



## Equities

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# Understanding a Tax-Aware Defensive Equity Long-Short Strategy

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We describe a hypothetical Tax-Aware Defensive Equity Long-Short (TADELS) strategy, including its construction and pre-tax and after-tax performance. TADELS closely replicates the pre-tax performance of a similar hypothetical tax-agnostic strategy and has the potential to achieve a meaningful tax benefit for a taxable investor. TADELS tax benefit remains even when accounting for liquidation taxes. We show that TADELS is attractive in both up- and down-market periods and can diversify typical hedge fund allocations. Moreover, TADELS tax benefit has the potential to make an investor's entire portfolio more tax-efficient.

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