



# REJUVENATING TAX MANAGEMENT

## CLIENT CHALLENGE

Many taxable equity portfolios become ossified over time, accumulating unrealized gains that limit the effectiveness of traditional long only tax loss harvesting. As portfolios mature, opportunities to realize losses may decline, particularly in rising markets reducing an investor's ability to actively manage after tax outcomes.



### CLIENT PROFILE

Designed for investors who:

- Hold taxable equity portfolios with significant embedded gains
- Continue to have a need for use of losses from gains generated from other investments
- Seek to reinvigorate tax loss harvesting while maintaining equity exposure
- Can tolerate leverage and short exposure
- Prioritize after tax efficiency as a complement to long term growth objectives

Common use cases include older SMAs or direct indexing portfolios and all cash funded accounts seeking expanded tax flexibility.

## NORTHERN TRUST ASSET MANAGEMENT (NTAM) INVESTMENT PROCESS

NTAM extends a traditional equity portfolio to 130% long and 30% (or higher levels), increasing total gross exposure while targeting market like net exposure to support tax-loss harvesting and the potential for improved pre- and after-tax outcomes.

- Systematic security selection using proprietary quantitative signals
- High conviction long positions paired with lower conviction shorts
- Active tax management across both long and short positions, with disciplined risk controls
- Ongoing monitoring to balance tax outcomes, tracking error, and portfolio integrity
- Employs an active stock picking component

The result is a portfolio with a higher gross equity exposure, expanding the opportunity set for loss harvesting.



## CLIENT BENEFITS

- Expanded loss harvesting potential through increased gross exposure
- Tax flexibility across market cycles, including both rising and declining markets
- Continued equity participation with a net exposure aligned to long term objectives
- Integrated investment and tax discipline within a single, systematic framework

Outcomes will vary by investor circumstance, but the strategy is designed to enhance the tools available for ongoing tax management.

## 3 KEY TAKEAWAYS

1

**Gross exposure matters:** A long/short structure may unlock loss opportunities unavailable in long only portfolios.

2

**Tax management is more consistent:** Losses may be realized on both the long and short side, across market environments.

3

**Built for mature portfolios:** An effective next step for investors whose tax profiles have outgrown traditional long only approaches.

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