Green Harvest
ASSET MANAGEMENT

April 12, 2021

Harvesting Strategy

A March for Tax Alpha

In response to reader demand, here are highlights of Green Harvest's Tax Benefit Capture (TBC)[1] activity along with accompanying statistics in the table on page 2:

- Although stocks falling makes TBC more prevalent, we continued to capture benefits in different sectors despite the S&P 500's 4.38% return last month.
    - Every sector was up in March, but a few, such as Energy, InfoTech and Consumer Discretionary, had higher volatility and larger drawdowns. Nearly half of our total TBC-related trades were in one of these three sectors.
    - In early March, InfoTech fell below its February lows and ended the month up the least among all sectors. It was the most frequently harvested sector, and as it is also the largest, the total dollar amount of benefits constituted nearly half for all U.S. Equity strategies.
    - Utilities, the worst performing sector in February (-6.1%), became the best performing (10.6%). Nearly all of our TBC trades in Utilities occurred in the first few days of March while the sector was still bottoming.
- Outside the U.S., Green Harvest's TBC activity was greatest in Asia, including Japan where returns were relatively weak.
- Finally, with stocks generally continuing to rise throughout the month, we were able to harvest substantial tax benefits on short positions in our hedged strategies.

Equipped to capture tax benefits every market day no matter the landscape, our goal is to help clients achieve their goals. Pay less taxes, take less risk, keep it simple.

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Chief Investment Strategist
Green Harvest Asset Management

[1] We strive to capture realized capital losses in client accounts that may be used to offset realized capital gains and reduce taxes owed at year end.

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Market Data and Green Harvest TBC Heat Map Summary for month of March 2021:

Market Exposure	Sectors/Regions with TBC	Total Return (%)	Volatility	Max Drawdown (%)	Max Drawdown Date of Low
S&P 500		**4.5%**	**16.3%**	**-4.5%**	**3/4**
Materials	X	7.6%	20.1%	-4.6%	3/4
Energy	X	3.0%	31.5%	-10.8%	3/23
Financials	X	5.9%	20.3%	-4.7%	3/25
Industrials	X	9.0%	18.8%	-3.4%	3/25
Consumer Staples	X	8.5%	12.8%	-2.1%	3/5
Utilities	X	10.6%	15.6%	-3.0%	3/19
Health Care	X	4.0%	13.9%	-3.6%	3/4
Real Estate	X	6.8%	15.7%	-4.0%	3/5
Info Tech	X	1.8%	29.4%	-7.6%	3/5
Consumer Discretionary	X	4.5%	24.2%	-9.3%	3/5
Communication Services	X	2.6%	20.5%	-6.4%	3/26
MSCI ACWI Ex-US		**1.7%**	**16.1%**	**-3.6%**	**3/25**
Asia Ex-Japan	X	-2.2%	25.0%	-7.2%	3/25
Japan	X	0.4%	15.3%	-3.5%	3/24
Australia	X	0.2%	14.1%	-3.4%	3/25
Switzerland	X	3.1%	12.4%	-3.8%	3/25
EuroZone	X	3.7%	13.0%	-3.1%	3/25
United Kingdom	X	3.1%	12.2%	-3.7%	3/25
Lat America	X	4.1%	25.8%	-6.7%	3/25
Canada		5.8%	14.8%	-4.3%	3/25

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.
Volatility calculated as annualized standard deviation over the period.
Max Drawdown calculated as max decline from interim peak to Intra-Day Low.
Market statistics calculated using representative ETFs. Market Data Source: Bloomberg

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.

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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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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. 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 gainmns. 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.

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