

Quarterly Loss Harvesting Term Sheet

Quarterly Loss Harvesting (QLH) is a tax efficient management overlay service that seeks to harvest eligible losses of 5% or more at the individual tax lot level on a quarterly basis (every 91 calendar days starting from time of enrollment), subject to a limit based on a level of portfolio turnover determined from time to time by Merrill at its discretion. The goal of QLH is to increase the after-tax value of accounts by harvesting losses on a consistent schedule.

Key terms of the QLH service

Fee: There is no separate or additional fee for the selection of QLH.

Eligible investments: Taxable, domestic client accounts must be enrolled in a Managed Strategy or a Custom Managed Strategy within the Merrill Lynch Investment Advisory Program and invested in an eligible investment strategy. Eligible investment strategies include the following:

- Style Manager Strategies invested in individual equity securities and/or certain preferred securities
- Exchange traded funds (ETFs)
- Mutual funds

Once selected, QLH will be applied to any eligible investment strategies in an enrolled account. QLH will not be applied to any fixed income securities held in an enrolled account, including those held as part of an otherwise eligible Style Manager Strategy. Certain Style Manager Strategies are not eligible for QLH. As such, QLH may not apply to all investments that are part of a Custom Managed Strategy. Consult with your advisor for a list of eligible Style Manager Strategies.

Frequency of service: QLH analysis and harvesting action occurs every 91 calendar days, starting from the date of enrollment in this service.

Approach to harvesting losses: Not all losses may be realized due to wash sale considerations, security eligibility, client-imposed and other restrictions, the portfolio turnover threshold level, or size of the unrealized loss.

Treatment of proceeds from service: Proceeds are invested in one or more replacement ETFs selected with the goal of maintaining market exposure during the wash sale period.

Wash sale protection: Account level wash sale protection will be applied to securities harvested for a loss. Replacement ETF securities will be sold and the strategy positions will be repurchased after the wash sale period has expired.

Treatment of newly invested funds: If you add funds to your account within 30 days after a loss has been realized, the contribution will be invested across the holdings of the strategy and any replacement securities, subject to internal rules and implementation practices.

Reporting: For losses realized by the QLH overlay service, you will be able to view a personalized potential tax savings analysis, subject to certain limitations as described in the report, available from your advisor.

QLH may not protect against the disallowance of losses under the wash sale rules.

QLH will only apply to eligible investments within the account for which it was selected and will only take into consideration the trading activity that occurs in that enrolled account. It will not take into consideration securities held in other accounts at Merrill or other firms.

The risks and limitations of Tax Efficient Management Overlay Services, including QLH, are discussed in more detail in the Merrill Lynch Investment Advisory Program Brochure in the Tax Matters section.

Depending on your goals and the holdings in your account, this service may be used in conjunction with other Tax Efficient Management Overlay Services and other client-directed tax harvesting requests.

If enrolling in the Tax Efficient Transition (TET) Service and QLH, please review the TET Term Sheet available at mymerrill.com/ADV/materials, to understand how these two services work together.

You should consult your tax and/or legal advisor prior to enrolling in any Tax Efficient Management Offering, as well as on an ongoing basis, to determine whether the wash sale rules, the straddle rules, or other special tax rules could apply to your trading activity

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An example of Quarterly Loss Harvesting

To demonstrate how QLH works, consider an enrolled account with multiple securities as shown in the table below. For simplicity, we assume each position has only one tax lot.

In this example, QLH identified eligible losses that can be harvested because securities “AB,” “CD,” and “IJ” meet the criteria of this service:

- Securities “AB,” “CD,” and “IJ” are held at a loss greater than 5%. These positions will be harvested.
- Security “MN” is held at a loss that is less than 5% and will not be harvested.
- All other securities are held at a gain and will not be harvested.

After eligible losses are harvested, a 30-day wash sale restriction will be placed on the account for securities “AB,” “CD,” and “IJ.” The proceeds from these sales will be invested in a replacement ETF for the purpose of maintaining market exposure and minimizing tracking error during the wash sale period.

Once the wash sale restrictions expire, the replacement ETF will be sold, and securities “AB,” “CD,” and “IJ” will be repurchased, if the securities continue to be held in the strategy.

Symbol	Holding period	Unrealized gain or loss %	Unrealized gain or loss \$	Security price \$	Initial shares	Final shares	Trade quantity	Proceeds \$	Realized gain or loss \$
AB	109 days	-9.10%	(360.6)	72.1	50	0	-50	(3,605.0)	(360.6)
CD	108 days	-15.30%	(603.0)	33.5	100	0	-100	(3,350.0)	(603.0)
EF	281 days	12.00%	1,290.0	56.6	150	150	0	-	-
GH	862 days	10.00%	3,366.0	32.1	100	100	0	-	-
IJ	108 days	-6.00%	(50.6)	66	12	0	-12	(792.0)	(50.6)
KL	281 days	5.00%	450.6	101.2	45	45	0	-	-
MN	132 days	-3.90%	(472.0)	276.4	130	130	0	-	-
OP	108 days	11.00%	1,999.2	75	180	180	0	-	-
Replacement ETF				59.43	0	130	130	7,725.9	

For illustration only

Additional resources

- [Guide to Tax Efficient Management Offerings](#)
- [Merrill Lynch Investment Advisory Program Brochure](#)