

# DISCIPLINED EQUITY TAXMANAGED ALLCAP



GREAT LAKES ADVISORS<sup>®</sup>

A WINTRUST WEALTH MANAGEMENT COMPANY

Second Quarter 2024

## OBJECTIVE

The TaxManaged AllCap strategy seeks to outperform the Russell 3000 Index on an after-tax basis by combining superior stock selection with rigorous, precise portfolio risk management and active tax management.

**Benchmark:** Russell 3000 Index

**Inception Date:** March 1, 2004

## INDIVIDUALLY MANAGED AND CUSTOMIZED

An optimal tax-managed strategy not only incorporates active tax management, but also considers the client's actual cost basis, individual tax rate, and requested tax restrictions.

Our tax-managed strategy accommodates client-driven investment restrictions including:

- Stock specific restrictions
- Industry restrictions
- Environmental Social and Governance (ESG) preferences

Transition management evaluates client's existing holdings:

- Holdings are not sold off simply because they are not in the model—they are evaluated for return potential, tax consequence, and risk.
- The solution incorporates some portion of the client's holdings with new securities, which enhance the expected risk/return profile of the client's portfolio.
- Realized gains are capped at 10% of the portfolio's value at transition, or can be adjusted to the client's needs.

## PORTFOLIO GUIDELINES

**Holdings:** Approximately 65-90 positions

**Sector Over/Underweights:** Russell 3000 +/-5.00%<sup>1</sup>

**Position weights:** 0.50% to Russell 3000 weight +3.00%<sup>1</sup>

**Cash position:** Typically 0.5% to 1.5%

**Average Annual turnover:** Typically 60% to 120%

## PROCESS

Optimal management of taxable assets demands a three-dimensional focus on return, risk, and costs—especially tax costs.

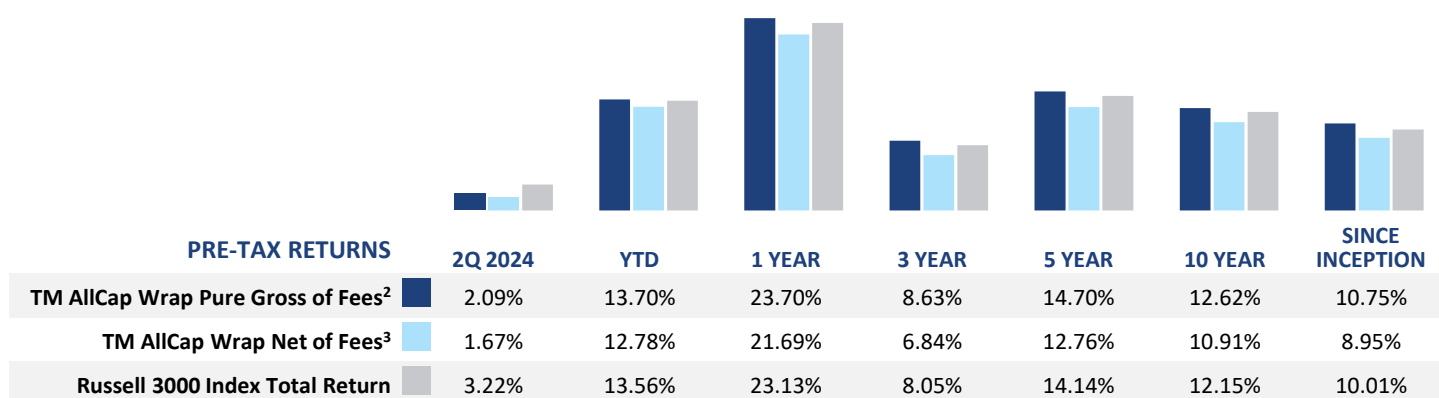
### RETURN

Using a "bottom up" systematic process, the investment team evaluates a broad universe of stocks using three independent analyses, each of which is designed to provide a unique valuation perspective. Evaluating each stock from these different perspectives is intended to improve the accuracy of the stock evaluation.

- **Broad Universe Analysis:** Evaluates each stock relative to all other stocks in the universe using financial and technical factors
- **Style-Specific Analysis:** Segregates the universe into 4 style and market cap groups and evaluates each stock, relative to its peers using a customized model which includes financial and technical factors specific to each style and market cap combination
- **Sector-Specific Analysis:** Divides the universe into 11 economic sectors and evaluates each stock relative to its sector peers using financial and technical factors

These three analyses are combined to generate an excess return expectation for each stock. Stocks must rank in the top 20% of the Russell 3000 Index to be considered for purchase.

## COMPOSITE PERFORMANCE



Individual tax rates and circumstances may differ. The above returns are shown on a pre-tax basis only. All accounts are customized, therefore performance results may vary. Past performance is not indicative of future results.

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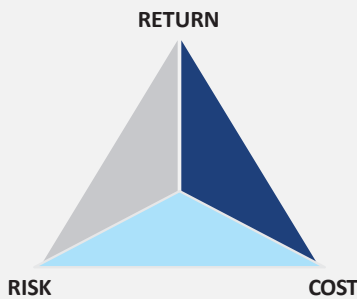
**COST**

Research shows that over the decades, the tax impact on taxable investors in actively-managed funds has averaged two percent per annum—or 20% of the stock market’s long-term gains.<sup>4</sup>

**Taxable Gains**

- Losses are harvested during optimization in order to offset realized capital gains.
- We monitor “almost” long-term gains and losses:
  - Stocks approaching long-term gain status from a short-term gain are given an additional trading penalty
  - Stocks approaching a long-term loss status from a short-term loss are given an additional trading incentive
- Each client’s portfolio is customized to the appropriate tax bracket
- Wash-sale monitoring is fully automated
- Cash for withdrawals is made available by selling high-cost securities

**A THREE-DIMENSIONAL APPROACH**



**Transaction Costs**

Transaction costs can amount to 10% of a stock’s total return or 40% of a manager’s active return.<sup>5</sup> Our optimization process incorporates active monitoring of transactions costs:

- We employ ITG’s Agency Cost Estimator® (ACE) to estimate trading costs
- Real-time transaction cost estimates are based on actual order flow
- Includes commission, bid/ask spread, and market impact

**RISK**

Risk management is an essential part of the firm’s process. Updated expectations are incorporated into the portfolio using a risk/return optimization process. This process features individual stock selection as the central source of added value while style, market capitalization, and sector departures from the benchmark are constrained:

- 4.5% active risk vs. Russell 3000 Index
- Beta of 0.97 - 1.03
- Rigorous sector and industry constraints
- Rigorous market cap and style constraints

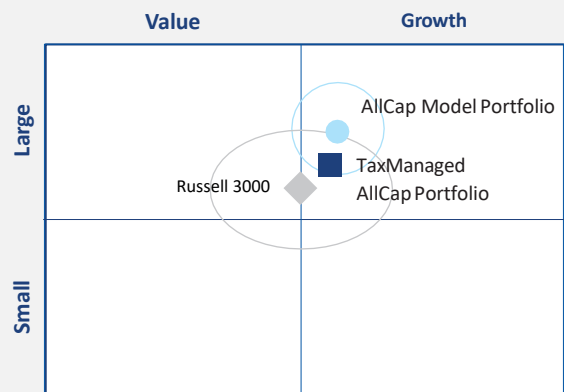
**SELL DISCIPLINE**

Successful positions are sold as return expectations are realized and/or valuation perspectives deteriorate into overvalued conditions.

Additional consideration is given to the potential tax impact of each position, and during the rebalancing process, gains and losses may be paired to reduce the tax liability of the transaction while increasing the return expectations for the portfolio.

**DUAL BENCHMARK IMPLEMENTATION**

This strategy employs a unique dual benchmark approach. The primary benchmark is the S&P 500 Index, and our LargeCap strategy portfolio serves as a secondary benchmark.



The primary benchmark is used to ensure the TaxManaged AllCap portfolios maintain a true core all cap profile, with a targeted active risk of 4.5% relative to the Russell 3000. We believe this construct is essential in maintaining the client’s overall asset allocation.

The TaxManaged AllCap’s tracking error target of 1.5% relative to our AllCap strategy portfolio ensures each client’s portfolio maintains a similar profile, while providing the flexibility needed to manage the unique tax characteristics of each individual account.

Market cap, style, and sector biases are permitted to vary among individual portfolios and will be permitted to depart from the AllCap Model Portfolio in an optimized trade-off between the tax liabilities and portfolio risks of individual accounts.

Individual portfolios may also hold more positions than the AllCap strategy portfolio to facilitate desired return and risk enhancements at a greater level of tax efficiency.

## PORTFOLIO COMPOSITION

Top 10 Holdings <sup>6</sup>	AllCap
Apple Inc	8.5%
Microsoft Corp	8.1%
Lam Research Corp	6.5%
NVIDIA Corp	6.3%
Home Depot Inc	4.1%
Alphabet Inc Cap Stock Cl C	2.5%
JPMorgan Chase & Co	2.4%
Primerica Inc	2.2%
Pool Corporation	2.0%
Broadcom Ltd	1.9%

Sector Weightings <sup>7</sup>	AllCap	Russell 3000
Consumer Discretionary	5.4%	5.4%
Consumer Staples	4.3%	4.2%
Energy	5.4%	3.5%
Financials	19.2%	14.0%
Health Care	9.0%	10.8%
Industrials	4.0%	6.9%
Materials	3.6%	2.5%
Retail	2.3%	3.8%
Services	9.2%	7.2%
Technology	34.7%	39.0%
Utilities	1.4%	2.7%

STRATEGY CHARACTERISTICS<sup>8</sup>

	AllCap	Russell 3000
Weighted Average Market Cap	\$776.7B	\$887.8B
EPS 5 Year Average Growth	29.9%	27.0%
Return on Equity (ROE)	28.3%	36.1%
Price to Earnings Ratio (P/E)	21.2x	24.1x
Price to Book Ratio (P/B)	3.2x	4.4x
Dividend Yield	1.5%	1.6%
Beta	1.03	1.00
Active Share	68.0%	-
Number of Holdings	76	2,925

## ABOUT GREAT LAKES ADVISORS

Founded in 1981, Great Lakes Advisors is headquartered in Chicago, IL. The firm has \$17.5 billion in assets under management and advisement and offers a wide range of fixed income, equity, and multi-asset strategies across market capitalizations. Our portfolio management teams strive to form collaborative partnerships and investment strategy solutions to our Institutional, Intermediary, Sub-advisory, and Private Wealth client base.

1. At the time of purchase

2. Returns greater than one year are annualized

3. Pure Gross of Fee Returns do not reflect the deduction of investment management fees or bundled fees for certain accounts where transaction costs cannot be separately identified from other service fees charged by the client's broker/dealer or custodian. Information presented on a pure gross of fee basis has not been independently verified. Net performance reflects the deduction of investment management fees and bundled fees as applicable.

4. "Pay Less Tax on Your Funds", Kiplinger's Personal Finance, November 2008 (<http://www.kiplinger.com/article/investing/T041-C000-S002-pay-less-tax-on-your-funds.html>)

5. "Why Worry About Transaction Costs?" Advanced Investment Partners

6. Holdings are representative of a Disciplined Equity TaxManaged AllCap account, are subject to change at any time and are not recommendations to buy or sell any securities.

7. Source: MSCI Barra. Data is representative of a Disciplined Equity TaxManaged AllCap account and are subject to change at any time.

8. Source: Bloomberg. Characteristic data is representative of a Disciplined Equity TaxManaged AllCap account and are subject to change at any time. Beta source is MSCI Barra.

Definition of the Firm: Great Lakes Advisors, LLC ("Great Lakes" or "GLA") is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Established in 1981, Great Lakes is a subsidiary of Wintrust Financial Corporation and a part of the Wintrust Wealth Management family of companies. Great Lakes is a distinct business unit with distinct investment processes and procedures relating to the management and/or trading of investment portfolios for its clients. On October 1, 2013, majority owned subsidiary Advanced Investment Partners, LLC ("AIP") became fully-owned and integrated into Great Lakes. On April 3, 2023, Rothschild & Co Asset Management US Inc. and Rothschild & Co Risk Based Investments LLC became fully-owned and integrated into Great Lakes.

The Disciplined Equity TaxManaged AllCap Wrap Composite includes all unrestricted accounts managed for sponsor platforms under the TaxManaged AllCap strategy and is benchmarked to the Russell 3000 Index. Accounts within this composite do not employ leverage. The composite inception date was February 28, 2004. All cash reserves and equivalents are included in returns. Returns are time weighted and include reinvestment of dividends, income and gains. The value of assets and returns is expressed in U.S. dollars. All holdings available upon request. Performance prior to October 1, 2013 occurred at Advanced Investment Partners prior to being acquired by Great Lakes Advisors. Additionally, market commentary is available upon request.

The benchmark selected for comparison of returns for the TaxManaged AllCap Wrap Composite is the Russell 3000 Index (which contains 3,000 of the largest capitalization stocks of U.S. domiciled companies, representing about 98% of the total U.S. equity market capitalization.); The Russell 3000<sup>®</sup> Index is a trademark of the Frank Russell Company. Frank Russell Company ("FRC") is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination, or redistribution is strictly prohibited. This is a GLA presentation of the Russell Index data. FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in GLA's presentation thereof. Index returns are provided to represent the investment environment existing during the time periods shown. 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.

Since the client's actual circumstances and tax rates determined after the fact may differ from the anticipated tax rates used in this process, the reported returns may not equal the actual after-tax for specific clients. This information has been prepared for informational and illustrative purposes only and is not intended to serve as legal tax advice. All accounts are customized so performance results will vary.

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