ADVISORS CAPITAL MANAGEMENT

Q3 2017 Review & Outlook

Dr. Charles Lieberman
David Lieberman
Dr. JoAnne Feeney
Stephen Zurilla, CFA

We Will Be Starting Shortly

This presentation will contain opinion and performance reporting through September 30, 2017. ACM's performance reports are created and audited independently under the standards of GIPS reporting. Although the information included in this presentation has been obtained from sources ACM believes to be reliable, we can not guarantee its accuracy. Past performance does not guarantee future results. Important performance and portfolio measurement disclosure information can be found on the final slides of this presentation. Top Holdings, Market Cap, Sector Allocation and Portfolio Statistics are shown as supplemental information only and complement each composite report. Composite allocation percentages can change at any time or in the case of the ACM Private Balanced Strategy can be driven by the client/advisor. Growth of $100,000 assumes reinvestment of dividends and interest with no contributions or withdrawals. Our Speakers are Dr. Charles Lieberman Chief Investment Officer, David Lieberman PM, Dr. JoAnne Feeney PM, and Stephen Zurilla, CFA PM.

ACM is a registered investment advisory firm. Our ADV Part 2A and 2B are available upon request. For the purposes of this presentation ACM Private Account composite returns are presented net of all fees. ACM will not be presenting portfolio measurements for our Modeled Separate Account Composites. This information is available upon request. A copy of this presentation is also available upon request. Noted slides have been used with permission from Fidelity Research. Important disclosure pages follow this presentation and should be reviewed.

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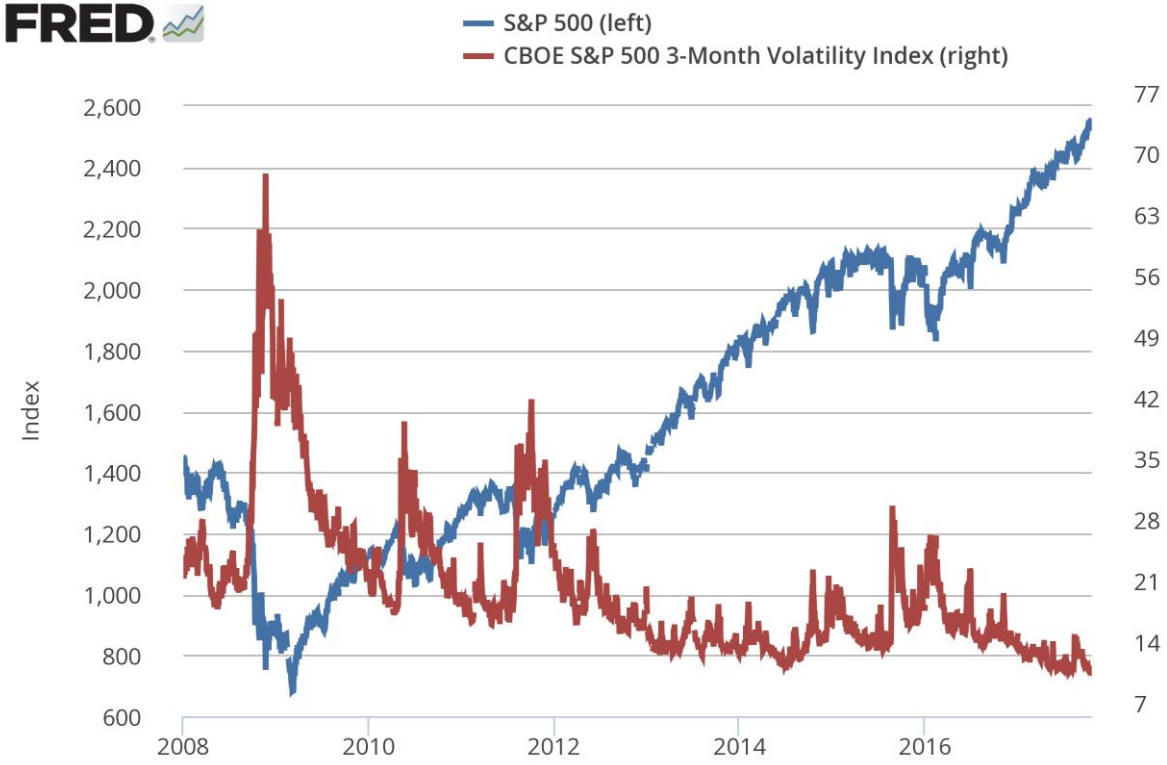
S&P 500 Climbs, VIX® Falls

Dr. JoAnne Feeney
Portfolio Manager



Source: Chicago Board Options Exchange, S&P Dow Jones Indices LLC

fred.stlouisfed.org

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S&P 500 rose 4.5% in Q3, despite policy stall

Volatility drops to historical lows (VIX ends 3Q at 9.5)

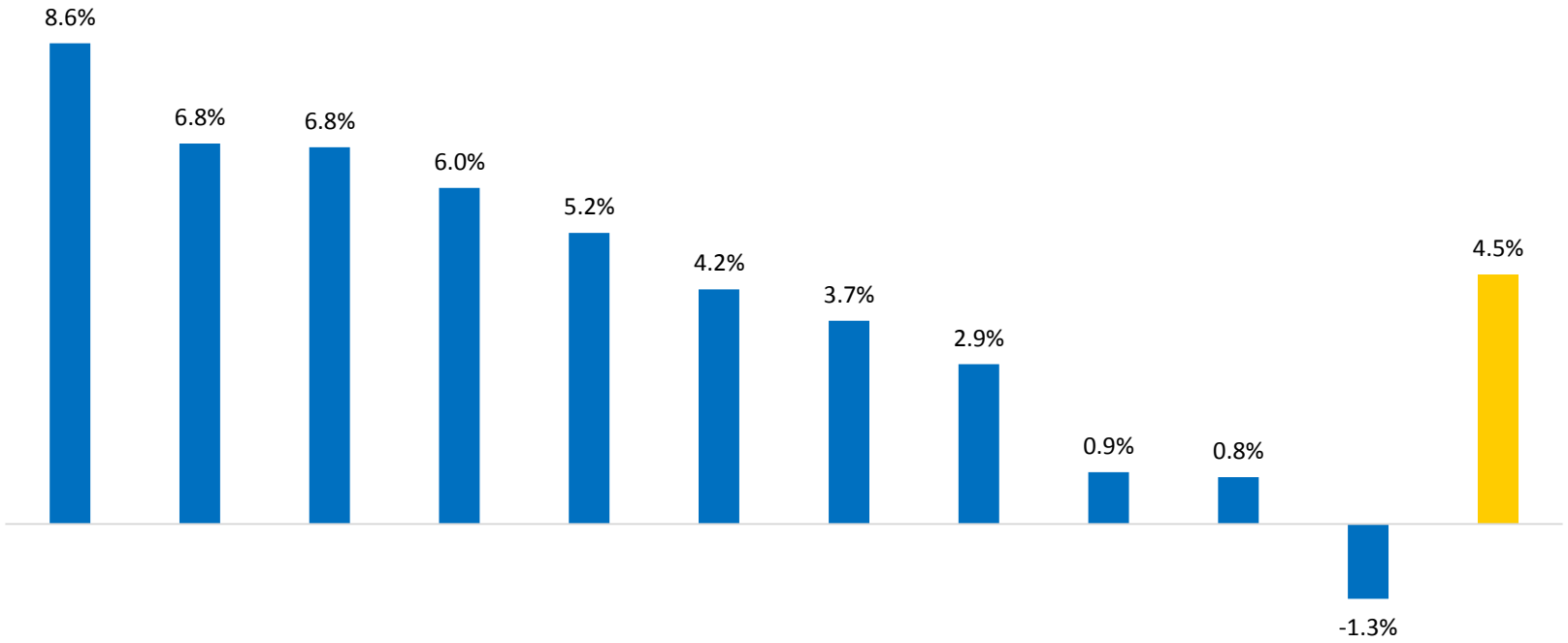
Stable global economic outlook contributing to calm

Sources: Chicago Board of Options Exchange; S&P Dow Jones Indices LLC, S&P 500© [SP500], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/SP500, July 17, 2017.

Q3 Performance Led by Info Tech; Staples Lagged

Dr. JoAnne Feeney
Portfolio Manager

Q3 2017 Total Returns by Sector

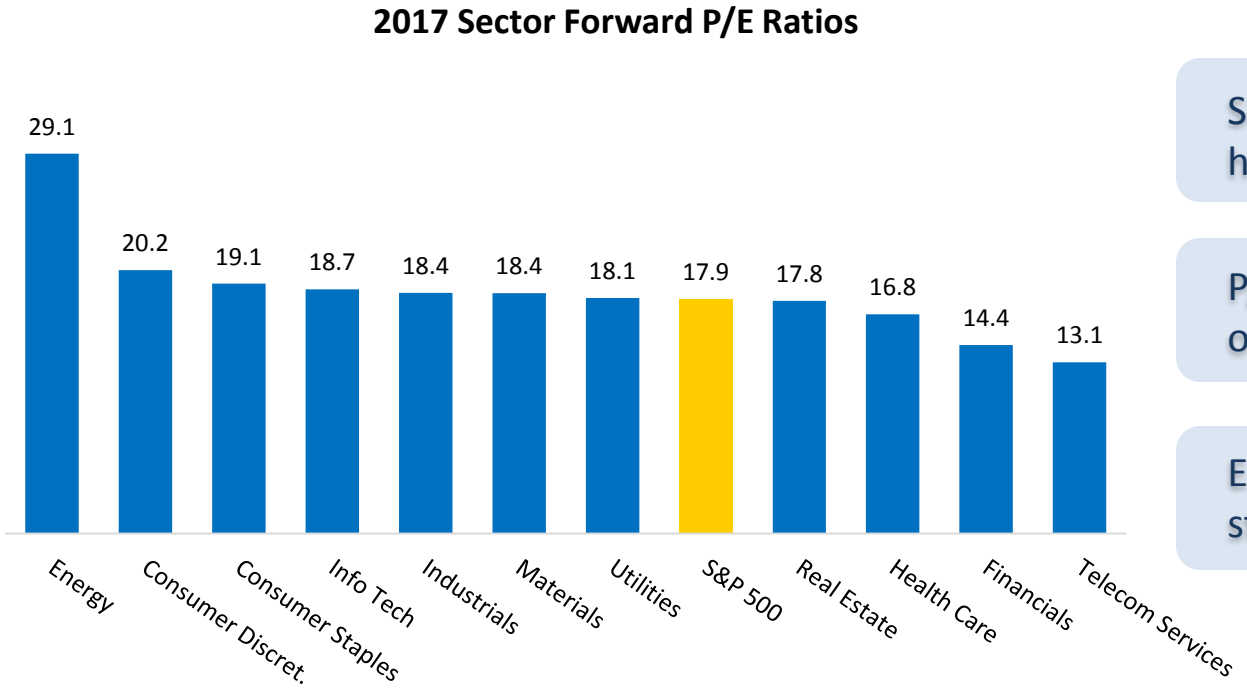


	Info Tech	Energy	Telecom Services	Materials	Financials	Industrials	Health Care	Utilities	Real Estate	Consumer Discret.	Consumer Staples	S&P 500
Year-to-Date	27.4%	-6.6%	-4.7%	15.8%	12.5%	14.1%	20.3%	11.9%	7.4%	11.9%	6.6%	14.2%

Source: Factset Research Systems, October 11, 2017.

Earnings Growth Supports Returns and Valuation

Dr. JoAnne Feeney
Portfolio Manager



S&P Earnings on track to have grown ~ 2.1% in 3Q

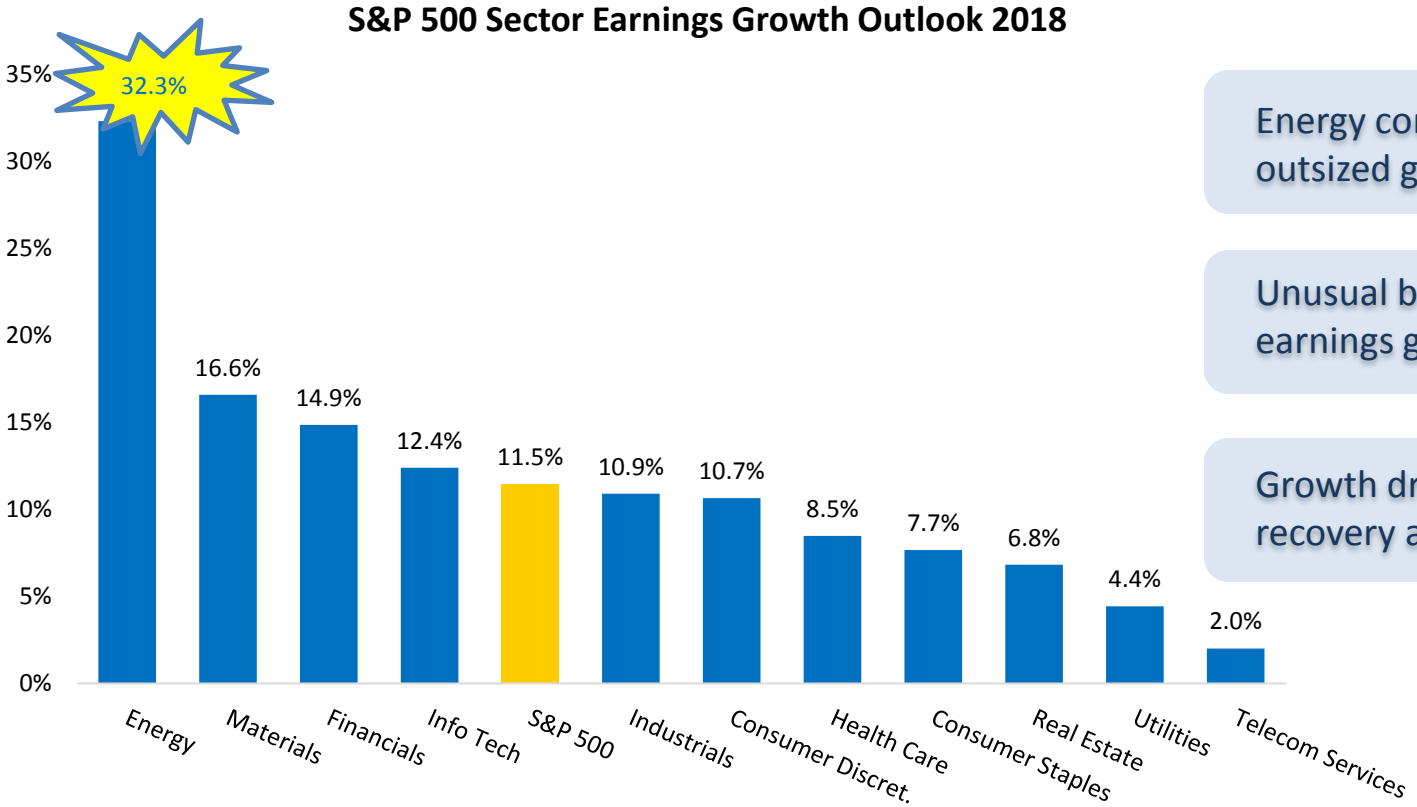
P/E ticked higher vs. end of 2Q (17.9 vs 17.8)

Earnings growth supporting stock appreciation

Source: Factset Research Systems, October 11, 2017.

2017 Earnings Growth Led by Energy, Materials, and Financials

Dr. JoAnne Feeney
Portfolio Manager



Energy continues temporary outsized growth as it recovers

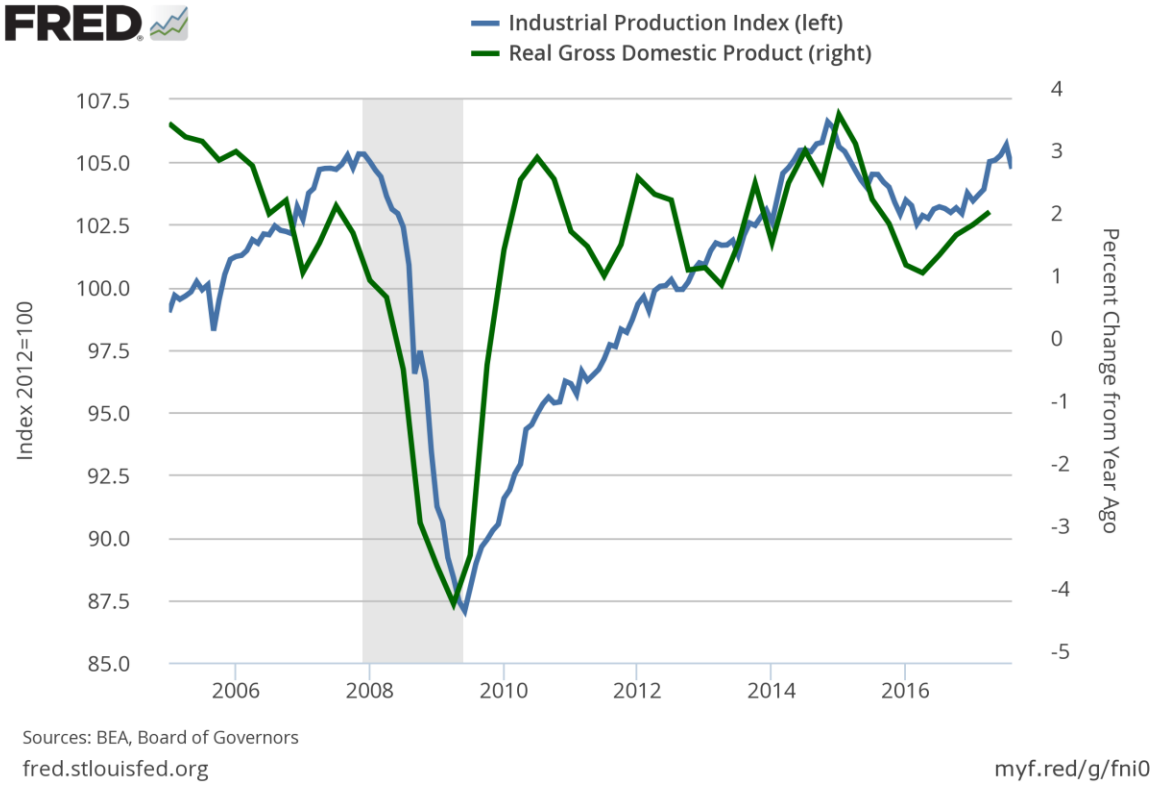
Unusual broad-based earnings growth expected

Growth driven by global recovery and industry cycles

Source: Factset Research Systems, October 11, 2017.

US Macro Update: Moderate Growth Continues

Dr. Charles Lieberman
Portfolio Manager



GDP growth remains moderate; as expected

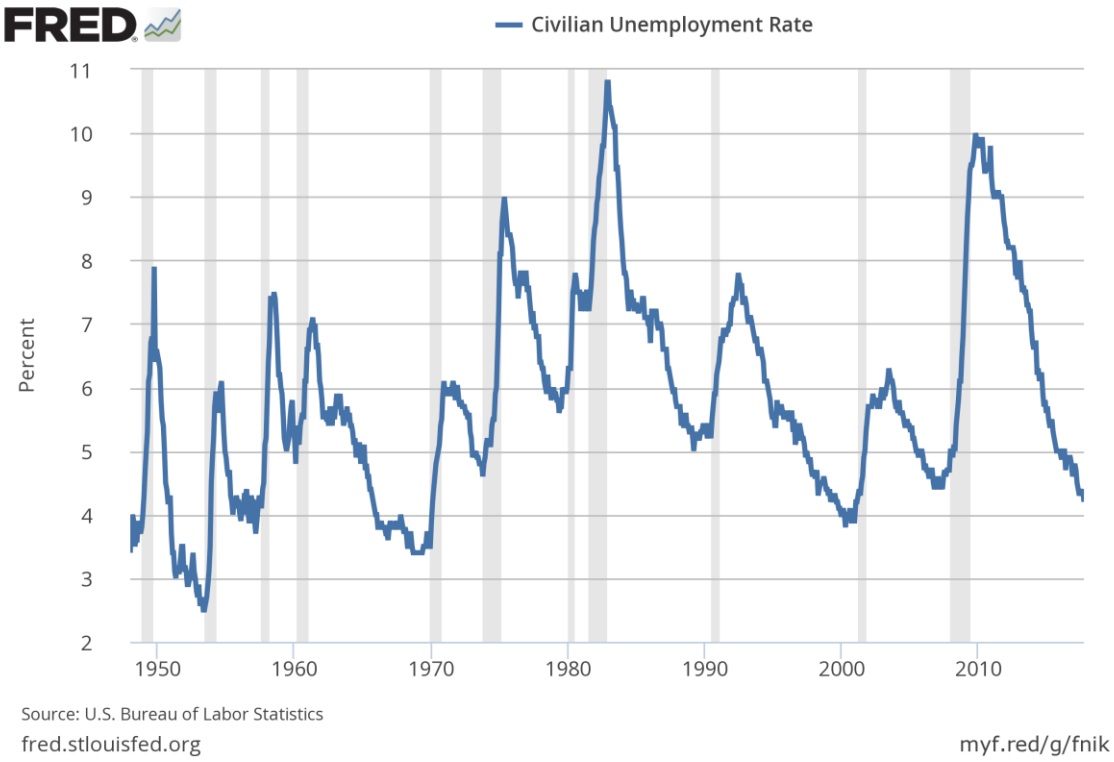
Industrial production still in expansion territory

2017 GDP Growth Outlook: 2.1% (OECD); 2018: 2.4%

Source: U.S. Bureau of Economic Analysis, Real Gross Domestic Product [GDPC1], retrieved from FRED, October 11, 2017.

Unemployment Rate – Will Stable and Low Unemployment Last?

Dr. Charles Lieberman
Portfolio Manager

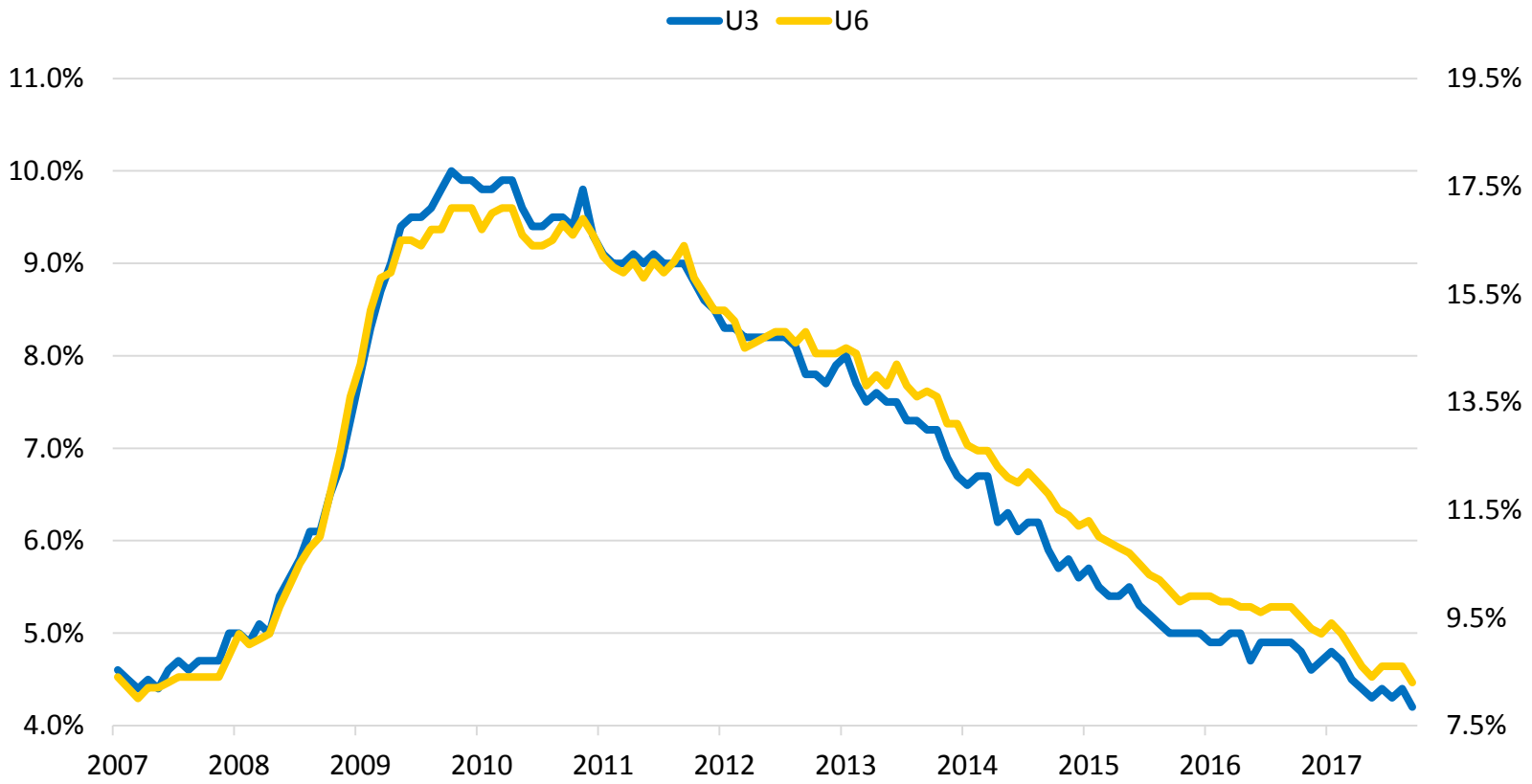


- Unemployment Rate drops to 4.2%
- Participation rate stable in 62.7-63.0% range.
- Initial Unemployment claims spike following hurricanes

Source: US. Bureau of Labor Statistics, retrieved from FRED, October 11, 2017.

Unemployment Improves: Both Narrow and Broad Definitions

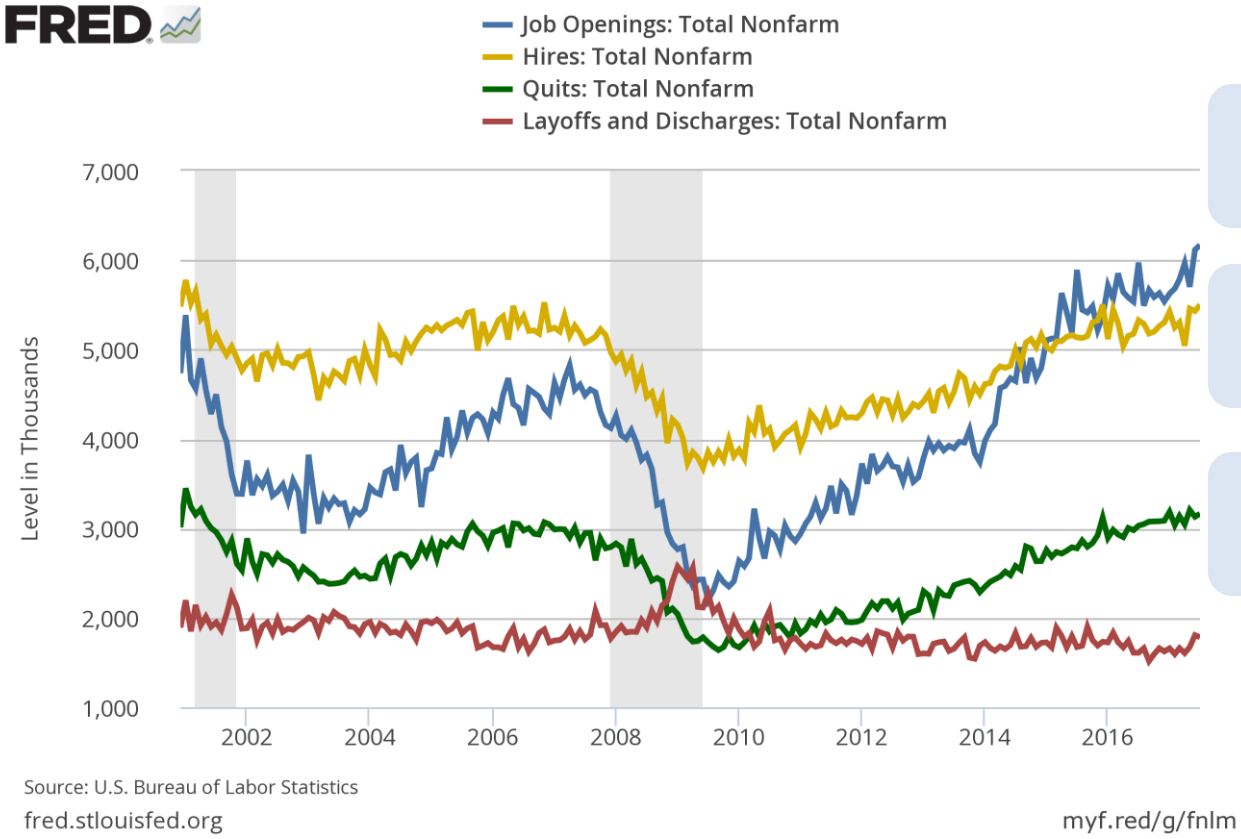
Dr. Charles Lieberman
Portfolio Manager



Sources: US. Bureau of Labor Statistics, retrieved from FRED, October 11, 2017; Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta.

Job Openings, Quits, and Hires Indicate Robust Economy

Dr. Charles Lieberman
Portfolio Manager

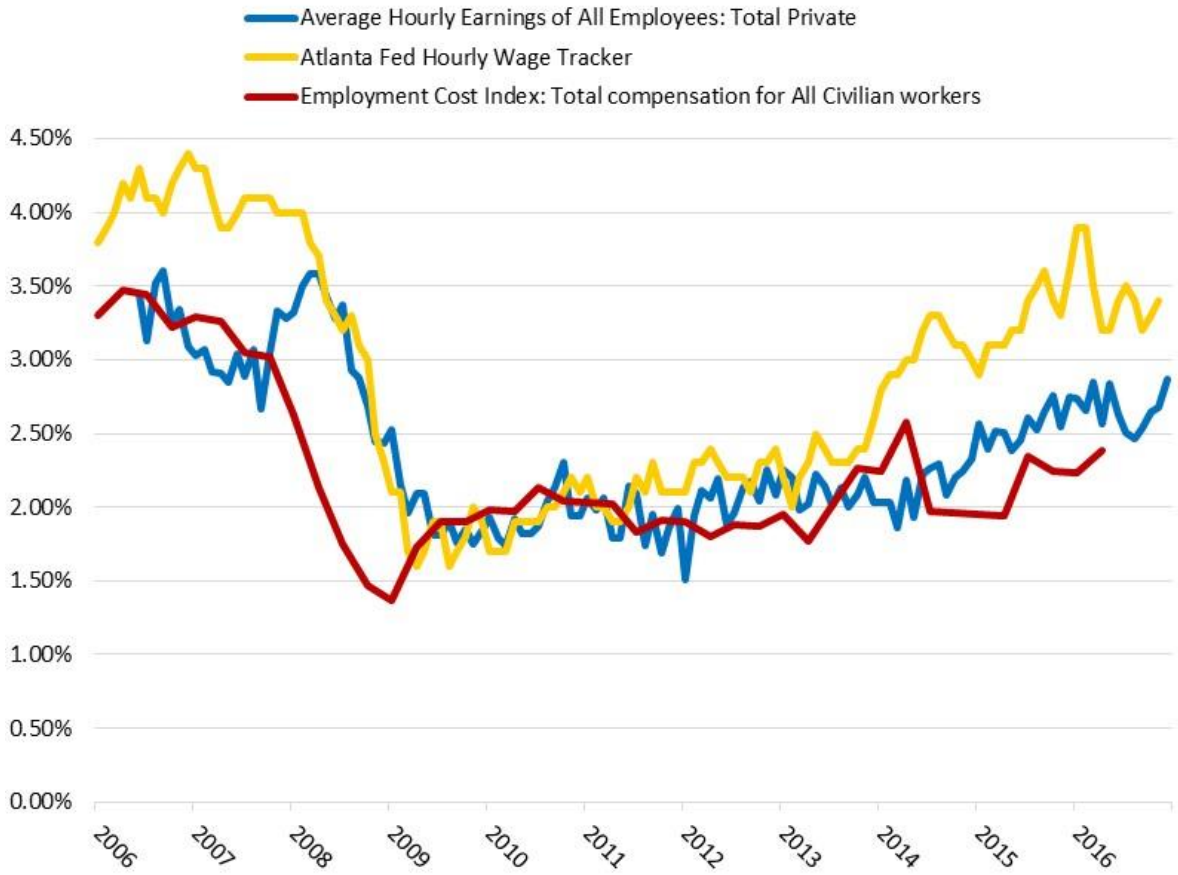


- Persistent gap between Openings and Hires remains
- Quit rate continues to climb
- Layoffs remain low

Source: US. Bureau of Labor Statistics, retrieved from FRED, October 11, 2017.

Wages Continue to Rise

Dr. Charles Lieberman
Portfolio Manager



Wage growth continues, though recent pace a bit slower

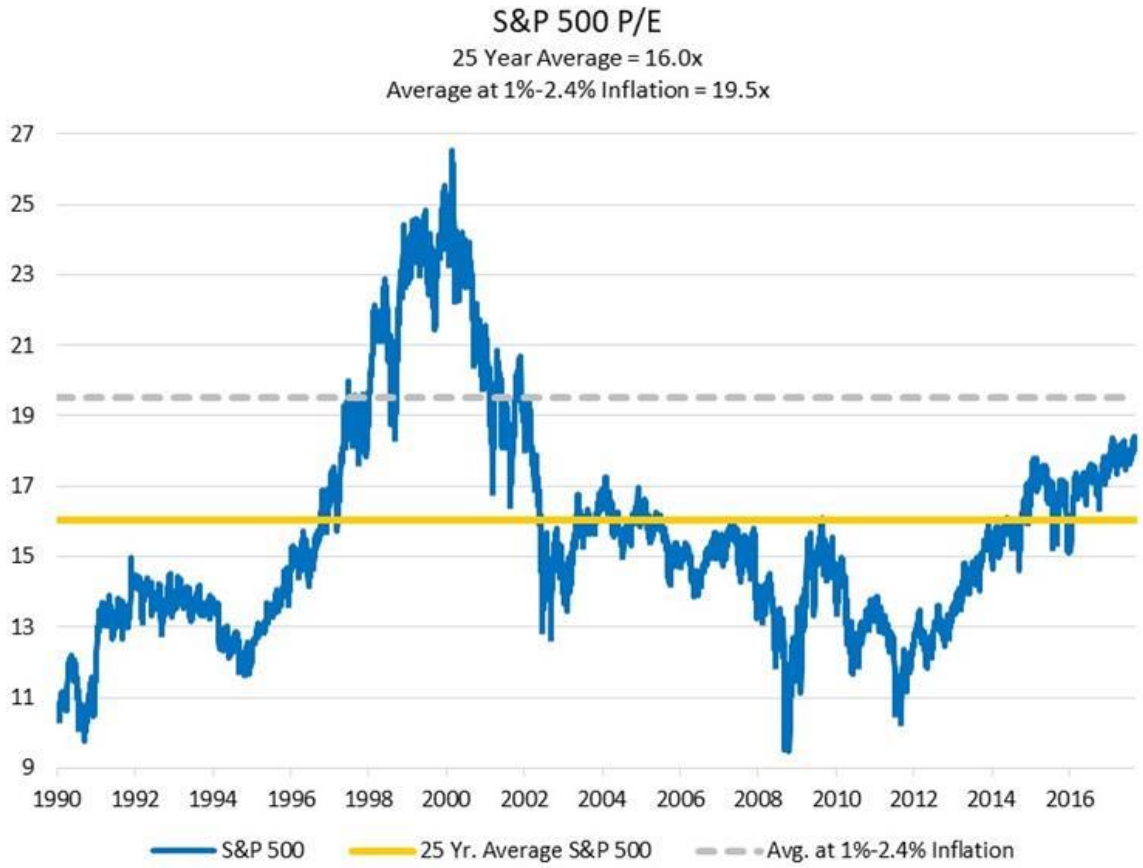
Compensation growth remains in 2.3%-3.3% per year range

Look for wage growth to pass through to inflation

Sources: US. Bureau of Labor Statistics, retrieved from FRED, October 11, 2017; Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta.

Expensive, but Relative to What

David Lieberman
Portfolio Manager



P/E multiples have been trending higher

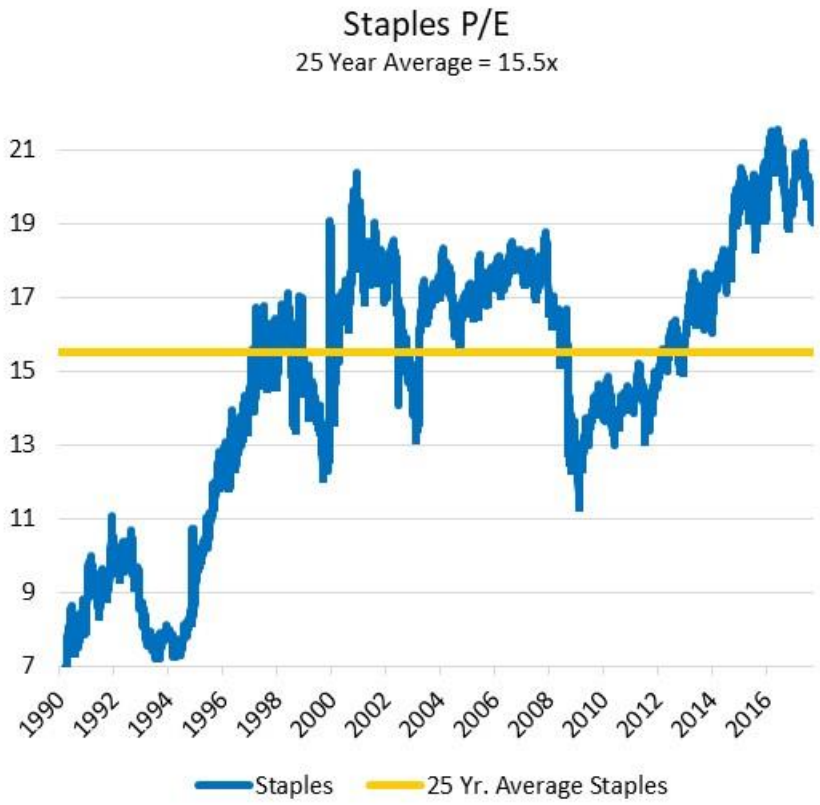
S&P 500 now trades above the 25 year average P/E ratio

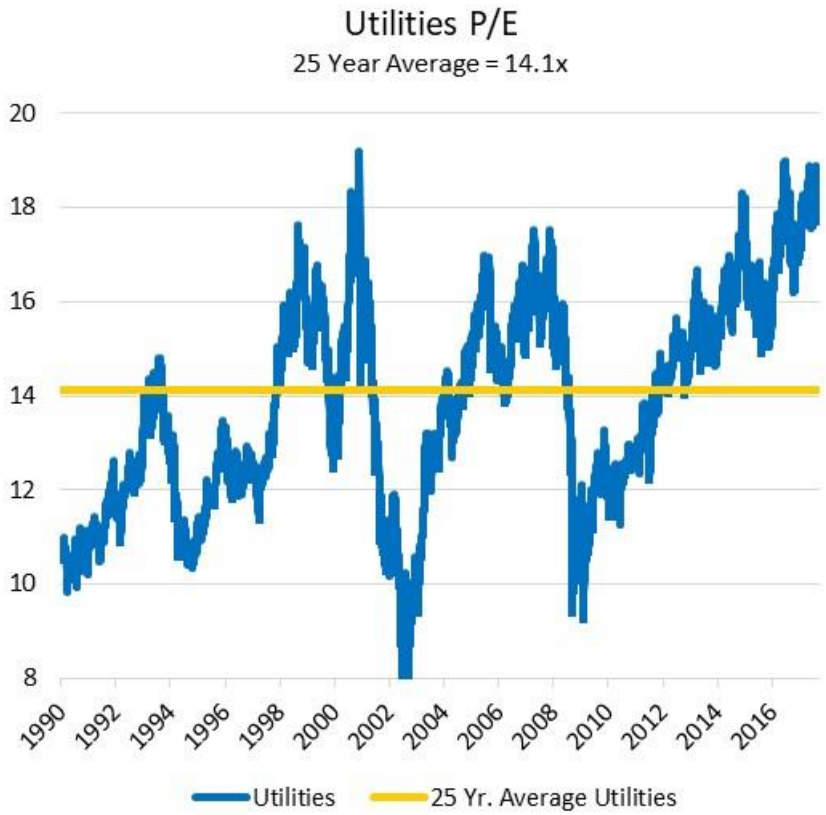
But below average, when inflation between 1% and 2.4%

Source: Bloomberg Finance LP, October 11, 2017.

Flight to Safety has Pushed Valuations Higher

David Lieberman
o Manager

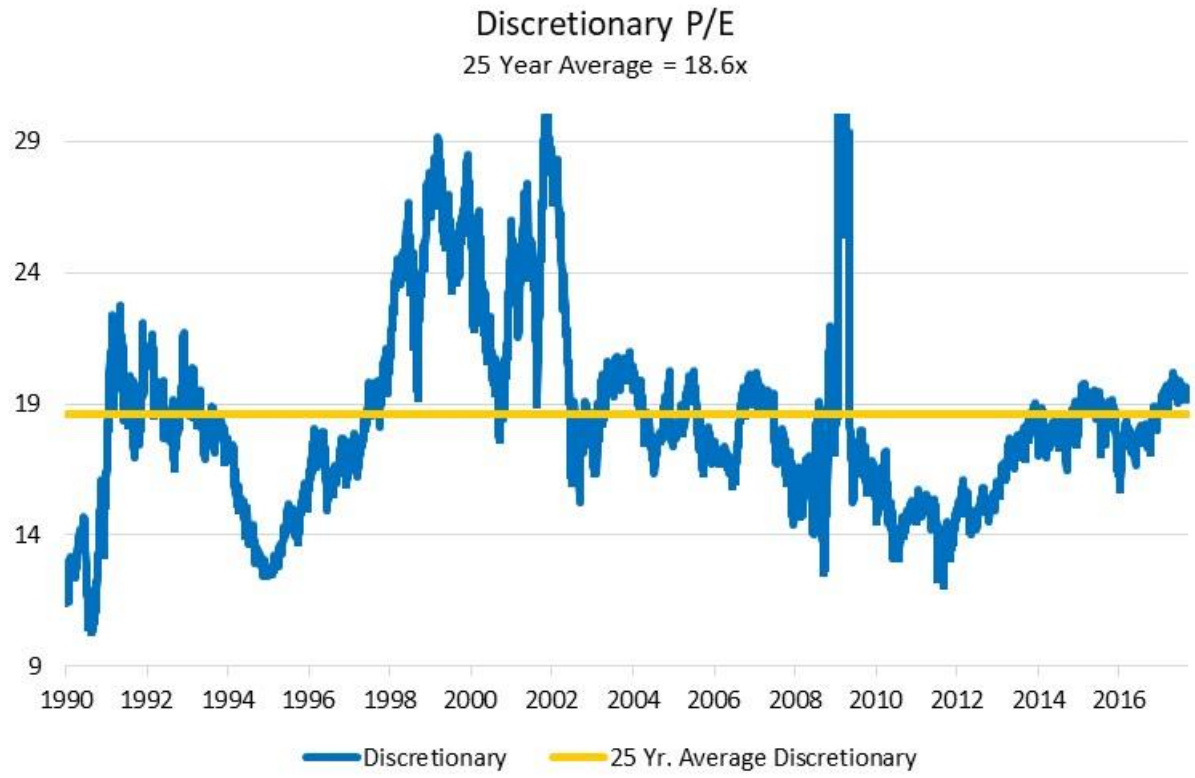




Source: Bloomberg Finance LP, October 11, 2017.

Improving Consumer Creates Opportunities

David Lieberman
Portfolio Manager



- Consumer Discretionary sector slightly above average
- Wages and consumer confidence on the rise
- Spending and demographic trends favorable

Source: Bloomberg Finance LP, October 11, 2017.

Tax Reform Remains a Potential Catalyst

David Lieberman
Portfolio Manager

	S&P 500 Level, Multiple, and Effective Tax Rates					
	Price	NTM EPS forecast	current effective tax rate	pre-tax EPS Forecast	Current FWD P/E	
S&P 500	2561	$142.79	26.7%	$194.86	17.9	
			New effective tax rate	Adjusted EPS Forecast	Adjusted P/E	Potential Appreciation*
			17%	$161.73	15.8	13.3%
			20%	$155.88	16.4	9.2%
			25%	$146.14	17.5	2.3%

Tax reform is back on the agenda

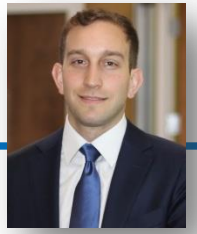
Potential to drive significant appreciation

Some firms will benefit more than others

* Potential appreciation: if none of the tax cut is currently reflected in share price, and if current multiples remain in place, shares would appreciate by this amount. Obviously, we are likely seeing some of the potential tax cut in current valuations, and furthermore, we may see multiples trend back toward historical levels. But this exercise shows the upper bound on appreciation from this one tax policy change.

Source: Factset Research Systems, October 18, 2017.

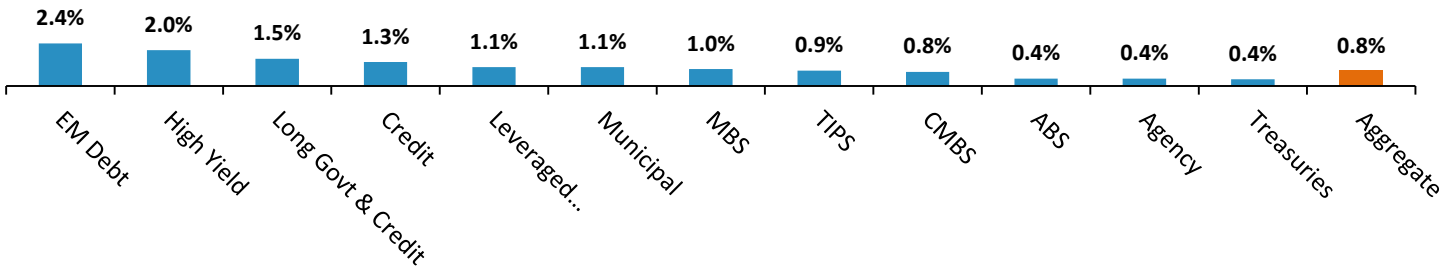
Bonds Gain in Q3



Stephen Zurilla, CFA
Co-Portfolio Manager

Q3 2017 Total Return

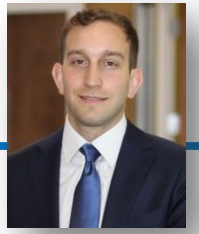
Credit oriented sectors outperform in Q3



Year-to-Date	**8.7%**	**7.0%**	**7.7%**	**5.1%**	**3.0%**	**4.7%**	**2.3%**	**1.7%**	**3.1%**	**1.6%**	**2.1%**	**2.3%**	**3.1%**

Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Index returns represented by: ABS (Asset-Backed Securities) – Bloomberg Barclays ABS Index; Agency – Bloomberg Barclays U.S. Agency Index; Aggregate – Bloomberg Barclays U.S. Aggregate Bond Index; CMBS (Commercial Mortgage-Backed Securities) – Bloomberg Barclays Investment-Grade CMBS Index; Credit – Bloomberg Barclays U.S. Credit Bond Index; EM Debt (Emerging-Market Debt) – JP Morgan EMBI Global Index; High Yield – BofA ML U.S. High Yield Index; Leveraged Loan – S&P/LSTA Leveraged Loan Index; Long Government & Credit (Investment-Grade) – Bloomberg Barclays Long Government & Credit Index; MBS (Mortgage-Backed Securities) – Bloomberg Barclays MBS Index; Municipal – Bloomberg Barclays Municipal Bond Index; TIPS (Treasury Inflation-Protected Securities) – Bloomberg Barclays U.S. TIPS Index; Treasuries – Bloomberg Barclays U.S. Treasury Index. Sources: FactSet, Fidelity Investments (AART), as of 9/30/17.

Spreads Tighten



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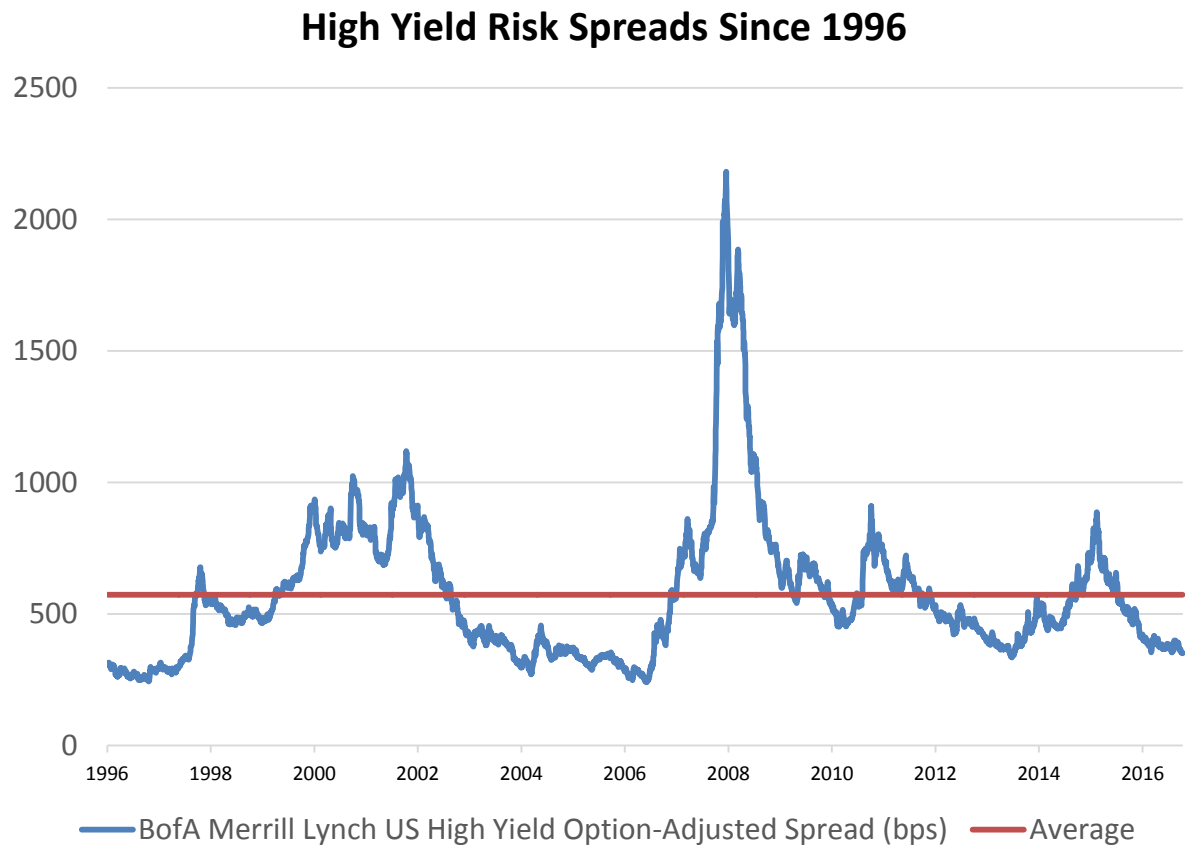
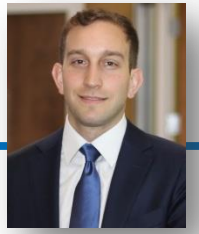


Credit spreads are tighter than average, but supported

Remain cautious about broad allocation to HY

Source: BofA Merrill Lynch. Retrieved from FRED on October 11, 2017

Fed Balance Sheet Normalization



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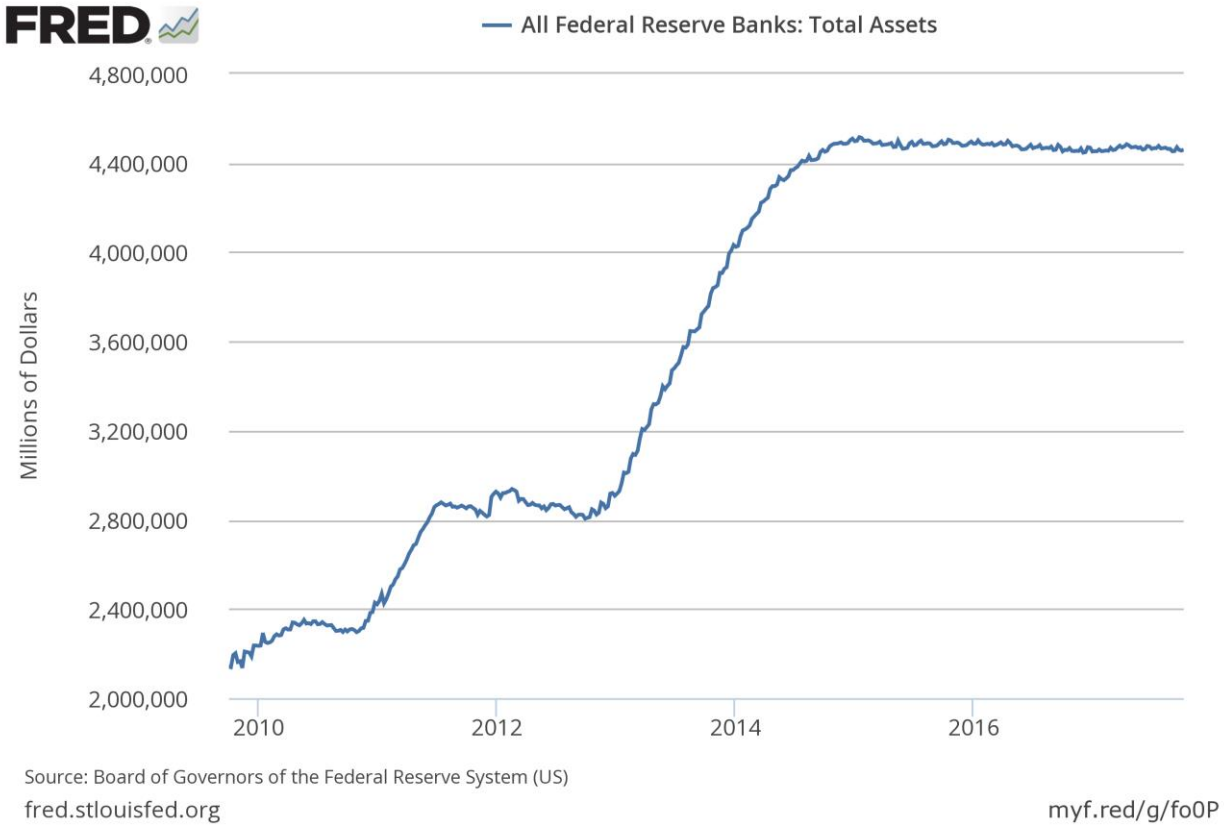
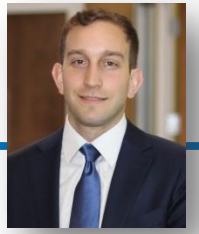


- Fed intends to gradually reduce balance sheet assets
- $6B of principal per month will not be reinvested
- $6B monthly cap will increase to $30B over time

Source: Retrieved from FRED, October 12, 2017.

The Hunt for Yield



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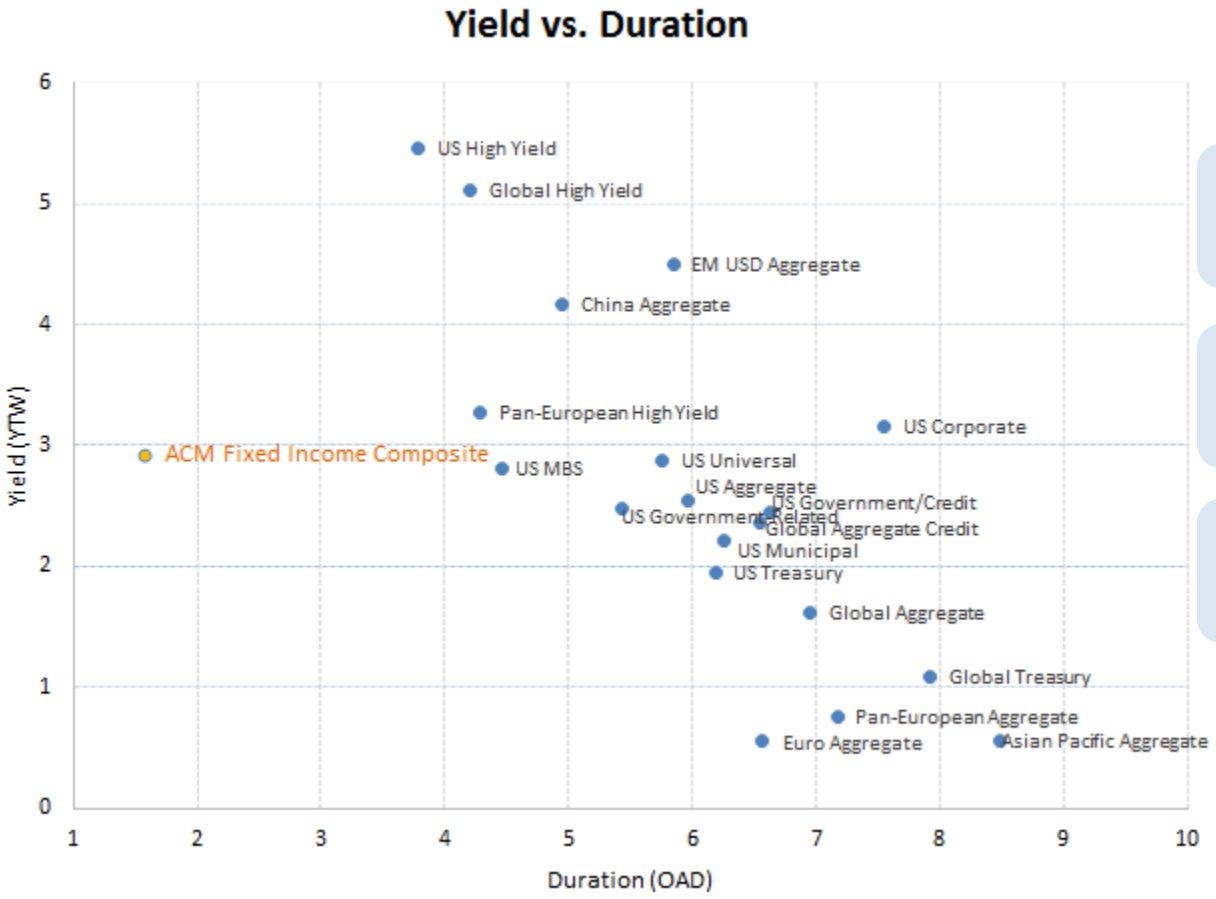


Dearth of yield in fixed income around the world

Borrowers continue to lengthen duration

Unfavorable risk return proposition in long duration

Source: Advisors Capital Management, LLC, Bloomberg L.P. Retrieved from Bloomberg as of September 29,2017.

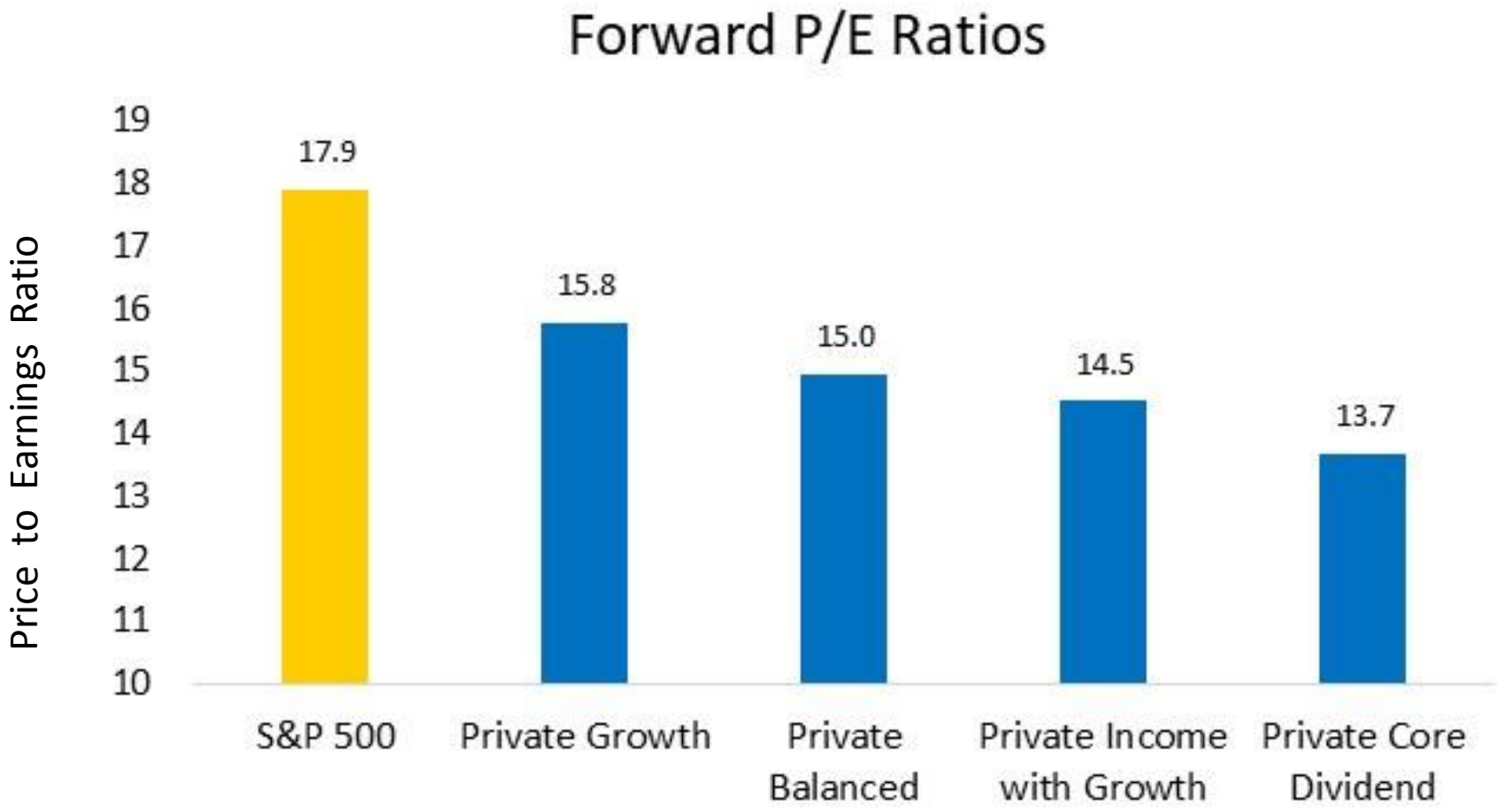
Menu of Investment Strategies

GROWTH	CORE DIVIDEND	INCOME WITH GROWTH	BALANCED	FIXED INCOME*
100% S&P 500 Index	85% S&P 500 Index 15% Barclays Aggr. Bond Index	80% S&P 500 Index 20% Barclays Aggr. Bond Index	70% S&P 500 Index 30% Barclays Aggr. Bond Index	100% Barclays Aggr. Bond Index
OBJECTIVE:	**OBJECTIVE:**	**OBJECTIVE:**	**OBJECTIVE:**	**OBJECTIVE:**
• Seeks capital appreciation. • Long only, all cap. • All equity. • Long term investment time horizon. • Typical portfolio 35-45 holdings.	• Seeks growth with income. • Long only, all cap. • Combination of equity and fixed income. • Thematic approach to portfolio construction. • Typical portfolio 35-45 holdings. • 15 year track record.	• Seeks to generate current income and to grow cash flow and principal with inflation.** • Dynamic multi asset income strategy. • Strategy featured in Barron's Magazine 2009 and 2013. • Typical portfolio 35-45 holdings.	• Seeks to create an optimal allocation of stocks and bonds based on investor's financial objectives. • At private account level client can choose the equity-to-fixed income allocation. • Long only, all cap. • Typical portfolio 35-45 holdings.	• Seeks preservation of capital and or income. • Unconstrained portfolio construction. • Able to own any type of bond, across any credit rating, duration and maturity depending on client's needs and investment thesis.
Inception date: March 2001	Inception date: Dec. 1999	Inception date: March 2001	Inception date: Sept. 2006	Inception date: Dec. 2006

CAPITAL APPRECIATION → **BLEND** → **CAPITAL PRESERVATION**

Minimum account size for a Private Account is $300,000. Minimum Model Account size is $150,000. *Fixed income strategy is only available at the private account level. **Growth of income and account principal is not guaranteed and investors may lose money. Portfolio long term success may not reflect the tenure of the current portfolio manager. Barron's Magazine does not endorse Advisors Capital Management. Complete composite performance history and the firm's ADV Part 2A and 2B are available upon request.

When Being Cheap can be Good!



P/E calculations as of September 30, 2017 provided by Bloomberg tracking of ACM private composite equity positions. Individual client account P/E levels will vary. Lower valuations do not eliminate volatility or guarantee positive returns. Value managers generally invest in stocks that have relatively low valuations (i.e., relatively "cheap") and are overweight these stocks relative to a portfolio comprised of stocks that have relatively high valuations (i.e., relatively "rich"). Price-Earnings Ratio- P/E Ratio is a valuation ratio of a company's current share price compared to its per-share earnings. Calculated as: Market Value per Share divided by Earnings per Share (EPS). Individual ACM Private Composite factsheets available upon request.. Average S&P 500 P/E 25 year average Source: Bloomberg

Questions or Comments

If you have any questions or comments please give us a call

201-447-3400

or email us at

info@advisorscenter.com

Advisors please visit our new website at

WWW.ACMWEALTH.COM

Performance Disclosure

Advisors Capital Management, LLC (ACM) claims compliance with the Global Investment Performance Standards (GIPS®). All composites contain fully discretionary accounts and include accounts no longer with the firm. ACM's Mutual Fund/ETF, Model and Private Composites contain fully discretionary accounts. Below is a list of all ACM portfolio composites and their comparable primary Index/Benchmark:

S&P500 Index
Model Growth
Private Growth

Blended S&P 500/Barclays Aggr. Bond
Model Core Dividend[1]
Private Core Dividend[1]
Model Income with Growth[2]
Private Income with Growth[2]
Model Balanced[3]
Private Balanced[4]

Barclays Aggregate Bond Index
Private Fixed Income

MSCI World Index USD
Global Balanced ETF

Blended Index Allocations

85% S&P 500 Index and 15% Barclays Capital Aggregate Bond Index [1]
80% S&P 500 Index and 20% Barclays Capital Aggregate Bond Index [2]
70% S&P 500 Index and 30% Barclays Capital Aggregate Bond Index [3, 4]
30% S&P 500 Index and 70% Barclays Capital Aggregate Bond Index [3]
50% S&P 500 Index and 50% Barclays Capital Aggregate Bond Index [3]

The U.S. Dollar is the currency used. Gross return provided for advisor use only. Net returns available and are reduced by all fees and transaction costs incurred. Accounts pay a fee based on a percentage of assets under management. This fee includes portfolio monitoring, consulting services, and in some cases, custodial services. In some situations, custodians may impose additional trading fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Performance results of the ACM Private composites presented prior to July 1, 2006 consists of both Private and Model accounts. Since July 1, 2006 the Model and Private composites have been reviewed separately. Private Income with Growth, Growth with Income, and Growth composites were created July 1, 2006. Model Balanced composite was created April 2005. The Private Balanced composite was created September 1, 2006. The Private Fixed Income Composite was created December 10, 2007. The Global Balanced ETF Composite was created June 2008.

For comparison purposes, the Core Dividend Model and Private composites are measured against an 85/15 blend of the S&P 500 and Barclays Aggregate Bond indices. This blend is for general industry-wide comparative purposes only and may reflect up to 15% higher or lower asset allocations than the composite, as composite allocations and the portfolio allocation ranges within the composite will vary over time. In presentations shown prior to March 31, 2011, the S&P 500 indices was presented as the benchmarks for this composite.

The Income with Growth Model and Private composites are measured against an 80/20 blend of the S&P 500 and Barclays Aggregate Bond indices. This blend is for general industry-wide comparative purposes only and may reflect up to 15% higher or lower asset allocations than the composite, as composite allocations and the portfolio allocation ranges within the composite will vary over time. In presentations shown prior to March 31, 2011, the Russell 3000 indices was presented as the benchmarks for this composite.

Compliance with GIPS® has been verified firm-wide by Ashland Partners & Company LLP through December 31, 2015. A portion of the private composite performance presented prior to January 1, 2005 occurred while the portfolio manager (PM) was affiliated with another firm and was the only individual responsible for selecting the securities to buy and sell. Additional information concerning the transitions of the PM is available upon request. Performance numbers for this report are cumulative results through September 30, 2017. Past performance is not indicative of future results. The comparable index used may not be appropriate for all portfolios.

Index/Benchmark Definitions:

The S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. **The Barclays Capital Aggregate Bond Index** is an index comprised of approximately 6,000 publicly traded bonds including US Government, mortgage-backed, corporate, and Yankee bonds with an approximate average maturity of 10 years. The 70/30 blend of the S&P 500 and Barclays Capital Aggregate Bond Index is a blend is for general industry-wide comparative purposes only and may reflect up to 20% higher or lower asset allocations than the composite. Dividends are reinvested in the above benchmarks. **The MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of June 2007 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The value of the MSCI World Index is denominated and calculated in U.S. Dollars.

Advisors Capital Management, LLC (ACM) is an investment advisory firm. A complete list and description of composites, a presentation that adheres to GIPS® standards, calculation method of returns, program fees and breakpoints and the firm's ADV Part 2A and 2B are available upon request. ACM is located at 10 Wilsey Square, Ridgewood, NJ 07450 Telephone: 201-447-3400 Fax: 201-857-4099 Web: www.advisorscapital.com.

Disclosure

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All indices are unmanaged, and performance of the indices includes reinvestment of dividends and interest income and, unless otherwise noted, is not illustrative of any particular investment. An investment cannot be made in any index. Although bonds generally present less short-term risk and volatility than stocks, bonds do contain interest rate risk (as interest rates rise, bond prices usually fall, and vice versa) and the risk of default, or the risk that an issuer will be unable to make income or principal payments. Additionally, bonds and short-term investments entail greater inflation risk—or the risk that the return of an investment will not keep up with increases in the prices of goods and services—than stocks. Increases in real interest rates can cause the price of inflation-protected debt securities to decrease.

Stock markets, especially non-U.S. markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Growth stocks can perform differently from the market as a whole and from other types of stocks, and can be more volatile than other types of stocks. Value stocks can perform differently from other types of stocks and can continue to be undervalued by the market for long periods of time.

Lower-quality debt securities generally offer higher yields but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed income security sold or redeemed prior to maturity may be subject to loss. Floating rate loans generally are subject to restrictions on resale and sometimes trade infrequently in the secondary market; as a result, they may be more difficult to value, buy, or sell. A floating rate loan may not be fully collateralized and therefore may decline significantly in value. The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. Interest income generated by municipal bonds is generally expected to be exempt from federal income taxes and, if the bonds are held by an investor resident in the state of issuance, from state and local income taxes. Such interest income may be subject to federal and/or state alternative minimum taxes. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all tax brackets. Generally, tax-exempt municipal securities are not appropriate holdings for tax-advantaged accounts such as IRAs and 401(k)s.

The commodities industry can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions. The gold industry can be significantly affected by international monetary and political developments, such as currency devaluations or revaluations, central bank movements, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries.

Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry. Leverage can magnify the impact that adverse issuer, political, regulatory, market, or economic developments have on a company. In the event of bankruptcy, a company's creditors take precedence over the company's stockholders.

Additional Definitions

Price-Earnings Ratio- P/E Ratio: A valuation ratio of a company's current share price compared to its per-share earnings. Calculated as: Market Value per Share divided by Earnings per Share (EPS)

EBITDA/EV Multiple- A financial ratio that measures a company's return on investment. The bond credit rating represents the credit worthiness of corporate or government bonds. A bond is considered investment grade or IG if its credit rating is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's. Generally they are bonds that are judged by the rating agency as likely enough to meet payment obligations that banks are allowed to invest in them. Bonds that are not rated as investment-grade bonds are known as high yield bonds or more derisively as junk bonds.

Bond Duration- A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

Floating-Rate Bond/Note- A debt instrument with a variable interest rate. Also known as a “floater” or “FRN," a floating rate note’s interest rate is tied to a benchmark such as the U.S. Treasury bill rate, LIBOR, the fed funds or the prime rate. Floaters are mainly issued by financial institutions and governments, and they typically have a two- to five-year term to maturity.

Fixed Rate Bond- A type of debt instrument bond with a fixed coupon (interest) rate, as opposed to a floating rate note. A fixed rate bond is a long term debt paper that carries a predetermined interest rate. The interest rate is known as coupon rate and interest is payable at specified dates before bond maturity. Due to the fixed coupon, the market value of a fixed-rate bond is susceptible to fluctuations in interest rates, and therefore has a significant amount of interest rate risk.

Convertible Bond- A bond that can be converted into a predetermined amount of the company's equity at certain times during its life, usually at the discretion of the bondholder.

Preferred Stock- A class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally has a dividend that must be paid out before dividends to common stockholders and the shares usually do not have voting rights.

Large Cap- Refers to companies with a market capitalization value of more than $10 billion. Which is calculated by multiplying the number of a company's shares outstanding by its stock price.

Mid Cap- A company with a market capitalization between $2 and $10 billion, which is calculated by multiplying the number of a company's shares outstanding by its stock price.
Small Cap- Refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization of between $300 million and $2 billion.

Value Stock- A stock that tends to trade at a lower price relative to its fundamentals (i.e. dividends, earnings, sales, etc.) and thus considered undervalued by a value investor. Common characteristics of such stocks include a high dividend yield, low price-to-book ratio and/or low price-to-earnings ratio.

Growth Stock- Shares in a company whose earnings are expected to grow at an above-average rate relative to the market.