



A D V I S O R S   C A P I T A L  
M A N A G E M E N T

Firm Overview  
and  
Strategy Performance Report  
Through 2nd Quarter 2010

Advisors Capital Management, LLC (ACM) claims compliance with the Global Investment Performance Standards (GIPS®). This report does not contain all required firm GIPS® information. Interested parties can obtain a complete presentation that complies with GIPS® standards and/or a list and description of all firm's composites by call 201-426-0081. This report must be presented in its entirety including all attached disclosure pages.

Advisors Capital Management, LLC is an independent investment advisor located at 777 Terrace Avenue, Hasbrouck Heights, NJ 07604  
ph. 201-426-0081, fax. 201-426-0086, web address. [www.advisorscenter.com](http://www.advisorscenter.com). The firm's ADV part II is available upon request.



# Firm Overview

Private Accounts with a Plan®

<b>Name:</b>	Advisors Capital Management, LLC
<b>Brief Description:</b>	Advisors Capital is an independent investment advisor managing equity and fixed income portfolios for direct clients and independent financial advisors.
<b>Founding Partners:</b>	Dr. Charles Lieberman, Chief Investment Officer and Kevin Kern, Chief Compliance Officer
<b>Registration:</b>	National Registered: Securities & Exchange Commission
<b>CRD Number:</b>	12266
<b>Year of Inception:</b>	1998
<b>Address:</b>	777 Terrace Avenue Hasbrouck Heights, NJ 07604
<b>Phone and Fax:</b>	ph. 201-426-0081 fax. 201-426-0086
<b>Web Address:</b>	<a href="http://www.advisorscenter.com">www.advisorscenter.com</a>
<b>Investment Style:</b>	All Cap Value, GARP
<b>Account Minimums:</b>	\$250,000 Private Accounts \$100,000 Modeled Separate Accounts \$ 25,000 Mutual Fund/ETF Accounts
<b>Institutional Partners:</b>	Fidelity Separate Accounts, First Allied Corp., Investors Capital Corp., Cadaret Grant, Comprehensive Capital Management, LPL Financial, ING Financial Partners, ING Financial Network, PrimeVest Companies, EnvestNet, Lockwood Advisors, Ensemble Financial Services, Wall Street Financial Group, Financial Northeastern, Geneos Wealth Management, J.W. Cole Financial, Inc., Prime Financial/Gilman & Ciocia, U.S. Wealth Management, LLC., QA3 Financial, LLC.
<b>Direct Client Custodian:</b>	Fidelity Investments
<b>Performance Reporting:</b>	Advisors Capital Management, LLC (ACM) claims compliance with the Global Investment Performance Standards (GIPS®). The GIPS® is a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients. The CFA Institute administers the GIPS® standards.
<b>Code of Ethics:</b>	Honesty and integrity are hallmarks of Advisors Capital Management. We maintain the highest standards of ethics and conduct in all of our business relationships. ACM's complete Code of Business Conduct and Ethics is available upon request or can be accessed via our website.



# Letter to Investors: July, 2010

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Investor sentiment shifted very sharply this quarter once again, this time in a negative direction. Investors flipped from thinking that a solid economic recovery is underway to the idea that the expansion might give out under the weight of credit problems in Europe and, perhaps, fiscal austerity in the U.S. This loss of confidence encouraged a renewed interest in capital preservation, so money flowed into bonds, even government bonds, despite extraordinarily low yields. This behavior reveals more about market psychology than it does about the economic or investment outlook.

This past quarter was filled with a series of adverse events. These included the possibility of a default by Greece, budget problems across Europe, the possibility of fiscal austerity across Europe to address these budget problems, an unexplained equity market plunge, ongoing conflict in the Middle East from Israel to Iran to Afghanistan, populist policies domestically, and the worst man-made environmental disaster ever in the U.S. when BP's oil well collapsed. None of the events mentioned helped sentiment, but the real driver of the falling stock market was the fear of a double-dip recession.

Underlying economic fundamentals have improved quite dramatically, even if there are more problems to overcome. First, the excess inventory overhanging new production has been worked off completely after a record rate of inventory liquidation. If anything, stocks are overly lean. For example, car sales have increased sharply off the lows of 2009, yet new car sales are still below the rate at which autos are junked. The computer replacement cycle was deferred during the recession, so PCs are far older and more typically obsolete than in the previous recovery. The collapse in our housing market has also been arrested and housing is in the earliest stage of a recovery. New construction declined so sharply that unsold new inventory is at 40-year lows. Homes prices have bottomed and have started to rise, once again.

There is a genuine confusion between the state of the economy, which is still not good, and the trend in the economy, which is headed for improvement. For example, the unemployment rate, despite its decline from 10.1% to 9.5%, is still very high and finding a job, especially for young people entering the workforce, is not easy. So the condition of the labor force is poor. However, the labor market's direction is good. We have gone from losing 700,000 jobs each month during the worst part of the recession to averaging about 100,000 new jobs monthly so far in 2010 (excluding census workers). As people are hired in the private sector, rising incomes will permit increased spending, so business will, in time, hire more

workers. Thus, it is far more likely that the small job gains we have experienced so far will gradually increase a bit faster and the recovery will gradually develop into a solid expansion. These gains are being overshadowed by the idea that the recovery should be stronger and the situation is far from satisfactory, as yet, particularly with an election coming up in the fall. So the rhetoric is running at a fever pitch, even if it is highly inaccurate.

The market's performance has reflected the issues and concerns discussed above. Fear of a double-dip encouraged some investors to seek safety, so cash has flowed out of stocks and into bonds, even government bonds. The decline in stock prices has been taken as an indication that the economy must be deteriorating. However, as the late Nobel laureate Paul Samuelson famously quipped, "Wall Street indexes predicted nine out of the last five recessions." (Newsweek 1966.) Rather than forecasting the economy, the selloff in stock prices suggests to me that investors remain extremely nervous and the scars from their dreadful experience in 2008 have not healed. Their thinking is that if it happened in 2008, it could happen again.

Anything is possible but certainly economic conditions have vastly improved. The banking system has been recapitalized. A slow recovery is underway. Companies have greatly restructured their balance sheets, refinanced debt at a record pace, and are now sitting on \$1 trillion in cash. Corporate profits have increased very sharply and are almost back to their prior peak, even though the economy still has enormous excess capacity and has lots of additional room for growth. Household savings rates have rebounded and debt has been reduced. More can be done to improve each of conditions further, but the right trends are in place.

The economy remains on a recovery track, and we think the risk of a further large retrenchment in stock prices is lower than feared by the market, while the upside is considerable. And we intend to deploy our remaining excess cash, likely sooner rather than later.

- Dr. Charles Lieberman, Chief Investment Officer and Co-Founder



## **EQUITIES:**

ACM will look to buy growth cheaply, commonly called growth at a reasonable price. We most often find value in stocks or sectors that are out of favor and we are comfortable taking such a contrarian approach. This is a direct result of our longer term focus on investing. We do not seek to outperform the market in the short run. If a sector is hot, we are most likely to avoid it, rather than risk buying in at elevated levels. We are confident that if we are able to buy excellent companies that are of our favor and, as a result, cheap, that such investments will work out well over time. This investment strategy requires that we are able to value securities and be patient.

## **FIXED INCOME:**

The credit quality of a portfolio can range from U.S. Treasuries to high yield bonds depending on the individuals' risk tolerance and our view of the relative value of each credit sector. Additionally, the portfolio can be traditional, laddered buy and hold strategies, or actively traded total return strategies. Tax free bonds will be used when appropriate.

## **Investment Philosophy Overview**

1. Buy Growth Cheaply
2. Active management: Blend of top-down and bottom-up
3. Stock Universe: All capitalization value
4. Bond Universe: Treasuries to high yield bonds. Taxable or Tax Free
5. Contrarian approach focusing on above average return prospects that aren't reflected in the price.
6. Manage for less risk than that of the market as measured by beta, P/E, price sales, and price to cash flow.
7. Diversification across sectors
8. Limit individual positions and industry concentration
9. Sell Disciplines
  - a) Price appreciation leads to substantial overvaluation
  - b) Forced displacement - a better idea surfaces
  - c) Story unglued; significant change in fundamentals

ACM will try to exploit Dr. Lieberman's economics expertise. Top down factors, such as the business cycle, interest rate outlook, demographics, and other macro variables are used, when possible, to identify industries or sectors of interest. While top-down considerations are invaluable for targeting areas for further analysis, individual investments are fundamentally a bottom-up process. Once a sector has been identified as enjoying attractive growth characteristics, an evaluation is performed on the investment merits of the individual companies within this sector and its securities.

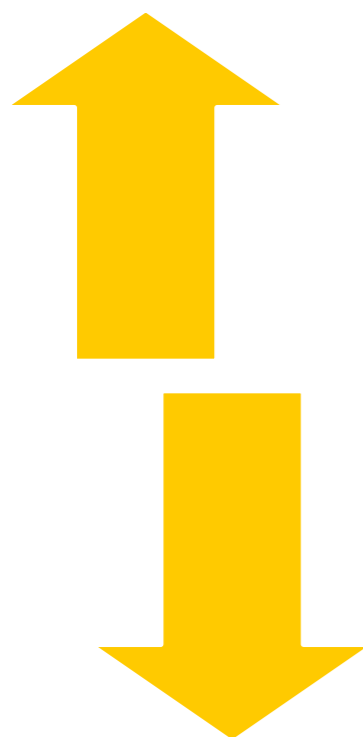


# Investment Selection Starts at the Top

Private Accounts with a Plan®

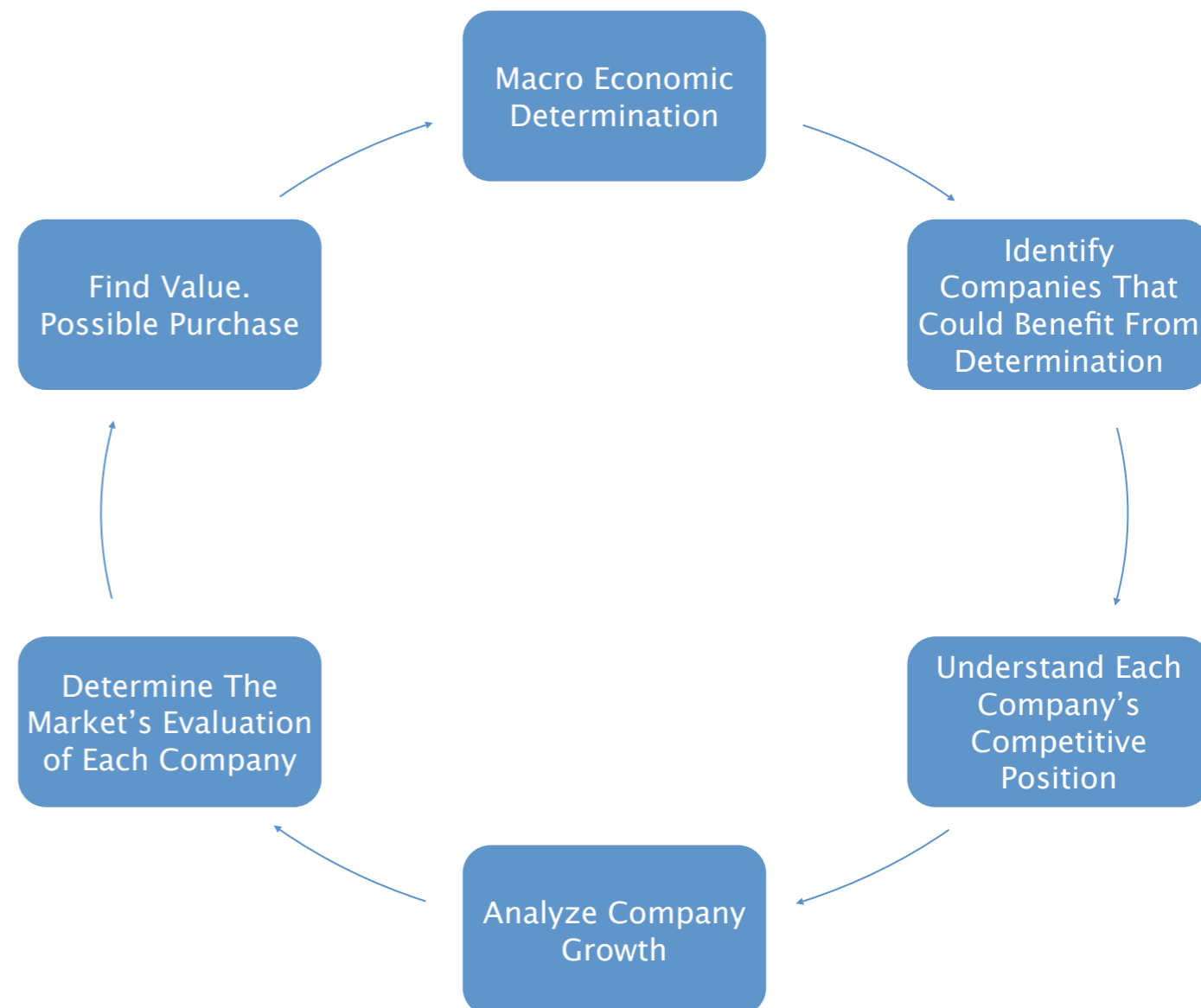


Dr. Charles Lieberman is the Chief Investment Officer and co-founder of Advisors Capital Management . Formerly a New York Federal Reserve economist and the chief economist of Chase Bank, Chuck brings a macro economic approach to our firm's all cap value portfolios. Chuck is a regular contributor to Wall Street Journal Radio, CNBC and Bloomberg. His insights have been sought out by many financial publications including Barron's and The Wall Street Journal.



**Top Down**  
Business Cycles  
Interest Rate Outlook  
Demographics

**Bottom Up**  
Debt  
Net Income Growth  
Earnings Growth



**Dr. Charles Lieberman: Co-Founder & Chief Investment Officer, 36 years experience**

- B.S. in Economics From MIT, Cambridge, Massachusetts
- Ph.D. in economics from the University of Pennsylvania
- Professorial career as an academic at the University of Maryland and Northwestern University.
- Federal Reserve Bank of New York as head of its Monetary Analysis Staff
- Morgan Stanley and Shearson Lehman Brothers; focused on the debt and equity markets, respectively.
- Joined Manufacturers Hanover as chief economist and head of research, retained that position through mergers with Chemical and Chase Manhattan.

**Kevin Kern, Co-Founder , Chief Compliance Officer, Investment Committee, 23 years experience**

- Bachelors degree in Corporate Communications from Ithaca College, Ithaca, New York
- Co-founded Advisors Financial Center , LLC in 1998, 2004 merger with Lieberman Asset Management created Advisors Capital Management, LLC.
- Completed graduate course work the following year at Ithaca College for a Masters of Communications.
- Registered investment advisor and a Certified Financial Planner candidate.
- Managing Director with Gary Goldberg & Co., Inc., Investment and Financial Services Chief Operations Officer Gary Goldberg Planning Services
- Creator and co-host of the Money Matters Financial Network a daily syndicated radio talk show from 1987 through 2004.

**John J Petrides, Portfolio Manager, Investment Committee, 9 years experience**

- BA Political Science from Fairfield University , Fairfield, Connecticut
- MBA International Business from Pace University Lubin School of Business, White Plains, New York
- Bear Stearns research analyst for the Large Cap Value Fund (\$6 bill in AUM) and High Net Worth team (\$2 bill in AUM).
- Bear Stearns analyst and portfolio manager covering \$800 mill in AUM

**Mark W. Opila, CFP®, Investment Committee, Fixed Income, 30 years experience**

- BA Economics from Fairfield University , Fairfield, Connecticut
- MA International Economics from New York University, Manhattan, New York
- 25 years in the institutional fixed income business in both sales and trading capacities.
- Director and Sales Manager at Barclays Capital Management; Asset Backed Security Sales
- Director and Sales Manager at Dresdner Kleinwort Wasserstein; Structured Credit Products
- Director in Fixed Income Securities at Chase Manhattan and Citigroup

**David Lieberman, Investment Committee, Equity & Fixed Income, 11 years experience**

- BA in Economics from Brandeis University, Boston, Massachusetts
- MBA from the Yale School of Management, New Haven, Connecticut
- ACM's Growth Portfolio Manager September 2005 through May 2008
- Putnam Investments (1999-00) Analyst International Growth



# Why You Should Consider ACM

Private Accounts with a Plan®

**Understanding the Markets:** Media and industry professionals have looked to ACM and its Chief Investment Officer Charles Lieberman for navigational help for over a quarter century. Our investment and economic commentaries are read weekly by over 2,100 financial professionals, media and investors. ACM's principals and portfolio managers are regular contributors to the Wall Street Journal Report, CNBC, Bloomberg and Barron's and many other financial publications around the world.

**Investment Philosophy:** ACM is first and foremost driven by value, broadly defined. We are attracted to securities that, in our judgment, offer higher than average prospective returns that are not currently reflected in the stock or bond price. Because we try to buy growth cheaply, we are not comfortable buying into securities that have already been swept along by the crowd and popular convention. By spreading risk across a number of securities, industries, and even strategies, we can help reduce the volatility of investment returns. Successful investing is not a sprint but rather a marathon and we want to be with our clients for the entire journey.

**Responsibility to the Client:** ACM appreciates its responsibility of being placed in a position of trust. As an investment fiduciary, our main responsibility is to manage a prudent investment process with the clients' issues and concerns always taking precedent. ACM utilizes independent custodians to provide transparent clearing and custody of your assets. Performance reporting is independently audited and is GIPS® (Global Investment Performance Standards) compliant. ACM is independently owned with no obligations to any other firm. There is no incentive to buy or sell any particular security. Our management fee and our success are based on the growth of your account and the longevity of our relationship.

**Portfolio Design:** ACM provides individually crafted investment portfolios designed around the clients' specific objectives, risk tolerances and tax considerations. By creating unique portfolios for each client, we can manage existing securities as well as any socially-conscious or ethical issues you might have. Portfolios are created and maintained through ongoing communication between the client and ACM managers. ACM builds your account at an independent custodian, with securities in your own name, establishing your own cost basis.

**Results:** Of the three ACM equity strategies with a 5-year track record or longer; each has beaten its benchmark index providing clients with long-term value.



# ACM Portfolio Particulars

Private Accounts with a Plan®

## Account Types

Private  
Modeled Separate  
Mutual Fund/ETF

## Minimums

\$250,000  
\$100,000  
\$ 25,000

## Average Holdings

30-45 diversified holdings  
30-35 diversified holdings  
5-8 funds or ETFs

## Private Strategies

1. Growth
2. Growth with Income
3. Balanced: Equity & Bond
4. Income with Growth
5. Fixed Income

## Model Strategies

1. Growth
2. Growth with Income
3. Balanced: Equity & Bond
4. Income with Growth

## Mutual Fund/ETF Strategies

1. Growth
2. Growth with Income
3. Income with Growth
4. Global Balanced

## Similar Characteristics

- Diversification Across Economic Sectors
- Low Turnover
- No Automatic Rebalancing
- Managed for Tax Efficiency
- Active Management
- Blend of Top-down and Bottom-up

## Portfolio Differences

Private account clients typically need more customization due to a number of reasons such as concentrated stock positions, existing holdings, allocation restrictions, investment policy mandates, values based screening and active tax harvesting. Unlike a model, each private account is unique.



# ACM Strategy Descriptions

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**Growth:** This strategy seeks to maximize portfolio appreciation within the risk parameters of the client, with no consideration given, or even some avoidance, of current income. This strategy is most suitable for aggressive investors who want to maximize the value of their accounts, are risk tolerant and wish to emphasize long-term appreciation.

**Growth with Income:** This strategy places primary emphasis to capital appreciation, but without sacrificing income entirely. Serious consideration is given to current income as an investment objective in the portfolio mix. This strategy is most suitable for investors who want their accounts to grow, but prefer a less aggressive portfolio than described above while offering a blend of appreciation and current income.

**Balanced:** This strategy places primary emphasis to capital appreciation, but without sacrificing income entirely. Bonds are also used as an asset allocation component for diversification from the equity markets. This strategy is most suitable for investors who want their accounts to grow, but are not comfortable with 100% equity. The bond allocation can be mandated by the client or left up to our management team.

**Income with Growth:** This strategy emphasizes current income as its primary objective, but also seeks to provide some appreciation so that the value of the account is maintained relative to inflation. This is accomplished through the use of dividend producing securities and is most suitable for clients who need to live off the income produced by their portfolios. Unlike a bond portfolio for income this strategy will experience market fluctuations and may not be appropriate for risk adverse investors.

**Fixed Income:** This strategy's emphasis is capital preservation and will use bonds and other stable value securities for the goal of income or diversification from equity portfolios. The portfolio may be taxable or tax exempt depending on the tax status of the account.



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The firm's ADV part II is available upon request.

This report must be presented in its entirety including all disclosures.

