



HELPING YOU MANAGE WEALTH AT THE NEXT LEVEL

Direct Investing vs. Managed Accounts

For investors building meaningful wealth, there comes a point when traditional, diversified portfolios, often anchored by index funds, may not be enough. At that stage, the question becomes: What's next?

Many of Azura Wealth Advisers' affluent clients have already mastered foundational strategies: maxing out retirement accounts, building a tax-efficient allocation and maintaining long-term discipline in a volatile market. But as wealth grows, so does the opportunity (and responsibility) to be more intentional. This is when the question of direct investing versus managed accounts often surfaces.

Not everyone needs or benefits from direct investment strategies. But for those with the right asset base, goals and risk tolerance, it may be time to look beyond managed market portfolios with broad market exposure and ask whether your money could be doing something more, or different.

I. Understanding the Two Paths

Managed accounts are professionally overseen portfolios, often composed of mutual funds, ETFs, individual equities and fixed income positions. Investors benefit from institutional-grade portfolio management, tax-loss harvesting, rebalancing and ongoing oversight.

Direct investing, by contrast, puts you closer to the source: equity ownership in a specific company, or private equity fund, for example. You're not riding the wave of a market index; but you're allocating capital to a specific business model or thesis.

Both approaches have a place; the key is knowing when each makes sense.

II. The Thresholds That Matter

There's a natural evolution to how most sophisticated investors grow their portfolios:

- *Start with diversified funds.* Broad-market index funds or ETFs provide inexpensive, reliable and diversified access to the market. They're a strong foundation because they help reduce exposure to any one company or sector, helping manage risk while still participating in market growth.
- *Add active strategies or individual equities.* Once your base is in place, you can layer in more targeted investments based on your views, values or goals. This can mean investing in active mutual funds with a manager's insight, or hand-picking stocks in sectors you believe may outperform (e.g., tech or healthcare). This step lets you express conviction while still building on a stable foundation.

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- *Then consider direct deals.* After you've built a core portfolio that's liquid and diversified, direct investing (like private equity, venture capital or private credit) offers exposure to more unique assets not correlated with public markets. These deals may provide greater upside and more control, but also come with higher risk, less liquidity and more complexity—so they make more sense when your portfolio can already support longer time horizons. In addition, it should be noted that to invest with these types of products, there may be higher financial qualifications and minimum purchase amounts.

In other words, while no two situations are the same, we usually don't advise that clients jump to direct investing until they've covered their bases. But once financial foundation is strong, direct investments can become a powerful complement to your portfolio.

III. When Managed Accounts Still Make Sense

Direct investing sounds appealing, especially with the explosion of private equity and alternative platforms. But the benefits of a managed account that you will forgo should not be understated:

- *Time and expertise.* You're delegating oversight to professionals with deep experience in asset selection, risk mitigation and tax optimization. This isn't just a time savings; it helps ensure you are tapping into knowledge and consistency that many individual investors can't replicate. Professionals monitor markets, adjust to tax law changes and navigate risk in real-time, which can have the potential to materially improve outcomes over time.
- *Liquidity and flexibility.* Managed accounts typically allow for easier access to funds and more nimble rebalancing. That's critical when you need to free up cash for a large purchase or shift allocations due to a change in goals. In contrast, you can't always sell direct investments quickly.
- *Ongoing monitoring.* In volatile markets, staying invested and making sound decisions is hard. Professional managers offer discipline and perspective, helping clients avoid common pitfalls like panic-selling or chasing trends. Having someone continuously evaluating performance, reallocating as needed and reinforcing the long view is often what keeps clients aligned with their financial goals.

At Azura, we view managed accounts as the foundation of most clients' portfolios. From there, and as a client's financial picture grows even further, we help build upon that bedrock with more nuanced opportunities.

IV. The Opportunity, and Complexity, of Going Direct

Direct investing can be compelling for the right investor, but it introduces new responsibilities:

- *Due diligence.* Instead of understanding an asset class, investors need to evaluate specific opportunities and teams. This means understanding not only the investment thesis, but also the track record, alignment of interests, operational setup and decision-making framework of the people managing your investment. A good idea with the wrong team or weak execution can fail. In direct investing, who you back can matter as much as what you back.
- *Liquidity risk.* Many private investments come with lock-up periods or long holding timelines, meaning your money may be tied up for years. Unlike public markets where you can sell shares at will, direct deals may require you to wait for a capital event—e.g., a sale or recapitalization—before seeing a potential return. You need to plan around this illiquidity and ensure it aligns with your broader financial needs.

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- **Tax complexity.** Direct investments often involve K-1s, capital calls, and state-level tax implications that can be significantly more complex than what you'd see in a traditional portfolio. You might face passive activity rules, unrelated business taxable income (UBTI) or multi-state filings. These complications aren't a reason to avoid the space, but they do require coordination with a tax advisor and advanced planning to help you manage effectively.

V. What Azura Brings to the Table

Our clients don't want cookie-cutter strategies. They want a professional who can adapt as their wealth and priorities evolve. Azura Wealth Advisers' approach to portfolio design is built on:

- Open architecture – We're not beholden to any one product or platform.
- High-touch service – You have a team that understands your personal, business and estate needs.
- Sophisticated access – We offer qualified clients vetted opportunities in private markets and alternative investments.
- Integrated planning – Investments, taxes, estate goals and income needs, all planned in concert.

If you're wondering whether it's time to evolve your strategy, we can help assess whether direct investing belongs in your plan and help ensure that the rest of your portfolio has the potential to continue to do the heavy lifting.

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CRN202805-8626516

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