

**WELLS  
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**Advisors**

# An Investor's Guide to Separately Managed Accounts

**Separately Managed Accounts (SMAs)** provide investors access to professional money management and flexibility to customize their portfolios to personal needs and investment objectives.

**Investment and Insurance Products are:**

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**



Source: pexels website

# What is a Separately Managed Account?

An **SMA** is a type of investment vehicle comprised of individual securities such as stocks and bonds, but may include mutual funds, exchange-traded funds (ETFs), and/or cash that is managed by a professional money manager.

Since the structure of a SMA allows investors to directly own the individual securities in the portfolio, they provide the following unique benefits:

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## Customization

Investors can request their specific portfolio(s) be customized in a variety of ways by excluding specific securities or social sectors.

## Tax efficiency

Investors are only taxed on realized gains in their specific portfolio(s). This differs from mutual funds where capital gains are distributed to all investors.

Investors have the potential to manage taxation of gains and/or losses through various tax harvesting strategies\*.

Investors may also realize estate tax savings on inherited portfolios and can deduct charitable gifts of securities from their portfolios\*.

## Transparency

Monthly statements and quarterly performance reports provide details on the overall portfolio as well as the individual securities so investors can understand how their investments are performing.

## Professional money management

Successful investing requires a significant commitment of time, energy, and attention. While most investors manage their investments part-time, money managers focus their entire careers on managing investments by developing disciplined approaches to buying and selling securities.

## Quality

Investment strategies available at Wells Fargo Advisors (WFA) are carefully evaluated by the Wells Fargo Investment Institute (WFII) on an ongoing basis. The research process focuses on qualities such as experience, performance, management capabilities, and investment philosophy.

# How can SMAs be customized?

Customization allows investors the opportunity to tailor portfolios to their specific needs and personal circumstances. This unique feature of SMAs can be used for a variety of reasons.

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## Overexposed positions

**Example:** An investor has a large, concentrated position in a specific stock. This can result from an employee working for the same firm for a long period of time or securities overlapping those in other portfolios.

**Solution:** A SMA allows investors to customize their portfolios by restricting the manager from purchasing or holding the security in the account.

## Responsible investing

**Example:** An investor wishes to align their investment objectives with their personal values or has an interest investing in companies that integrate environmental, social, or corporate governance practices.

**Solution:** A SMA allows investors to exclude securities or entire sectors that do not align with their values. Some SMA strategies also incorporate this philosophy into their investment strategy. Common restrictions include alcohol, tobacco, and gambling stocks.

## Tax selling strategies

**Example:** An investor falls into a high income tax bracket and is looking to minimize unexpected tax liabilities.

**Solution:** Since investors directly own the securities in their portfolios, realized capital gains can be offset by selling investments with a capital loss in the portfolio through year-end tax selling strategies\*.

\*Wells Fargo Advisors and its affiliates do not provide legal, tax, or accounting advice. Please consult your tax advisor regarding your situation.

Please note: Security restriction requests and tax selling requests are implemented based on approval by the money manager.

# How do SMAs differ from other investment options?

SMAs have several unique features that differ from mutual funds and ETFs that can provide key advantages when building a portfolio.



# Which investment options are available?

Wells Fargo Advisors offers several SMA programs that can be tailored to investor's needs. Strategies range from specific asset classes to fully allocated portfolios and are backed by research from WFII.

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## Customized Portfolios

Provides access to specialized investment portfolios and portfolio models offered through Wells Fargo affiliates. These include custom fixed income and options strategies. Designed for investors seeking a higher level of customization.

## Private Advisor Network

Provides access to top professional money managers with a variety of investment options within a dual contract relationship where minimums and management fees are negotiable directly with the manager. Designed for investors who desire more flexibility in terms of fees and/or portfolio customization.

## Personalized Unified Managed Accounts (Personalized UMA)

Provides investors access to internally and externally managed portfolios with the flexibility to own a single portfolio or combine multiple SMAs, mutual funds, ETFs, and professionally managed blends into one comprehensive, customizable account.

- **Third-Party Money Managers**

Access to top professional money managers with pre-negotiated minimums and fees, ongoing research and evaluation of money managers from WFII, and a variety of investment options. Designed for investors who seek an investment program based on research, analysis, and an active approach to asset allocation.

- **Wells Fargo Managed Portfolio Strategies**

- **Allocation Advisors**

Professionally managed portfolios investing primarily in Exchange Traded Products (ETPs) with strategic, tactical, cyclical, global, or inflation-oriented allocations. Designed for investors looking for a portfolio that can help provide diversification while keeping underlying investment costs to a minimum.

- **Wells Fargo Compass**

Professionally managed portfolios constructed of stocks, bonds, and ETPs providing both strategic asset allocation and tactical adjustments in an effort to take advantage of market opportunities. Designed for investors who know their investment objectives and risk-tolerance but prefer to leave investment decisions to professionals.

# Important Disclosures

Fees for advisory programs include Advisory services, performance measurement, transaction costs, custody services and trading. Fees are based on the assets in the account and are assessed quarterly. These fees do not cover the fees and expenses of any underlying exchange traded funds, closed-end funds or mutual funds in the portfolio, which also carry inherent risks related to the product's underlying investments. There are minimum fees and account sizes to maintain these types of accounts. Advisory accounts are not designed for excessively traded or inactive accounts, and are not appropriate for all investors. During periods of lower trading activity, your costs might be lower if our compensation were based on commissions. We need to review your investment objectives, risk tolerance and liquidity needs before we introduce appropriate managers/ investment programs to you. Please carefully review the Wells Fargo Advisors advisory disclosure document for a full description of our services, including fees and expenses.

All investing involves risk, including the possible loss of principal. There is no guarantee that an investment manager will achieve the objectives of the portfolio.

'Sustainable' or 'Social Impact' investing focuses on companies that demonstrate adherence to environmental, social and corporate governance (ESG) principles, among other values. There is no assurance that social impact investing can be an effective strategy under all market conditions or that a strategy's holdings will exhibit positive or favorable ESG characteristics. Different investment styles tend to shift in and out of favor. In addition, an investment's social policy could cause it to forgo opportunities to gain exposure to certain industries, companies, sectors or regions of the economy which could cause it to underperform similar portfolios that do not have a social policy. Risks associated with investing in ESG-related strategies can also include a lack of consistency in approach and a lack of transparency in manager methodologies. In addition, some ESG investments may be dependent on government tax incentives and subsidies and on political support for certain environmental technologies and companies. The ESG sector also may have challenges such as a limited number of issuers and liquidity in the market, including a robust secondary market. There are many factors to consider when choosing an investment portfolio and ESG data is only one component to potentially consider. Investors should not place undue reliance on ESG principles when selecting an investment.

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