Tax Management

Strategies to Help Enhance After-Tax Returns

The Cost of Taxes

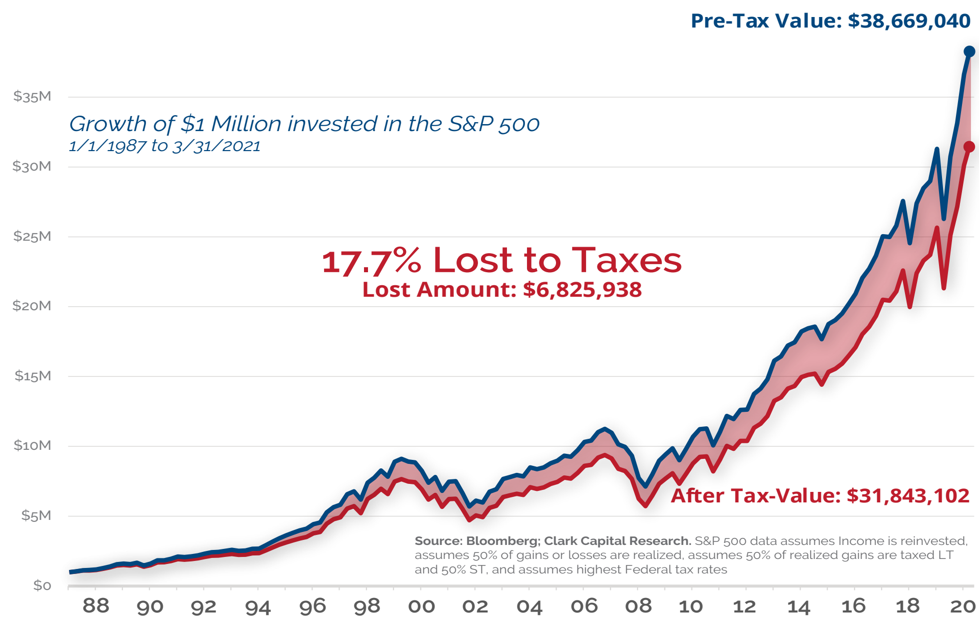
Personal taxes are the largest expenditure for high income households[1]

The median annual tax cost for an equity mutual fund is 0.99%[2]

Equity investors in top tax brackets lost 2.2% annually to taxes[3]

Taxes Impact Investment Returns Over Time

High net worth investors often have unique tax considerations and expect holistic wealth management from their advisors. Lack of tax management can impact investors' long-term results and limit their spending power in retirement. The below chart shows that during a period of over 30 years, a non-managed account lost over $6.8 million due to taxes.



Based on internal research, **tax-loss harvesting has helped our clients earn an average of 104 bps of added annual returns over a 3-year period.***

**Tax loss harvesting is a strategy of selling securities at a loss to offset a capital gains tax liability. It is typically used to limit the recognition of short-term capital gains, which are normally taxed at higher federal income tax rates than long-term capital gains, though it is also used for long-term capital gains. The tax-loss data presented is based on internal research of existing Clark Capital taxable accounts over $1 million that were invested in at least 80% equities from 12/31/15 to 12/31/18. Any accounts funded after 12/31/15 were excluded from the study. The study assumed a tax rate of 20% for long-term, 39.6% for short-term for 2016 and 2017, and 37% for short term for 2018. Added annual returns were calculated by dividing the amount in taxes saved each year by the average beginning market value plus ending market value. Past performance is not indicative of future results. Please see the Important Disclosures section for more information.*

Deliver Better Outcomes Through Ongoing Tax Management

During each phase of the investment process, we take the time to consider how we can maximize tax alpha for clients by implementing ongoing tax management strategies.

1. Source: U.S. Department of Labor Statistics, Expenditure Survey, 2015 AIA

2. Asset weighted industry average of equity mutual fund expense ratios. Investment Company Institute. "Trends in the Expense and Fees of Funds, 2018" (March 2019)

3. Peterson, J.D., P.A. Pietranico, M. W. Riepe, and F. Xu, "Explaining After-Tax Mutual Fund Performance." Financial Analysts Journal, Vol. 58, No. 1 (January/February 2002)

Dedicated Tax Management Strategies for High Net Worth Investors

Tax Transition Strategies

- High net worth investors often own securities with low cost basis. Clark Capital's tax transition strategies aim to help move clients out of low basis holdings over time, without having to take a big up-front tax hit.
- We aim to spread out tax consequences so that your clients' assets can be thoughtfully reinvested into the right long-term strategy.
- Our investment team can take advantage of market related volatility to help accelerate the implementation of clients' target portfolios.

Capital Gains Management

- Clients may be surprised to learn that capital gains can occur even during down years. Clark Capital utilizes individual stocks and bonds whenever possible in a separately managed account structure to help keep costs low and mitigate embedded capital gains.
- Separately managed accounts are only taxed on realized gains in the individual investor's portfolio, and capital gains may be partially offset through tax-loss harvesting.

Municipal Bond Strategies

- For residents of higher tax states, tax-exempt municipal bonds can be an efficient way for investors to shield their taxable income.
- Clark Capital offers a broad range of tax-free fixed income solutions, including state-specific strategies (CA, NJ, NY, PA).

Asset Location

- We consider the tax status of every client account registration (qualified and non-qualified) before working with you to identify which strategy is appropriate for the corresponding registration.
- For qualified accounts that are less sensitive to taxes, we consider taxable bonds and tactical strategies. For non-qualified accounts, we consider municipal bonds and strategic portfolios for better control over tax realization.
- Planning for optimal asset location across household accounts may help generate higher after-tax returns for clients.

Tax-Loss Harvesting

- Mutual funds and ETFs only harvest losses when the entire account is down. Within a separately managed account structure, Clark Capital can opportunistically harvest investment losses throughout the year to offset gains and reduce ordinary income.
- Based on internal research, **tax-loss harvesting has helped our clients earn an average of 1.04% of added annual returns over a 3-year period.***

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The utilization of losses harvested through tax loss harvesting will depend upon the recognition of capital gains in the same or a future tax period, and in addition may be subject to limitations under applicable tax laws. Losses harvested through the strategy that are not utilized in the tax period when recognized (e.g., because of insufficient capital gains and/or significant capital loss carryforwards), generally may be carried forward to offset future capital gains, if any.

The tax-loss data presented is based on internal research of existing Clark Capital taxable accounts over $1 million that were invested in at least 80% equities from 12/31/15 to 12/31/18. Any accounts funded after 12/31/15 were excluded from the study. The study assumed a tax rate of 20% for long-term, 39.6% for short-term for 2016 and 2017, and 37% for short term for 2018. Added annual returns were calculated by dividing the amount in taxes saved each year by the average beginning market value plus ending market value. The benefits of tax loss harvesting, if any, in reducing an investor's tax liability will depend on the investor's entire tax and investment circumstances, including but not limited to: income, state of residence, the purchases and dispositions of assets in household accounts outside of Clark Capital, type of investment, and investment holding period. Investors should confer with their personal tax advisor regarding the tax consequences of investing with Clark Capital. Clark Capital does not represent in any manner that the tax consequences described herein will be obtained or that Clark Capital's tax-loss harvesting strategies, or any of its products and/or services, will result in any particular tax consequence. Past performance is not indicative of future results. Clark Capital Management Group, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security, sector or industry.