

Portfolio Solutions
for Today...
and Tomorrow



Building a customized
solution for your
individual investment
objectives

SEPARATELY MANAGED ACCOUNTS

CLEARBROOK
FINANCIAL



For high-net-worth investors, a separately managed account may be an attractive alternative to mutual funds and other investment vehicles, offering greater customization, potential tax efficiencies and a higher level of personalized service. Like mutual funds, separately managed accounts offer the opportunity for a professionally managed, diversified portfolio. But in a separately managed account, your investment isn't commingled with those of thousands of other shareholders. You own the individual securities in a portfolio, selected and managed to your investment and tax objectives.

WHAT ARE SEPARATELY MANAGED ACCOUNTS?

A separately managed account (SMA) is just what the name implies - a separate account, containing securities owned directly by the investor, separately managed by a professional asset manager.

Key features include:

- Customized professional portfolio management.
- The investor actually owns the securities in the account, not shares in a pooled investment vehicle like a mutual fund.
- Minimum investment is generally \$100,000 (may vary by type of account).
- The investor can make specific requests, such as realizing gains or losses to minimize tax liabilities, or excluding certain securities (for example, by excluding certain types of companies).
- Management fees are based on the level of assets in the account.

WHY CONSIDER A SEPARATELY MANAGED ACCOUNT?

SMAs offer affluent investors many important advantages, with features that have the potential to help you achieve your long-term investment objectives, while helping you manage your individual tax liabilities.

A Portfolio Managed for Your Investment Objectives

- Your SMA is managed by experienced investment managers, who will work with your Investment Advisor to customize a portfolio based on your needs and objectives.
- In an SMA, the investment manager is investing on your behalf. With a mutual fund, managers are investing on behalf of the fund and all its shareholders in a commingled account.

- In a mutual fund, your investment can be affected by the actions of other investors. For example, the fund manager may need to sell securities to meet liquidation demands of other shareholders, creating transaction costs and possibly increasing your capital gain exposure.

Customized Portfolio Management by Institutional-Quality Asset Managers:

- SMAs are managed by professional investment managers, many of whom would normally be available only to larger institutional investors.
- The securities in your SMA are selected and managed based on your stated individual investment strategy.

More Control Over Your Tax Liabilities

- You can request the investment manager to manage your portfolio to recognize or limit capital gains or losses, based on your tax situation in any given year.
- Mutual funds are required to distribute net realized capital gains to shareholders, and these distributions are taxable every year. You may even be liable for capital gains on stocks purchased before you bought shares in the fund. With an SMA, you're in control.
- Mutual funds cannot distribute losses; they can only be carried forward to offset gains in future years. With an SMA, you can take capital losses in the year they occur.

Avoiding the Other Costs of Mutual Fund Ownership

- With mutual funds, there are costs in the expense ratio over and above the management fee.
- In addition, funds may have front- or back-end sales charges and 12b-1 (marketing/distribution) fees.

The Advantages of Direct Ownership of Securities

- Positions in your existing stock portfolio, including low basis holdings, can be transitioned to the new manager's model in a tax efficient manner.
- You only pay taxes on capital gains realized on stocks you have owned. There are no tax liabilities due to "phantom" mutual fund capital gains.
- You always know your cost basis.

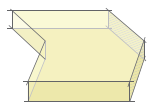
Transparency of Fees

- SMA fees are typically based on the assets in the account. You know the costs and can see transactions flow through your account.
- The "hidden" expenses of mutual funds - management fees, transaction fees, etc. - are not listed as line items on your statement.

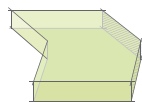
WHAT ROLE DOES MY INVESTMENT ADVISOR PLAY IN AN SMA?

Your Investment Advisor can help you develop an overall wealth management or investment plan, including an asset allocation strategy. Working with your Advisor, you can select the asset

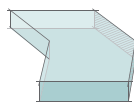
manager and investment strategies that offer you the greatest potential to help you achieve your investment objectives, within your tolerance for risk.



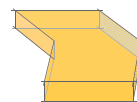
Your Advisor works with you to develop an individualized investment strategy



With your Advisor, you decide if SMAs are right for your investment strategy



With your Advisor, you select the investment manager(s) with the potential to help you meet your objectives



You and your Advisor monitor your progress, making changes if appropriate

SMA/MUTUAL FUND COMPARISON

Feature	SMA	Mutual Funds
Ownership	You own securities in the account directly.	You own shares in the fund.
Tax Treatment	Sales/purchases can be timed to control capital gains and losses; no tax on capital gains you don't receive.	Timing of purchases and sales of securities cannot be controlled. All gains are distributed annually.
Tax Basis	Begins when you purchase the securities in your account.	May begin before you open your account; you may be taxed on gains received before you purchased shares in the fund.
Expenses	All-inclusive fee based on assets in your account; no hidden fees.	May be subject to loads, trading costs, management fees, and 12b-1 fees.
Minimums	Generally \$100,000, but may vary based on type of account.	May be as low as \$500.
Reporting	You usually receive a detailed quarterly performance report illustrating how your individual portfolio performed.	You receive performance on a fund basis, but are not given the performance of the individual underlying securities.
Transparency	Greater visibility of account activity and comprehensive performance reporting.	Top 10 holdings available quarterly, all holdings available annually.
Funding	Accounts funded with cash or securities.	Accounts funded with cash only.

HOW CAN SMAs FIT INTO MY OVERALL WEALTH MANAGEMENT PLAN?

Many investors use SMAs as a core component of their portfolio, and broaden their diversification into other market sectors through specific mutual funds, exchange-traded funds,

or alternative investments. You can also use SMAs as a complement to your core holdings of mutual funds or other investment vehicles.

TALK WITH YOUR INVESTMENT ADVISOR

To learn more about SMAs, and how they might play a role in your investment plan, talk with your Investment Advisor.

www.clearbrookfinancial.com

About Clearbrook Financial

Clearbrook Financial is an independent financial services firm, delivering unique investment products and portfolio solutions to investment professionals serving high-net-worth individuals and institutions.

