



ESI ILLUMINATIONS

UNIFIED MANAGED ACCOUNT (UMA)

Advisor Manual

Equity Services, Inc., Member FINRA/SIPC, is a Broker/Dealer and Registered Investment Adviser. Third party entities are independent of Equity Services, Inc. unless otherwise stated. All discussions of advisor-created models assume that the client has approved of the strategy, and that the models created are used only when suitable for the client's situation.

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OVERVIEW

The Unified Managed Account (UMA) allows you to create your own custom models of two or more third-party strategists, all in one account. Once your models, which indicate the asset allocation among the strategists, are created, they are available to you for recommending to clients via the proposal. The models can be used for one account OR one model can be used with multiple accounts. Using the same model for multiple accounts, creates efficiency in your practice as ongoing maintenance is done via model management versus account management. In addition, it gives you the ability to recommend your customized allocation to multiple clients with ease.

Once opened and funded, the accounts will be invested by Envestnet, according to your custom portfolio of strategists. Ongoing, the accounts will be traded by Envestnet on an opportunistic basis. For example, when cash is low or additional deposits are made, the account will be rebalanced to its target allocation. Envestnet acting as the 'overlay manager' and trading your UMA accounts gives you the ability to apply your own custom portfolio of third party strategists to your client accounts without having to do the administration, operations, or trading. This frees you up to focus on building strong client relationships.

The ESI Illuminations platform offers a broad selection of third party strategists that can be used in your custom UMA models. A list of available third-party strategists is available on the ESI Illuminations website under the RESEARCH tab. Here you can identify the available strategists, as well as their minimum required investments. The minimum for a UMA account is \$150,000, however, some third-party strategists have higher minimums than others, which is important to be aware of when building your model portfolios. The combination of minimums, strategists, and your model allocation will dictate the minimum of your model portfolio.

This guide will outline how to research strategists, create a UMA model, attach the model to an account via the proposal, and how to manage or modify an existing UMA model.

Research

Before you begin building your models, it is recommended to research the available third-party strategists and have some idea of how you want to allocate your portfolios.

To complete your research on strategists, click on **RESEARCH** at the top of the screen on the main menu bar. You want to begin by setting the display, so all the portfolios are listed on the screen.



To do this, click on the column manager icon in the upper right side of the screen. Then click on 500. Now go back to the center of the screen and click on the drop-down arrow next to Third Party Strategist Program. Continue to click on the drop-down arrows until the portfolio list comes up on the screen.

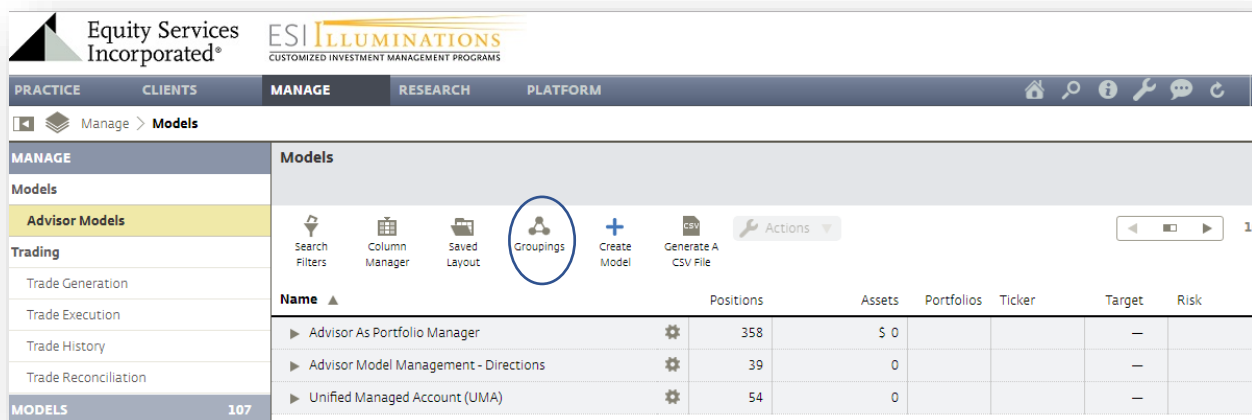
▼ Third Party Strategist Program	276
▼ Fund Strategist Portfolio	276
▼ Other	276
<input type="checkbox"/> 3D Global 100 ETF Portfolio	
<input type="checkbox"/> 3D Global 20 ETF Portfolio	
<input type="checkbox"/> 3D Global 20 ETF Portfolio - Tax Sensitive	
<input type="checkbox"/> 3D Global 40 ETF Portfolio	
<input type="checkbox"/> 3D Global 40 ETF Portfolio - Tax Sensitive	
<input type="checkbox"/> 3D Global 50 ETF	
<input type="checkbox"/> 3D Global 50 ETF - Tax Sensitive	
<input type="checkbox"/> 3D Global 60 ETF Portfolio	
<input type="checkbox"/> 3D Global 60 ETF Portfolio - Tax Sensitive	
<input type="checkbox"/> 3D Global 70 ETF	

Click on the name of the portfolio to research OR You can compare by putting a check mark in up to four boxes click compare icon

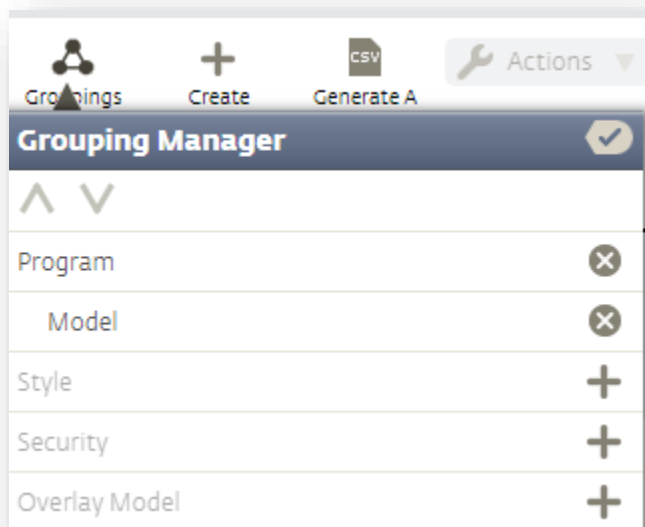
Once you have completed your research you are ready to begin building your asset allocation of strategists, i.e. your UMA models.

BUILDING A UMA MODEL

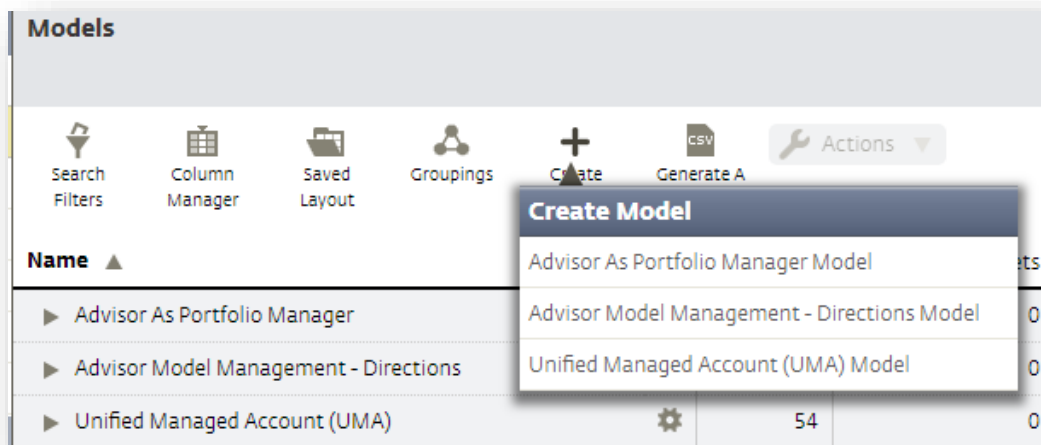
To begin, click the Manage tab within the global toolbar and select Advisor Models from the sidebar menu. UMA models will always be displayed within the Models tab. If you have Flagship Select or Directions models they will also be displayed here.



Use the grouping icon on the Models tab to group your models by program type. This will help provide differentiation as you build up your inventory of models for Flagship Select, Directions or UMA.



To build a new model, click on the add icon. Choose Unified Managed Account Model



Next, enter the properties, i.e. Model Name and Target Risk Rating for your model. For your model name, consider using a naming convention that will help identify the unique properties of this model over your other models, among the list of your model portfolios. In addition, consider the model name you use will appear on some of the paperwork generated, so it will be seen by your clients. Some advisors may choose to use the target risk rating as the model name. For example if building a model with a Balanced Risk rating, it is named UMA Balanced. Please note that ESI allows any combination of the following traits to be used as a portfolio name, where assessed risk is the risk that the tool determines to represent the whole portfolio: “UMA [assessed portfolio risk], [#] positions, [\$] minimum”. Any deviation from this naming convention requires you to submit the desired portfolio name to the advertising review unit.

The screenshot shows the 'Create Model' dialog box with the title 'Create Unified Managed Account (UMA) Model'. It contains a 'Properties' section with the following fields:

- Model Name:** A text input field with a clear (X) button.
- Target Risk Rating:** A dropdown menu.
- Rep Code:** A dropdown menu.

A 'Save' button is located at the bottom right of the dialog box.

Click save to continue.

You will begin to build your model portfolio which can be done in two different ways:

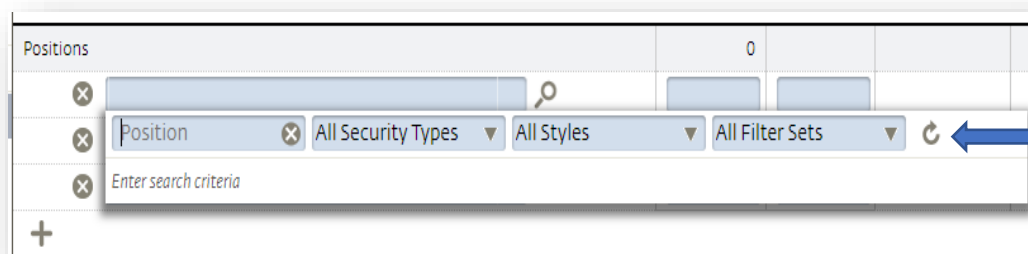
- Build on the fly
- Import positions from another model and use as a template

TO BUILD ON THE FLY

Click on the search icon to bring up the list of available strategists.



Click on the reload contents icon, which brings up the entire list of available portfolios



Position	All Security Types ▼	All Styles ▼	All Filter Sets ▼	↻
American Funds Model: Tax-Advantaged Growth and Income (F2) (FSP55070)				\$25,000 ▲
American Funds Retirement Income Model: Conservative Strategy (F2) (FSP55065)				\$25,000
American Funds Retirement Income Model: Moderate Strategy (F2) (FSP55066)				\$25,000
American Funds Retirement Income Model: Enhanced Strategy (F2) (FSP55067)				\$25,000
BlackRock 10/90 Target Allocation ETF Portfolio. (FSP41776)				\$10,000
BlackRock 20/80 Target Allocation ETF Portfolio. (FSP38619)				\$10,000
BlackRock 30/70 Target Allocation ETF Portfolio. (FSP41775)				\$10,000
BlackRock 40/60 Target Allocation ETF Portfolio. (FSP38620)				\$10,000 ▼

Click directly on the name of the portfolio you would like in your model, and this will create the first strategist in your model.

Tab over and indicate the allocation to this portfolio. You do not need to indicate a drift percentage as it isn't applicable to UMA, so leave this blank.

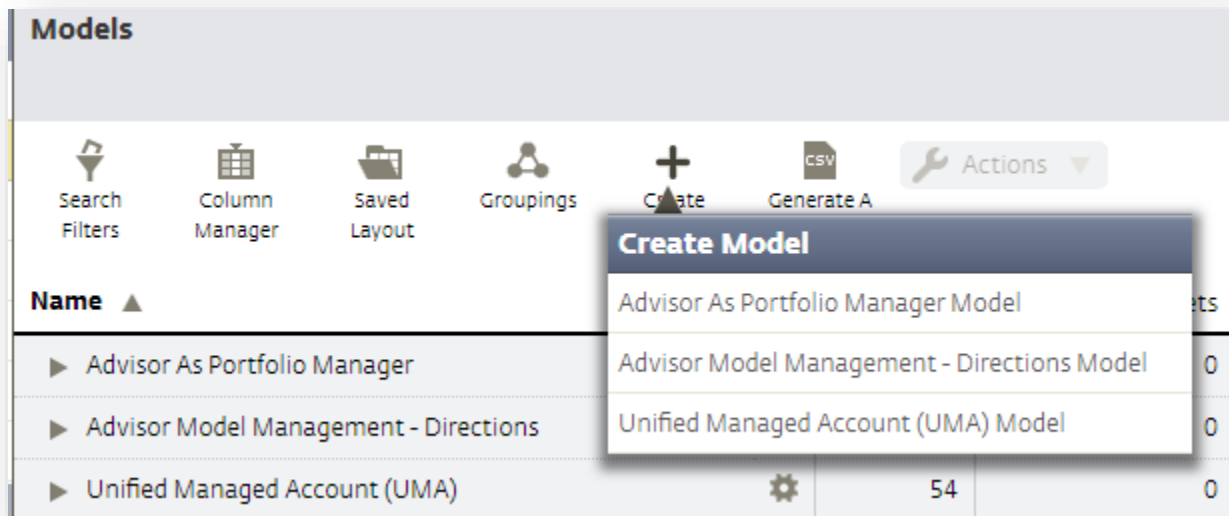
Repeat this process until you have allocated 100% of the portfolio. Click SAVE.

Investment ¹		Target %
Positions		100
✕ FSP41776 -- BlackRock 10/90 Target Allocation ETF Po	🔍	25
✕ FSP25377 -- Brinker Capital Destinations Moderately	🔍	50
✕ FSP18787 -- PMC - ActivePassive Portfolios - Balanced	🔍	25
+		
Cash		100.00

TO BUILD VIA IMPORT

Once you have models built, you can use them as templates for building new models. For example, you may want to use the same portfolios but change the allocation, or you may want to reduce the allocation and add another strategist.

To import a model and use as a template click on the add a new model



Select Unified Managed Account (UMA) Model

Fill in the properties for the model and click SAVE.

Create Model

Create Unified Managed Account (UMA) Model

Properties

Model Name

Target Risk Rating

Rep Code

Save

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Import Model

Import From a Model
Import model positions, position drift, replacement etf and asset location preference score from an existing model.

Properties

Select an existing model

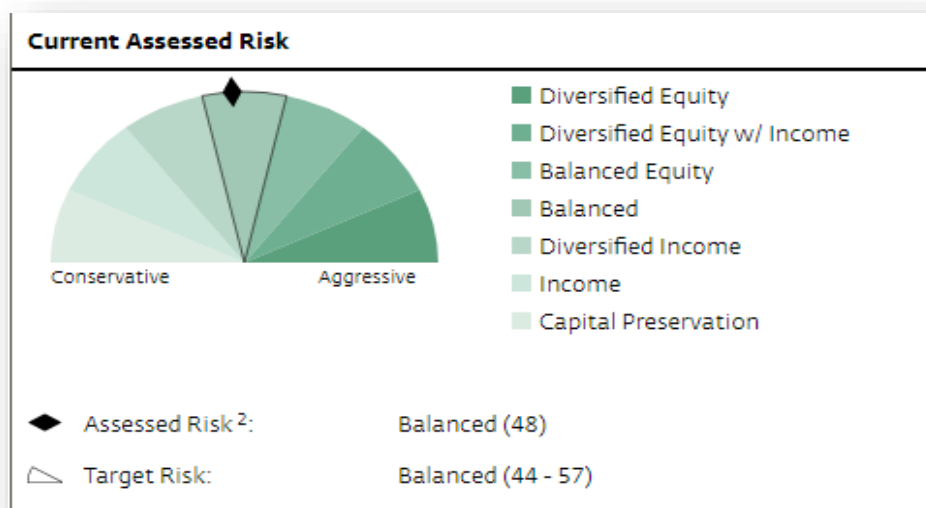
Choose Model

 **Import**

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Once the model has been imported the positions and target allocation will be transitioned into the positions edit screen, at which point the managers, the allocation as well as the properties of the model can be edited














The Assessed Risk Meter will indicate the risk of the entire portfolio.



EDITING YOUR MODEL(S) / DRAFT MODELS

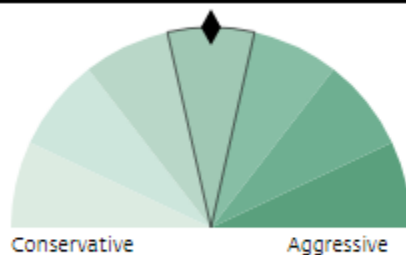
If after reviewing, you decide you want to make additional edits to your model, click on the edit button.

This brings up the editing screen. Here you can see your saved model vs any edits you are considering making. The edits are in the column titled Draft.

Properties		Positions	Alternates	History	Corp. Actions	Simulation
						
Trade Simulation	Analyze	Compare Products	Additional Information	Error Details	Generate A PDF File	Generate A CSV File
Investment ¹						
			Current Target %	Draft Target %	Change%	Current Alw.Drft
Positions			100.00 %	100		
FSP18787 -- PMC - ActivePassive Portfolios - Bala			25.00	30.00%	—	—
FSP25377 -- Brinker Capital Destinations Modera			50.00	50.00%	—	—
FSP41776 -- BlackRock 10/90 Target Allocation E			25.00	20.00%	—	—
 						
 						
 						
+						
Cash			0.00	—	—	

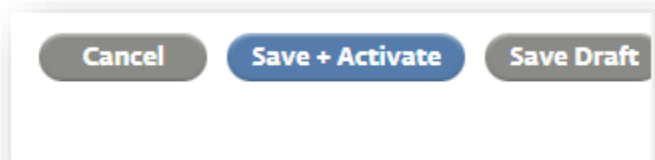
Also, you can see the effect, if any, your edits may have on the risk score of the total portfolio by watching the Draft Assessed Risk Dial.

Draft Assessed Risk



-  Diversified Equity
-  Diversified Equity w/ Income
-  Balanced Equity
-  Balanced
-  Diversified Income
-  Income
-  Capital Preservation

While editing, click **save draft**. When you are ready to make your edits FINAL click on Save and Activate.



Repeat this process to build various model portfolios on the platform, available for use with your clients to whom you want to recommend a mix of strategist solutions versus a single strategist solution, i.e. a UMA. It is recommended building at least 7 portfolios, 1 for each investment objective or risk classification. Doing so, insures you will have a suggested portfolio for clients who score in any of the 7 investment objective or risk categories.

ACCOUNT MINIMUMS

A client must have a minimum of \$150,000 to invest to use the UMA program. However, it is possible, based on how you build your models, for the minimum to be higher. For example, if you wanted to allocate 50% of a portfolio to a strategist with a \$100,000 minimum, the model minimum would be at least \$200,000. (\$100k is 50% of \$200k).

RUNNING A PROPOSAL FOR UMA

The proposal process is the same when recommending a UMA as when recommending a single strategist solution. However, there are steps in the process which will be slightly different.

PROPOSED INVESTMENTS.

At this step, you will select Unified Managed Account (UMA) as the program.

A screenshot of a web form titled 'Proposed Investments'. On the left is a sidebar with a list of sections: 'Proposal Properties', 'Client Properties', 'Risk Assessment', 'Build', 'Proposed Investments' (highlighted in yellow), and 'UMA'. Each section has a checkmark icon. The main area of the form contains several fields: 'Program' (a dropdown menu with 'Unified Managed Account (UMA)' selected, indicated by a blue arrow), 'Amount' (a text field with '\$ 300,000'), 'Registration Type' (a dropdown menu with 'Individual' selected), 'Primary Owner' (a dropdown menu with 'Colvin, Sandy' selected), and 'Joint Owner' (a dropdown menu).

Proposal Properties	✓	Program	Unified Managed Account (UMA) ▼
Client Properties	✓	Amount	\$ 300,000
Risk Assessment	✓	Registration Type	Individual ▼
Build		Primary Owner	Colvin, Sandy ▼
Proposed Investments	✓	Joint Owner	▼
UMA	✓		

Click on Save and next.

Listed here are the portfolios you have built that match the investment objective of the client for whom you are running the proposal.

Profile		Investment \$ 300,000	Minimum	Risk Class
Proposal Properties	✓	▼ Unified Managed Account (UMA) <i>(Individual for Sandy Colvin)</i>		
Client Properties	✓	Balanced Model	\$ 150,000	Diversified Income Select
Risk Assessment	✓	Test	150,000	Diversified Income Select
Build				
Proposed Investments	✓			
UMA	<input type="radio"/>			

[Continue](#)

NOTE: If no products appear, make sure you have a model for this risk class.

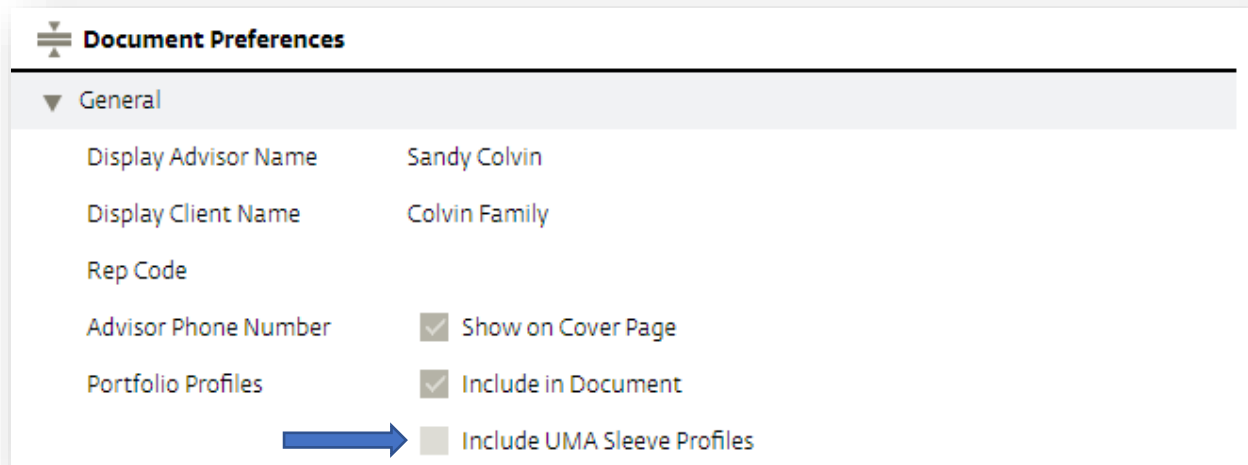
FEE SCHEDULES AND SETTING YOUR FEE.

The client fee is presented as components. There are three main components to the client fee which are:

- **Advisor Fee:** The fee you want to charge. It defaults at 1.00% but can be edited using the pencil icon. You are responsible for being aware of and complying with ESI Financial Advisors' fee limits.
- **Platform Fee:** The cost of the program which is 32 basis points
- **Manager Fee:** This fee will vary based on the allocation to third party strategists, as each strategist has a different fee. The system will calculate the blended manager fee.

DOCUMENT PREFERENCES.

Next you will indicate the sales material you would like included in your proposal. The system defaults at NOT including many of the available documents, and lets you decide which material you would like included in your proposal. NOTE: The portfolio is presented as one portfolio, if you would like detailed information about the individual strategists in your portfolio, you want to indicate this by placing a check mark in ***Include UMA sleeve portfolios.***



Document Preferences

▼ General

Display Advisor Name	Sandy Colvin
Display Client Name	Colvin Family
Rep Code	
Advisor Phone Number	<input checked="" type="checkbox"/> Show on Cover Page
Portfolio Profiles	<input checked="" type="checkbox"/> Include in Document
	<input type="checkbox"/> Include UMA Sleeve Profiles

MANAGING A UMA MODEL

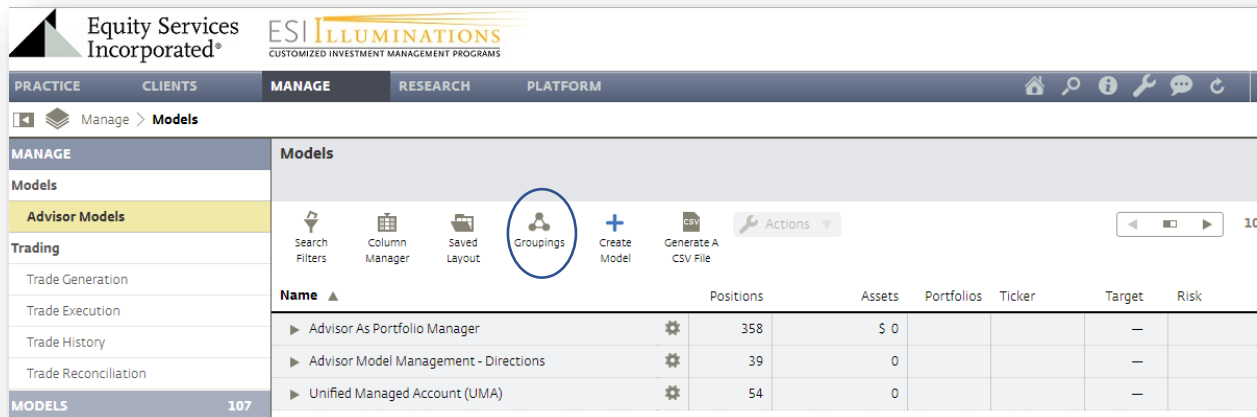
Once you have accounts established using your models as the investment guide, you want to be sure to manage your models. This means:

- Tracking how well the model is doing versus the objectives of the portfolio.
- Monitoring the risk score of the portfolio to make sure you don't have risk variance, which occurs when the risk score of the model varies or is out of range from the risk range indicated when the model was built and when accounts were invested into the model.
- Editing your strategists. Over time, you may want to swap out a strategist and replace with another with prior client approval.
- Update or change the allocation of the portfolio to each strategist with prior client approval.

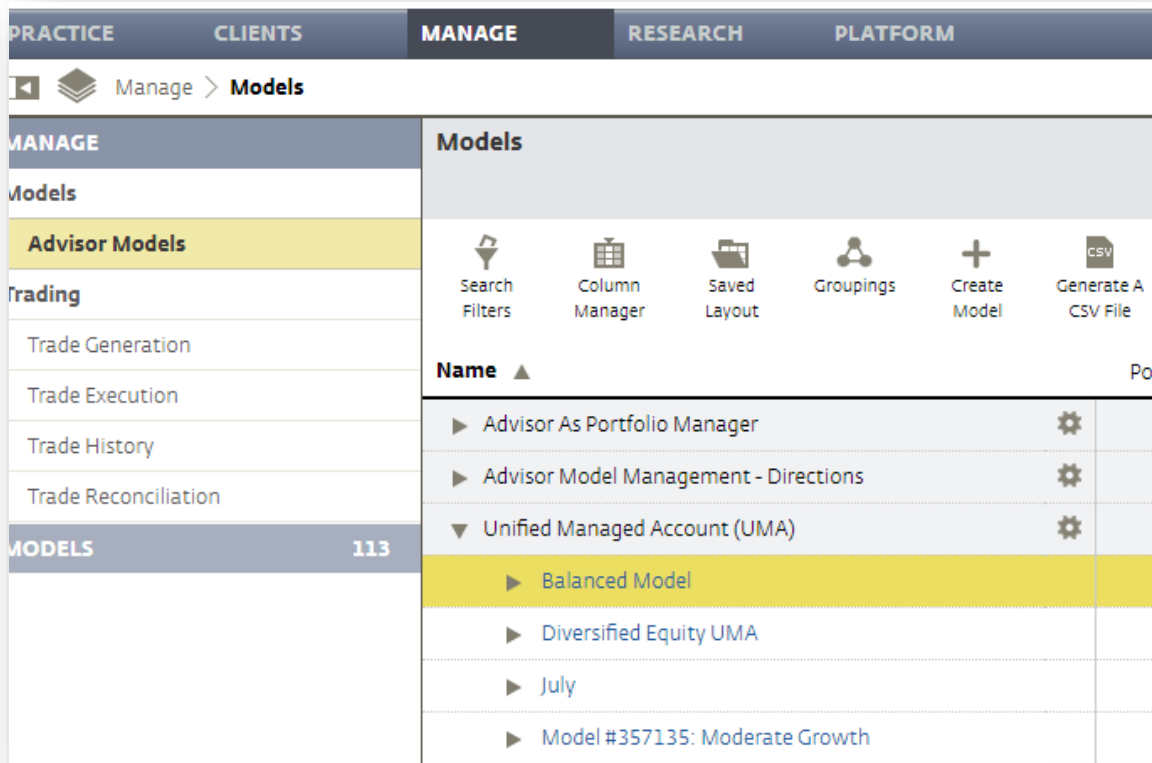
Changes to your models can be made easily. Once you make the change to the model and save it, Envestnet, as the overlay manager will update all the accounts attached to the model, within 2 days from the change. NOTE: the changes made must be done keeping within the investment objective or risk tolerance of the portfolio. In other words, if you have a model with an investment objective or risk score of Balanced, your edits must keep it within that range and cannot deviate from this investment objective.

EDITING YOUR UMA MODEL PORTFOLIOS.

UMA models will appear on the Models tab. Click on Manage on the main menu bar, then click on Advisor Models on the left-hand side menu bar. Use the grouping feature to sort your UMA models, Flagship Select and Directions Models listed. Once sorted, click on Unified Managed Account (UMA) to bring up your list of UMA models.



To edit a model, choose the model from the list and click on it.



Click on Edit and begin to make your edits. Edits are done in Draft mode and appear as drafts. As you make your edits you can see the effect on the risk score by viewing the draft assessed risk meter at the bottom of your screen. While in edit mode, click on Save Draft. Once you are ready to make your edits final, click on Save and Activate.

The saved changes to your models get recognized by Envestnet and, acting as the overlay manager for your custom UMA portfolio, Envestnet will place the trades in all the accounts that are utilizing i.e. attached to this model portfolio. Trading usually takes place within 2 days of the changes made to the portfolio. It is the advisors responsibility to monitor trading to insure all accounts are traded accordingly.

REMINDER: EDITING MODEL PORTFOLIOS THAT HAVE ACCOUNTS ATTACHED, WILL RESULT IN TRADING ACTIVITY IN THE ACCOUNTS. YOU MUST HAVE PRIOR CLIENT APPROVAL TO DO THIS.

CONCLUSION

The Unified Managed Account (UMA) allows you to create your own custom models of two or more third-party strategists, all in one account. Once your models, which indicate the asset allocation among the strategists, are created they are available to you for recommending to clients via the proposal. The models can be used for one account OR one model can be used with multiple accounts. Using the same model for multiple accounts, creates efficiency in your practice as ongoing maintenance is done via model management versus account management. In addition, it gives you the ability to recommend your customized allocation to multiple clients with ease.

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