

Direct Indexing & Tax Loss Harvesting **Disclosures**

Introduction

- Investment advisory services for Direct Index Accounts (“DI Accounts”), including tax loss-harvesting, are provided by Public Advisors LLC (“Public Advisors”), an SEC-registered investment adviser. Brokerage services are provided by Open to the Public Investing, Inc. (“Public Investing”), member FINRA / SIPC. Public Advisors and Public Investing are wholly-owned subsidiaries of Public Holdings, Inc. (“Public Holdings”). Public Advisors charges a management fee for its advisory services; Public Investing may charge fees for its brokerage services.
- Before investing, consider your investment objectives, all fees and expenses, and any potential conflicts of interest. For more details, see Public Advisors’ [Form CRS](#) and [Form ADV Part 2A](#), and other disclosures. Please also see Public Advisors and Public Investing’s [Fee Schedule](#). All investing involves risk and past performance is no guarantee of future results. Any historical returns, expected returns, or probability projections are provided for informational and illustrative purposes, and may not reflect actual future performance.

Direct Indexing Disclosures

- A DI Account with Public Advisors enables you to directly invest in the individual stocks that comprise a particular benchmark market index (“Benchmark Index”). The portfolio of the DI Account (“DI Portfolio”) aims to replicate and track the overall performance of this Benchmark Index while permitting certain customizations and restrictions. While a DI Portfolio aims to track the Benchmark Index’s overall performance as closely as possible within a reasonable tracking error, your DI Portfolio’s composition, weights, and performance may deviate from the Benchmark Index due to tracking error, market conditions, the frequency of rebalancing and tax loss harvesting, and any portfolio customizations you elect.

You should be prepared for potential deviations in composition and performance between your DI Portfolio and the Benchmark Index (including possible underperformance of your DI Portfolio), and understand that Public Advisors does not guarantee alignment in either composition or performance.

- Benchmark Indexes that target a smaller universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus. When the composition of a Benchmark Index is in a concentrated number of securities, a decline in the value of these securities would cause the associated DI Portfolio to decline to a greater degree than that of a less concentrated portfolio. Benchmark Indexes that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than Benchmark Indexes that diversify among a broad range of sectors.
- Actual indexes are not available for direct investment; therefore, their performance does not reflect the expenses associated with management of a DI Account.

Tax Loss Harvesting Disclosures

- After your DI Account has been open, Public Advisors will begin applying automated tax loss harvesting (“TLH”) for your Account. Specifically, each time your DI Portfolio is rebalanced, Public Advisors will apply automated TLH to sell and buy stocks in a tax-efficient manner while keeping your DI Portfolio’s overall performance aligned within a reasonable tracking error to the Benchmark Index. Similarly, every time your DI Account experiences a cash inflow or outflow, Public Advisors will apply rebalancing and automated TLH to sell and purchase stocks in a manner that optimally balances between tracking error and tax savings. In order to opt out of TLH altogether for your DI Account, you must set their DI Account’s rebalancing schedule to “None.”
- TLH looks for opportunities to sell existing positions in your DI Portfolio at a loss and then invest the sales proceeds in one or more alternate stocks that still enable the DI Portfolio to replicate and track the overall performance of the Benchmark Index. However, the performance of these replacement stocks purchased through TLH is not guaranteed. The performance of such replacement stocks may be worse than the performance of the securities sold and may cause the overall performance of the DI Portfolio to deviate from the Benchmark Index. The replacement stocks may also have higher costs than the original investment.
- The effectiveness of the TLH strategy to reduce your tax liability will depend on your entire tax and investment profile, including purchases and dispositions in your (and, if applicable, your spouse’s) other investment accounts within and outside of Public Advisors, the type of investments (e.g., taxable or nontaxable), and holding period (e.g., short-term or long-term). Furthermore, Public Advisors’ TLH software is designed to monitor holdings within a specific DI Account to determine whether there are unrealized losses that can be harvested. However, our software lacks visibility into the holdings in any of your other investment accounts, including but not limited to the your other DI Accounts with Public Advisors (to the extent you have opened more than one), other brokerage accounts with Public Investing, and other investment accounts outside of Public Advisors or Public Investing. Any holdings and transactions outside of your specific DI Account may affect whether a loss is successfully harvested and, if so, whether that loss is usable in the most efficient manner.
- Tax loss harvesting may generate a higher number of trades due to attempts to capture losses. There is a chance that trading attributed to tax loss harvesting may create capital gains and wash sales and could be subject to higher transaction costs and market impacts. In addition, tax loss harvesting strategies may produce losses, which may not be offset by sufficient gains in the account and may be limited to a \$3,000 deduction against income. The utilization of losses harvested through the strategy will depend upon the recognition of capital gains in the same or a future tax period, and in addition may be subject to limitations under applicable tax laws, e.g., if there are insufficient realized gains in the tax period, the use of harvested losses may be limited to a \$3,000 deduction against income and distributions.
- A “wash sale” occurs when a taxpayer sells a security at a loss and then purchases the same security or a substantially identical security over a period of 61 days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. If a wash sale occurs,

the IRS may not allow the loss to offset gains or income for current tax year reporting purposes. Wash sales can occur even if the securities are sold and then bought in different investment accounts. For more information on the wash sale rule, please read [IRS Publication 550](#).

Public Advisors' TLH software monitors the transactions within a specific DI Account in order to avoid creating wash sales from other transactions within this DI Account. However, our TLH software lacks visibility into the holdings and transactions of your other investment accounts, including but not limited to the your other DI Accounts with Public Advisors (to the extent you have opened more than one), other brokerage accounts with Public Investing, and other investment accounts outside of Public Advisors or Public Investing. You are responsible for monitoring these other investment accounts (and, if applicable, any investment accounts of your spouse) to ensure that transactions in the same security or a substantially identical security do not create a wash sale. If a wash sale is created under those circumstances, Public Advisors may not be able to provide notice of such wash sale in advance of your receipt of the IRS Form 1099.

- Public Advisors and its affiliates do not provide legal or tax advice and do not assume any liability for the tax consequences of any client transaction. Clients should consult with their personal tax advisors regarding the tax consequences of investing with Public Advisors and engaging in these tax strategies, based on their particular circumstances. Clients and their personal tax advisors are responsible for how the transactions conducted in an account are reported to the IRS or any other taxing authority on the investor's personal tax returns. Public Advisors assumes no responsibility for the tax consequences to any investor of any transaction, including any capital gains and/or wash sales that may result from TLH.
- Public Advisors' TLH is not intended as tax advice, and Public Advisors does not represent in any manner that the tax consequences described will be obtained or that Public Advisors' investment strategy will result in any particular tax consequence. The tax consequences of this strategy and other Public Advisor strategies are complex and may be subject to challenge by the IRS.

Benchmark Index Disclosures

- When opening a DI Account, you can elect to track one of the various Benchmark Indexes that Public Advisors has licensed from S&P Dow Jones Indices LLC and Solactive AG.
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