

## TAX-LOSS HARVESTING PART 2: THE ART

### Background:

Our process for arbitraging closed-end funds seeks to explain as much of the discount as we can. We screen funds for NAV performance (a fund that consistently underperforms its benchmark and/or peers probably deserves to trade at a discount), expense ratios, cost and use of leverage, difficult to value securities, etc. It is the discount we can't explain that is ultimately the arbitrage opportunity. We maintain a real-time ranking of all publicly traded closed-end funds based upon each fund's respective risk/reward characteristics.

In the early days of our tax-loss harvesting analysis, we would overlay our discount arbitrage model on top of the volume-weighted average loss rankings we discussed in [Part 1: A Primer](#). The goal being to identify those CEFs that were both vulnerable to tax-loss harvesting but were also deemed to be less attractive in our arbitrage model. As a result, we tended to avoid selling funds that ranked highly in our discount arbitrage model, regardless of the loss vulnerability. That was a mistake. For tax-loss harvesters, a loss is a loss; and, the bigger the loss, no matter the reason, the more likely it is to be sold during tax-loss harvesting season. We have found that our volume analysis, coupled with our discount arbitrage model, are particularly helpful in identifying when to re-enter the CEF market, and which funds to buy. This is the "art" portion of our tax-loss harvesting season process.

### Volume Analysis:

During tax-loss harvesting season, we compare average daily volumes for each fund to its trailing 12-month average daily volume. In a typical tax-loss harvesting season we would expect average daily volumes to run about 10%-20% higher than the 12-month average volume. The surest signs funds are experiencing tax-loss harvesting are increased trading volumes and underperforming discounts.

We also use the cumulative volume and discount erosion for each CEF during tax-loss harvesting season as a guide to gauging re-entry. Admittedly, this is more "art" than "science". Any fund that has experienced more than 3% of discount widening and/or has cumulative tax-loss harvesting season volume equal to 30% or more of its trailing 12-month volume usually gets our attention.

### Fund-by-Fund Analysis:

As noted above, in the early days we used to overlay our discount arbitrage model on top of the average loss analysis. We no longer do that, but we do utilize our

discount arbitrage model for prioritizing sales in front of tax-loss harvesting season and for security selection on re-entry. Specifically, we are more inclined to sell those CEFs whose loss was due more to its NAV performance than its discount performance; and, we prefer to re-enter into those CEFs whose loss was due more to discount widening than NAV return. Consider the following two BlackRock CEFs, both managed by the same portfolio management team:

|        | 12 Month VWAP | Price as of 7/31/25 | Average Loss (8/1/24 - 7/31/25) | 12-Mo Chg in Discount |
|--------|---------------|---------------------|---------------------------------|-----------------------|
| Ticker |               |                     |                                 |                       |
| MHD    | 11.89         | \$11.10             | -6.64%                          | 3.04%                 |
| MQT    | 10.09         | \$9.44              | -6.44%                          | 0.82%                 |

Both funds have nearly identical average losses versus their volume-weighted average price (VWAP), but the discount on the MHD fund over trailing 12-months has significantly outperformed the discount on MQT—meaning the loss due to NAV must have been much greater for MHD than it was for MQT. Given the losses, both funds would probably be sold ahead of tax-loss harvesting season; but, we would prioritize selling MHD ahead of MQT.

### Summary:

- Our experience has been that tax-loss harvesters care very little about the reasons for a loss. A loss is a loss, and the bigger the loss the more likely it is to be harvested.
- Average daily CEF volumes usually increase 10%-20% during tax-loss harvesting season and serve as a good gauge for how far along we are in the process.
- Likewise, CEF discounts have historically widened more than 3% during tax-loss harvesting season and also serve as a good gauge for how far along we are in the process.
- When we believe the tax-loss harvesting process is mostly over, we rely on our discount arbitrage model to identify the most attractive CEFs at that time.

As of 6/30/25 The Robinson Tax Advantaged Income Fund's Top 10 Holdings (% of Net Assets) are: Invesco Municipal Opportunity Trust 6.81, Invesco Trust for Investment Grade Municipals 4.85, BlackRock Municipal Income Trust 4.78, Invesco Municipal Trust 4.50, BlackRock Municipal Income Trust II 4.43, Invesco Advantage Municipal Income Trust II 4.17, BlackRock MuniHoldings California Quality Fund Inc 3.37, BlackRock MuniYield Michigan Quality Fund Inc 3.08, Invesco Quality Municipal Income Trust 2.98, and Nuveen Quality Municipal Income Fund 2.79.

Fund holdings and sector allocations are subject to change. References to other mutual funds should not be considered a recommendation to buy or sell any security.

***Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus and summary prospectus, a copy of which may be obtained on this [website](#) or by calling (800) 207-7108. Please read the [prospectus](#) or [summary prospectus](#) carefully before you invest.***

## **RISKS AND OTHER DISCLOSURES:**

An investment in the Fund is subject to risk, including the possible loss of principal amount invested and including, but not limited to, the following risks: **Market Risk:** the market price of a security may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular issuer, company, or asset class. **Fixed income/Interest rate risk:** A rise in interest rates could negatively impact the value of the Fund's shares. Generally, fixed income securities decrease in value if interest rates rise, and increase in value if interest rates fall, with longer-term securities being more sensitive than shorter-term securities. **Municipal Bond risk:** The underlying funds in which the Fund invests will invest primarily in municipal bonds. Litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on the ability of an issuer of municipal bonds to make payments of principal and/or interest. Changes related to taxation, legislation or the rights of municipal security holders can significantly affect municipal bonds and may cause them to decline in value. **Closed-end fund (CEF), exchange-traded fund (ETF) and open-end fund (Mutual Fund) Risk:** The Fund's investments in CEFs, ETFs and Mutual Funds ("underlying funds") are subject to various risks, including reliance on management's ability to manage the underlying fund's portfolio, risks associated with the fund's portfolio, risks associated with the underlying securities held by the underlying fund, fluctuation in the market value of the underlying fund's shares, and the Fund bearing a pro rata share of the fees and expenses of each underlying fund in which the Fund invests. **U.S. Treasury Futures Contracts Hedge Risk:** To the extent the Fund holds short positions in U.S. Treasury futures contracts, should market conditions cause U.S. Treasury prices to rise, the Fund's portfolio could experience a loss; and should U.S. Treasury prices rise at the same time municipal bond prices fall, these losses may be greater than if the hedging strategy not been in place. **Recent Market Events:** Periods of market volatility may occur in response to market events and other economic, political, and global macro factors, such as governmental actions to mitigate the Covid-19 pandemic, and the recent rise of inflation, could adversely affect the value of the Fund's investments. **Management and Strategy:** the evaluation and selection of the Fund's investments depend on the judgment of the Fund's Sub-Advisor about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, which may prove to be incorrect. **Leveraging Risk:** The underlying funds in which the Fund will invest may be leveraged as a result of borrowing or other investment techniques. As a result, the Fund may be exposed indirectly to leverage, and may expose the Fund to higher volatility and possible diminishment of long-term returns. In addition, future regulations may hinder or restrict an underlying fund's ability to maintain leverage; which in turn may reduce the total return and tax exempt income generated by the underlying funds and may cause a reduction in the value of the Fund's shares. **Tax Risk:** There is no guarantee that the Fund's income will be exempt from regular federal income taxes. Events occurring after the date of issuance of a municipal bond or after an underlying fund's acquisition of a municipal bond may result in a determination that interest on that bond is subject to federal income tax. The Fund's opportunistic trading strategies may also result in a portion of the Fund's distributions to shareholders being characterized as capital gains. **Portfolio Turnover Risk:** The Fund's turnover rate may be high. A high turnover rate may lead to higher transaction costs, a greater number of taxable transactions, and negatively affect the Fund's performance. **High Yield ("Junk") Bond risk:** The ETFs and Mutual Funds in which the Fund invests may invest in high yield ("junk") bonds which involve greater risks of default, downgrade, or price declines and are more volatile and tend to be less liquid than investment-grade securities. **Liquidity Risk:** There can be no guarantee that an active market in shares of CEFs and ETFs held by the Fund will exist. The Fund may not be able to sell some or all of the investments it holds due to a lack of demand in the marketplace or other factors such as market turmoil, or if the Fund is forced to sell an asset to meet redemption requests, it may only be able to sell those investments at a loss. **Derivatives Risk:** The Fund and the underlying funds may use futures contracts, options, swap agreements, and/or sell securities short. Futures contracts may cause the value of the Fund's shares to be more volatile and expose the Fund to leverage and tracking risks; the Fund may not fully benefit from or may lose money on option or shorting strategies; swaps may be leveraged, are subject to counterparty risk and may be difficult to value or liquidate.

**Diversification does not assure a profit or protect against a loss.**

**Volume Weighted Average Price (VWAP)** is a technical analysis indicator that represents the average price of a security over a specific trading period, weighted by the volume traded at each price.

**Past performance is no guarantee of future results.**

Distributed by Foreside Fund Services, LLC.

The views expressed in this material reflect those of the Fund's Sub-Advisor as of the date this is written and may not reflect its views on the date this material is first published or anytime thereafter. These views are intended to assist shareholders in understanding the Fund's investment methodology and do not constitute investment or tax advice. This material may contain discussions about investments that may or may not be held by the Fund. All current and future holdings are subject to risk and to change. To the extent this report contains forward looking statements, unforeseen circumstances may cause actual results to differ materially from the views expressed as of the date this was written.

Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation.

Liberty Street Advisors, Inc. is the advisor to the Fund. The Fund is part of the Liberty Street family of funds within the Investment Managers Series Trust.