GREAT LAKES ADVISORS®
A WINTRUST WEALTH MANAGEMENT COMPANY

TAX MANAGED OVERVIEW

Great Lakes Advisors Disciplined Equity Tax Managed Strategies

THE GOAL

Maximize after-tax returns by combining superior stock selection with rigorous and active tax management

AN EXPERIENCED TEAM

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OVERVIEW

Great Lakes Advisors provides Tax Managed strategies that deliver a customized solution with a focus on total return as a source of alpha – not only loss harvesting – to construct a portfolio with an optimal balance of risk, return, and cost.

Who would benefit from a Tax Managed Solution?

- Clients with taxable accounts funded with cash, or an existing portfolio of U.S. equity securities
- Client portfolios that need to amend the strategy objective and/or style & cap exposures in a tax efficient manner
- Clients with concentrated and/or low cost basis portfolios seeking diversification

Active portfolio management combined with rigorous automated tax loss harvesting

Unlike passive or direct indexing strategies that are not designed to beat the benchmark after fees, our actively managed approach gives the investors an opportunity to outperform the benchmark, using our disciplined adaptive models, while also harvesting losses throughout the year to efficiently manage tax implications.

Why active portfolio management + active tax management makes sense

On average, tax drag costs investors up to 2% of their annual returns.

- This leaves a $1M portfolio with $218,994 less over 10 years[1]

Even a modest 1% out-performance due to active management has profound positive effects.

- This adds $104,622 to a $1M portfolio over that same 10 year period

INDIVIDUALLY MANAGED AND CUSTOMIZED STRATEGY

Portfolios are individually managed to each client's existing holdings and tax situation.

Transition Management evaluates each client's existing holdings:

- Holdings are not sold off simply because they are not in the model
- Holdings are evaluated for return potential, tax consequence, and risk profile versus the overall portfolio
- This leads to a solution which incorporates some portion of the client's holdings with new securities that complement the portfolio in achieving similar characteristics of the model
- Realized gains are capped at 10% of the portfolio's value at transition

Our approach accommodates client-driven investment restrictions including:

- Stock specific
- Industry specific
- Environmental, Social, and Governance (ESG) consideration

"It's not what you make, it's what you keep."

JOHN BRIGHT, CFA®
SENIOR PORFOLIO MANAGER - DISCIPLINED EQUITY
GREAT LAKES ADVISORS, LLC

TAX MANAGED ACCOUNT TRANSITION

$500,000 Equity Securities

Assume an investor holds $500,000 in equity securities that they would like to put into a managed equity strategy.

$250,000 Unrealized Gains

The current makeup of the portfolio has $250,000 in unrealized gains, 25% of which are short-term and 75% of which are long-term.

L Liquidated

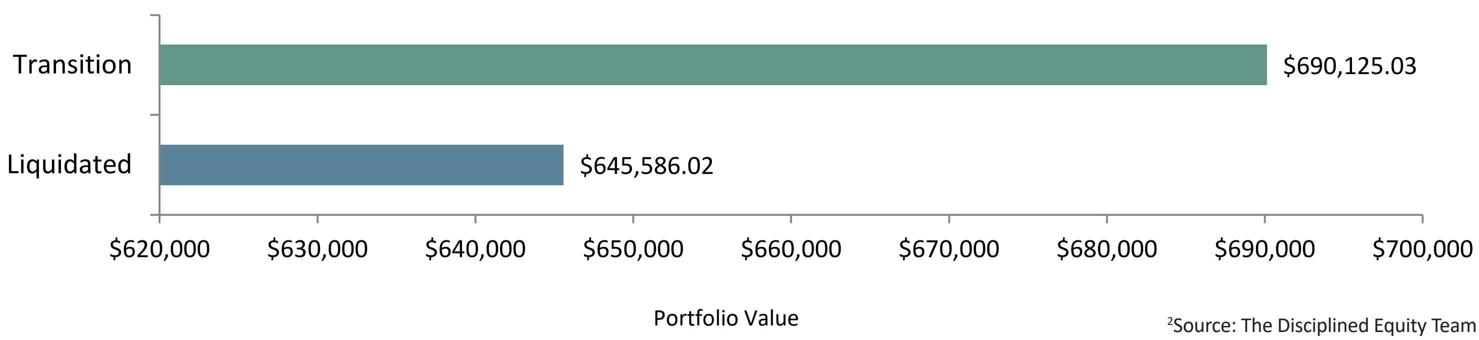
In scenario L, the existing portfolio is liquidated and reinvested into a new portfolio.

T Transition

In scenario T, the new portfolio is implemented using a transition management strategy which only liquidates 50% of the existing portfolio.

If each portfolio earns 8% per year, the portfolio which was transitioned has $44,540 in additional value after 5 years.

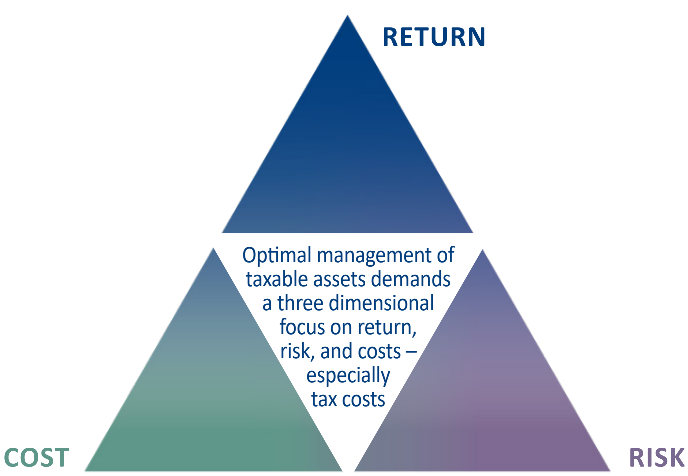
IMPACT OF TRANSITION VERSUS LIQUIDATION ON PORTFOLIO VALUE



[2]Source: The Disciplined Equity Team

The liquidated portfolio in this example would have to earn 1.45% more each year for 5 years to match the value of the Transition portfolio.

THE GLA APPROACH



RETURN

- History of alpha vs S&P500/Russell 3000/Russell 2500
- Excess return through stock selection
- Extensive Portfolio Construction Expertise

RISK

- Benchmark aware & risk controlled
  - » Beta of 0.97-1.03
  - » Tight sector and industry constraints
  - » Tight market cap and style constraints

COST

- Capital Gains Tax Controls
  - » 10% cap on capital gains
  - » Active loss harvesting
- Trading costs
  - » Market impact
  - » Spreads

THE GLA APPROACH - YEAR ROUND TAX MANAGEMENT

Gains and losses are reviewed on an individual tax lot basis

- The tax implications of realizing gains and losses (both long-term and short-term) are factored into all trading decisions
- Holdings with an unrealized short-term gain are assigned additional trading penalties as they approach the long-term (one year) threshold
- Since short-term losses can offset either short-term or long-term gains, they are assigned trading incentives – particularly as they approach the long-term (one year) threshold

Wash-sale monitoring is fully automated within the account

Cash for withdrawals is raised while tax implications are minimized

Portfolios are customized to reflect respective clients' tax brackets

WHY THE END OF THE YEAR MIGHT NOT BE THE BEST TIME FOR TAX MANAGEMENT

The majority of tax loss harvesting takes place in the months of November and December. Over the last 25 years ending 6/30/22, November and December calendar month returns for the S&P 500 have been negative only 1 out of every 5 years. Calendar years such as 2012, 2014, 2015, and 2016 all experienced stock market losses in the early part of that year that eventually became gains by the time tax harvest season approached.

	Negative Occurrences	Positive Occurrences
January	13	12
February	12	13
March	7	18
April	6	19
May	9	16
June	9	16
July	10	15
August	10	15
September	11	14
October	9	16
November	5	20
December	5	20

Source: GLA Disciplined Equity Team Research

AN ACTIVE APPROACH TO TAX MANAGED INVESTING

Investment vehicle	Targets a specific asset class	Limits capital gains distributions	Can customize portfolio	Allows loss harvesting at individual security level	Actively attempts to outperform benchmark	Transitions to portfolio in tax-efficient manner
ETF Investing	●	●				
Direct Indexing with Tax Overlay	●	●	●	●		
GLA DE Tax Managed Portfolios	●	●	●	●	●	●

ABOUT GREAT LAKES ADVISORS

Founded in 1981, Great Lakes Advisors is headquartered in Chicago, Illinois. We offer a wide range of fixed income, equity, and multi-asset strategies across all market capitalizations and have deep portfolio management capabilities within ESG, Socially Responsible, Tax Managed, and customized account solutions. Our clients include public funds, multi-employer plans, corporations, religious communities, endowments/foundations, health care plans, and private wealth management clients.

1. Andrew Tanzer, "Pay Less Tax on Your Funds"; Kiplinger's Personal Finance, November 2008 http://www.kiplinger.com/magazine/archives/2008/11/tax_efficient_funds2.html?kipad_id=x

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The S&P 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. They are usually the 500 largest companies in terms of market capitalization and are chosen to represent the entire market's value. Index returns are provided to represent the investment environment existing during the time periods shown. The Russell 2500 index measures the performance of the 2,500 smallest companies in the Russell 3000 Index and represent less than 20% of the capitalization of the Russell 3000 Index. The Russell 3000 index contains 3,000 of the largest capitalization stocks of U.S. domiciled companies, which represents about 98% of the total U.S. equity market capitalization. All indexes are fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs. The index is not available for direct investment. Industry sectors are presented to illustrate the diversity of areas in which we may invest, and may not be representative of current or future investments.

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