Gurtin Municipal Bond Management

Municipal Tax Loss Harvesting

Permanently eliminate a tax liability resulting from capital gains in other asset classes by tax loss harvesting in municipal bond portfolios. Read below to learn what we believe makes municipal tax loss harvesting more tax efficient than doing so in other asset classes, such as in equities. Also, find out what we believe makes Gurtin Municipal Bond Management's process unique within the municipal industry.

Why Practice Tax Loss Harvesting with Gurtin?

You may already be familiar with this tax strategy. However, at Gurtin, you can:

- **Potentially permanently eliminate a capital gains tax liability—not simply defer the tax bill into the future.** Unlike tax loss harvesting in other asset classes, such as in equities, which effectively postpones the capital gains tax burden and reduced expected yield, tax loss harvesting in municipal bond portfolios can create a capital loss without altering expected yield, if bonds are held to maturity.

- **Pay no additional cost for this service.** You simply have to opt in. Accounts managed under our Ladder*, Intermediate Value, Total Return, Social Advancement, and Stability strategies are eligible.

- **Take advantage of tax loss harvesting now and all year round.** We don't solely tax loss harvest at year-end. Instead, we work the entire year to identify securities across eligible accounts that may be appropriate for tax loss harvesting. That way, we're ready to take advantage of interim downside volatility — which is often fleeting — any time it occurs.

- **Potentially see added value on an after-tax basis.** With our process, we believe we are well-equipped to analyze the liquidity, yield, and structure of identified securities on a bond-by-bond basis.

*Please note that tax loss harvesting is not available in Gurtin's Ladder – Ultra Short.

How Does Gurtin Manage the Potential Costs of Tax Loss Harvesting?

Below are the features of our technology-driven process, which help mitigate potential downside risks and costs:

1

Avoiding Wash Sales

The Internal Revenue Service (IRS) determines a "wash sale" has occurred if a security is sold, and substantially identical securities are purchased within a window of 30 days before or after the sale.[1] Any losses associated with wash sales are disallowed for tax purposes.[2] Control mechanisms in our technology-driven model may help prevent wash sales.

2

Maintaining Portfolio Structure

Trading in and out of securities to capture losses can alter the overall construction of a municipal bond portfolio if your portfolio manager is not adept at tax loss harvesting. For example, trading into lower-quality or lower-yielding securities could erode performance. Also, purchasing securities with substantially different characteristics from the securities sold could impact the interest rate sensitivity of the overall portfolio. To mitigate these risks, we execute swaps only when we believe we can get reinvested in appropriate securities in a timely fashion.

3

Minimizing Transaction Costs

We strive to minimize turnover in our portfolios — and thus the associated frictional costs — transacting only when we believe that fundamental credit quality has deteriorated below our thresholds and we can execute swaps into more attractive securities, or if tax considerations materially outweigh transaction costs. In addition, our team only executes swaps when we believe losses are large enough to significantly offset transaction costs.[3] Furthermore, we always aggregate blocks of identical CUSIPs held across multiple eligible accounts in an effort to deliver superior execution. Finally, our portfolio managers exclude otherwise eligible securities from tax loss harvesting should they determine that market conditions are not favorable and/or the liquidity of specific securities is insufficient.

[1] For a complete definition, see IRS Publication 550, Ch. 4, https://www.irs.gov/pub/irs-pdf/p550.pdf.

[2] Ibid.

[3] We have performed a detailed study of our execution costs across thousands of trades, including across different block sizes and credit ratings in order to determine the likely magnitude of transaction costs.

To enroll in tax loss harvesting, please contact us by calling 858-436-2200
or by emailing advisoryservices@gurtin.com.

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Gurtin claims compliance with the Global Investment Performance Standards (GIPS®) and has been verified for the periods February 1, 2008 through March 31, 2017 by Ashland Partners & Company LLP and from April 1, 2017 through June 30, 2018 by ACA Performance Services, LLC. On June 28, 2017, ACA Performance Services, LLC acquired the investment performance service business of Ashland Partners & Company, LLP. A prospective client can obtain a compliant presentation and/or the firm's list of composite descriptions by calling (858) 436-2200, or emailing info@gurtin.com.

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