Berkshire
ASSET MANAGEMENT

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Tax Alpha Transition Strategy

A more attentive alternative to direct indexing — for portfolios carrying embedded capital gains.

With markets at or near all-time highs, advisors would like to rebalance, but manager changes might mean big tax problems. **Unlike some traditional transition approaches that may involve more immediate realization of embedded gains,** Berkshire works within a client-directed tax budget and timeline — typically two to three years — to actively manage the transition of a portfolio's embedded gains into the Berkshire Dividend Growth Strategy. No algorithm takes the wheel; a seasoned Portfolio Manager does, account by account, stock by stock.

What advisors tell us

- "I need to change large cap strategies, but I'm worried about capital gains."
- "I don't want to just track an index — I want active management, especially at these levels."
- "The fees on direct indexing seem high, and there are too many confirms."
- "I want something simple I can explain to clients, not a bunch of Greek symbols."

What many clients prioritize

- Cash flow from dividend growth stocks — not a basket of ETFs or an index.
- Simplicity: a portfolio they can understand and explain.
- A seasoned portfolio manager customizing each account — not an algorithm.
- A simple and easy to understand plan that is customized to their tax budget and timeline.

> *"Advanced tools guide us, but common sense rooted in fundamental analysis prevails. Real tax management is often simply making a few smart moves — not chasing overly complicated algorithms."*

Ideal advisor engagements

- Switched firms, legacy strategy unavailable
- Firing an underperforming manager
- Inherited or bought a managed book
- In-kind transfer from another firm
- Advisor-directed accounts moving to outside managers

Ready to talk tax alpha?

Send us your current holdings and tax cost basis, and we'll show you what a custom, gradual transition into the Berkshire Dividend Strategy could look like for your client. Simple. Effective. Easy to explain to clients.

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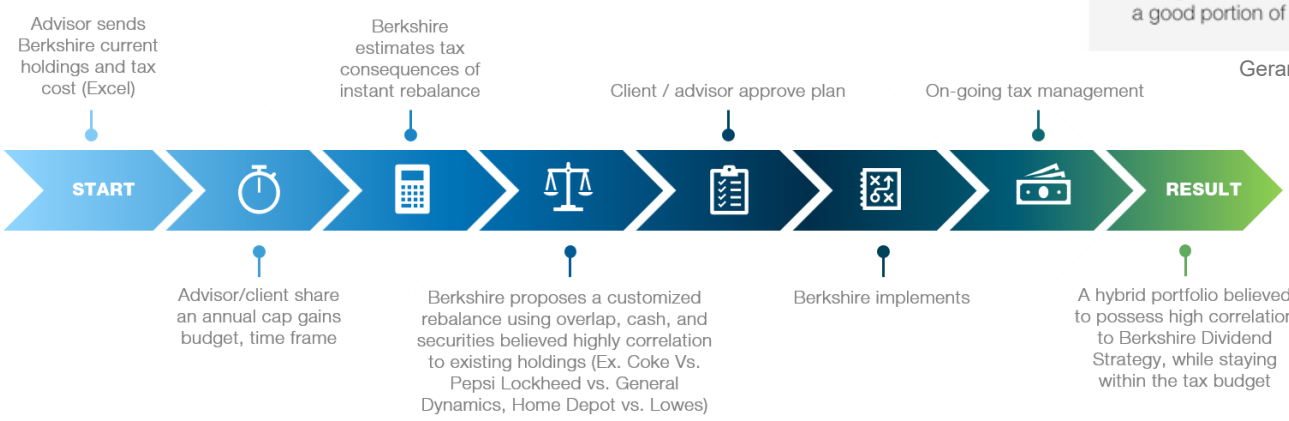
How the Transition Works

A STRAIGHTFORWARD PROCESS

> "It's often a select number of securities creating all the tax problems and retaining them for a year or two often mitigates a good portion of the gains."
>
> Gerard Mihalick, CFA



Instant vs. Gradual Rebalance — Illustrative Example

Hypothetical $1.34M portfolio with embedded gains. For illustrative purposes only — not a projection or guarantee.

Metric	Instant Rebalance to Berkshire	Gradual Rebalance to Berkshire
Gains Realized	$345,982	**$73,957**
Cash Taxes Owed	$69,196	**$14,791**
Tax as % of Market Value	5.15%	**1.10%**
Invested in Berkshire, Year 1	100%	**68%**

$54,405	**4.05%**	**~3 yrs**
ILLUSTRATIVE DIFFERENCE IN YEAR 1 TAXES	ILLUSTRATIVE TAX ALPHA, YEAR 1	ESTIMATED TRANSITION

Why advisors may choose this over direct indexing

- ✓ Simple, transparent, easy to explain to clients
- ✓ Customizable — account by account, stock by stock
- ✓ Rooted in common sense and fundamental analysis
- ✓ Backed by Berkshire's hands-on service model

How it's built

- ✓ Overlap, cash, and highly correlated pairs (e.g., Coke/Pepsi, Home Depot/Lowe's)
- ✓ A hybrid portfolio tracking toward the Berkshire Dividend Strategy
- ✓ A handful of concentrated positions often drive most of the tax cost — retaining them a year or two helps manage the timing of capital gain recognition

Important disclosures: This flyer is for informational purposes only and should not be construed as investment, tax, or legal advice. Berkshire Asset Management, LLC does not provide tax or legal advice; references to tax savings or efficiencies are strictly illustrative. The transition scenario shown is hypothetical and provided solely to explain the firm's process — it is not a projection or guarantee of future outcomes. Assumptions such as tax rates, cost basis, and holding periods may not reflect actual client circumstances and are subject to change with market conditions and applicable tax law. Actual results will vary. Investments are not FDIC-insured, are not deposits of or guaranteed by a bank or any other entity, and may lose value. Dividends are subject to change, are not guaranteed, and may be cut; investing based on dividends alone does not account for all material risks. Past performance does not guarantee future results. Berkshire's equity style may concentrate in certain sectors, increasing potential volatility relative to other strategies or indices. Portfolios typically hold approximately 30–40 securities in weightings of 1–5%; a complete list of holdings from a representative account is available upon request. Clients should consult their own qualified tax and legal professionals before implementing any strategy.