



Separately Managed Accounts

An Advisor's Guide to SMAs Offered through Envestnet

Unlocking the Door to Your Client's Investment Potential

In a marketplace where affluent investors are hungry for personalized investment solutions, the separately managed account (SMA) has become the vehicle of choice for many. In fact, the number of separately managed accounts now totals more than 2.2 million, and assets under management for SMAs have reached \$734 Billion!¹ As your clients continue to have a palate for customized investment solutions, and as the managed account industry continues to grow in popularity, it's important that you understand how this personalized professional money management solution

can help your clients unlock the value of their investment potential.

Defining Separately Managed Accounts (SMAs)

A separately managed account is an actively managed investment vehicle that offers individual investors access to customized investment solutions utilizing professional investment managers under the guidance of a financial advisor. Unlike a mutual fund, which also offers access to professional money managers, a separately managed account is a portfolio of individually-owned securities managed for a specific investor.

¹ Source: The Money Management Institute, May 2006. Data as of 1Q06.

Breaking Down the Benefits of SMAs



SMAs are most appealing to clients with significant assets who may have special tax considerations, such as capital gain/loss management and coordination with existing holdings. This is because SMAs can be tailored to suit an individual investor's unique needs. SMAs also offer several other key benefits to affluent investors, including:

- **Institutional Asset Management** - Your clients will be able to access a roster of top-tier investment managers from a variety of disciplines.
- **Customized Portfolio Selection and Management** - Your client's portfolio can be tailored to fit his/her investing preferences. For example, you can restrict the portfolio from owning tobacco or gambling securities.
- **Ownership of Portfolio's Underlying Securities** - Unlike mutual funds where the funds are commingled, your client owns the underlying securities
- **Tax Aware Portfolio Management** - Because your client owns the underlying securities, you can time transactions to mitigate taxes and maximize returns.
- **Fee-Based Structure** - Because SMAs are based on assets rather than commissions, your client can feel confident that you are providing unbiased investment advice and you share a common goal - to grow the value of the portfolio.

How the Envestnet Platform Can Help You Deliver SMAs to your Clients

When it comes to selecting the right money managers for your client's SMA portfolio, you have a difficult choice to make. With more than 3,000 money managers from which to choose, how do you know which ones are best suited for your client's diverse and personalized needs? How do you know which asset managers have a proven track record, are style consistent and have the best rate of return? In other words, how do you narrow down the money manager universe to select the best money managers for your clients? It's a daunting task and Envestnet can help.

When utilizing Envestnet's managed account platform, you can feel confident that you are working with many of the nation's leading asset managers. Envestnet's manager selection process involves in-depth research and ongoing manager due diligence conducted by Envestnet's experienced Fiduciary Management and Research (FM&R) team. Such thorough due diligence means you can spend more time with your clients and less time worrying about which managers to select.

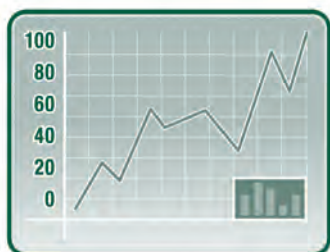
Here's how Envestnet's manager selection process works:

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Envestnet's FM&R team first screens the entire investment management universe, analyzing more than 3,000 money managers across various asset classes.



Next, the FM&R team judges and ranks each manager based on their style consistency and quantitative results (i.e., information ratio, rate of return, downside risk).



The FM&R team then conducts a thorough analysis of performance and risk attribution.



After reducing the list further, the FM&R team conducts a qualitative analysis where they perform on-site due diligence meetings and investment committee discussions.



APPROVED

Envestnet's "approved" list of managers is made up of those managers who have passed the rigorous manager selection process. Ongoing evaluation and due diligence is conducted on all approved managers. The Envestnet platform also offers a broader set of "available" managers for use in proposals but no due diligence is performed on these products.

Delivering the Managed Account Experience

The Role of the Financial Advisor

As a financial advisor, your role is crucial when it comes to delivering separately managed accounts to your clients. Your first step is to uncover your client's investment objectives based on his/her risk tolerance, time horizon, tax considerations and other important factors. Then, with the help of a partner like Envestnet, you select and monitor the right blend of asset managers to manage your client's assets in accordance with their objectives. To keep your clients informed about the progress of their portfolios, you can take advantage of Envestnet's research and reporting tools. These powerful resources will help you deliver valuable advice to grow your client relationships and may open the door to additional assets.

Who We Are

With more than \$25 billion in assets under management and administration, Envestnet Asset Management, Inc. is the largest independent provider of comprehensive wealth management solutions as measured by AUM*. Envestnet is headquartered in Chicago and has offices in Denver, Los Angeles, Sunnyvale, CA and New York.



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**Source: Tiburon Advisors, March 2005*

Any investment is subject to risk. The value of an investment and the return on invested capital will fluctuate over time, and, when sold or redeemed, an investment may be worth less than its original cost. For advisors and clients in consultation with their advisor.

