AUGUST NEWSLETTER

CUTTING THROUGH THE NOISE

Tax-Loss Harvesting

This month, we're discussing **tax-loss harvesting (TLH)** — a valuable strategy for optimizing returns after taxes.

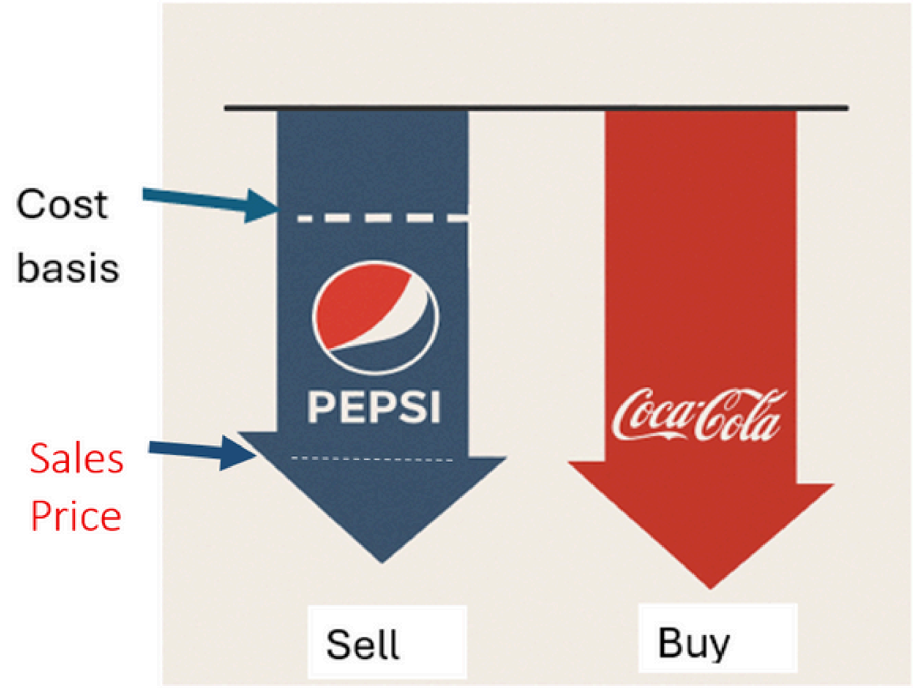
What is TLH?
It involves selling an investment that has declined in value to realize a loss for tax purposes. That loss can offset capital gains or reduce taxable income. Typically, investors reinvest the proceeds into a similar (but not identical) security to maintain market exposure while staying compliant with IRS rules — namely, the **wash-sale rule.**

What is the wash-sale rule?
This IRS rule disallows a tax deduction if you buy the same or a "substantially identical" security within 30 days before or after the sale. The loss isn't gone forever — it's added to the cost basis of the new investment, deferring the tax benefit until a future sale. The intent is to prevent investors from creating artificial tax losses while keeping the same position.

Of course, **there's no way around the opportunity cost.** Selling a stock like Pepsi for a loss might come at the worst possible time. If Pepsi rebounds and the replacement stock doesn't, the difference represents a real cost.

So how do we minimize that risk?
By buying a stock that's influenced by similar market forces. In this case, a logical substitute might be... Coca-Cola.

Here’s a simple visual to illustrate the concept:



Consider this scenario: Since Pepsi and Coca-Cola are driven by similar factors, they might both decline after you switch from Pepsi to Coca-Cola. In that case, you still capture the tax loss from Pepsi — which can offset other gains in your portfolio.

Conversely, if both stocks rebound, you benefit from Coca-Cola’s recovery while still realizing the loss from Pepsi.

That’s the kind of win-win we are always looking for at Carrera!

I don’t know about you, but this Summer seems to be flying by for us. If you have any children, start getting them ready for school again, and we’ll be back with more updates in early September! Enjoy the rest of Summer.

July 2025 Returns:
S&P 500 +2.3% || Dow +0.2% || Nasdaq 100 +2.4% || LT Treasuries -1.1%
TBills +0.4% || Aggregate Bonds -0.2% || Developed Int'l -2.1%
Emerging Int'l +0.7% || Commodities +3.4% || Real Estate +0.1% || U.S. Dollar +3.8%

Congratulations to Madison Clement on Passing Her CFP® Exam!

We're proud to celebrate a major milestone for Madison Clement—she has officially passed the CFP® exam! This achievement reflects Madison's deep commitment to excellence and her dedication to serving clients to the best of her ability. Her accomplishment not only elevates her individual credentials but also strengthens the value we bring to the families and individuals we serve. Congratulations, Madison!

July 2025 Recap

- **Economic Environment:** Growth stayed sluggish, with GDP estimates revised slightly lower. Inflation eased to 3.0% year-over-year as services cooled further. The labor market continued to soften, with slowing wage gains and fewer job openings.
- **Market Performance:** The S&P 500 rose 2.4%, helped by strong tech earnings and a Fed rate cut. Bond yields dipped, gold gained 0.9%, and oil rebounded 3.1%. International markets were mixed, with strength in developed regions offset by emerging market volatility.
- **Corporate Earnings:** Q2 earnings beat expectations in tech and healthcare. Consumer-focused companies remained cautious, emphasizing cost control and margin stability.
- **Global Trends:** China rolled out new stimulus, while geopolitical tensions and currency swings kept global risks elevated.
- **Policy Outlook:** The Fed cut rates by 25 basis points and signaled a data-dependent path ahead. Markets remain focused on fiscal talks and global central bank actions.
- **Looking Ahead:** With mixed signals and shifting policy, staying diversified and focused on long-term goals remains essential.

DISCLOSURE - The information presented is for informational purposes only and should not be considered as investment advice nor as a recommendation of any particular strategy, allocation or investment product: before making any investment decision, you should seek expert, professional advice and obtain information regarding the legal, fiscal, regulatory and foreign currency requirements for any investment according to the laws of your home country and place of residence. Past performance does not guarantee future results. Investing involves risk, including the possibility of loss pf principal. Any forward-looking statements or forecasts are based on assumptions and actual results may vary from any statements or forecasts. Information is gathered from sources believed to be reliable, but there is no warranty regarding that information. There is no requirement to update to information presented herein, unless otherwise required by applicable law. The information presented should not be considered as a solicitation for services. See Carrera Capital Advisors' ADV 2A for more information about the firm.

We use total returns that include the dividends and the expenses charged to investors for holding funds that track all corresponding benchmark indexes, so-called "Index Funds". Total returns use dividend-adjusted closing prices from Yahoo Finance as a raw input. Calculations are conducted in the R programming language by Carrera Capital Advisors.

The index returns for the month also utilize index funds that are designed to track an underlying index. Additional disclosures on each fund:

S&P 500 – iShares Core S&P 500 ETF ("IVV")

The Fund seeks to track the investment results of the S&P 500, which measures the performance of the large-capitalization sector of the U.S. equity market, as determined by S&P Dow Jones Indices LLC (the "Index Provider" or "SPDJI").

Dow 30 – SPDR Dow Jones Industrial Average ETF Trust ("DIA")

The Trust seeks to achieve its investment objective by holding a portfolio of the common stocks that are included in the Dow Jones Industrial Average (DJIA), with the weight of each stock in the portfolio substantially corresponding to the weight of such stock in the DJIA.

Aggregate Bonds – iShares Core U.S. Aggregate Bond ETF ("AGG")

The iShares Core U.S. Aggregate Bond ETF (the "Fund") seeks to track the investment results of an index composed of the total U.S. investment-grade bond market.

LT Treasuries – iShares 20+ Year Treasury Bond ETF ("TLT")

The iShares 20+ Year Treasury Bond ETF seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities greater than twenty years.

T-Bills – SPDR Bloomberg 1-3 Month T-Bill ETF (“BIL”)

The SPDR Bloomberg 1-3 Month T-Bill ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of an index that tracks the 1-3 month sector of the United States Treasury Bill market.

Int’l Developed – iShares MSCI EAFE ETF (“EFA”)

The iShares MSCI EAFE ETF (the “Fund”) seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada.

Emerging Markets – iShares MSCI Emerging Markets ETF (“EEM”)

The Fund seeks to track the investment results of the MSCI Emerging Markets Index, which is designed to measure equity market performance in the global emerging markets.

Commodities – iShares S&P Goldman Sachs Commodity Index Trust (“GSG”)

The Trust seek to replicate the performance of the S&P GSCI Excess Return Index (S&P GSCI-ER), together with collateral assets consisting of cash, U.S. Treasury securities or other short-term securities that are eligible as margin deposits for index futures on the S&P GSCI-ER.

REITs – SPDR Dow Jones Global Real Estate ETF (“RWO”)

The SPDR Dow Jones Global Real Estate ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index based upon the global real estate market

U.S.D. – Invesco DB US Dollar Bullish Fund (“UUP”)

The Invesco DB US Dollar Index Bullish (Fund) seeks to track changes, whether positive or negative, in the level of the Deutsche Bank Long USD Currency Portfolio Index - Excess ReturnTM (DB Long USD Currency Portfolio Index ER or Index) plus the interest income from the Fund's holdings of primarily US Treasury securities and money market income less the Fund's expenses