TAX-AWARE STRATEGIES

The Variable Too Important to Ignore.

Strategies for Business Owners, Executives, and High Net Worth Investors.

> *Tax is often the second largest variable in how much capital a business owner, executive, or investor retains. When treated as an input to portfolio construction rather than a post-event concern, structured strategies defer tax liabilities, keeping capital invested for long-term compounding.*

> *"You can only eat after-tax returns" - Warren Buffett*[1]



[1]Source: Financial Times "The $62bn secret of Warren Buffett's success" (March 4, 2015) - LINK

01 – AT A GLANCE

Three Situations Where a Tax-Aware Architecture Changes After-Tax Outcomes.

Before the tax event, coordination determines how much you keep.

01 / LIQUIDITY EVENT

You are expecting a significant tax event: a business sale, an equity raise, or a real estate disposition. A 1031 exchange limits your investable universe to real estate only.

CAPITAL GAINS
Tax deferred

OUR APPROACH

Tax-aware long/short strategies harvest capital losses preemptively to offset the recognized capital gain at realization, with no reinvestment mandate, no replacement clock, and the ability to invest proceeds with flexible exposure to publicly traded stocks.

02 / CONCENTRATED STOCK

A significant share of your net worth is held in a single equity or a handful of individual stocks with low cost basis: Selling triggers capital gains tax on every share. Holding leaves the portfolio exposed to single-name risk indefinitely.

EXIT THE POSITION
Keep capital invested

OUR APPROACH

A long/short overlay harvests losses systematically against each sale, enabling a tax-efficient exit over a few years

03 / PORTFOLIO TRANSITION

You hold a portfolio built over many years: older mutual funds, a prior advisor's holdings, or an allocation that no longer fits your plan. Selling to reposition triggers capital gains tax, so the “frozen” portfolio often goes untouched.

REALIGN ASSETS
Gains offset as you go

OUR APPROACH

A tax-aware long/short allocation generates capital losses alongside the transition, offsetting gains as legacy holdings are sold. The portfolio can be repositioned in stages toward an allocation built for your current plan, rather than all at once, with capital kept invested throughout and unused losses carried forward.[2]

[2]Franklin Templeton, "Tax-Aware Long-Short: A White Paper," Franklin Templeton Canvas, accessed July 2026 – LINK. Past performance does not guarantee future results. Loss harvest rates are illustrative; actual results vary by size, timing, tax situation and market conditions. Consult your tax advisor regarding applicability to your situation.

02 – THE MECHANISM

Growing Capital While Reducing What You Owe.

How tax-aware long/short strategies harvest losses and defer taxes.

These strategies add extensions, long positions in higher-quality companies and short positions in lower-quality ones. The portfolio aims to generate outperformance above a benchmark while capturing consistent net capital losses, including in rising markets, because individual position outcomes diverge regardless of the market's overall direction. This strategy enables investors to realize losses today and defer gains into the future. Depending on your leverage selection, the strategies can grow your capital base while harvesting significant short-term capital losses, generating both a return and a tax benefit from the same portfolio. The judgment about which strategy fits your situation, how much capital to size against your specific event, and when to engage relative to the triggering transaction is where Lakewood's architecture begins.[3]



BENEFITS
Extensions amplify outperformance potential and capital loss opportunities.

BENEFITS
Realized capital losses can be used or banked to offset future capital gains.

BENEFITS
Strategy returns with harvested tax loss benefits.

1031 EXCHANGE VS. TAX-AWARE LONG/SHORT

ATTRIBUTE	1031 Exchange	Tax-Aware Long/Short
Asset coverage	— Real estate only	✓ Any asset sold with a taxable gain
Timeline	— 45 / 180-day windows	✓ No replacement clock
Capital flexibility	— Full reinvestment required	✓ Partial deployment OK
Loss harvesting	— Not available	✓ Preemptive & ongoing
Tax outcome	✓ Deferral + step-up	✓ Deferral + step-up

[3]Franklin Templeton, "Tax-Aware Long-Short: A White Paper," Franklin Templeton Canvas, accessed July 2026 – LINK . Loss harvest rates are illustrative; actual results vary by size, timing, and market conditions. Consult your tax advisor regarding applicability.

03 - THREE APPLICATIONS

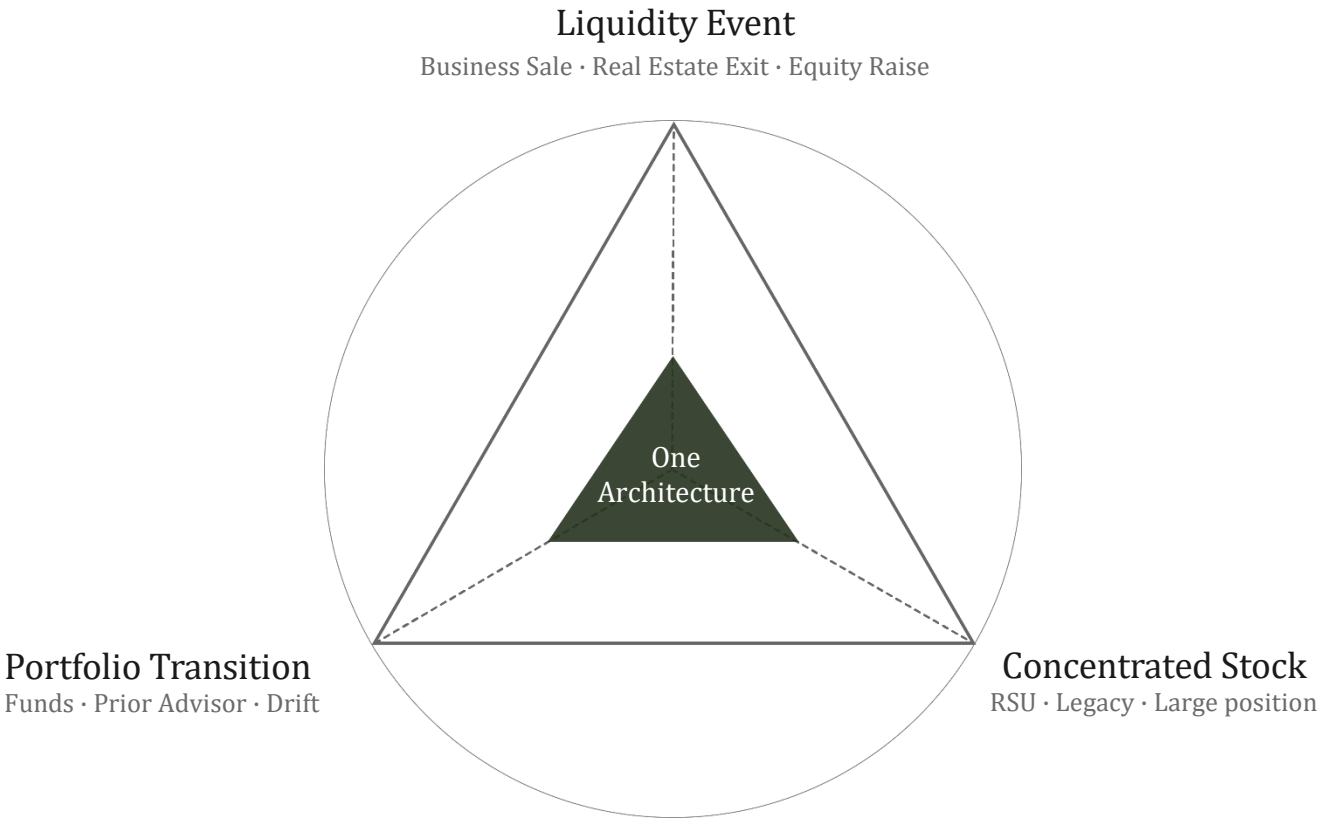
Matching the Strategy to the Situation.

One of the largest variables in your actual outcome is how much you keep after tax.

HOW IT WORKS

The architecture is the same across all three situations. What changes is the entry point, the source of the gain being offset, and the timeline to exit. Each application reflects a client situation Lakewood navigates with a specific deployment approach. As the strategies generate losses, those losses are harvested to directly offset realized capital gains. You decide your market exposure and growth potential while the strategy works to defer the tax on your gains.

> *An improvement in net proceeds is not a market outcome. It is a planning outcome. The difference is when the architecture is in place relative to the event.*



01 / LIQUIDITY EVENT

A business owner or real estate investor has a large, embedded capital gain. The optimal approach is to deploy the strategy preemptively, ideally a few years before the event closes, so that harvested capital losses accumulate in advance and are already in place to offset the recognized long-term gain. When a sale happens without advance planning, the timing of the transaction itself becomes the critical lever: because the strategy operates across tax years, even shifting a closing date from November into January moves the gain into the following tax year, opening an additional year to harvest offsetting losses.

02 / CONCENTRATED STOCK

A disproportionate share of net worth is held in a single stock position.. Selling triggers capital gains tax on every share. Holding the single stock position indefinitely leaves the portfolio exposed to single-company risk. The long/short overlay changes the trade-off by harvesting losses systematically against each sale, enabling a gradual, tax-efficient exit over a few years, with proceeds reinvested into a diversified stock portfolio.

03 / PORTFOLIO TRANSITION

An investor holds a long-standing portfolio with substantial embedded gains across many positions: older mutual funds, holdings assembled under a prior advisor, or an allocation that has drifted from the investor's goals. Each repositioning trade realizes a gain, so the portfolio often stays as it is. The long/short strategy generates capital losses that offset gains as legacy positions are sold, enabling a staged, tax-efficient transition into a diversified portfolio built for the investor's current plan. Each sale can be paced to the losses available.[4]

04 / PLANNING ACROSS EVENTS

Many investors face more than one of these situations over a decade: a concentrated position today, a business sale in a few years, a portfolio transition after that. Capital losses not used in the current year can be carried forward*, so a single long/short allocation can build a loss reserve that serves each event in turn. Planned this way, the strategy is sized to the full arc of expected gains rather than to a single transaction. Lakewood maps that sequence with your CPA up front.

> *The clients who benefit most are the ones who have an architecture built early.*

[4]Franklin Templeton, "Tax-Aware Long-Short: A White Paper," Franklin Templeton Canvas, accessed July 2026 – LINK. Past performance does not guarantee future results. Loss harvest rates are illustrative; actual results vary by size, timing, tax situation and market conditions. *Some states do not allow carry forward capital losses. Consult your tax advisor regarding applicability to your situation.

04 - IMPLEMENTATION

How Lakewood Coordinates the Strategy.

Architecture before allocation. Coordination is the value access cannot replace.

CPA COORDINATION

The judgment about when to deploy, how to size capital against a specific tax event, when the strategy needs to be in place: that is the advisory role. Lakewood builds the architecture before the event, not after the tax bill arrives. For most liquidity events, that work begins years in advance. A qualified investor can access these strategies through an institutional platform. What Lakewood provides is the architecture around them. That judgment is the product of three careers built inside institutional finance: multi-asset derivatives trading for institutional portfolios and hedging concentration risk at JPMorgan. We coordinate directly with your tax team. We align year-end tax reporting with the timeline your filing schedule requires. We join tax planning calls alongside your CPA and estate advisors. The tax plan and the investment architecture are built together, not reconciled after the fact.

WHO THIS IS DESIGNED FOR

These strategies are most effective for investors with $3M or more in investable assets and deliver the greatest impact at $5M and above, where the tax benefits meaningfully compound.

FLEXIBILITY BY DESIGN

Lakewood guides clients on market exposure. The goal is to keep more of what you earned, on terms that fit your plan. Every year, the strategy expects to generate net capital losses, adding to a loss reserve you can use to reduce taxes on current or future gains.

MULTI-MANAGER ACCESS

Lakewood evaluated multiple institutional managers across the tax-aware long/short landscape. The selection criteria focused on realized composite performance, fee structure, funding flexibility, and single-stock concentration limits. We size each allocation to your risk tolerance and your specific tax situation.

UNDERSTANDING THE RISKS

These strategies involve leverage, short selling, and active trading. Each introduces risks that traditional long-only portfolios do not carry. The strategies can underperform their targeted benchmarks. Manager risk, counterparty risk, and liquidity constraints apply. Tax outcomes are illustrative and depend on individual facts, timing, and market conditions. Tax benefits reflect deferral, not elimination. These strategies are appropriate for accredited and qualified investors who understand and are comfortable with the risks involved. Lakewood evaluates suitability for each client before recommending any allocation.

05 - YOUR TEAM AT LAKEWOOD

The Partners.

THE NEXT STEP

If you are anticipating a liquidity event, hold a concentrated position, or have a portfolio with large embedded gains, the earlier this planning begins, the more it can deliver. We are currently having this conversation with clients and their tax advisors.

We are ready to have it with you.

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FIDUCIARY OVERSIGHT

Fee-only. No commissions. Every recommendation is evaluated on its after-tax merit to your situation.

REGULATORY FRAMEWORK - MANAGED WITHIN THE STRATEGIES

Three IRS rules govern this space. The Economic Substance Doctrine requires that strategies target pre-tax returns, not tax benefits alone. The Wash-Sale Rule (IRC Section 1091) disallows a loss if a substantially identical security is repurchased within 30 days. Constructive Sale rules (IRC Section 1259) restrict shorting a position with large, embedded gains. The strategies are designed explicitly around each constraint. Tax outcomes described are illustrative and reflect current interpretations of tax law, which the IRS may challenge or disallow, and which may change prospectively or retroactively.

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