

FORTITUDE FOCUS

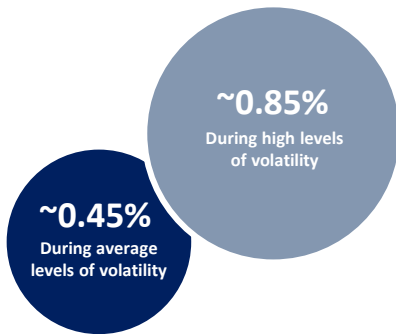


Investment Department

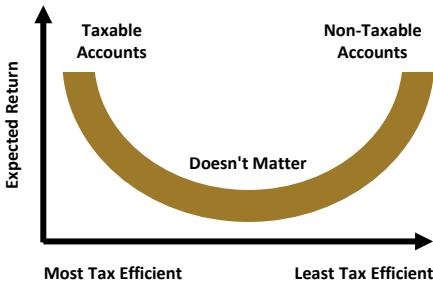
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THE STORY

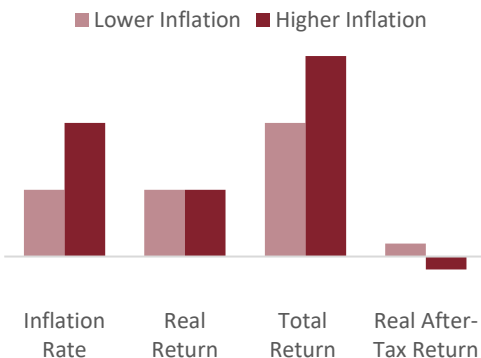
Tax-Loss Harvesting¹



Guide To Asset Location



Impact Of Inflation After-Tax²



¹Sources: Pulled from Vanguard. (2023). Is tax-loss harvesting worth it? Now more than ever.

²Sources: Estimates for illustrative purposes only

TAX ALPHA: THE POWER OF TAX-EFFICIENT INVESTING

In the pursuit of wealth, it is easy to overlook one crucial factor: taxes. While portfolio construction & asset selection are key, tax-aware strategy is often the most predictable way for investors to improve their overall performance.

One such tool is tax-loss harvesting. This involves purposefully selling securities that have losses and substituting them for similar exposures. By accumulating losses today, we can offset taxable gains later, reducing the tax burden of future rebalancing and allowing us to reinvest more of the proceeds towards compounding wealth.

A 2023 research study by Vanguard estimated that the value of automated tax-loss harvesting can be **~0.45%** per year during average levels of market volatility (& even more in riskier times).

Another tactic is asset location – the strategic placement of individual assets in the most efficient vehicles for their given tax attributes.

For example, within a certain asset allocation mix, the higher taxed returns streams (such as bonds) are often best held in tax-deferred accounts like IRAs/401ks while tax-advantaged assets (such as stocks) can be kept in taxable accounts.

We also want to think beyond explicit taxes. Inflation is a ‘hidden tax’ which erodes the purchasing power of returns. As shown in the bottom chart, even with the same real rate of return, elevated inflation can turn a wealth gain into a wealth loss after taxes are considered.

By learning to combine valuable tax tools like these with thoughtfully designed inflation-aware portfolios, we can more confidently improve our after-tax wealth prospects.



UPCOMING EVENTS

US Jobs Report – 12/6

FOMC Meeting – 12/18

Christmas Day – 12/25

“In this world, nothing is certain except death & taxes.”

- Benjamin Franklin



WHAT HAPPENED?

China Eases Rules In Bid To Attract Foreign Capital: China relaxed rules on foreign investment in listed firms by allowing overseas investors to hold larger stakes in certain sectors. The move aims to attract more foreign capital and boost confidence in China's market amidst its ongoing economic challenges ([CNBC](#)).

Court Urges Google to Limit Chrome's Power: The court recommended Google enable more competition by reducing its dominance in search. This could involve changes to how Chrome interacts with third-party services ([NYT](#)).

Spirit Airlines Files for Bankruptcy Protection: Spirit Airlines plans to restructure, aiming to reduce debt and streamline operations while continuing to fly. The bankruptcy filing comes amid a broader wave of industry turbulence and is expected to provide the breathing room needed to stabilize finances. ([NPR](#)).

US Prosecutors Indict Indian Billionaire On Bribery Charges: Indian billionaire Gautam Adani was indicted on bribery charges, accused of making illegal payments to foreign officials to secure business advantages ([NBC](#)).



EQUITIES RALLIED

US equity markets rose in November with the S&P 500 up **5.9%**. Global ex-US equity markets lagged with the MSCI World ex-US Index up just **0.2%**.

	MONTH*	YTD*
US Large	5.9%	28.1%
US Mid	8.8%	22.6%
US Small	10.9%	18.1%
Global ex-US	0.2%	7.2%
Int'l Dev	-0.6%	6.2%
Emerging	-3.6%	7.7%



FIXED INCOME CLIMBED

Fixed income markets continued to rally in November as the market priced in expectations for Fed rate cuts pushing the Bloomberg Agg Index up over **1.1%** in the period.

	MONTH*	YTD*
Ultra-Short	0.4%	5.1%
Short	0.3%	3.8%
Core	1.1%	2.9%
Long	1.9%	-1.7%
High Yield	1.2%	8.7%
US TIPS	0.5%	3.7%
Intl Bonds	0.3%	0.5%
EM Bonds	0.7%	6.0%



ALTERNATIVES MIXED

Credit alternatives continued to produce stable, high yield income while gold gave back some of its gains and liquid alternatives produced mixed results.

	MONTH*	YTD*
Gold	-3.0%	28.0%
Merger Arbitrage	0.0%	5.0%
Infrastructure	2.3%	21.3%
Direct Lending	0.9%	11.7%
Hedge Funds*	-1.1%	6.5%
Managed Futures	0.4%	-6.8%

Due to reporting lags, some data represents the latest return as of the month prior to this period.

*Sources: Each asset class is represented by a corresponding index or fund as of each report's month-end date. The associated indexes can be found below. This has been provided for informational purposes only, and reflects the current opinion of the author, which is subject to change without notice, as are statements of financial trends, which are based on current conditions.



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Illiquid Investments. Illiquid investments may not be suitable for all clients. Investors in illiquid investments must qualify for these investments based on suitability criteria, and they must complete subscription documents.

Reference Above	Benchmark Index	Reference Above	Benchmark Index
US Large	S&P 500 Index	Hedge Funds	Eurekahedge Hedge Fund NR Index
US Mid	S&P 400 Index	Managed Futures	Credit Suisse Mgd Futures Liquid TR
US Small	S&P 600 Index	Ultra-Short	Bloomberg US Treasury Flt Rate Index
Global ex-USA	MSCI World ex-USA All Cap NR Index	Short	ICE US Treasury 1-3Y Bond Index
Intl Dev	MSCI EAFE NR USD Index	Core	Bloomberg Aggregate Bond Index
Emerging	MSCI EM NR US Index	Long-Term	ICE US Treasury +20Y Bond Index
Gold	S&P GSCI Gold TR	High Yield	Bloomberg US Corporate HY Index
Merger Arbitrage	IQ Hedge Merger Arb TR USD Index	US TIPS	ICE US Treasury Inflation Linked Index
Infrastr (Infrastructure)	MSCI ACWI Infrastructure NR Index	Intl Bonds	Bloomberg Global Agg ex-USD Index
Direct Lending	Cliffwater Corporate Lending I	EM Bonds	Morningstar EM BD GR Index