GATEWAY
INVESTMENT ADVISERS



Long/Short Extension Strategy

Next Generation Tax Loss Harvesting

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About Gateway Investment Advisers

- Nearly 50 years offering quantitatively driven equity strategies for risk-conscious, tax-aware investors.
- Extensive experience with customized portfolios and long-term management in equity and index-options markets.
- History of tax-loss-harvesting implementation across account structures and vehicles; harvesting in SMAs since 2004.
- Wholly-owned affiliate of Natixis Investment Managers, LLC (Natixis)[1] a globally diversified asset manager.

Portfolio team	Role	Joined Industry
Michael T. Buckius, CFA®	CEO, CIO, Portfolio Manager	1992
Kenneth H. Toft, CFA®	SVP, Portfolio Manager	1992
Daniel M. Ashcraft, CFA®	SVP, Portfolio Manager	2007
Stephen J. Solaka	SVP, Portfolio Manager	1997
Daniel Beckwith	SVP, Portfolio Manager	1998
Mitchell J. Trotta, CFA®	VP, Portfolio Manager	2015
Dylan K. Barlow	VP, Portfolio Manager	2011
Jonathan M. Birtwell, CFA®	Portfolio Manager	2005
Mathew D. Evans, CFA®	Portfolio Manager	2023
Twinkle T. Singh, CFA®	Quantitative Research Analyst	2012
Daniel D. Belanger, CFA®	Quantitative Research Analyst	2012

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WHAT THIS COVERS

Our capabilities, the strategy, and where it fits

01 **Gateway & our capabilities**
Nearly 50 years of options and quantitative equity expertise, and the capabilities we pair together.

02 **The long-only problem**
Long-only harvesting front-loads its losses, then fades as the portfolio appreciates.

03 **The long/short solution**
How an extension stays anchored to your benchmark while sourcing losses on both sides.

04 **How we build it**
A factor model targets pre-tax alpha; a tax-aware optimizer harvests within a risk budget.

05 **Tradeoffs & the exit**
Financing, tracking error, and complexity, plus three planned off-ramps when it's time to unwind.

06 **Where it fits**
Funding, benchmark choice, and concentrated positions: options and harvesting together.

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FIRM CAPABILITIES

Capabilities at a glance

Long/Short Extensions

Tax-aware extension strategies seeking more consistent loss realization with managed tracking error.

Hedged Equity

Risk-managed equity portfolios using index options to seek protection and shape return.

Single-Stock Hedging & Monetization

Options-based approaches to manage and monetize concentrated single-stock positions.

Representative strategy families include index option-overlay solutions, low-volatility hedged equity, defined-outcome structures, and bespoke custom solutions (collars, protective puts, and related strategies).

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WHY GATEWAY

Risk and taxes — often at odds

The two concerns taxable investors feel most. Options can help with the risk, long/short with the taxes. Strategies available separately — or combined, in one account.

TAX-AWARE LONG/SHORT

built for any taxable portfolio

- Seeks consistent loss realization on both sides of the book
- Seeks pre-tax alpha: benchmark-relative or market-neutral
- Overlay on your holdings, or one integrated book

OPTIONS EXPERTISE

an index-option pioneer since 1977

- Collars & protective puts on single names
- Covered-call monetization & income
- Hedged equity & defined-outcome heritage

TOGETHER — THE TAXABLE INVESTOR'S PLAYBOOK

LIQUIDITY EVENTS
Harvested losses may help offset gains from business or property sales

AGED INDEX BOOKS
An extension may renew a portfolio's loss-harvesting capacity

CONCENTRATED POSITIONS
Options can help hedge the position; losses may fund its diversification

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WHY GATEWAY

Customized on every axis

That pairing shows up as breadth: structure, benchmark, protection, leverage, and exit are all set to the investor, established with your advisor at the start and adjustable as circumstances change.

Overlay or integrated

Run one integrated book to your benchmark, or keep your holdings and let a neutral overlay do the harvesting on top, switchable as needs change.

Any benchmark — even custom

The full S&P suite (broad, style, global) plus custom domestic, global developed, and blended variants; the engine re-optimizes toward whatever you pick.

Concentrated-wealth diversification

Trim a low-basis position while harvested losses absorb the gains: a tax-neutral glide out of concentration and into the index you choose.

Options hedging alongside

Collar or put-protect the concentrated name while it diversifies. Nearly five decades of index- and single-stock options expertise, in-house.

Leverage set to you

130/30 through 200/100, matched to tax sensitivity, horizon, and tracking-error tolerance, and dialed up or down as objectives evolve.

The exit, designed at entry

Glide-path unwinds, cash contributions to collapse the shorts, or hold for a basis step-up. The off-ramp is part of the mandate from day one.

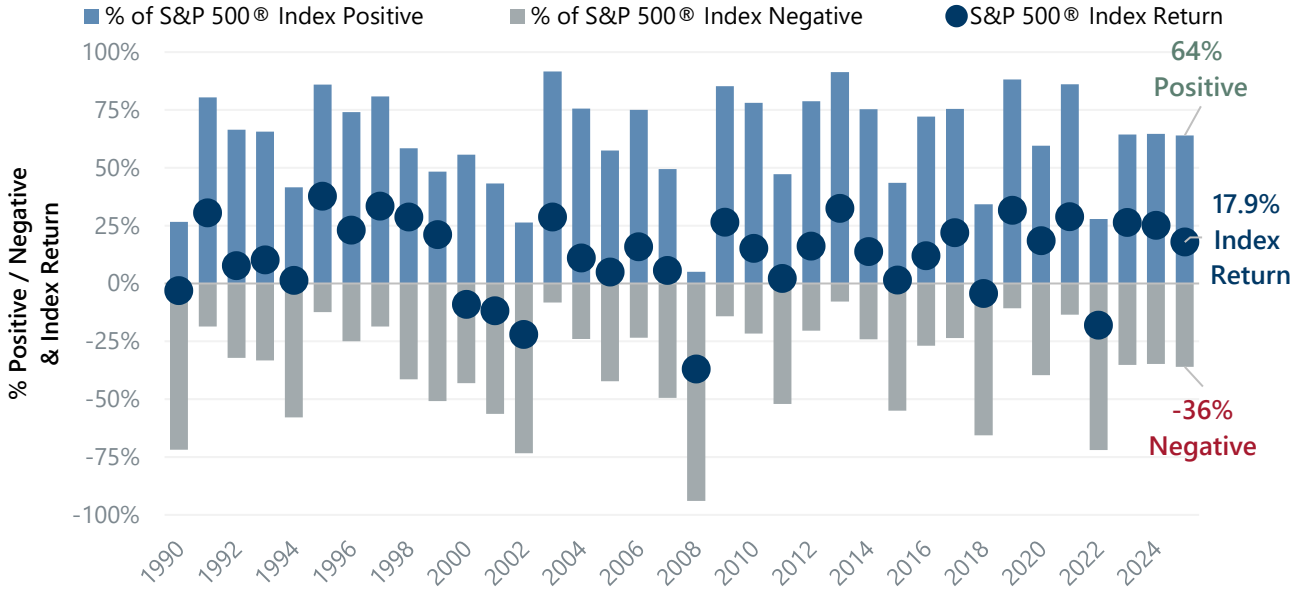
Illustrative overview of available customizations; availability is subject to suitability, account type, and custodian, and features may change. Options and short selling involve additional risks and costs. Gateway does not provide tax advice; tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

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THE RAW MATERIAL

Dispersion, not direction

Winners and losers coexist every year. A long/short book can source losses from either end: longs that fall, shorts on names that rise. The supply doesn't depend on a down market.



Two-Sided Supply

About a third of S&P 500® stocks finish lower in a typical year: material for the longs. Risers move against the shorts: material for the other side.

Past performance does not guarantee future results. Gateway does not provide tax advice. Tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors. Data source: FactSet and Natixis Investment Managers, LLC. Data as of December 31, 2025 unless noted otherwise.

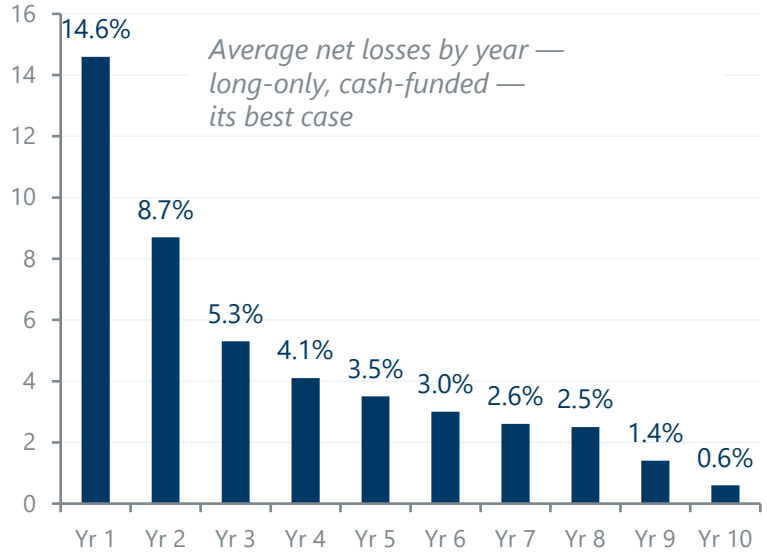
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THE CORE PROBLEM

Why long-only harvesting fades over time

A long-only portfolio can only harvest where positions sit below cost. As markets rise and the book appreciates, fewer such positions remain, so realized losses are largest early and then decline.

- Simulated net losses averaged ~15% of portfolio value in year one, then tapered to low single digits within a few years.
- And that assumes **all-cash funding — the best case.** Funded in-kind with appreciated holdings, a long-only book starts with little or nothing to harvest.
- From year nine onward, the long-only book averaged under 1% per year. Without new cash or gifted stock, the well effectively runs dry.



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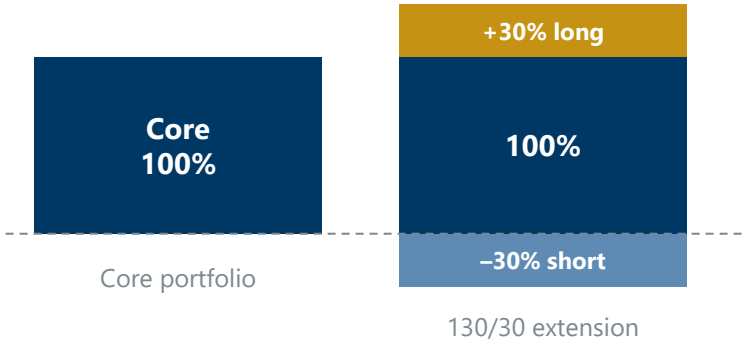
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THE STRUCTURE

What is a long/short extension?

A “130/30” extension keeps 100% net market exposure but adds an offsetting overlay: borrow to hold an extra 30% long and short 30%. Net exposure is unchanged, gross exposure rises to 160% — creating more positions, and more chances to realize losses.

Core (market) exposure	**100%**
+ Long extension	**+30%**
– Short extension	**–30%**
= Net market exposure	**100%**
Gross exposure (long + |short|)	**160%**



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THE INTUITION

Why a short sleeve creates more loss opportunities

In a long-only book, losses come only from longs that fall. A short position does the opposite — it gains when a stock falls and loses when it rises — so the two sides can produce harvestable losses in different environments, including bull markets.

When markets rise

Most longs appreciate and few sit below cost — but shorts on laggards move against the position, creating losses to harvest on the short side.

When markets fall

Longs decline and offer losses on the long side, the traditional source of harvesting.

More positions, more lots

160% gross exposure means more tax lots that can dip below cost and be harvested.

Steadier loss delivery

Sourcing losses from both sides tends to smooth the stream of realized losses across cycles.

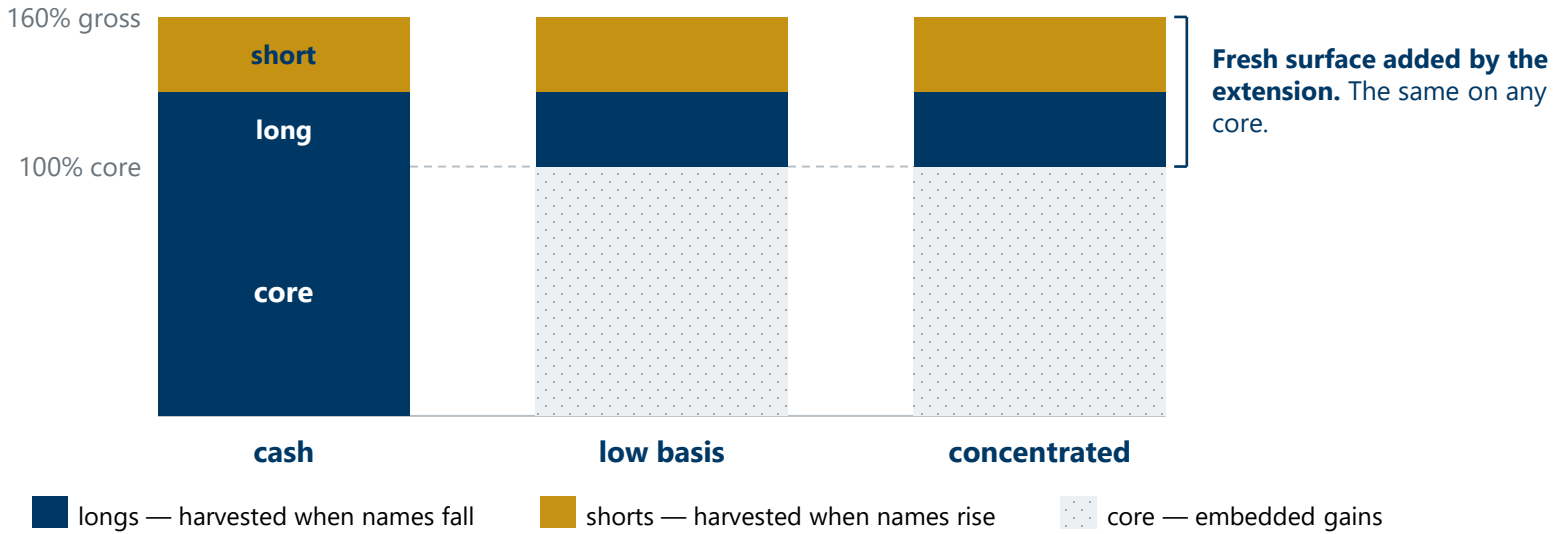
Gateway does not provide tax advice. Tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors. In Gateway's hypothetical simulations, the 130/30 strategy realized net losses in every one of 150 simulation-years across ten 15-year horizons — including strong bull markets. Shorting involves the risk of loss if shorted securities rise in value.

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THE HARVESTABLE SURFACE

A bigger surface to harvest — on any core

The long/short extension layers fresh long and short positions on top of whatever you bring, adding harvestable losses on both sides of the market — the same surface whether the core is cash, low-basis, or concentrated. When the core is already appreciated, the extension is essentially the entire harvestable surface.

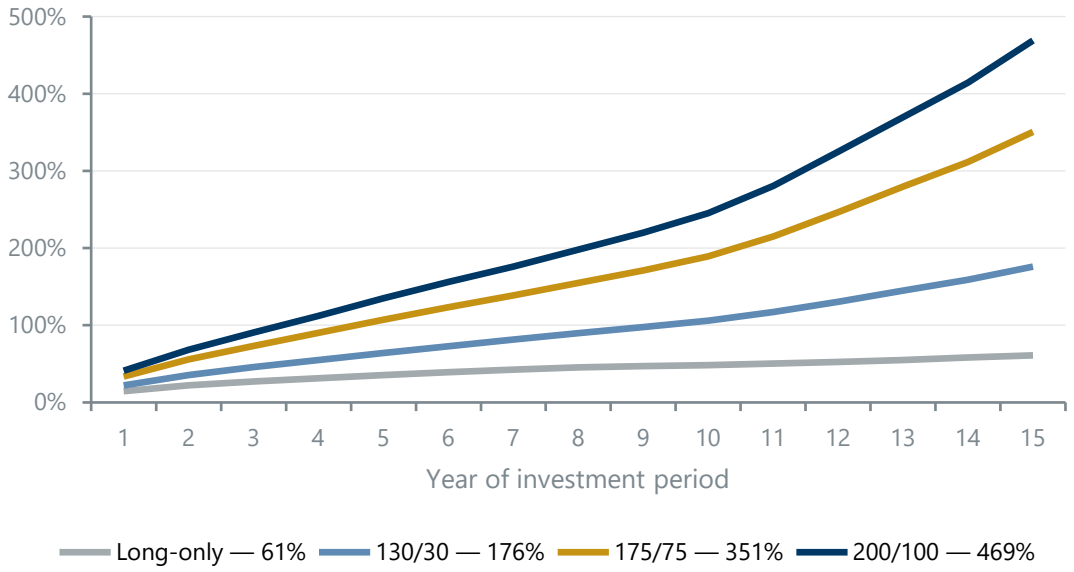


Conceptual illustration of gross exposure as harvestable surface area; not a projection or any account's results. A long/short extension increases gross exposure and the number of positions available for loss harvesting. Short selling and leverage involve additional risks, including loss if shorted securities rise in value. Gateway does not provide tax advice; tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

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Cumulative harvestable losses over time

Across ten 15-year hypothetical horizons (2001–2024), long-only loss capacity flattens as portfolios age; extensions keep producing as the larger gross book turns over, and more leverage extends the runway.



Cumulative losses by year 15

average of 10 simulations, % of initial investment

Long-only **61%**	175/75 **351%**
130/30 **176%**	200/100 **469%**
145/45 **233%**	

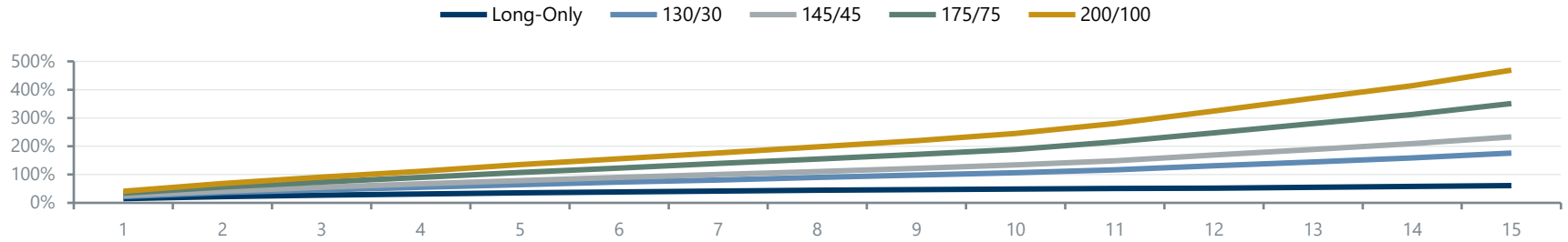
More leverage → more losses → more tradeoffs. After year five, long-only settles near 1.5%/yr while a 130/30 keeps producing ~5%/yr — but financing, tracking error, and unwind costs scale with gross exposure.

Hypothetical and for illustration only; not a projection or any account's results. Cumulative net realized losses as a percentage of initial investment, averaged across ten 15-year hypothetical simulations beginning 2001–2015 and ending 2010–2024; strategies all-cash funded, rebalanced quarterly, no contributions, targeting harvesting of at least 75% of available unrealized losses within a managed active-risk budget relative to the S&P 500® Index; U.S. large- and mid-cap universe; not depicting an actual account managed by Gateway. Gateway does not provide tax advice; tax treatment and rates vary over time. Investment decisions should be made in consultation with an investor's investment and/or tax advisors.

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Potential losses: cash-funded extensions

Average cumulative harvestable losses as a % of the initial investment, by extension level, from ten 15-year hypothetical simulations (cash-funded).



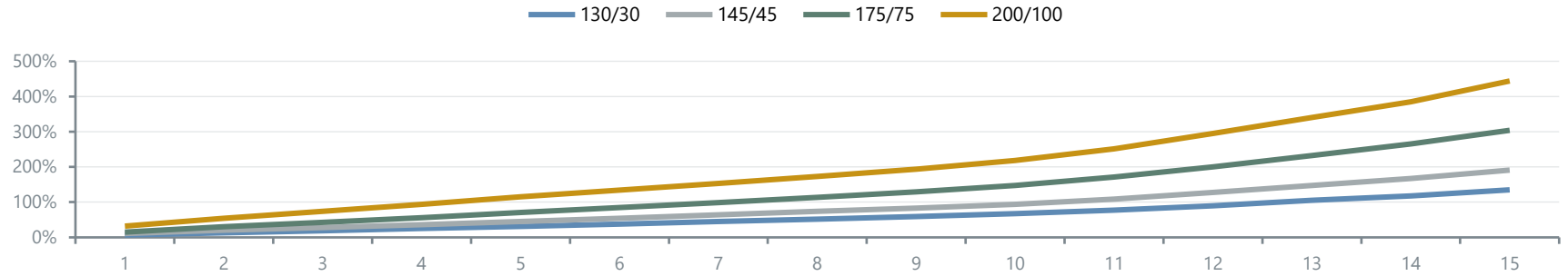
Potential cumulative losses per year — % of initial investment															
Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Long-Only	15%	22%	27%	31%	35%	39%	42%	45%	47%	49%	51%	52%	55%	58%	61%
130/30	22%	36%	46%	55%	64%	73%	81%	90%	98%	106%	117%	131%	145%	159%	176%
145/45	26%	42%	55%	67%	79%	90%	100%	111%	122%	134%	149%	169%	189%	209%	233%
175/75	34%	56%	73%	90%	107%	123%	139%	155%	171%	189%	215%	247%	280%	312%	351%
200/100	41%	68%	91%	112%	135%	156%	176%	198%	220%	245%	280%	325%	370%	414%	469%

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Potential losses: low-cost-basis extensions

The pure long/short advantage: funded with an S&P 500® portfolio assumed at zero cost basis, long-only has nothing to harvest; the extensions still produce.



Potential cumulative losses per year — % of initial investment															
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
130/30	7%	13%	19%	25%	31%	38%	45%	52%	59%	67%	77%	90%	105%	118%	135%
145/45	11%	20%	28%	36%	45%	54%	64%	74%	83%	94%	109%	128%	147%	167%	191%
175/75	15%	30%	43%	56%	71%	85%	99%	114%	129%	147%	171%	200%	232%	265%	304%
200/100	32%	54%	74%	94%	115%	134%	153%	173%	194%	218%	251%	295%	340%	385%	444%

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THE CONSTRUCTION

How the portfolios are constructed

An alpha (factor) model targets pre-tax active return; a tax-aware optimizer rebalances toward those targets while realizing losses and deferring gains — all within a managed active-risk budget.



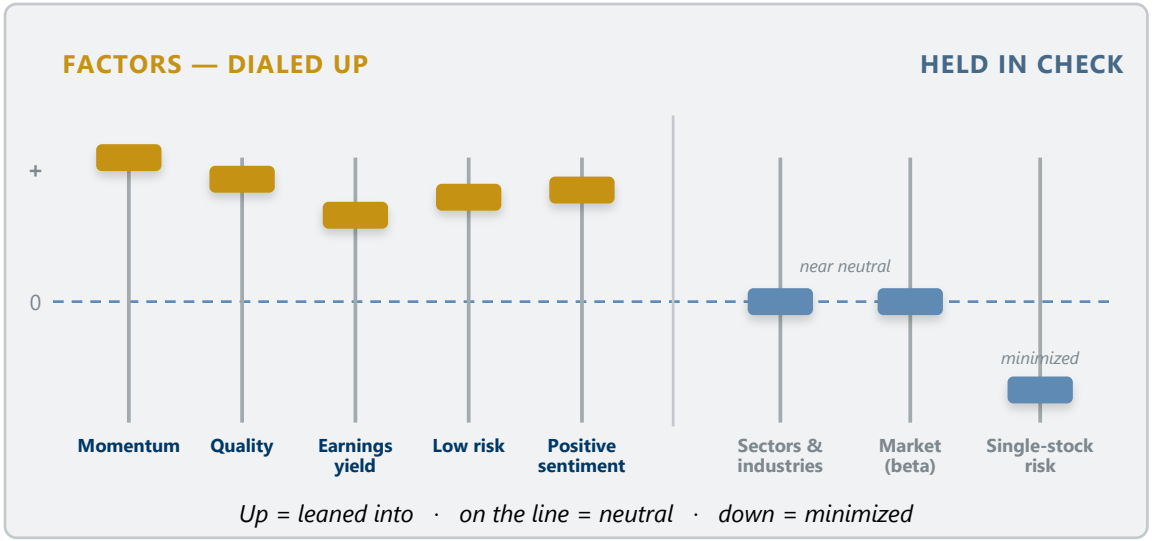
Conceptual overview of the construction process; simplified for discussion and not a complete description of the methodology, which is subject to change. Factor tilts, industry neutrality, and information-ratio objectives are goals, not guarantees, and do not ensure a profit or protect against loss. Gateway does not provide tax advice; investment decisions should be made in consultation with an investor's investment and/or tax advisors.

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THE CONSTRUCTION

Where the risk budget gets spent

Lean toward the rewarded factors; keep sector, industry, and market exposures small; and hold single-stock risk down through broad diversification — all within a managed active-risk budget.



THE OBJECTIVE

a high information ratio

$$IR = \frac{\text{active return}}{\text{active risk}}$$

Every tilt is sized to earn the most return per unit of risk — small edges, many names.

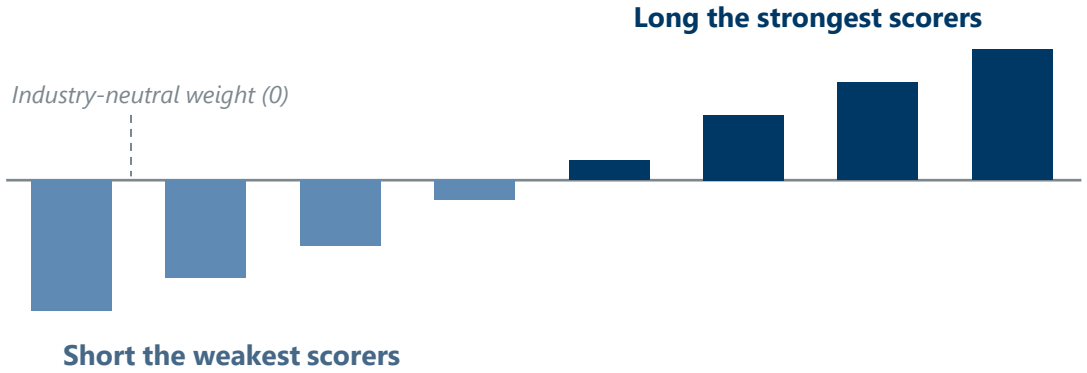
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THE CONSTRUCTION

Longs and shorts within a single industry

This is where that budget gets spent inside a single industry: the strongest factor scores are overweighted and the weakest are underweighted — or shorted — sized to offset. The point isn't to win on every name; it's for the longs to **beat the shorts by a small average margin**, repeated across many names, **within the risk budget**.



Each bar is one stock, ranked left → right by factor score

THE NETTING

Gross long	**+4.8%**
Gross short	**−4.8%**
Net industry	**≈ 0%**
Factor lean	**positive ↗**

Longs and shorts offset — the tilt remains.

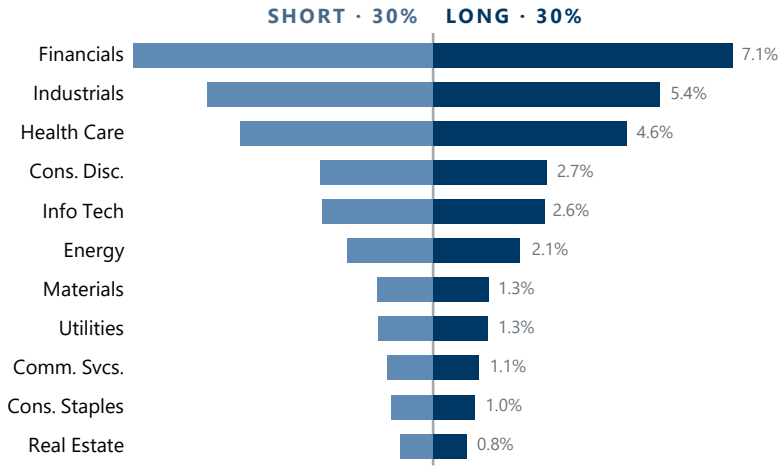
Illustrative single-industry example; hypothetical active weights, not actual holdings or a recommendation. Net industry exposure is targeted near zero within the optimizer's tolerances and is not guaranteed — net exposure is not the same as zero risk. Diversification and risk management do not ensure a profit or protect against loss.

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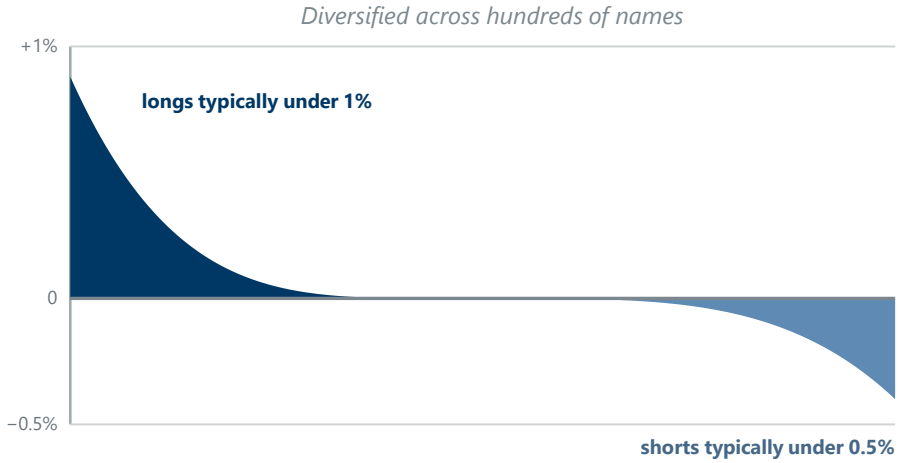
THE CONSTRUCTION

Inside a 30/30 long/short sleeve

The extension itself, viewed alone: a market-neutral 30/30 sleeve — the book a 130/30 adds to its core, and the same sleeve that runs as a neutral overlay. Longs and shorts are targeted to offset in each sector, spread across hundreds of small positions on both sides.



Gross weight by sector: long and short matched, net ~0.0% in every sector



Position sizes, largest long to largest short (smoothed for illustration)

HOLDINGS typically 150–200 per side | **SIZING** median ≈ 10bps · avg ≈ 20bps | **RISK** vol 1.5–2.0% · beta ≈ 0

Representative holdings illustration of a 30/30 market-neutral long/short sleeve; not an actual account or a recommendation. Position counts, weights, exposures, and risk figures are third-party risk-model estimates at a single rebalancing, are not guarantees, and will vary over time and by account; the position-size profile is smoothed for illustration. Gateway does not provide tax advice; investment decisions should be made in consultation with an investor's investment and/or tax advisors.

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THE CONSTRUCTION

Harvesting reinforces the tilts

Because the model is already trimming faded longs and covering rallied shorts, the trades that realize losses are largely the trades it wants anyway — so harvesting keeps the factor exposures fresh instead of diluting them.

THE ALPHA MODEL IS ALREADY…

- **Trimming longs that have faded**
  weaker momentum, higher realized risk
- **Covering shorts that have rallied**
  their signals improved — no reason to stay short

signals refresh → the book turns over

→

…WHICH REALIZES LOSSES

- **Those faded longs sit below cost**
  selling them harvests the loss
- **Those rallied shorts sit above entry**
  buying them back harvests the loss

… while the optimizer defers the gains

Net effect: realized losses compound while the book stays tilted toward momentum, quality, and low risk — the model's turnover feeds the harvesting, and the harvesting keeps the tilts current.

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THE OTHER SIDE OF THE LEDGER

Tradeoffs: weighing costs against benefits

Greater loss-harvesting potential is not free. A balanced view weighs the benefits against real, ongoing costs and risks.

Potential benefits

More & more consistent losses — Sourced on both the long and short side across market environments.

Continued harvesting — Can "recharge" a portfolio whose long-only loss potential is exhausted.

Exposure control — Active weights and tracking error managed without selling appreciated holdings.

Potential pre-tax alpha — Factor tilts that source losses may also add pre-tax return (not guaranteed).

Costs & risks

Financing cost — Borrowing to fund the extension carries a net cost (~30 bps for a 130/30).

Higher tracking error — Deviating further from the index raises the risk of underperforming it.

Turnover & complexity — More trading means higher transaction costs, fees, and operational load.

Uncertain & deferred — Tax benefits vary with markets, and the eventual unwind can trigger gains.

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LEVERAGE

More leverage amplifies both losses and costs

Dialing leverage up increases the losses an extension can harvest — but tracking error and financing cost rise alongside it. The right level depends on the investor's tax sensitivity, time horizon, and tolerance for active risk.

Structure	Est. tracking error to S&P 500® Index	Annual margin cost (pre-tax)	After-tax margin cost*
130/30	1.5 – 2.0%	0.30%	0.18%
145/45	2.0 – 2.5%	0.45%	0.27%
175/75	2.5 – 3.0%	0.75%	0.44%
200/100	3.5 – 4.0%	1.00%	0.59%



No free lunch

Moving down the table grows harvestable losses — but tracking error, financing cost, and the position you must eventually unwind grow with them.

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*Margin cost is assumed at 1% annualized per 100% of leverage; for certain investors it may be an itemized deduction, with the after-tax impact reduced by the marginal tax rate (assumed 37.0% top federal rate plus the 3.8% net investment income tax).

AN HONEST CAVEAT

Harvesting defers tax — it does not erase it

Every realized loss embeds an offsetting unrealized gain in the remaining positions.

Those gains sit untaxed while they compound — a real benefit — but exiting or "unwinding" the strategy generally realizes them, creating a tax cost down the road.

But the compounding is yours to keep.
Deferral works like an interest-free loan: the deferred tax may come due at the unwind, but the growth those dollars earned along the way is permanently yours — before any rate conversion, charitable use, or step-up.



Deferral, not forgiveness

The value is tax postponed and compounding — plus potentially converting short-term into long-term character.



The unwind has a cost

Removing the long/short overlay and returning the core can trigger embedded long- and short-term gains.



Plan the exit

Time horizon, gradual step-downs, and charitable or estate planning shape how much benefit is ultimately retained.

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PLANNING THE EXIT

Exiting the strategy: three off-ramps

Realized losses leave embedded gains behind — but when and whether those gains are taxed is a design decision. Three paths, from gradual to never:

1 Glide-path unwind

Dial leverage down gradually — 130/30 → 115/15 → long-only — over several years, pacing the realization of embedded gains against freshly harvested losses. Managed carefully, the step-down can approach tax-neutral. Collapsing all the way to an index fund in one step realizes the most gains; a measured glide path can preserve most of the benefit.

2 Contribute cash to collapse the shorts

New cash buys back short positions directly, shrinking gross exposure without selling appreciated long holdings. Because short-side realizations are always short-term by rule, sequencing and timing the buy-backs matters — but the core long book, and its deferral, stays intact.

3 Hold — and step up

For estate-minded investors: maintain the strategy indefinitely. At death, appreciated long positions may receive a basis step-up, extinguishing the embedded gain. Short positions cannot be bequeathed and are closed — typically a modest cost beside the step-up on the longs. Gifts of appreciated longs to charity work similarly during life.

Plan the exit at entry. Every off-ramp trades speed against tax cost — the right path depends on horizon, estate intentions, and liquidity needs.

Conceptual; the realized tax cost of any unwind depends on funding, holding periods, leverage, and the market path. Basis step-up and charitable treatment depend on individual circumstances and current law. Gateway does not provide tax advice; tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

GATEWAY INVESTMENT ADVISERS

PUTTING IT TO WORK

Built for ongoing capital events

An extension manufactures a steady stream of realized losses — spend them against gains now, bank them as carryforwards for later, or use them to unwind the funding source itself. The fit is strongest for investors whose financial lives reliably produce gains:

Recurring distributions

Offset capital-gain distributions from private equity, hedge funds, and active managers — the K-1s and year-end surprises that arrive on someone else's schedule.

Business sales & liquidity events

Bank losses for years ahead of a sale — or harvest hard after one — to shelter a once-in-a-generation gain. Loss carryforwards make the timing flexible.

Tax-efficient diversification

Trim a concentrated position and offset the gains as you trim — accelerating diversification well beyond what long-only harvesting supports.

Real estate sales

Offset the capital-gain component of property sales when a 1031 exchange isn't available or desirable. (Some components, e.g. depreciation recapture, are taxed differently.)

Freedom to redeploy

A standing reserve of realized losses makes it cheap to take gains anywhere in the portfolio — freeing capital to move to better opportunities when they appear.

Portfolio-level uses

Recharge an exhausted direct-index book, or rebalance a legacy account without selling appreciated holdings — two worked examples follow.

Realized capital losses offset capital gains; beyond a small annual allowance they do not offset qualified dividends or ordinary income. Gateway does not provide tax advice; tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

GATEWAY INVESTMENT ADVISERS

PUTTING IT TO WORK

Funding the account

You don't have to sell anything to get started. Accounts can be funded with cash or in-kind with most marginable securities — the choice mainly shapes how much early harvesting runway the book begins with:

Cash

The clean slate: every position starts at full cost basis, maximizing early harvest capacity. Gateway's hypothetical figures assume cash funding.

Diversified stock portfolios

Transfer in-kind: existing holdings become the core with no gains realized to start, and the long/short overlay adds fresh positions to harvest against.

ETFs

Marginable and transferable in-kind — they can serve as core market exposure or as collateral while the extension is built around them.

Mutual funds

Often held as-is: rather than sell and realize gains, the extension runs as an overlay on top of the funds, leaving the existing holdings in place.

Concentrated low-basis stock

Fund in-kind with no entry tax cost, then trim gradually — harvested losses offset the gains from each trim.

What the choice changes

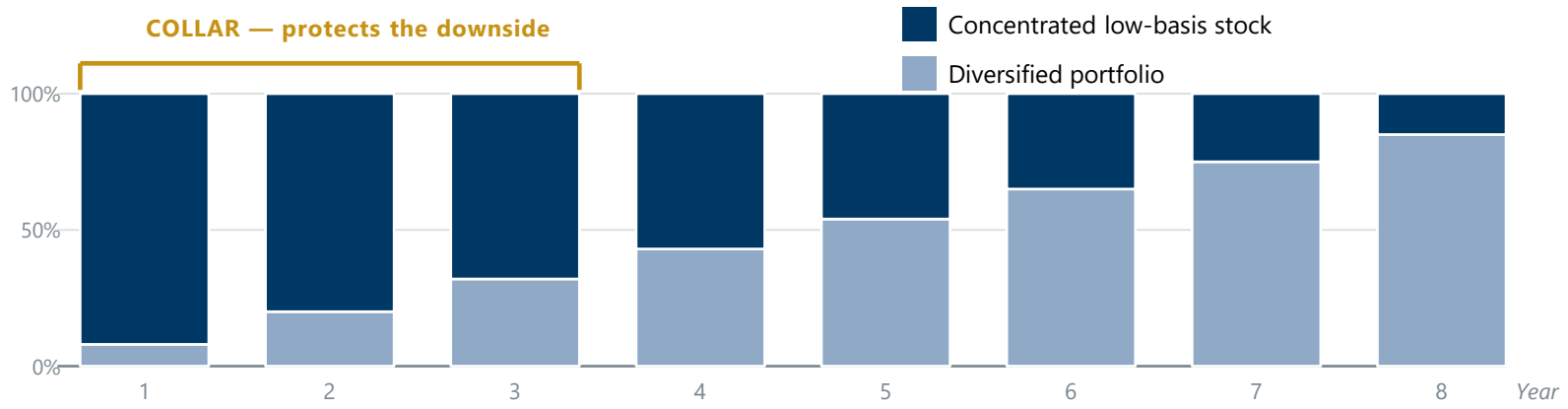
Funding shapes early capacity: cash starts with the full runway; appreciated in-kind books lean on the extension's fresh basis. In general, any marginable security can fund the account.

In-kind transfers generally do not realize gains; subsequent sales or transitions may. Marginability and transferability vary by security, vehicle, and custodian. Gateway does not provide tax advice; tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

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Protect it, then diversify around it

One of the most common situations we see: a single low-basis stock. Diversify around it over time as harvested losses offset the gains — using options to collar the name and protect the downside.



Net effect: the concentrated name is diversified away over time — harvested losses offset the gains as you trim, so single-stock risk falls with little net tax.

Hypothetical and for illustration only; not a projection, recommendation, or any account's result. A collar caps upside in exchange for downside protection. Options strategies are subject to specific tax rules — including the straddle and constructive-sale rules — that can affect the timing and character of gains and losses. Harvesting defers but does not erase gains. Options and short selling involve additional risks and costs. Gateway does not provide tax advice; consult your own investment and tax advisors.

GATEWAY INVESTMENT ADVISERS

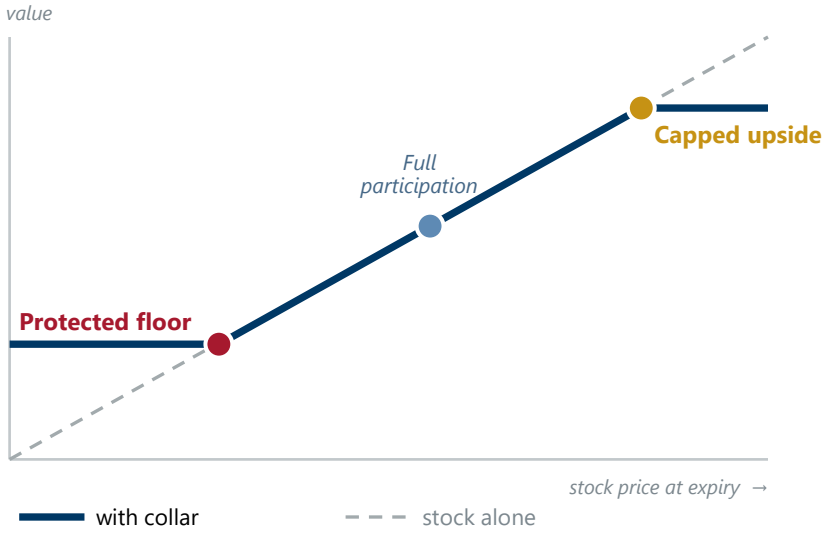
What is a protective collar?

A collar brackets a stock's outcome: a protective put sets a floor under the value, while a sold call caps the upside and helps pay for the put — often at low or zero net cost. Because nothing is sold, the embedded gain stays deferred.

Buy a put — the floor.
Sets a price the position can't fall below, so a large decline is cushioned.

Sell a call — the funding.
The premium offsets the put's cost (often close to zero net), in exchange for giving up gains above the call strike.

Hold the stock — the deferral.
Nothing is sold, so the embedded gain isn't realized (within constructive-sale limits).



For illustration only; a stylized payoff at expiration, not to scale. A collar caps upside and protects only below the put strike; low or zero net cost is typical but not guaranteed. Options strategies are subject to specific tax rules — including the straddle and constructive-sale rules — that can affect the timing and character of gains and losses, and a collar defers rather than eliminates tax. Options involve additional risks and costs. Gateway does not provide tax advice; consult your own investment and tax advisors.

GATEWAY INVESTMENT ADVISERS

IMPLEMENTATION

Three ways to implement it

Three structures, one engine — a single book run to a benchmark, a neutral overlay around the holdings you keep, or a path that diversifies a concentrated position over time.

OVERLAY

Keep your core

Your holdings stay as the core; a neutral overlay sits on top and does the harvesting.

MARKET EXPOSURE

your core, unchanged

CONCENTRATED-POSITION DIVERSIFICATION

From overlay to benchmark

overlay-like → *integrated-like*

Harvested losses sell it down and buy the benchmark, over time.

MARKET EXPOSURE

shifts toward the index

INTEGRATED

One book, one benchmark

Core, active tilts, and harvesting run in one managed book, kept to your benchmark.

MARKET EXPOSURE

tracks the index

Conceptual; simplified for discussion and not a complete description of the methodology. Marginability and transferability vary by security, vehicle, and custodian. Gateway does not provide tax advice; investment decisions should be made in consultation with an investor's investment and/or tax advisors.

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YOUR CORE, YOUR INDEX

Anchored to your benchmark

You pick the benchmark; the book is run to it within a managed tracking-error budget, seeking to outperform it — and harvested losses can fund the move from your original holdings to that index.

Run to the index you choose

S&P 500® by default, or any from the menu; factor tilts seek added return within the tracking-error budget.

Use losses to exit the funding source

Harvested losses can offset the gains from trimming appreciated funding positions, converting them into index exposure over time.

Blend, switch, or customize

Benchmarks can be blended or changed as objectives evolve; the engine re-optimizes toward the new target.

THE BENCHMARK MENU

U.S. & style. S&P 500® · S&P 1500 · S&P 500 Growth · S&P 500 Value.

Global & custom. S&P Global 1200 · S&P Global 100 · custom domestic, global developed, and blended variations.

Same engine, any index: the benchmark you run to (integrated) or the one you diversify toward (concentrated).

Illustrative menu; available benchmarks are subject to suitability, account type, and custodian, and benchmark tracking and outperformance are goals, not guarantees. Realized capital losses offset capital gains; beyond a small annual allowance they do not offset ordinary income. Benchmarks shown are from the S&P index suite. Gateway does not provide tax advice; tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

GATEWAY INVESTMENT ADVISERS

CUSTOMIZATION

Tailoring the mandate

Every mandate is built from four choices — set with your advisor and adjustable over time.

1 Implementation style

- **Integrated**
- **Overlay**
- **Concentrated diversification**

2 Benchmark

- **U.S. broad** — S&P 500 · S&P 1500
- **Style** — S&P 500 Growth · Value
- **Global** — S&P Global 1200 · 100

the S&P index suite — the index you track (integrated) or diversify toward (concentrated); custom blends available

3 Leverage range

- **130/30**
- **145/45**
- **175/75**
- **200/100**

more conservative · Reg T margin — *portfolio margin[1] · more aggressive*

4 Tax objective

- **Loss harvesting** — offset gains elsewhere
- **Tax-neutral diversification** — trim concentration, no net gain
- **Tax-neutral leverage unwind** — *de-lever without a tax hit · on the roadmap*

Example *— diversify a concentrated position into the S&P 500, run at 130/30, targeting tax-neutral diversification.*

Illustrative menu; available styles, benchmarks, leverage levels, and objectives are subject to suitability, account type, and custodian. 1: Gross exposure above 145/45 generally requires a portfolio-margin arrangement, which may entail higher minimums that vary by custodian. Benchmarks shown are from the S&P index suite. Leverage increases risk and cost. Gateway does not provide tax advice; investment decisions should be made in consultation with an investor's investment and/or tax advisors.

GATEWAY INVESTMENT ADVISERS

REAL-WORLD EXAMPLE 1

Recharging an exhausted direct-index account

The situation
An aged, long-only account direct-indexed to the S&P 500 had appreciated until almost no positions remained below cost — its loss-harvesting potential was exhausted.

What was done
A 30/30 extension was layered onto the existing holdings — no need to sell appreciated stock — establishing fresh, higher cost basis across new long and short positions to harvest against.

Benefit to the investor
Renewed capacity to harvest losses without disturbing the existing portfolio or triggering gains — while staying tightly tracked to the S&P 500 (resulting tracking error ~1.75%).

Characteristic	Long-only indexed	30/30 extension	Resulting portfolio
Long holdings	180	166	**346**
Short holdings	0	154	**154**
Total holdings	180	320	**500**
Long exposure	100%	30%	**130%**
Short exposure	—	–30%	**–30%**
Gross exposure	100%	60%	**160%**
Tracking error	0.75%	+1.00%	**1.75%**

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REAL-WORLD EXAMPLE 2

Tax-efficient rebalancing of a legacy account

The situation
A legacy equity account carried large active sector bets (e.g., heavily overweight Industrials) and ~2.6% tracking error — but selling to rebalance would have realized sizeable gains.

What was done
A 30/30 extension shorted overweights and bought underweights, pulling each sector's active weight back toward the benchmark — without selling appreciated legacy holdings.

Benefit to the investor
More index-like exposure and lower active risk (tracking error reduced from ~2.6% toward ~2.1%), achieved tax-efficiently — with losses available to harvest along the way.

Sector active wt.	Legacy	30/30	Result
Industrials	+6.9%	–6.6%	**+0.3%**
Financials	–3.1%	+2.8%	**–0.3%**
Cons. Staples	+1.3%	–1.0%	**+0.3%**
Utilities	–2.2%	+2.0%	**–0.2%**
Health Care	–1.1%	+1.4%	**+0.3%**
Tracking error	**2.6%**	**–0.5%**	**2.1%**

Selected sectors shown. Active weight = portfolio weight minus benchmark weight; values closer to 0% mean more index-like.

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BRINGING IT TOGETHER

Key takeaways



Taxes are a controllable drag

After-tax return is what compounds; managing the timing and character of gains and losses is a real lever.



Long-only harvesting fades

Loss potential is front-loaded and declines as portfolios appreciate — a structural limit of direct indexing.



Extensions extend the runway

A short sleeve sources losses on both sides and keeps harvesting going — at the price of more gross exposure.



Weigh costs and suitability

Financing, tracking error, complexity, and the unwind all matter. Fit depends on the individual investor.

Suitability factors: tax sensitivity · time horizon · tracking-error tolerance · liquidity & unwind planning. Always consult your own tax and investment advisors.

Gateway does not provide tax advice. Tax treatment and rates can and do vary over time. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her investment and/or tax advisors.

APPENDIX

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APPENDIX

Detail on illustrations

Recharge an exhausted direct-index account (Example 1)

The initial portfolio is an actual long-only account managed by Gateway, direct-indexed to the S&P 500® Index, with details as of December 31, 2024. Gateway's multifactor model applies a hypothetical 30/30 long/short extension to construct the resulting portfolio within a managed active-risk budget, using a universe of liquid large- and mid-cap U.S. securities. For illustrative and discussion purposes only.

Tax-efficient legacy rebalance (Example 2)

The initial portfolio is an actual long-only legacy account whose sector weights were out of line relative to the benchmark, with details as of December 31, 2024. Gateway's multifactor model applies a hypothetical 30/30 long/short extension to bring the account's active exposures back within a managed active-risk budget. For illustrative and discussion purposes only.

Hypothetical loss-realization & leverage figures

Hypothetical figures are assumed averages across ten separate 15-year simulations (beginning 2001–2015, ending 2010–2024), rebalanced quarterly with no contributions, targeting at least 75% of available losses within a managed active-risk budget relative to the S&P 500® Index (U.S. large/mid-cap). Funding is all-cash or an S&P 500® portfolio at zero cost basis.

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APPENDIX

Important disclosures

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