canada | | 4.9% | -1.9% | 7/30 |

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.
 Broad Market Index (e.g. S&P500) reflects TBC in hedged positions.

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

Market Data Source: Bloomberg
 Market statistics calculated using representative ETFs.



Disclaimers:

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.

All performance and estimates of strategy performance, after tax alpha, after tax alpha opportunities and other performance figures are derived from data provided from multiple third-party sources. All estimates were created with the benefit of hindsight and may not be achieved in a live account. The data received by GHAM is unaudited and its reliability and accuracy is not guaranteed.

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.

All estimates of past returns of broad, narrow, sector, country, regional or other indices do not include the impact of advisor fees, unless specifically indicated. Past performance and volatility figures should not be relied upon as an indicator of future performance or volatility.

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