Green Harvest ASSET MANAGEMENT

September 29, 2020

Harvesting Strategy

Tax Benefit Capture: Third Quarter Activity

With the end of the 3rd quarter just a few days away, here are a few Tax Benefit Capture (TBC) activity highlights thus far for the last three months (see accompanying chart on next page):[1]

- Overall TBC across all strategies and accounts averaged 1.8% per account with global equities returning over 6% thus far in Q3.
- The average account experienced six TBC-related swaps during the quarter (not including transition-related trades of legacy positions for clients who funded their GHAM account with securities rather than cash).[2]
- Sector Review:
  - Green Harvest did more TBC trades in the Energy sector than in nearly all of the ten other sectors combined. Energy is the only losing sector, down 19% to date in Q3 so far, and down 47% year to date.
  - Financials was the second most heavily traded sector for TBC. The overall sector didn't fall as much in the 3rd quarter as compared to Energy, but also didn't recover as much after the February/March selloff, so we took advantage of opportunities that cropped up at various points throughout the quarter.
  - Over the past 20 years, Energy and Financials have lagged all other sectors with an average annualized return that was actually negative without dividends.
- Coincident with large cap U.S. equities surging and then reaching new highs until late August, a majority of the new accounts opened in Q3 incorporated some form of Green Harvest's recently released hedging strategy. Over 40% of the dollar amount of TBC harvested by Green Harvest in Q3 was from these short positions.

Talk to us to learn more about how a robust Tax Benefit Capture process may add value to your existing investment strategies.

Solomon G. Teller, CFA
Chief Investment Strategist
Green Harvest Asset Management

Download Our White Paper: Future Value of Tax Benefits

[1]All statistics cover period beginning July 1 through and include activity on September 25, 2020. Tax Benefit Capture (TBC) in this context refers to the practice of purposely selling positions with unrealized losses to minimize taxes by offsetting realized gains. Green Harvest typically implements a simultaneous purchase in conjunction with each sale to maintain the desired investment exposure.

[2]A swap is a simultaneous purchase and sale. Green Harvest typically implements a simultaneous purchase and sale to maintain the desired investment exposure.

Green Harvest
ASSET MANAGEMENT

Tax Benefit Capture Heat Map for period spanning June 30th 2020 – September 25, 2020:

Market Exposure	Sectors/Regions with GHAM Tax Benefit Capture	Total Return (%)	Max Drawdown (%)	Max Drawdown Date of Low
Broad Market Index (e.g. S&P500)	**X**	**7.0%**	**-10.2%**	**9/24**
Materials	X	11.4%	-8.5%	9/24
Energy	X	-19.0%	-22.2%	9/24
Financials	X	2.1%	-9.5%	9/24
Industrials	X	11.8%	-6.6%	9/24
Consumer Staples	X	8.1%	-6.9%	9/24
Utilities	X	5.0%	-7.0%	9/24
Health Care	X	3.4%	-7.6%	9/24
Real Estate	X	0.2%	-8.6%	9/24
Info Tech	X	9.3%	-13.9%	9/21
Consumer Discretionary	X	12.9%	-9.4%	9/21
Communication Services	X	8.5%	-12.2%	9/21
MSCI ACWI Ex-US		**4.9%**	**-6.0%**	**9/25**
Asia Ex-Japan	X	8.4%	-6.1%	9/24
Japan	X	7.0%	-4.9%	7/31
Australia	X	5.2%	-5.5%	9/25
Switzerland	X	-2.1%	-9.5%	9/25
EuroZone	X	1.1%	-9.4%	9/25
United Kingdom	X	-1.4%	-9.2%	9/25
Lat America	X	-1.5%	-15.2%	9/24
Canada		5.4%	-7.1%	9/24

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.

Green Harvest Asset Management, LLC
888 7th Avenue, 4th Floor
New York, NY 10106
888-79HARVEST
www.greenharvestam.com

Green Harvest ASSET MANAGEMENT

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.

GHAM does not provide tax advice. Although GHAM does not employ a Certified Public Accountant on its staff, we have, and continue to work with outside accounting firms and outside tax counsel that provide ongoing guidance and updates on all relevant tax law. Federal, state and local tax laws are subject to change. GHAM is not responsible for providing clients updates on any changes in tax laws, rules or statutes.

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.

This material is not intended to be relied upon as legal, investment or tax advice in any form or for any specific client. The information provided does not take into account the specific objectives, financial situation or particular needs of any specific person. All investments carry a certain degree of risk, and there is no assurance that an investment will perform as expected over any period of time.

As a convenience to our readers, this document may contain links to information created and maintained by third party sites. Please note that we do not endorse any linked sites or their content, and we are not responsible for the accuracy, timeliness or even the continued availability or existence of this outside information. While we endeavor to provide links only to those sites that are reputable and safe, we cannot be held responsible for the information, products or services obtained from such other sites and will not be liable for any damages arising from your access to such sites.

Hedged Strategies Risk

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.

Green Harvest
ASSET MANAGEMENT

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.

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.

Green Harvest Asset Management, LLC
888 7th Avenue, 4th Floor
New York, NY 10106
888-79HARVEST
www.greenharvestam.com