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ADVISORS CAPITAL

## Advisors Capital Management, LLC ADV Part 2A Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Advisors Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 201-447-3400 or [compliance@advisorscapital.com](mailto:compliance@advisorscapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Advisors Capital Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Advisors Capital Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm's CRD number is 112266.



## ITEM 2 MATERIAL CHANGES

Since the last annual filing of this Form ADV Part 2A, dated March 31, 2023, the following material changes have occurred:

Advisors Capital Management, LLC (“ACM”) serves two differing client populations. One side of the business caters to other financial services firms as a sub-advisor/asset manager, while the other primarily serves individuals and their wealth management needs. The asset management unit was previously referred to as ACM and has been re-branded as Advisors Capital, while the wealth management unit has been re-branded as ACM Wealth. With the re-brand, the firm has for the first time created separate ADV Disclosure Brochures to distinguish its business offerings to each client base. This ADV Disclosure Brochure describes Advisors Capital’s service offering to other financial services firms and their clients.



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**ITEM 4 ADVISORY BUSINESS**

Advisors Capital Management, LLC (“ACM”) is an SEC-registered investment adviser founded in 1998 by Dr. Charles Lieberman and Kevin Kern. ACM has a national presence with its principal place of business in Ridgewood, New Jersey. The firm offers advisory services through two distinct business segments: as an outsourced investment manager to unaffiliated registered investment advisors and broker-dealers throughout the United States, and as a wealth manager to its direct clients. Each of ACM’s business segments has personnel dedicated specifically to that business and, other than offering some of the same proprietary investment strategies, provide differentiated services. Wealth management services are provided under the business name “ACM Wealth” while its services to the clients of other institutions is known as “Advisors Capital.” This disclosure brochure covers Advisors Capital’s services available to the clients of unaffiliated registered investment advisors and broker-dealers.

**Investment Management Services**

Advisors Capital offers the following discretionary portfolio management services geared toward different types of investors and contain a variety of minimums and fees. Our portfolio management strategies involve varying degrees of risk and only those consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability are utilized. The initial data-gathering process at the outset of the relationship is crucial; this is the time when the primary advisor, along with the client, identifies and reviews the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. Ultimately, this analysis helps to determine the type of advisory service (private or model) and broad investment strategy for each client.

Advisors Capital offers the following discretionary portfolio management service levels. The strategies or portfolios offered may vary, depending upon the broker/dealer or registered investment advisor.

<b>Private Accounts: Uniquely Designed Portfolios of Individual Securities</b>	<b>\$300,000 minimum account</b>
<b>Model Separate Accounts: Model Portfolios of Individual Securities</b>	<b>\$150,000 minimum account</b>
<b>Model ETF Strategies: Model Portfolios of ETFs</b>	<b>\$50,000 minimum account</b>

***Private Accounts***

Advisor Capital’s approach to investment management begins with a review and assessment of each client’s specified investment objective(s), risk tolerance, liquidity needs and investment time horizon. The private account management service begins with a comprehensive review of the client’s existing holdings and asset mix for the purpose of creating a streamlined and tax efficient transition of assets and/or securities to a portfolio aligned to the client’s personal investment objectives. After this

assessment, we create a custom investment portfolio, which can include a mix of one or more of the firm's proprietary strategies, individual equities, individual fixed-income securities, mutual funds and/or ETFs. Private Accounts are managed on a discretionary basis. Account supervision is guided by the client's stated objectives, as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

***Model Portfolio Management Utilizing Proprietary Investment Strategies***

Clients requiring less than customized account management or who do not meet the threshold for private account management have access to Advisors Capital's proprietary investment strategies. These model asset allocation portfolios are generally designed to meet the needs of investors with less than \$300,000 to invest:

- Model Separate Account Strategies
- Model ETF Strategies

Advisors Capital offers a suite of proprietary model investment strategies designed for different types of investors. Some primarily consist of individual equities and/or fixed income securities (but may also include ETFs and/or mutual funds), while several are available in the form of Model ETF strategies as outlined below. Collectively, Advisors Capital's strategies are designed to provide a foundation for clients' investment portfolios through both diversification and active management. These proprietary strategies may be used exclusively or in combination with other strategies within the client's aggregate portfolio. The investments utilized for a proprietary strategy are selected based on the stated objective(s) of the specific strategy, rather than on each client's specific individual needs. In conjunction with the client's primary advisor, Advisor Capital's professionals will offer specific guidance about which strategy or combination of strategies will be best suited to each client's investment objectives, risk tolerance and investment time horizon, among other things, and the proper allocations within the client's portfolio framework. Due to the nature of managing a model portfolio, advisory accounts are managed on a discretionary basis only. Fixed income management at the model level is available at various pre-determined allocations through the Global Balanced strategies.

Each of the following model portfolios is designed to meet a particular investment goal:

MODEL SEPARATE ACCOUNT STRATEGIES	MODEL ETF STRATEGIES
Growth	Growth
Small/Mid Cap	Tactical
U.S. Dividend	Core Dividend
Income with Growth	Income with Growth



Balanced: multiple stock/bond ratio allocations <ul style="list-style-type: none"><li>➤ 70/30</li><li>➤ 50/50</li><li>➤ 30/70</li></ul>	Global Balanced: multiple stock/bond ratio allocations <ul style="list-style-type: none"><li>➤ 70/30</li><li>➤ 50/50</li><li>➤ 30/70</li></ul>
Global Growth	U.S. All Cap ETF
Global Dividend	
International ADR	

### **Proprietary Investment Strategies:**

**Balanced:** This strategy balances an allocation of equities with a target allocation of fixed income. The equity to fixed income ratio can change with market conditions. The fixed income assets may be taxable or tax exempt depending on the tax status of the account. The equity allocation is a diverse all-cap mix of common stocks and other securities.

**Fixed Income:** This strategy seeks capital preservation and may invest in bonds or other stable value securities to achieve this goal. The portfolio may be taxable or tax-exempt depending on the tax status of the account.

**Global Balanced (ETF only):** This strategy balances an allocation of a blend of foreign/domestic equity ETFs with a target allocation of foreign and domestic fixed income ETFs. The equity to fixed income ratio can change with market conditions.

**Global Growth:** The Global Growth Strategy is based upon the belief that by emphasizing higher-yielding stocks combined with a core portfolio of niche-focused small-and mid-cap companies, superior investment results can be achieved. The overall portfolio seeks to participate in global stock market advances and protect capital better than competing strategies during stock market declines. This strategy is most suitable for risk tolerant investors with a primary objective of capital appreciation.

**Global Dividend:** The Global Dividend strategy seeks to provide long-term capital appreciation and income by investing in dividend-paying companies located all over the world. The portfolio invests primarily in common stocks and ADRs that regularly pay dividends. Investments are selected based on higher relative dividend yields, dividend growth potential and anticipated stock price appreciation. This globally oriented portfolio is typically diversified across seven to ten sectors. Geographically, the portfolio is diversified across eight or more countries, with the U.S. typically receiving the largest allocation.

**Growth:** This strategy seeks to maximize capital appreciation with no consideration, or even some avoidance, of current income. The strategy invests primarily in common stocks and American depository receipts (ADRs) that offer potential growth opportunities.

**Income with Growth:** This strategy emphasizes high current income as its primary objective, with capital appreciation as a secondary consideration. Investments are primarily in a diversified selection of income producing securities, including equities, preferred stocks, bonds and convertible securities.



**International ADR:** The International ADR strategy seeks to provide long-term capital appreciation and income by investing in dividend-paying companies located outside of the United States. The portfolio invests primarily in ADRs that regularly pay dividends. Investments are selected based on higher-relative dividend yields, dividend growth potential and anticipated stock price appreciation. This internationally oriented portfolio is typically structured with 30 to 50 stocks diversified across seven to 10 sectors. Geographically, the portfolio is diversified across eight or more countries.

**Municipal Fixed Income:** The Municipal Fixed Income strategy invests in Investment-Grade tax free bonds with a minimum underlying credit quality of A- or higher regardless of insurance coverage. The portfolio focuses on General Obligation bonds backed by the full faith and credit and taxing authority of the municipal issuer as well as Essential Service Revenue bonds backed by essential services of municipalities. Non-essential service revenue bonds such as airports, housing, health care and sports & convention center bonds are avoided. Private portfolios can be customized by geography, maturity, duration or credit quality. Portfolios can be state-specific, national or any combination. This strategy's objective is to provide clients with attractive risk-adjusted tax-free rates of return.

**Small/Mid Cap:** This strategy seeks capital appreciation by maintaining a well-diversified portfolio of primarily profitable small- and mid-cap companies. To minimize liquidity risk, we prefer to avoid companies with a high percentage of institutional ownership and favor companies with more liquidity. The portfolio is monitored to evaluate the fundamental conditions of its holdings and is typically diversified across seven to eight sectors. This strategy is most suitable for risk tolerant investors with a primary objective of capital appreciation.

**Tactical:** Using a proprietary algorithm overlay that monitors economic conditions, the Tactical strategy invests in concentrated high-beta ETFs, as well as lower-beta holdings, depending on market conditions. During times of extreme volatility and/or perceived economic weakness, the strategy allocation may invest in government treasuries. This tactical strategy is intended for the investor seeking capital appreciation and tactical rebalancing based on the investment team's macroeconomic determinations. Tactical portfolios can be less diversified than our typical portfolio as holdings are chosen for tactical purposes.

**U.S. Dividend:** The U.S. Dividend Portfolio seeks both long-term capital appreciation and income by investing in the common stocks of companies that regularly pay cash dividends with a high proportion of the companies included in the S&P 500 Index.

### **Self-Directed Brokerage Account: Pathfinder**

Advisors Capital offers Pathfinder, a managed mutual fund program, to participants of certain qualified retirement plans which offer self-directed brokerage account ("SDBA") options. Eligible qualified plans include 401(k)s, 403(b)s, 457 plans and 401a plans. Pathfinder is comprised of a series of mutual funds, known as the AC Funds, that are advised by AC Funds, LLC, and sub-advised by ACM. The Funds are not available individually, but instead are offered with two or more funds in a number of strategies based upon risk tolerance and the investment objective of the individual. Each strategy is developed and managed by ACM and are composed solely of the AC Funds.

An SDBA window allows an individual retirement plan participant to access a wider range of investment options than may be offered through the plan menu for their qualified plan. Electing to open an SDBA account allows the participant to select among mutual funds, stocks and ETFs, including Pathfinder. There is no assurance that investing in Pathfinder versus the mutual funds offered within the plan will deliver equal or higher returns over time.



The AC Funds are no-load funds, with an annual 12b-1 fee of 0.25%. Mutual funds within an SDBA window typically have higher expense ratios than the funds within the client's qualified plans. The expense ratios of the AC Funds are 1.87%, with the exception of the Tactical Fixed Income Fund and the Active All Cap Equity Fund, which have expense ratios of 2.06% and 1.91%, respectively. Advisors Capital does not pass the 12b-1 payment onto broker/dealers or registered investment advisors offering Pathfinder as a solution for their clients.

### **Financial Planning and Other Advisory Services**

Advisors Capital does not offer financial planning, insurance planning, education planning, charitable gift fund advice pension consulting or non-managed asset monitoring services.

### **Assets Under Management**

As of December 31, 2022, ACM was managing client assets in the amount of **\$5,601,706,061** on a discretionary basis, of which **\$4,122,855,660** is attributable to Advisors Capital.

## **ITEM 5 FEES AND COMPENSATION**

### **Private Accounts**

Private Account service is available with a minimum investment of **\$300,000**. Annual management fees may vary depending on a number of factors, including but not limited to Advisor Capital's responsibilities to the primary advisor and their clients:

- Advisory role (sub-advisor vs. advisor)
- Platform responsibilities (trading execution, reporting etc.)

Annual advisory fees for Private Account clients are based upon a percentage of assets under management, as follows:

Equity Accounts	Up to 0.80%
Fixed Income Accounts	up to 0.35%

Generally, the client's primary advisor will add its own advisory fee to addition to Advisor Capital's portfolio management fee. Account size and family account bundling may reduce management fees in certain circumstances, to be determined on a case-by-case basis in Advisors Capital's sole discretion. The management fee does not include any account charges from the custodian including but not limited to ticket charges or annual account fees.

### **Model Separate Account and Model ETF Strategies**

The Model Separate Account service is available with a **\$150,000** minimum investment. The Model ETF Account service is available with a **\$50,000** minimum investment. Annual management fees may vary





depending on a number of factors, including but not limited to Advisor Capital's responsibilities to the primary advisor and their clients:

- Advisory role (sub-advisor vs. advisor)
- Platform responsibilities (trading execution, reporting etc.)

Fixed income management is not available at the model level. Annual advisory fees for Model Separate Account and Model ETF strategies are based upon a percentage of assets under management, as follows:

Model Separate Account/ETF	Up to 0.65%
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Generally, the client's primary advisor will include its own investment advisory fee in addition to our portfolio management fee. Advisors Capital may make marketing allowance payments to its institutional partners. These payments are paid from Advisors Capital's own assets and have no effect on the fees paid by clients for account management.

### **PATHFINDER**

As described in Item 4, clients may elect utilize the Pathfinder service in their qualified retirement plans. SDBA accounts are not charged an advisory fee by Advisors Capital directly. Rather, the compensation we receive through this arrangement comes from fees paid to Advisors Capital from the Funds. From its own resources, Advisors Capital pays compensation to broker-dealers, investment advisers, or other financial intermediaries in connection with the distribution of the fund's shares.

As a shareholder of the AC Funds, the client indirectly pays Advisors Capital in the form of the internal expenses of the AC Funds. This expense is non-negotiable. The internal expense fee is assessed against the daily Net Asset Value ("NAV") of each underlying fund and is paid monthly. Clients will indirectly pay through the AC Funds, the following fees:

- **Sub-Advisory Fee:** The AC Funds will pay 1.62% of the NAV of each Fund to AC Funds, LLC, an affiliate of ACM, for providing investment advice to the Funds. From this fee, AC Funds, LLC pays ACM up to 1.20% of the NAV of each Fund as a sub-advisory fee. The receipt of these fees provides a direct benefit to ACM.
- **12b-1 Fees:** The AC Funds pay 0.25% to the Pathfinder custodians to cover distribution costs. Neither ACM nor AC Funds, LLC receive any 12b-1 fees.
- Two of the funds – Tactical Fixed Income Fund and the Active All Cap Fund are comprised of baskets of ETFs, each of which have their own expense ratio. This cost is added to the overall expense ratio of those funds, which are currently 2.06% and 1.91%, respectively.

**Referral Fee:** Advisors Capital has entered into a Promoter's agreement with unaffiliated broker/dealers and RIAs to offer Pathfinder to their clients seeking to invest their qualified plan assets. In return for the solicitation of these accounts, ACM pays the BD or RIA an annual fee of 0.75% (payable monthly) of the Advisors Capital Funds AUM represented by their clients. This fee is paid from Advisors Capital resources

and does not result in additional fees to the client(s).

**Custodial fees:** the custodian for the client's 401k, 401a, 403B or 457 may charge transaction costs and annual fees directly to the client. Advisors Capital has entered into No Transaction Fee (NTF) arrangement(s) with Fidelity and Schwab for Pathfinder accounts custodied on their platform(s). The NTF program means that there are no transaction costs for purchases and certain sells of the AC Funds that are passed along to clients.

**Conflicts of Interest when Receiving Compensation from the AC Funds:** ACM's receipt of fees from the AC Funds creates a conflict of interest as ACM has a minority ownership in AC Funds, LLC. To mitigate this conflict, Clients that participate in the Pathfinder service are not charged any additional platform, trading or advisory fees by ACM.

### **Investment Assets Not Managed by Advisors Capital**

On a case-by-case basis, Advisors Capital is available to provide non-fiduciary consulting or monitoring regarding client investments that are not under ACM's management. Depending on the scope of work or service provided, ACM may perform this service as a convenience to clients for no extra charge.

### **General Information**

#### ***Fee Billing:***

For new clients, advisory fees are payable quarterly in advance, based on the average month-end market value of the securities in the account during the prior quarter. Some legacy clients may be subject to their traditional billing arrangements, which can vary. In any partial calendar quarter, the advisory fee will be pro-rated based on the number of days that the account was open during the quarter. Advisors Capital bills on an off-quarter cycle of the second month of each quarter – February, May, August and November. Client advisory fees are debited by the custodian per our instructions. The client agreement authorizes the custodian to deduct the advisory fee from the client account(s) and pay the advisory fee for each applicable period. The custodian will send the client a statement showing all amounts paid from the account, including all additional custodial fees. Advisors Capital is not able to accommodate the direct payment of advisory fees by clients. **Please Note:** Where a client elects to use margin in the investment account, the account value is generally increased and the management fee may be higher based on that value. If a client utilizes a margin loan, the account is billed according to the value of the securities in the account without any offset due to loan balances.

#### ***Limited Negotiability of Advisory Fees***

Although ACM has established the aforementioned Private Account, Model Separate and Model ETF fee schedules, we retain the discretion to negotiate alternative fees or reduced minimum account size on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include our relationship with the primary advisor, the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition and reports amongst other factors. The specific annual fee schedule is identified in the contract between the adviser and each client. We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either



party, for any reason upon receipt of written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro-rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund/ETF Fees:*** All fees paid to Advisors Capital for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effect transaction for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:*** ACM is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, ACM may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset ACM's advisory fees.

***Wrap Fee Programs and Separately Managed Account Fees:*** Advisors Capital does not sponsor a wrap fee program but its offerings may be part of another firm's wrap fee program. As a wrap fee program participant, a client pays a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without a commission charge. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. If ACM's offerings are included in in another financial institution's wrap program, you may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. Upon request, we can review any separate program fees that may be charged to clients.

***Margin Accounts:*** At client request - and provided a margin account is approved by the custodian - Advisors Capital may trade client accounts on margin. Each client must sign a separate margin agreement before margin is extended to that client account. The value of assets subject to a margin loan will not be



deducted from the aggregate fair market account value for purposes of calculating the ACM advisory fee and will be included in the account value, thus increasing the account value and resulting in a higher investment management fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

## ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Advisors Capital does not charge performance-based fees.

## ITEM 7 TYPES OF CLIENTS

Advisors Capital provides advisory services to individuals, charitable organizations, pension and profit-sharing plans, high net worth individuals, corporations and sovereign wealth funds.

## ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### **METHODS OF ANALYSIS**

Advisors Capital's portfolio managers use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the stock.

***Quantitative Analysis.*** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

***Qualitative Analysis.*** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held



in other fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

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 these 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.



We may use any of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons amongst other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- We believe the securities to be currently undervalued; and/or.
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are





incorrect, a security may decline in value before we make the decision to sell.

## **MATERIAL RISKS**

Investing in securities involves risk of loss that clients should be prepared to bear. Investment performance cannot be predicted or guaranteed, and the value of a client's assets will fluctuate due to market conditions and other factors. Investments are subject to various risks, including, but not limited to, economic, political, market, currency, liquidity, and cybersecurity risks, and will not necessarily be profitable. Past performance of investments is not indicative of future performance. Although no list of risks could be exhaustive, the following are some risks associated with types of investments recommended by Advisors Capital in its various investment programs.

***Market/Volatility Risk.*** The risk that the value of the assets in which a client account is invested decreases (potentially significantly) in response to various factors, including inflation (or expectations for inflation), deflation (or expectations for deflation), market instability, regulatory events, changes in interest rates, regional or global pandemics, and national and international political and economic events due to increasingly interconnected global economies and financial markets.

***Equity Risk.*** Common and preferred stocks represent equity ownership in a company. Stock markets are volatile. The price of equity securities will fluctuate and can decline and reduce the value of an equity's investment portfolio. The value of equity securities purchased could decline if the financial condition of the companies in which Advisors Capital invests declines or if overall market and economic conditions deteriorate. They may decline due to factors that affect a particular industry or industries, such as labor shortages or an increase in production costs and competitive conditions within an industry, or due to general market conditions that are not specifically related to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or generally adverse investor sentiment.

***Fixed Income Risk.*** Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of such securities tends to decrease. Conversely, as interest rates fall, the market value of such securities tends to increase. This risk will typically be greater for securities based on longer-term interest rates than for securities based on shorter-term interest rates. Fixed income securities may experience a decline in income when interest rates decrease. During periods of falling interest rates, an issuer may be able to repay principal prior to the security's maturity (i.e., prepayment), causing the vehicle to have to reinvest in securities with a lower yield, resulting in a decline in the vehicle's income. Additionally, fixed income securities may be subject to liquidity risk, whereby a security is difficult to purchase or sell or becomes difficult to sell after being purchased. This risk has been especially pronounced in recent times due to disruptions in the global debt markets and is elevated for high-yield fixed income securities (sometimes called "junk" bonds).

***Mutual Funds and ETFs.*** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-



listed from the exchange, or the activation of market-wide “circuit breakers” (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which clients invest.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer’s bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond’s maturity, the greater its interest rate risk.

**Margin.** Upon client request, the Firm accommodates Private Accounts wishing to use margin in their portfolios. Buying on margin means borrowing money from a broker to purchase stock. Margin trading allows you to buy more stock than you would be able to normally. An initial investment, called minimum margin, is required for a margin account. Once the account is opened and operational, an investor can borrow up to 50% of the purchase price of a stock. This portion of the purchase price is known as the initial margin. We may require you to deposit more than 50% of the purchase price. Not all stocks qualify to be bought on margin. When you sell the stock in a margin account, the proceeds go to your broker against the repayment of the loan until it is fully paid. There is also a restriction called the maintenance margin, which is the minimum account balance you must maintain before your broker will force you to deposit more funds or sell stock to pay down your loan. When this happens, it’s known as a margin call. If for any reason you do not meet a margin call, the brokerage has the right to sell your securities to increase your account equity until you are above the maintenance margin. Additionally, your broker may not be required to consult you before selling. Under most margin agreements, a firm can sell your securities without waiting for you to meet the margin call and you can’t control which stock is sold to cover the margin call. You also have to pay the interest on your loan. The interest charges are applied to your account unless you decide to make payments. Over time, your debt level increases as interest charges accrue against you. As debt increases, the interest charges increase, and so on. Therefore, buying on margin is mainly used for short-term investments. The longer you hold an investment, the greater the return that is needed to break even. In volatile markets, prices can fall very quickly. You can lose more money than you have invested.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond’s tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor’s tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.



***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

***Non-U.S. Securities.*** International investments involve special risks not typically associated with trading in investments relating to markets and/or issuers solely in the U.S. Depending on the particular countries and investments involved and on the nature of the particular transactions executed outside of the U.S., these special risks may include: changes in exchange rates and exchange control regulations; downgrades in sovereign credit ratings; devaluations or non-convertibility of non-U.S. currencies; failures or disruptions in central banks, banking systems, markets or financial exchanges; changes in monetary policies, interest rates or interest rate policies; political, social and economic instability; adverse diplomatic developments; investment and repatriation restrictions; the nationalization and/or expropriation of assets; government intervention in the private sector; default by public and private issuers on their financial obligations (and limited recourse in connection with such defaults); the imposition of non-U.S. taxes; discrimination against foreign investors; less liquid markets; less information; higher transaction costs; less information regarding legal and regulatory risks; less uniform accounting and auditing standards; greater price volatility; less reliable clearance and settlement procedures; and/or less government supervision of exchanges, brokers, market intermediaries, issuers and other markets and market participants, than is generally the case in the United States.

***Event Risk.*** An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.

***Liquidity Risk.*** Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions. Certain investments including private placement vehicles are inherently illiquid and therefore involve additional risks.

***Regulatory Risk.*** There have been legislative, tax, and regulatory changes and proposed changes that may apply to the activities of Advisors Capital that may require legal, tax and regulatory changes, including requirements to provide additional information pertaining to a client account to the Internal Revenue Service or other taxing authorities. Regulatory changes and restrictions imposed by regulators, self-regulatory organizations and exchanges vary from country to country and may affect the value of client investments and their ability to pursue their investment strategies. Any such rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which would negatively impact performance.

***Political Risk.*** Political and economic events occurring around the world can affect both domestic and/or international securities markets.

***Inflation Risk.*** Nations around the globe may be more, or less, prone to inflation than the U.S. economy at any given time. Cash is prone to the risk that inflation will erode its purchasing power over time.



## ITEM 9 DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. Advisors Capital and its management personnel have no reportable disciplinary events to disclose.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

ACM is the majority owner of Advisors Capital Planning, LLC, ("APC"), an insurance agency. No one affiliated with Advisors Capital sells insurance.

In addition, ACM serves as a sub-adviser to the mutual funds sponsored by its affiliated registered investment adviser – AC Funds, LLC (CRD# 311748).

## ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Advisors Capital and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code also provides for oversight, enforcement and recordkeeping provisions.

The Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity. A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [compliance@advisorcenter.com](mailto:compliance@advisorcenter.com), or by calling us at 201-447-3400. Advisors Capital and individuals associated with our firm are prohibited from engaging in principal transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with:

- making decisions in the best interest of advisory clients; and
- implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities the same or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client. Firm policy prohibits any employee from purchasing or selling any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from potentially benefiting from transactions placed on behalf of advisory accounts.

**ITEM 12 BROKERAGE PRACTICES****Factors Used to Select Custodians and/or Broker-Dealers**

Advisors Capital is not affiliated with any Broker-Dealer. Specific custodian recommendations are made to client based on their need for such services. We recommend custodians based on their reputation and the services provided by the firm. The firm has arrangements with unaffiliated broker-dealers, Charles Schwab, Fidelity Investments (together with all affiliates, "Fidelity"), respectively, through which the broker-dealers provide our firm with their "platform" services for direct and institutional clients. These platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Advisors Capital in conducting business and in serving the best interests of our clients but that may also benefit us.

The above-mentioned independent custodians may charge brokerage commissions and transaction fees for effecting certain securities transactions (*i.e.*, transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Our independent custodian relationships enable Advisors Capital to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. These custodian's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by the custodians may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, some custodians will make available to our firm, at no additional charge to us, certain research and brokerage services, including research services from independent research companies, as selected by Advisors Capital (within specified parameters).

The firm may also receive additional services which include marketing, reporting, software and hardware equipment, and financial planning software assistance. Without this arrangement, we might be compelled to purchase the same or similar services at our own expense. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of these custodians' services. We examined this potential conflict of interest when we chose to enter into the relationships and have determined that the relationship is in the best interests of Advisors Capital clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Advisors Capital will seek competitive rates to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Advisors Capital is not affiliated with the independent custodians of client accounts. Advisors Capital has a number of prime brokerage agreements. These agreements have been created to provide additional fixed income and equity inventory and better pricing flexibility for our clients. Because of these relationships, Advisors Capital receives access to additional research.



### ***Research and Other Soft-Dollar Benefits***

Advisors Capital does not currently receive soft dollar benefits.

### ***Brokerage for Client Referrals***

Advisors Capital does not receive any referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***Clients Directing Which Broker/Dealer/Custodian to Use***

Although Advisors Capital recommends clients to maintain accounts with certain custodians, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and this may cost clients' money over using a lower-cost custodian.

### ***Aggregating (Block) Trading for Multiple Client Accounts***

Generally, Advisors Capital combines multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **ITEM 13 REVIEW OF ACCOUNTS**

The investment team actively monitors all of the Firm's recommended investments and is responsible for trading client accounts. It also conducts continuous research to find new potential investments. The Investment Committee meets regularly to discuss the Firm's recommended investments, market issues and to make recommendations on future actions.

Clients are reminded that it remains their responsibility to advise their primary advisor of any changes in their investment objectives and/or financial situation. Clients are encouraged to review financial planning issues, investment objectives and account performance with their primary advisor on an annual basis.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodian or broker-dealer, Advisors Capital provides, upon request, reports summarizing account performance, balances and holdings, typically in preparation for client meetings.

## **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

### **CLIENT REFERRALS**

Advisors Capital may pay referral fees to independent persons or firms ("Promoters") for introducing clients to us. Whenever we pay a referral fee, we require the Promoter to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:



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- The Promoter's name and relationship with our firm.
- The fact that the Promoter is being paid a referral fee.
- The amount of the fee.
- Whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Promoter.

Clients referred to Advisors Capital by Promoters are not charged increased advisory fees; the referral fee is paid out the firm's customary advisory fee. Our policy prohibits our related persons from accepting any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### ITEM 15 CUSTODY

Pursuant to government regulations, Advisors Capital is deemed to have custody of your assets if you authorize us:

- to instruct the custodian to deduct our advisory fees directly from your account, or;
- to move your money to a third-party (Standing Letter of Authorization – see below).

In each of these circumstances, the advisor is deemed exempt from Rule 206(4)-2 ("Custody Rule") of the Investment Advisers Act of 1940, as amended, which requires an independent annual examination of accounts. ***Advisors Capital does not have actual or constructive custody of client accounts.*** For this reason, we are not subject to the independent examination requirement. The account custodian maintains the actual custody of your assets and you have direct access to, and control over, your accounts at all times.

Generally, the account custodian will debit Advisor Capital's fee on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian. **Please Note:** The account custodian does not verify the accuracy of our fee calculation; as such, it is important for each client to carefully review their custodial statement to verify the accuracy of the calculation. Clients should contact their primary advisor, or us directly, if they believe that there may be an error in their statement.

#### ***Standing Letters of Authorization or Instruction***

As a convenience, custodians have long offered clients the ability to make periodic transfers from their accounts to third parties of their choosing. The transfer instructions, which must be directed by the client pursuant to signed documentation required by the custodian, are known as "Standing Letters of Authorization" ("SLOA") or similar terminology. The client's authorization of a SLOA permits/directs Advisors Capital to act on client's behalf to transfer client funds or securities to third parties (*e.g.* college or mortgage payments). Clients may choose to utilize an SLOA under the following conditions:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes Advisors Capital, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.



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- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- Advisors Capital has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- Advisors Capital maintains records showing that the third party is not a related party or located at the same address as the firm.

### ITEM 16 INVESTMENT DISCRETION

Advisors Capital primarily works with clients on a discretionary basis. This means that the client provides us with a limited power of attorney (contained in the advisory agreement) at the outset of the advisory relationship. This authority allows the firm, without advance client approval for each trade, to:

- Select the securities to buy or sell;
- Determine the amount of the securities to buy or sell; and/or
- Determine the timing of when to buy or sell

Our discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Advisors Capital observes the investment objectives, limitations, and restrictions of the particular client account. Clients may request, in writing, a reasonable limitation on discretionary authority (*e.g.* limit the types/amounts of particular securities purchased for their account), which limitation will be accommodated where practicable. In the event of an error made by Advisors Capital, the client is made whole.

### ITEM 17 VOTING CLIENT SECURITIES

As a matter of policy, Advisors Capital does not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for :

- directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and
- making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

### ITEM 18 FINANCIAL INFORMATION

Registered investment advisors are required to provide clients with financial information or disclosures about their financial condition under circumstances that are not applicable to ACM. The firm is financially sound and does not have any financial condition that would impair its ability to meet contractual or fiduciary commitments to clients.



ADVISORS CAPITAL

# Privacy Policy

FACTS	WHAT DOES ADVISORS CAPITAL DO WITH YOUR PERSONAL INFORMATION?	
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"><li>■ Social Security number and employment information</li><li>■ Income and investment experience</li><li>■ Risk tolerance and retirement assets</li></ul> <p>When you are no longer our customer, we continue to share your information as described in this notice.</p>	
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Advisors Capital Advisors chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does Advisors Capital share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes—</b> to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	No	We don't share
<b>For our affiliates to market to you</b>	No	We don't share
<b>For non-affiliates to market to you</b>	No	We don't share
Questions?	Call 201.447.3400 or go to <a href="http://www.advisorscapital.com">www.advisorscapital.com</a>	



## ADVISORS CAPITAL

### Who we are

#### Who is providing this notice?

Advisors Capital Management, LLC (dba "Advisors Capital"), a registered investment adviser.

### What we do

#### How does Advisors Capital protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We restrict access to your personal information to those employees who need it to perform their job responsibilities.

#### How does Advisors Capital collect my personal information?

We collect your personal information, for example, when you

- establish an investment advisory relationship
- contract for financial planning services
- open an account or deposit money with custodians
- purchase or sell securities with executing broker-dealers

We also collect your personal information from others, such as custodians, broker-dealers, or other companies.

#### Why can't I limit all sharing?

Federal law gives you the right to limit only:

- sharing for affiliates' everyday business purposes—information about your credit worthiness
- affiliates from using your information to market to you
- sharing for non-affiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

### Definitions

#### Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

#### Non-affiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

Non-affiliates we share with can include companies such as vendors, and other service providers.

#### Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you. Our joint marketing partners include categories of companies such as insurance companies.

### Other important information

Advisors Capital Management, LLC is the majority owner of Advisors Capital Planning, LLC, an insurance agency.