



Understanding Separately Managed Accounts

The Next Level of Investing

Managing your investment portfolio can become more challenging as your income and assets grow. While there are a number of ways to build a diversified portfolio, including individual stocks and bonds, mutual funds, and unit investment trusts, new investment opportunities become available to you as your assets increase in value. Separately managed accounts offer unique advantages compared with other investments because they provide a level of service and sophistication that is generally available only to large institutions and very wealthy investors.

A separately managed account can help you address specific issues that relate to your changing financial needs, such as tax efficiency and the exclusion of certain securities from your portfolio.

The Separately Managed Accounts Difference

Separately managed accounts are typically offered within a consultative process that includes setting specific objectives, developing an investment policy, selecting investment managers, and monitoring your plan. Some of the most attractive features provided in a separately managed account include:

- **Direct ownership of securities.** You own the securities purchased for your account. Your money is not pooled with that of other investors as in a mutual fund. Direct ownership enables you to tailor your account to address specific needs, including:
 - **Managing tax consequences.** The cost basis for each security in your portfolio is established at the time of purchase, so you are not subject to gains earned by other shareholders as you might be in a mutual fund. This enables you to coordinate year-end tax management with your tax professional and investment manager.*
 - **Customizing your portfolio.** You may request that your investment manager exclude certain securities from your portfolio, such as companies in which you already have a large exposure or those that you would prefer not to invest in at all.
- **Due diligence.** Investment managers typically undergo a thorough screening process, and are required to adhere to a specific investment style or objective. Once chosen for a separately managed account program, investment managers are reviewed on an ongoing basis and must meet and maintain defined standards.
- **Comprehensive quarterly reports.** You will receive a detailed quarterly report that not only covers the progress of your investment, but also gives you insights into how that performance was achieved and how it relates to your specific goals.
- **A single asset-based fee.** You pay one fee to cover investment counseling, portfolio activity, and other ongoing expenses.

* Our firm does not provide legal, tax, or accounting advice. Please consult your tax adviser regarding your particular situation.

Separately Managed Accounts and Mutual Funds

	Separately Managed Account	Mutual Fund
Ownership	Individual securities within the investment portfolio are owned by the investor.	Investor owns shares in a pool of securities. Assets are commingled with those of other investors.
Typical minimum investment	\$100,000 per account.	\$500 to \$2,000 per fund.
Funding	Portfolios may be funded with existing securities and/or cash.	Shares in funds are purchased with cash.
Tax efficiency	The cost basis of each security is established at time of purchase. Potential for investor and his or her financial professional to manage taxation of gains and/or losses.	Cost basis may include embedded capital gains that predate the investor's purchase of shares. Tax management is under the sole control of the portfolio manager.
Portfolio holdings	Investor can request the exclusion of specific holdings from the portfolio, e.g., securities in which he or she may already have a large exposure.	Holdings are under the sole control of the portfolio manager—no flexibility for the individual investor.
Level of service	Tends to include a higher level of individualized service, consultation, and performance analysis.	Varies by financial professional and client.
Portability	Investor can transfer existing securities out of the portfolio.	Investor must liquidate shares of the fund for cash.
Fees	Single annualized wrap fee based on assets under management.	Possible sales charges on purchase or redemption (load funds), in addition to ongoing management fees.

Is a Separately Managed Account Right for You?

Because separately managed accounts offer a higher level of service, investors are usually required to make a minimum investment of \$100,000, depending on the asset management company. Separately managed accounts may be more appropriate for investors who do not have the time, experience, or inclination to manage their own portfolios, and value the capabilities and experience that a professional investment manager has to offer. Discuss with your financial professional how the personalized, professional approach of a separately managed account can help make your investment goals a reality.

Professional money management might not be suitable for all investors. Since no one investment program is suitable for all types of investors, this material is provided for informational purposes only. We need to review your investment objectives, risk tolerance, and liquidity needs before we can recommend suitable programs for you.

Accounts carried by First Clearing, LLC, member NYSE and SIPC.

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