
Harvesting Strategy

Tax Benefits Captured Despite Strong April Returns

The tax filing deadline is two weeks away, but “tax loss harvesting,” or [Tax Benefit Capture \(TBC\)](#), continues in all seasons. Here are highlights of Green Harvest’s April TBC activity along with accompanying statistics in the table on page 2:

- After March’s 4.4% gain, the S&P 500 tacked on another 5.3% in April with less than two-thirds of March’s volatility. Every sector gained in April, but there were still pockets of TBC opportunity.
 - Nearly one-third of all sector TBC-related trading was in Energy. Energy was the poorest performing sector and dipped the most, losing over 8% from its peak in April. Ideal for capturing tax benefits.
 - TBC was more uniform across other sectors, with several smaller captures in predominantly newer accounts.
- Beyond the U.S., most countries also saw rising stock markets. Japan and India were notable exceptions. Green Harvest’s TBC activity was greatest in Asia, particularly in Japan which lost 1.6% for the month and is actually in the red year-to-date.
- Finally, with major stock indexes again setting new all-time highs, we continued to harvest substantial tax benefits on short positions in our [hedged strategies](#).

Where ever the market goes, we are positioned to capture tax benefits regardless of the environment to help clients achieve their after-tax investment goals.

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

Market Exposure	Sectors/Regions with TBC	Total Return (%)	Volatility	Max Drawdown	
				(%)	Date of Low
S&P 500		5.3%	10.5%	-1.6%	4/20
Materials	X	5.4%	16.0%	-2.4%	4/8
Energy	X	0.7%	26.7%	-8.1%	4/21
Financials	X	6.5%	15.2%	-2.8%	4/21
Industrials	X	3.5%	10.9%	-2.1%	4/20
Consumer Staples	X	1.9%	9.6%	-2.6%	4/27
Utilities	X	4.2%	11.0%	-3.6%	4/28
Health Care	X	3.9%	10.0%	-2.1%	4/29
Real Estate	X	8.3%	10.0%	-1.6%	4/1
Info Tech	X	5.2%	17.7%	-2.8%	4/30
Consumer Discretionary	X	6.5%	14.3%	-3.1%	4/20
Communication Services	X	6.5%	16.7%	-2.4%	4/21
MSCI ACWI Ex-US		2.6%	12.3%	-2.2%	4/21
Asia Ex-Japan	X	1.0%	13.1%	-2.2%	4/12
Japan	X	-1.6%	14.1%	-4.0%	4/30
Australia		4.3%	16.0%	-2.8%	4/21
Switzerland		3.9%	13.2%	-2.5%	4/22
EuroZone	X	4.7%	14.5%	-2.1%	4/21
United Kingdom		3.7%	13.6%	-2.5%	4/22
Lat America		2.8%	20.3%	-3.6%	4/30
Canada		4.6%	14.2%	-2.8%	4/20
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					

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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.

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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.



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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 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.