

## CASE STUDY

# Strategic Tax Management

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*We modify details in the case studies we share to protect the anonymity of our clients as well as to make them illustrative of the services we provide and outcomes we seek. They are not intended to be an assertion of a specific result. All are based on actual services we have provided and solutions we have implemented.*

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At 1102 Partners, solving client problems is at the heart of what we do. In 2023, one of our family office clients came to us with a good problem: a long-time private equity holding had been sold for a high six-figure price. Our client, whom we will call Joanne, faced a large tax bill due to this capital gain.

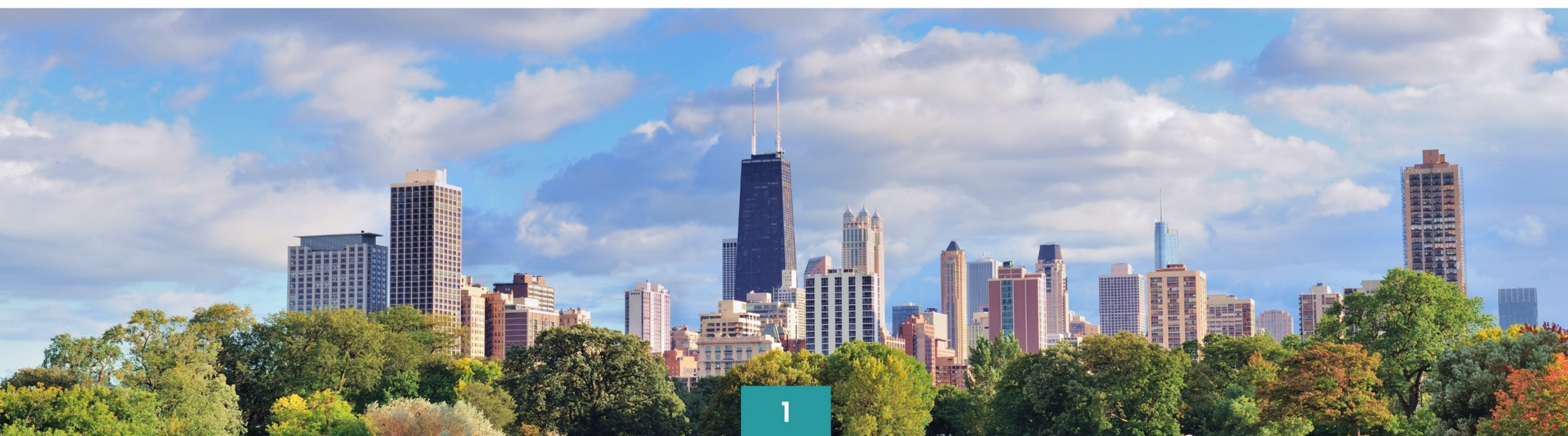
As part of her well-diversified portfolio, Joanne has been a long-term investor in our Special Situations Micro-Cap Strategy. As this sub-class of the equity market is perhaps the most volatile, her portfolio contained a number of holdings which were below their purchase price.

Selling these names in order to realize capital losses was an obvious way to offset a significant portion of the private equity gain, thereby meaningfully reducing Joanne's tax liability. However, simply executing multiple sell orders and thereby significantly reducing micro-cap exposure would create its own new problems.

Joanne's portfolio had been carefully constructed to meet her long-term goals. Given her high current consulting earnings which she expects to earn for at least another decade, Joanne does not need portfolio income and her portfolio is designed for maximum growth. Each asset and sub-asset class is an important component. Micro-cap equities are among the highest risk but also the highest potential growth sub-classes, making them integral to her overall strategy.

In addition, micro-cap equities had been in significant decline since late 2021, and Joanne agreed with our opinion that they were particularly attractive as a long-term investment based on potential undervaluation.

We saw an opportunity to help Joanne offset gains by harvesting tax losses, all while keeping her fully invested in our micro-cap strategy. This required a hands-on, customized approach, something computer-driven direct indexing solutions can't provide.





While 1102 Partners did not manage the asset that created the tax liability, we were able to step in and provide a solution. Joanne stayed invested to benefit from what may have been the beginning of an ongoing recovery in micro-cap stocks, with the portfolio aligned to capture potential future gains.

At 1102 Partners, our focus is on providing personalized, proactive solutions that address the unique needs of each client, ensuring they remain on track to meet their individual financial goals. Our holistic approach to wealth management goes well beyond the securities that show up on our client statements.

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*Investments in micro-cap companies carry heightened risks compared to larger, established companies. For more information about **1102 Partners'** proprietary **Special Situations Micro-Cap Strategy**, our approach to wealth management based on a family office level of service, and important disclosures, please visit [www.1102partners.com](http://www.1102partners.com) and review our Form ADV Part 2A, available upon request.*

*This case study is provided for illustrative purposes only to provide an example of the firm's process and methodology. The results portrayed in this case study are not representative of all client situations or experiences. An individual's experience may vary based on his or her individual circumstances and there can be no assurance that the firm will be able to achieve similar results in comparable situations. No portion of this case study is to be interpreted as a testimonial or endorsement of the firm's investment advisory services. The information contained herein should not be construed as personalized investment advice.*