# Tax Management of Factor-Based Portfolios

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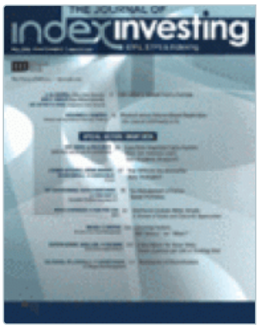

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## Abstract

The risk-adjusted returns of factor strategies can look quite attractive. However, the turnover associated with them can significantly reduce their after-tax excess returns. In this article, the authors report the results of their after-tax study of these strategies. They find that material pre-tax excess return can be gained through exposure to popular factors—up to 2.4% net of management fees. From an after-tax perspective, they find that taxes can erode much of this return unless a systematic tax management process is applied.



**TOPICS:** Analysis of individual factors/risk premia (https://www.pm-research.com/topic/analysis-individual-factorsrisk-premia), performance measurement (https://www.pm-research.com/topic/performance-measurement-0)



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