



Integrated approach to tax management of SMAs and UMAs.



Tax overlay as an integrated after-tax advantage.

Tax overlay is a process designed to integrate tax considerations into multiple layers of portfolio management.

The goal is to execute portfolio transactions while managing the tax impact to an account. It's not just about growing wealth—it's about keeping more of it throughout the portfolio management lifecycle.

At SEI, we believe that building efficient investment solutions requires thoughtfully integrating portfolio design, portfolio management, and trading. Tax overlay supports this by:

Transitioning existing securities.

Comparing risk between an existing and a target portfolio to help manage tax impact during a transition, including individual stocks, exchange-traded funds (ETFs), and mutual funds.

Harvesting tax-loss opportunities.

Engaging in daily tax management and automated tax-loss harvesting in an effort to improve after-tax returns while maintaining a portfolio's investment strategy.

Coordinating trading and seeking to avoid wash sales.

Investing cash into other securities in an effort to keep the portfolio as close to the target allocation as possible, while addressing wash sale restrictions.

Analyzing opportunities to defer short-term gains.

Employing logic to analyze the size and risk of a position, size of a gain, and how long until a position changes from short-term to long-term.

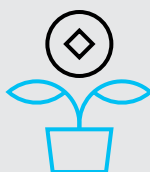
Tax management is more than just a feature—it's a guiding philosophy embedded in nearly every aspect of our approach. Effective tax management requires intention and integration at the portfolio level.

SEI Managed Account Solutions offers two structures—separately managed accounts (SMAs) and unified managed accounts (UMAs). SMAs provide targeted investment strategies with personalized tax management, allowing for customized portfolios that can enhance after-tax returns. UMAs integrate multiple investment strategies into a single account, streamlining portfolio oversight while maintaining a strong focus on tax efficiency. Both structures are designed to provide opportunities for improving after-tax returns with thoughtful tax analysis and the systematic integration of tax considerations into initial implementation as well as ongoing portfolio management.

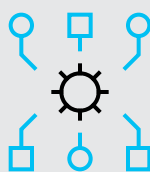
Direct ownership of securities and thoughtful optimization enables opportunities for:



Efficient tax transition



Ongoing tax-loss harvesting at the position and tax-lot level



Trading coordination

The goal is to provide always-on, proactive oversight of tax implications.

Applying tax overlay considerations at account implementation.

Clients often come to advisors with legacy investments that may no longer align with their current goals.

These holdings can carry unrealized gains and selling them may create undesirable tax consequences. To evaluate the trade-offs between an optimized portfolio and expected capital gains, SEI offers a thorough and transparent tax transition analysis, with multiple approaches and scenario options to evaluate for account implementation.

Exhibit 1 Tax management and transition approaches

Transition approach	Model overlap	Light approach	Standard approach
Goal of approach and trade-off	Maximize overlap with investment strategy	Lower deviation (risk) from the target model, balancing net realized gains with target model overlap	Offers a higher tax sensitivity and potential for less realized gains but higher deviation (risk) from the target model
Tracking error	Target 0%	Low	Medium
Target model overlap	Target 100%	High	Medium
Potential turnover	Highest	Medium	Medium-low
Return emphasis	Pre-tax	After-tax	After-tax
In-kind security and tax-lot consideration	✓	✓	✓
Avoid wash sales		✓	✓
Minimize capital gains		✓	✓
Include ETFs and/or Mutual Funds*		✓	✓
Include annual capital gains budget		✓	✓
Include Tax-Constrained option			✓

*SEI sponsored ETFs and mutual funds are not available for this option at this time

Transition approaches for SMAs and UMAs

To meet the diverse needs of clients and account tax statuses, we offer three tax management approaches: model overlap, light, and standard (Exhibit 1).

Each approach considers in-kind transfers and individual tax lots in building the investment strategy. They differ in how they prioritize tax management, diversification, and tracking error limits relative to the target model—factors that collectively provide options for optimizing pre-tax and after-tax returns.

Light and standard approaches incorporate advanced tax management elements, providing trade-off options to balance deviation from the target model with net realized gains for implementation, designed to actively harvest losses, defer gains, systematically optimize risk, and control costs.

Maximize control with an annual capital gains budget.

A capital gains budget sets a target for net realized gains each tax year, aligning portfolio management decisions with broader financial and tax objectives.

The budget is applied annually as a net framework that seeks to reduce or defer gain realization and may help offset gains through tax-loss harvesting.

Throughout the year, investment trading decisions—whether related to asset allocation, liquidity, or rebalancing—are evaluated in the context of the client’s capital gains budget. The capital gains budget serves as a strategic constraint, guiding decisions without being rigid.

Providing robust assessment through a tax transition analysis

Investors with substantial unrealized gains may hesitate to diversify due to tax concerns, leaving them feeling stuck with their portfolios. Tax transition analysis offers valuable insights by presenting multiple scenarios to help assess the implications of alternative actions (Exhibit 2). This analysis helps guide the migration of concentrated, unmanaged, or other current portfolios into a customized investment strategy, such as an SMA, while managing tax impact.

Two approaches designed to integrate elements of our robust tax management support the process to help you carefully craft an implementation plan:

LIGHT APPROACH

Offers a lower deviation from the target model, balancing net realized gains with target model overlap.

STANDARD APPROACH

Offers a higher tax sensitivity and potential for less realized gains but a higher deviation from the target model.

Exhibit 2 Transition summary and options

	Current portfolio	Model overlap	Light approach	Standard approach
Realized Gain/Loss		\$367,402	\$72,017	\$(34,826)
Short-term		\$108,102	\$(33,402)	\$(39,394)
Long-term		\$259,300	\$105,418	\$4,568
Unrealized Gain/Loss	\$1,215,144	\$847,652	\$1,142,874	\$1,249,784
Short-term	\$155,434	\$47,301	\$188,647	\$194,673
Long-term	\$1,059,710	\$800,351	\$954,227	\$1,055,111
Tracking error (vs model)	3.01%	0.02%	1.28%	2.16%
Turnover	100%	55.84%	23.62%	13.48%
Estimated tax cost	\$315,628	\$105,819	\$11,462	\$(14,986)
Potential tax savings		\$209,809	\$304,166	\$330,614

For illustrative purposes only

ADDITIONAL OVERLAY CAPABILITY:

Tax-Constrained option

For investors with unrealized gains or gains budgets so restrictive that it makes it difficult to manage the portfolio within standard tracking error guidelines, we offer the Tax-Constrained option.

This option provides a tax-efficient means of transition over multiple years, where a set amount of net realized capital gains is targeted and proceeds invested to bring the portfolio increasingly more in line with target.

Smart tax overlay can provide ongoing portfolio efficiency.

Daily tax management helps harvest meaningful capital losses throughout the year, minimize realized gains while considering portfolio optimization and trading costs, and avoid wash sales within accounts.

By staying invested and seizing strategic loss-harvesting opportunities, investors can reduce current tax liabilities to support long-term wealth.

The opportunity to harvest losses offers investors multiple tax benefits:

IMMEDIATE BENEFIT

A reduction in tax liabilities when the harvested losses are used to offset realized gains and income

FUTURE BENEFIT

Higher terminal wealth through the potential growth of assets not used to pay taxes

We seek tax-loss harvesting opportunities daily, but we also recognize that potential benefits may be limited and should be weighed against both real and opportunity costs. Said differently, blindly harvesting any losses can lead to substantial turnover and costs. That’s why SEI’s tax overlay process focuses on meaningful tax-loss harvesting opportunities, where the potential tax benefits are anticipated to outweigh expected costs, without compromising portfolio optimization or risk. Coordinated trading and gain deferral work together in an effort to maximize after-tax returns throughout the year.

Bringing personalization and potential tax benefit to investors

With more than two decades of tax management expertise and results, SEI understands the importance of an integrated approach to tax management—covering gains, losses, and optimization—at every stage of the investment lifecycle. Our proven, flexible process simplifies the complex by delivering highly personalized, tailored solutions.

IMPORTANT INFORMATION

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Investing involves risk including possible loss of principal. There is no guarantee that risk can be managed successfully.

The Sample Tax Transition Analysis is provided solely for illustrative purposes to help investors understand the potential implications of transitioning a current portfolio to align with a model portfolio. The analysis displays hypothetical outcomes such as estimated tax cost, realized and unrealized gains or losses, tracking error, and turnover, which are based on assumptions and may not reflect actual results.

The Tax Transition Analysis is intended to present multiple scenarios to help investors assess the implications of alternative actions.

Current Portfolio - Highlights the realized and unrealized gain/loss positions in the existing portfolio.

Model Overlap - Measures the estimated transition activity and tax costs that a client would incur from transitioning an existing portfolio to the target portfolio, with only tax management oversight the consideration of in-kind transfer of securities and tax lots for the building of the designated investment strategy.

Light approach - The "Light" approach tax sensitivity selection, when compared to the "Standard" approach selection, is intended to minimize deviation from the Investment Strategy's target model while still providing enhanced tax management to limit the Investment Strategy's tax impact.

Standard approach - The "Standard" approach selection is the default option, offering enhanced (increased) tax sensitivity and a greater probability of deviating further from the Investment Strategy's target model

Tax-Constrained option - Removes tracking error limits and offers the opportunity to unwind large, embedded gains over one or more tax years with progressive moves to optimize the target Investment Strategy. Sets a target net realized capital gains amount for each calendar year without a tracking error limit, regardless of the deviation from the target Investment Strategy. This option will increase the probability of further deviation from the target Investment Strategy. SEI sponsored ETFs and Mutual Funds are not available for this option at this time.

Tracking error - The measure of the risk of the client's portfolio relative to the underlying target portfolio. A tracking error of 1% means that the invested portfolio return is expected to be +/- 1% from the model return 68% of the time and +/- 2% from the model return 95% of the time.

Turnover - The measure of how many securities in the portfolio were either bought or sold during the transition to the target portfolio.

Estimated tax cost - The estimated tax cost represents the sum of the realized short-term and long-term gains expected to be generated during the transition times their respective tax rates.

The tax transition report was prepared by SIMC. The content of this report is based on information provided to SIMC by the end investor through his/her financial advisor. Analysis was performed at request of the financial advisor and is for the sole use with the individuals named therein. No information shall be construed as a solicitation or a recommendation to transact in any security and the recipient shall not use the contents of the report as the sole basis for making an investment decision. The report is provided for educational purposes only.

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Estimated tax costs and savings are approximations and do not account for all possible tax consequences or future changes in tax law. Tracking error represents the expected deviation from model returns and is not a guarantee of performance. This analysis does not constitute investment advice or a recommendation, and investors should consult with their financial and tax advisors before making any portfolio changes, as neither SEI nor its affiliates guarantee outcomes or provide tax advice.

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