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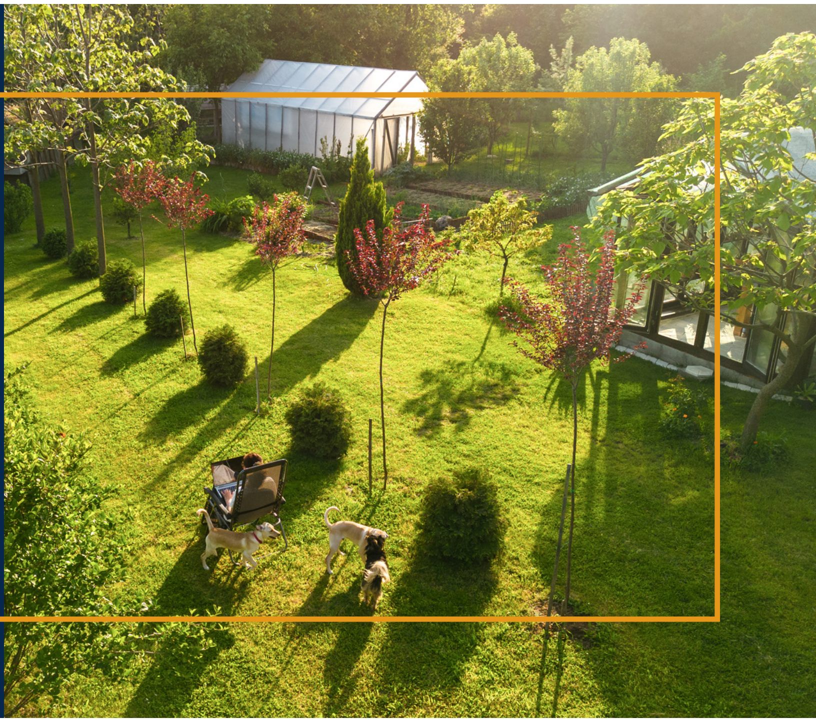

Helping You Find the Right Investment Vehicle

Separately managed accounts, ETFs, and mutual funds can each offer different benefits depending on investor needs.

Choosing investments isn't just about deciding between stocks and bonds—it also means selecting the right investment vehicle for your needs. Some of the most common investment vehicles available today are separately managed accounts (SMAs), exchange traded funds (ETFs), and mutual funds.

Each of them can help you reach your investment goals, whether that's growth, income, capital preservation, tax management, or a combination thereof. Selecting the best choice for you may depend on what you value most, whether that's personalization, flexibility, simplicity, or tax efficiency.

This framework can help you understand which option, or combination of options, may be the best fit for your situation.

When an SMA May Make Sense

In an SMA, you own individual securities rather than shares of a pooled fund (i.e., a combined investment from multiple individuals with a shared manager, such as an ETF or mutual fund). This structure can allow for customization and potential tax-management opportunities, such as tax-loss harvesting,[1] while offering full visibility into holdings. In other words, an SMA may make sense if you prefer more control and a portfolio built around your priorities.

SMAs tend to be a strong fit for investors who:

- Have significant investable assets to meet higher minimums
- Seek to take advantage of economies of scale by leveraging existing trading platforms and experience
- Are tax sensitive or in a higher tax bracket
- Value transparency, since they directly own the underlying securities held in the account
- Prefer a more customized, financial professional-guided investment experience

Key Points

- Choosing an investment goes beyond stocks and bonds; the investment vehicle is also an important choice.
- Each vehicle has distinct strengths: SMAs can offer customization and tax management, ETFs can provide cost-efficient flexibility and intraday trading, and mutual funds seek to deliver simplicity with professional management.
- Many investors could benefit from a combination of the various investment vehicles within a broader investment strategy.

Investors should also consider:

- Account minimums are often higher than those of many ETFs and mutual funds
- Management fees and trading costs may be higher than pooled vehicles
- Investment results may vary significantly depending on the selected securities

When an ETF May Be the Right Fit

ETFs are a type of pooled fund that can offer a great deal of flexibility and intraday liquidity, allowing investors to buy or sell throughout the trading day. They also tend to be cost efficient because their structure is more operationally simple. Investors who value efficiency and control, or are looking for ways to diversify and complement other investments, may find ETFs appealing.

ETFs often work well for investors who:

- Want to prioritize cost and tax efficiency
- Prefer clear, transparent exposure to specific areas of the market
- Are comfortable playing a more active role in their portfolio's positioning
- Want intraday liquidity and trading flexibility

Investors should also consider:

- ETF investing may incur brokerage commissions and trading-related costs
- Intraday trading flexibility may encourage more frequent trading
- ETF shares can trade at prices above or below their net asset value (or NAV, the per-share price used to buy or sell pooled investments)

When a Mutual Fund May Be a Strong Choice

Mutual funds are another type of pooled fund and remain a core option for investors who prefer professional management. They're also liquid, though they're only priced once at the end of day, and generally disclose holdings once a quarter or once a month. This can make them a good fit for long-term investors who aren't concerned about day-to-day market events. For many investors, mutual funds can offer a straightforward way to stay diversified and remain focused on their goals.

Mutual funds may be a strong fit for investors who:

- Want professional management without the need for personalization
- Invest through retirement accounts or systematic-contribution plans
- Are focused on the long term rather than reacting to daily market moves
- Value broad diversification in a familiar structure

Investors should also consider:

- Shares can only be bought or redeemed at the fund's end-of-day NAV
- Taxable distributions may occur even when investors haven't sold their shares
- Like all investments, mutual funds may not achieve their investment objective and can lose value

Bringing It Together

While they may share common traits and offer a variety of benefits, SMAs, ETFs, and mutual funds also differ in important ways, including costs and expenses, liquidity, taxation, transparency, customization, and investment minimums. And while each offers different potential benefits depending on your individual needs, they all have inherent risks (including the risk of losing money) and trade-offs.

That's why there's no one-size-fits-all investment vehicle for every investor, and why the key is matching your investments to what matters most to you. Your financial professional can help you choose the right mix of investment vehicles for your goals and priorities as they evolve.

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Talk to your financial professional about which investment vehicles may best match your financial goals.

[1] Tax-loss harvesting is selling an investment that's declined in value to realize a loss, which can be used to help offset taxable investment gains and potentially reduce your tax bill.

Important Risks: Investing involves risk, including the possible loss of principal. • Diversification does not ensure a profit or protect against a loss in a declining market.

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