

# Convergence Domestic Active Tax Management



April 2024

## Strategy Objectives

- Track the S&P 500 Index pre-tax with minimal variance over a cycle.
- Systematically offset capital gains with realized tax losses within the portfolio to defer realized gains.
- Systematically harvest tax losses throughout the year in an attempt to create net realized losses.

## Strategic Benefits of Active Tax Management

1. Tactical decisions to modify your overall investment strategy are easier to make when the tax implications are mitigated.
2. Decisions to add investment strategies or managers that may not be tax efficient are easier to make when at least some of their gains can be offset.
3. Concentrated holdings can be systematically pared back over time with less of a tax impact.

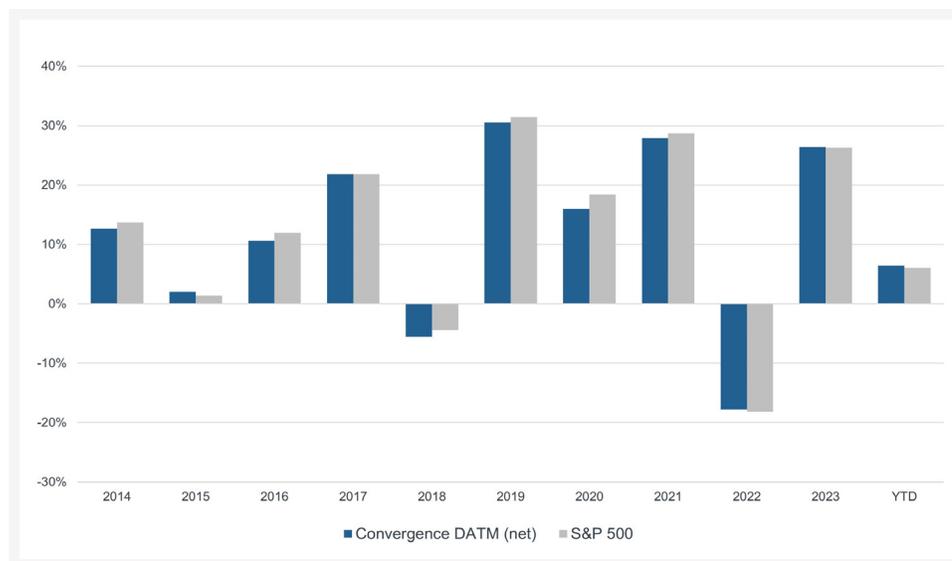
## Economic Benefits of Pursuing Tax Losses

- Realized tax losses in a given year may, in some instances, be used to offset capital gains realized in that year, resulting in direct current year tax savings.
- Individuals may, in some instances, carry forward tax losses indefinitely. If capital gains are not available in the current year, the investor can carry forward the capital loss and use it to offset gains realized in the future.
- The value of a tax loss is determined by the type of capital gain that is offset. For some individuals, the potential benefit is 20% if long-term capital gains are offset, and up to 39% for short-term gains that are offset.

## Calendar Year Performance (net of fees)

\*Inception date 4/01/2006

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD 2024
Convergence Domestic ATM	12.67%	2.01%	10.65%	21.81%	-5.55%	30.58%	16.01%	27.92%	-17.76%	26.42%	6.44%
S&P 500	13.69%	1.38%	11.96%	21.83%	-4.38%	31.49%	18.40%	28.71%	-18.11%	26.29%	6.04%



Past performance is not indicative of future results.

## Annualized Performance Summary

(net of fees) through 04/30/2024

	1 Year	5 Years	10 Years
Convergence Domestic ATM	23.37%	12.74%	11.88%
S&P 500	22.66%	13.19%	12.41%

## Investment Process

- Convergence builds each investor their own index portfolio.
- Throughout the year, a sophisticated computer model tracks each security in each portfolio. When a security's market value drops below its cost, a tax loss is created by selling that security.
- Finally, the portfolio is rebalanced to again mirror the characteristics of the targeted index.

## About Convergence

Convergence Investment Partners is an active equity manager dedicated to managing U.S. equity strategies. Our team's experience spans decades of investing based on fundamental stock picking combined with advanced technology. This has allowed us to develop systematic stock selection strategies that we believe helps garner powerful results. Our firm's name, Convergence, communicates our philosophy of a fundamental stock picking process that incorporates the intersection of sound investment theory executed in a disciplined environment utilizing advanced technology.

Appendix

Convergence Domestic Active Tax Management Composite (as of 12/31/2023)									
	Gross of Fees Return	Net of Fees Return	Benchmark Return (S&P 500 Index TR)	Composite Dispersion (Full Period)	Number of Separate Accounts (End of Period)	Total Composite Assets (End of Period)	Total Firm Assets (End of Period)	3 Year Annualized Standard Deviation	
								Composite	S&P 500 Index TR
2006 (4/01/2006 - 12/31/2006)	10.97%	10.72%	11.12%	N/A*	2	\$3,286,985	\$39,742,010	N/A	N/A
2007	5.00%	4.61%	5.49%	N/A*	1	\$574,257	\$106,671,978	N/A	N/A
2008	-34.88%	-35.17%	-37.00%	N/A*	1	\$371,668	\$71,507,256	N/A	N/A
2009	22.68%	22.29%	26.46%	N/A*	1	\$449,963	\$66,537,478	18.92	19.91
2010	15.31%	14.79%	15.06%	N/A*	1	\$514,028	\$93,181,292	21.34	22.16
2011	2.53%	2.14%	2.11%	N/A*	5	\$2,389,964	\$154,362,324	18.39	18.97
2012	15.95%	15.49%	16.00%	0.46	5	\$2,751,555	\$217,790,421	15.10	15.30
2013	32.18%	31.68%	32.39%	0.46	8	\$4,723,855	\$492,677,907	11.79	12.11
2014	13.01%	12.67%	13.69%	0.37	16	\$8,472,200	\$553,692,556	8.94	9.10
2015	2.33%	2.01%	1.38%	0.32	17	\$8,614,978	\$444,781,578	10.32	10.62
2016	11.03%	10.65%	11.96%	0.50	17	\$8,013,822	\$398,488,819	10.37	10.74
2017	22.19%	21.81%	21.83%	0.27	35	\$21,445,487	\$409,273,927	9.77	10.07
2018	-5.18%	-5.55%	-4.38%	0.32	38	\$31,128,225	\$390,434,667	10.89	10.95
2019	31.01%	30.58%	31.49%	0.46	41	\$41,810,320	\$343,819,819	12.18	12.10
2020	16.17%	16.01%	18.40%	0.76	44	\$44,885,057	\$223,805,605	18.98	18.79
2021	28.10%	27.92%	28.71%	0.41	36	\$46,849,700	\$219,550,002	17.62	17.41
2022	-17.62%	-17.76%	-18.11%	0.33	32	\$29,063,168	\$190,730,732	21.09	21.16
2023	26.57%	26.42%	26.29%	0.54	30	\$35,932,772	\$215,517,580	17.20	17.54

\*N/A is shown because there were five or fewer portfolios in the composite for the full year.

**Past performance is not indicative of future results.**

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**Compliance Statement**

Convergence Investment Partners claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Convergence Investment Partners has been independently verified for the periods 1/1/2011 to 06/30/2023. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The firm maintains a complete list and description of composites, which

is available upon request. Results are based on discretionary separate accounts under management, including those accounts no longer with the firm. The results portrayed relate only to the adviser's clients invested in the portfolio that meet the criteria for inclusion in composite performance. The U.S. Dollar is the currency used to express performance returns and assets. Performance results are presented both net and gross of management fees and include the reinvestment of income. From the inception of each composite until 01/01/11, Time Weighted Return was compounded on a monthly basis. Beginning 01/01/11 through present, Time Weighted Return was compounded on a daily basis. GIPS® is a Registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**Definition of the Firm**

The firm is defined as Convergence Investment Partners, LLC ("Convergence Investment Partners"), a majority-owned subsidiary of Nile Capital Group, LLC effective October 1, 2018. Convergence Investment Partners was founded in November, 2004. From December 2008 to September 2018, Convergence Investment Partners was a majority-owned subsidiary of Montage Investments, LLC. Convergence Investment Partners (CIP) is an investment adviser registered with the Securities and Exchange Commission. Registration of an investment adviser does not imply any specific level of skill or knowledge. Convergence Investment Partners is an active equity manager dedicated to managing U.S. equity strategies. Convergence uses its proprietary process to select and rank investments, construct portfolios, and help manage risk in each of its products. Convergence strategies are based on corporate fundamentals supported by compelling empirical research applied within each industry group. The name, Convergence, communicates the firm's philosophy of a fundamental stock picking process that incorporates the intersection of sound investment theory executed in a disciplined environment utilizing advanced technology. The total firm assets will be defined as all discretionary and non-discretionary assets under management within Convergence Investment Partners. This includes primary investment management accounts and sub-advisory investment management accounts, as well as both fee-paying and non-fee paying assets.

**The Convergence Domestic Active Tax Management Composite**

The Convergence Domestic Active Tax Management Strategy seeks to track a specified market index on a pre-tax basis while systematically deferring taxable gains and harvesting taxable losses. The objective is to match the specified index over market cycle while maximizing the after-tax return to the investor. The inception and creation date of the composite is April 1, 2006.

The portfolio returns have been compared to the S&P 500 Index TR as its benchmark. The S&P 500 Index TR measures the performance of the large-cap segment of the U.S. equity universe. Individuals cannot invest directly in any index and index returns do not reflect fees and expenses. Comparison of the Composite to these benchmarks is for illustrative purposes only and the volatility of the benchmarks may be materially different from the volatility of the Composite due to varying degrees of diversification and / or other factors.

If a single or cumulative cash flow(s) are equal or greater than 10 percent ("Significant Cash Flow") of the total account value on the day the cash

flow(s) is initiated, the account will be removed from the composite and added back to the composite on the first day of the month following the date that the account is fully invested (defined as being within the model portfolios cash target). Prior to 4/1/2018, the Firm defined Significant Cash Flow as greater than or equal to 20 percent.

The three year annualized standard deviation is calculated using 36 monthly gross of fee returns to end of period for the Convergence Domestic Active Tax Management Strategy. The three year standard deviation is not available prior to 2009.

**Fees and Related**

The full fee schedule for all Convergence Investment Partners products is available upon request. It should be noted that the collection of fees produces a compounding effect on the total rate of return net of management fees. Prior to July 1, 2019, the Convergence Domestic Active Tax Management strategy charged 0.40% annually assessed as 0.100% on a quarterly basis. Beginning July 1, 2019, the Convergence Domestic Active Tax Management strategy charges 0.40% annually on the first \$250,000 in assets, assessed as 0.033% on a monthly basis and 0.30% for assets above \$250,000, assessed as 0.025% on a monthly basis. Convergence Investment Partners reserves the right to modify fee structures on an account by account basis at its discretion.

Gross of fee performance returns are presented before management fees but after all trading expenses. No other fees or expenses are deducted for gross of fee performance. Net of fee performance returns are presented after actual standard management fees and all trading expenses. No other fees are deducted aside from trading and management fees for the calculation of net of fee performance. Valuations are net of all applicable withholding taxes. Securities are valued in accordance with GIPS® Valuation Hierarchy Principles. More information regarding standard investment management fees is available upon request.

**Additional Notes and Disclosures**

The use of derivatives may be employed for purposes of currency hedging and or to equitize the cash position of the portfolios. Derivatives have not been used to date, and it is expected that any future use would be on a limited basis. Policies for valuing investments, calculating performance, and preparing GIPS composite Reports are available upon request. Dispersion is calculated using gross-of-fee returns with an equal-weighted standard deviation methodology for those accounts in the composite for the full calculation period.

The minimum account size for composite inclusion is \$100,000.

Current performance may be lower or higher than return data quoted herein. The money management firm can be contacted directly at 561-494-8001 or visit [www.investcip.com](http://www.investcip.com).