Helping to Raise Your Portfolio to a Higher Level:

Understanding Advisors Capital Management's Approach to Investing

You and your advisor have decided that your portfolio has reached a level where a private professional money manager may be more appropriate. There are many choices of portfolios types and managers. However there are very few true private accounts providing the flexibility and individuality to each client.

At Advisors Capital Management (ACM) we ask new clients to begin to think of investing differently. ACM's private accounts are uniquely designed for each client. ACM clients *will not* experience excessive trading, fractional shares, insignificant holdings and modeled allocations and rebalancing. We will ask you to look long-term as we begin to build your wealth. ACM's approach to managing money is clear. Buy growth cheaply. We search for value stocks that offer above average return and growth prospects that aren't reflected in the price.

Understanding the ACM Investment Philosophy

ACM's distinctive style 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 price. Many such investments require patience for the investment merits of these companies to emerge. Thus, our approach inherently takes some time and many positions are initiated with an investment horizon of one to three years. Other value managers typically define value in a classic Graham-Dodd fashion, which is based strictly on balance sheets and income statements.

ACM's approach is somewhat broader than that because a company's growth prospects are often not evident from a balance sheet. Indeed, just as assets can be undervalued, growth prospects can also go unappreciated.

"Buy to the sound of cannons, sell to the sound of trumpets,"

-Lord Nathan Rothschild

ACM's style is at times somewhat contrarian. Because we try to buy growth cheap, we are not comfortable buying into stocks that have already been swept along by the crowd and popular convention because of the losses that occur when these bubbles burst.

Legendary London banker Nathan Rothschild once said he liked to buy when the cannons were firing and sell when the trumpets were blowing.

ACM appreciates Rothschild's theory and will not join in momentum driven investments simply because they are the latest hot sector in the market. Such investments tend to become the most overpriced during market rallies and vulnerable during market declines. But when the market gets infatuated over some particular sector, other sectors may languish at cheap prices from their lack of attention. This often creates very attractive entry points for investments that are out of

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the financial limelight but are, nevertheless, highly attractive so ACM tends to buy on the cannons and sell on the trumpets.

ACM will also exploit Dr. Lieberman's economic 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. The attractiveness of an industry will depend on the varied investment merits of the individual companies under consideration, including their competitive position within their industry, balance sheets, cost structure, unique growth opportunities, and numerous other factors.

"Examples of special situations include spin-offs of divisions, corporate restructurings, new technologies, strategic merger combinations and industry consolidations due to deregulation."

Special Situations

Special situations are an area of great interest and a reflection that investing is inherently a bottom up process. Examples of special situations include spin-offs of divisions, corporate restructurings, new technologies, strategic merger combinations and industry consolidations due to deregulation. Such situations are often under appreciated by the market because the absence of an independent operating history makes the outlook for the new entity somewhat more uncertain. Such situations are enticing, if it is possible to make some judgment about the prospects for the company as a self-standing operating business.

Diversification

Diversification is very important for risk management. By spreading risk across a number of securities, industries, and even strategies, the manager can reduce the volatility of investment returns. Even when finding a particular investment idea exceptionally attractive, and possibly concentrating some investment in that narrow area, ACM will still diversify more broadly to spread the risk.

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