

Three reasons to consider tax advantaged long/short equity investing

TAX ADVANTAGED LONG/SHORT STRATEGIES – CUSTOM OVERLAYS AND INTEGRATED SOLUTIONS

Customizable tax advantaged long/short equity SMA strategies can help address highly specialized pain points for more sophisticated clients, providing potential opportunities to save taxes, mitigate risk, tax transition portfolios and reduce client acquisition friction.

Popular use cases



Diversify concentrated positions

Tax-neutrally sell down large, appreciated stock positions to derisk a client portfolio and help preserve wealth.



Offset gains from liquidity events

Rapidly generate meaningful tax losses to offset taxable gains from the sale of a business, real estate or private equity distributions, etc.



Manage transitions or enhance core exposures

Tax transition client portfolios to recommended target allocations. Long/short strategies can also replace traditional direct indexing.

Key differentiators



Personalize your benchmark and beta from passive indices to active models, from market neutral to beta one



Flexible funding options from cash to concentrated positions, ETFs and mutual funds



Overlay to a pool of marginable collateral **or integrate** with a personalized target allocation



Customized overlays from 10/10 to 275/275 and **integrated solutions** from 110/10 to 325/225



Daily after-tax reporting, risk analytics and tax transitions available on Brooklyn's advisor portal



Ability to manage wash sales and constructive sales across multiple accounts within each household

Subject to custodian availability.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

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WHAT IS TAX ADVANTAGED LONG/SHORT?

While traditional tax-loss harvesting can be a very effective tool for most portfolios, there are client situations that warrant more powerful tools. Tax advantaged long/short strategies are designed to accelerate tax-loss harvesting by buying stocks on margin to extend the size of the portfolio and shorting a corresponding amount of stocks. Systematic portfolio optimization seeks to efficiently harvest tax losses, while accommodating individualized customizations and adhering to clients' desired portfolio characteristics.

Simulated example: Estimated tax savings, risks and fees

Funding: \$10,000,000 in cash

Benchmark: S&P 500 Index

Targeted cumulative net losses (\$M)	Strategy				
	Long-only	130/30	145/45	200/100	250/150
Year 1	1,000,000	2,500,000	3,200,000	5,900,000	8,500,000
Year 2	1,600,000	4,500,000	5,900,000	10,800,000	15,700,000
Year 3	2,100,000	6,300,000	8,200,000	15,100,000	21,900,000
Year 4	2,500,000	8,000,000	10,400,000	19,000,000	27,600,000
Year 5	2,800,000	9,600,000	12,500,000	22,900,000	33,200,000

Targeted performance (5-year annualized average %)

Pre-tax alpha (net of management fees)	–	1.7	2.2	4.5	6.3
Tax-alpha (assuming federal tax payer)	2.2	7.9	10.2	18.7	27.1
Tracking error	1.0	2.0	2.5	5.0	7.0

Management fee and other costs (%)

Brooklyn management fee	0.17	0.27	0.32	0.51	0.68
Custodian margin spread	–	0.24-0.32	0.36-0.47	0.80-1.05	1.20-1.58
Custodian commissions	–	0-0.05	0-0.07	0-0.12	0-0.17
Total estimated costs	0.17	0.51-0.64	0.68-0.86	1.31-1.68	1.88-2.43
Investment minimum	\$250K	\$500K-1M	\$500K-1M	\$1-3M	\$1-3M

HOLISTIC CLIENT SERVICE

From advisor education to implementation guidance, Nuveen and Brooklyn client portfolio managers and specialists will be your partner from the onboarding of the first account to ongoing client and prospect conversations.

A.I. – powered multi-asset platform enables advisors to:

1. **Personalize** every portfolio by investing directly in individual equities and fixed income securities; ability to also integrate ETFs and mutual funds
2. **Seek to boost** after-tax returns with automated loss harvesting¹
3. **Report** daily after-tax performance across portfolios and benchmarks



¹ Loss harvesting seeks to realize capital losses that may enhance after-tax returns; however, results depend on market conditions, the investor's overall tax situation, future gains, and changes in tax law. Harvesting may increase transaction costs and could defer, rather than eliminate, taxes. There is no assurance that the strategy will improve after-tax performance for any particular investor. Consult your tax advisor before implementing this feature.

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To learn more about our tax advantaged long/short separately managed account options, please contact us at directindexing@nuveen.com

Important information on risk

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Past performance is no guarantee of future results. All investments carry a certain degree of risk, including the possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Certain products and services may not be available to all entities or persons. There is no guarantee that investment objectives will be achieved. See the applicable product literature for details. Equity investments are subject to market risk or the risk that stocks will decline in response to such factors as adverse company news or industry developments or a general economic decline. In addition, growth stocks or growth investing may fall out of favor and underperform value stocks and other investing styles over any period of time. Certain sectors or growth stocks may shift characteristics over a long market cycle and may not perform inline with stated benchmarks. Investments in foreign securities are subject to special risks, including currency fluctuation and political and economic instability. These risks are often heightened for investments in emerging markets.

The following risks are associated with long/short strategies and must be communicated to any end client on whose behalf such strategy is to be utilized: Market risk can lead to loss due to the impact of general market movements. Idiosyncratic risk, due to company-specific factors that are generally not correlated with the broad market environment, can lead to loss. Short-sale risk can amplify losses if the stock price appreciates. Borrow risk can result in a "short squeeze," meaning that securities borrowed with a short sale need to be returned to the securities lender on short notice and at a time when other short sellers of the security are receiving similar requests, compelling the end client to buy such securities on the open market at prices significantly in excess of the proceeds received, which can lead to loss. Leverage risk, due to time-varying correlations that introduce unexpected net exposures between longs and shorts, resulting in improper portfolio hedging. Investors using leverage should realize that one can lose the full balance of their account. It is also possible to lose more than the initial deposit when using leverage. All funds committed should be purely risk capital. Borrow rate risk for stocks can lead to loss.

Tracking error risk: Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, client-imposed restrictions, tax-loss harvesting, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, and high portfolio turnover all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

Tax-managed investing risk: Investment strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Any reduction in taxes will depend on an investor's specific tax situation. Market conditions may limit the ability to generate tax losses. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. A tax loss realized by a U.S. investor after selling a security will be negated if the investor purchases the security within thirty days. Although portfolio managers can seek to avoid such a "wash sales" and temporarily restrict securities sold at a loss within the same portfolio, a wash sale can inadvertently occur for a variety of factors,

including trading in other accounts, including accounts managed by the same investment adviser, client-directed activity and account contributions, withdrawals or rebalancing. Investment strategies that employ tax-loss harvesting also involve the risk that a replacement investment could perform worse than the original investment and that such factor, as well as transaction costs, could offset any potential tax benefit. This piece provides general tax information and should not replace a client's consultation with a tax professional regarding their tax situation. Neither Nuveen nor Brooklyn Investment Group, LLC can offer tax advice. Nuveen and Brooklyn are not tax professionals. Investors should discuss the implications of tax-managed strategies, including but not limited to, the suitability and likely tax treatment of the long/short strategies in their particular circumstances, with their tax and financial professional before making any tax or investment decisions. Tax rates and IRS regulations are subject to change at any time, which could materially affect the information provided herein. Tax treatment of the long/short strategies cannot be guaranteed, may constitute deferral, and may not be suitable for all end clients to pursue.

Important information on hypothetical risk

As used herein, "targeted" returns or characteristics refer to ex-ante objectives in the portfolio management process; whereas "expected" returns or characteristics refer to expectations based on the application of mathematical principles to portfolio attributes and/or historical data, and does not represent a guarantee. There is no guarantee that targeted or expected returns or other characteristics will be realized or achieved, or that an investment strategy will be successful.

Brooklyn seeks to expeditiously and efficiently effect sales of legacy securities contributed to new or existing accounts or in connection with termination and liquidation instructions, generally by directing the execution of sale to the relevant broker-dealer/custodian designated by the client's managed account program, subject to program limitations. Primarily due to the time constraints and lot sizes applicable to these transactions, and because the full range of trading techniques is generally not available (including aggregation), the prices received in these transactions may be less favorable than the prices that could be attained for sales of securities selected by Brooklyn as part of ongoing management. Clients always reserve the right to fund accounts with cash as opposed to legacy securities and to keep any securities in their accounts if terminating Brooklyn's services.

Certain investment personnel may concurrently provide services for more than one affiliate, which may produce conflicts in the services provided.

Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

The hypothetical performance results contained herein represent the application of the quantitative models as currently in effect on the date first written above and there can be no assurance that the models will remain the same in the future or that an application of the current models in the future will produce similar results because the relevant market and economic conditions that prevailed during the hypothetical performance period will not necessarily recur. Discounting factors may be applied to reduce suspected anomalies. This backtest's return, for this period, may vary depending on the date it is run. Hypothetical performance results are presented for illustrative purposes only. In addition, our transaction cost assumptions utilized in backtests, where noted, are based on Brooklyn's historical realized transaction costs and market data. Certain assumptions have been made for modeling purposes and are unlikely to be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered. Changes in the assumptions may have a material impact on the hypothetical returns presented. Actual advisory fees for products offering this strategy may vary.

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