# Integrated’s most tax efficient portfolios

*The Focused series - structured and managed for maximum tax efficiency*

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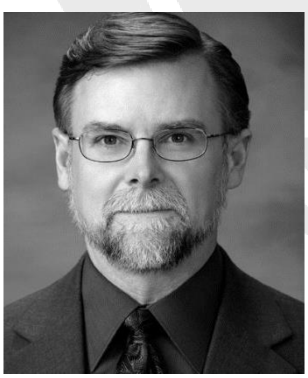
Supported by an Investment Committee with 300 years of combined institutional investment experience



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## A primary objective of the Focused series is to minimize taxes

There are four tried and true methods for reducing taxes. These techniques are written explicitly into the federal tax code. For this reason, their success does not depend on forecasting, prediction, or looking into the future.

**Delay realization** - Delay the realization of capital gains - this allows the investor to earn a profit on their monies over a longer period of time.

**Seek the lower long-term capital gains tax rate** - Hold assets for more than a year - thereby allowing them to be taxed at the lower long-term capital gains rate, as opposed to the higher short-term capital gains rate.

**Engage in proactive tax loss harvesting** - Engage in active tax loss harvesting - this allows the investor to realize tax losses that can be used to offset gains experienced elsewhere in the portfolio or across the investor's total asset pool.

**Avoid high current yield stocks** - Give preference to securities more likely to deliver their returns as capital appreciation instead of dividend income - thereby paying the lower capital gains tax rate as opposed to the higher current income tax rate.

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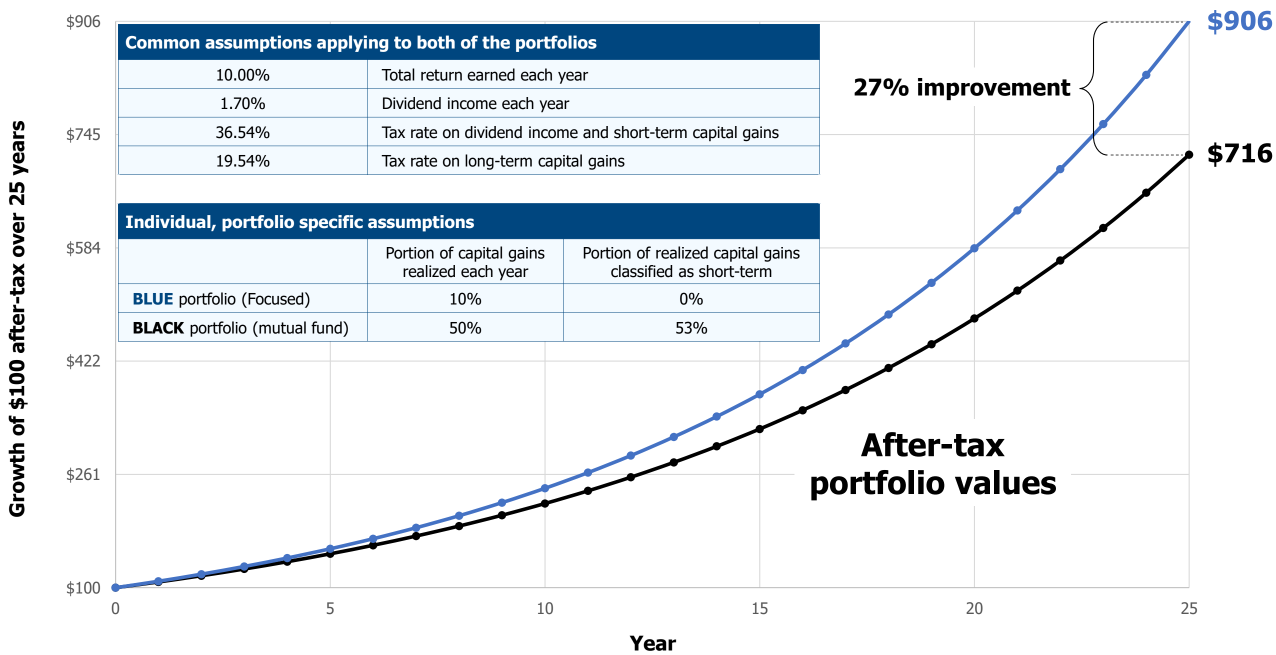
## A simple example - Demonstrating the power of tax minimization

The following graph[1] compares the after-tax path taken by two identical investment portfolios. This statement begs the question *"If they are identical portfolios, then how can they follow different paths?"*

The answer has to do with the application of effective tax management. The portfolio colored **BLACK**, is structured as a mutual fund and due to the continuous inflows and outflows of investment dollars by retail investors, suffers from high portfolio turnover. This high turnover, causes the portfolio to be highly tax inefficient.

In contrast, the portfolio colored **BLUE**, is structured as a separate account, whereby each of the individual stocks that comprise the portfolio, are held directly by the investor. This results in a more tax efficient portfolio structure. As a result, in this hypothetical example, the Focused portfolio grew the investor's account an additional 27% due solely to more efficient tax management.

# Tax comparison




| Common assumptions applying to both of the portfolios | |
|---|---|
| 10.00% | Total return earned each year |
| 1.70% | Dividend income each year |
| 36.54% | Tax rate on dividend income and short-term capital gains |
| 19.54% | Tax rate on long-term capital gains |

| Individual, portfolio specific assumptions | | |
|---|---|---|
| | Portion of capital gains realized each year | Portion of realized capital gains classified as short-term |
| **BLUE** portfolio (Focused) | 10% | 0% |
| **BLACK** portfolio (mutual fund) | 50% | 53% |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## Important disclosures

1. In the purely hypothetical example described in this graphic and pair of tables, the hypothetical Focused portfolio grew from $100 to $906 over 25 years (after-tax). This is compared against a hypothetical mutual fund portfolio that hypothetically earns the exact same 10.0% per annum as the hypothetical Focused portfolio, but the mutual fund suffers from less advantages tax rules and therefore after-tax an initial $100 invested in the mutual fund grows to a lesser $716. The difference between these two alternate hypothetical 25-year journeys is a 27% improvement favoring the hypothetical Focused portfolio.

It is not possible to invest in an index or a package or portfolio of indices directly.

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