

# TAKE FIVE WITH HORAN CAPITAL ADVISORS

*HORAN Capital Advisors (HCA) is an independent, SEC-registered investment advisor, dedicated to adding superior value through comprehensive planning and intelligent portfolio construction.*

## HCA'S FIVE CORE TENETS OF INVESTING

The team at HCA deeply believes that certain core tenets guide their clients for investment success. HCA incorporates these core beliefs, making sure that the firm discipline and processes are repeatable:

1. Valuations should drive investment decisions.
2. Most risk is quantifiable and controllable.
3. Diligent, fundamental research matters.
4. Be opportunistic; the market provides opportunity to be proactive.
5. Successful investing is rewarded over years and decades, not days and weeks.

## HCA'S FIVE CORE TENETS OF CLIENT SERVICE

HCA takes great pride on the level of client service it provides to its respective clientele. Service is a core tenet of our business as we communicate regularly with our clients and focus solely on their

needs. We have a high ratio of staff to clients and maximize a team approach and oversight when handling client accounts.

1. **Relationships Matter.** Building long-term relationships creates trust and continuity. This takes time, dialogue and a deep understanding of all client dynamics.
2. **Communicate.** Identify client objectives and tailor the portfolio/service model accordingly. Everyone has different circumstances, ways of learning and expectations regarding the client/advisor relationship.
3. **Challenge One Another.** Consistent agreement rarely leads to optimal results. We can't fear changing perceptions or pushing one another for better outcomes.
4. **Invest.** Invest in good people. A strong team reflects positively on our organization but, more importantly, our clients.
5. **Be Transparent.** Our intent is to present our value proposition by articulating what we do, how we do it and all the expectations in between, i.e., frequency of communication, management fees, portfolio risks, etc.

## FIVE FAQs FOR HCA

### 1. Who are your clients?

Our clients are high-net-worth families and institutions. The families we work with generally have investable assets in excess of \$1 million and are looking for a lasting relationship with highly qualified professionals. We work with these clients building durable portfolios to grow and sustain assets. We also work with them to create the most effective plan to protect and distribute assets to the next generation.

Our institutional clients have a pooled investment account with assets in excess of \$1 million. These accounts range from



From left to right: Nicholas Reilly; Dale Wiethe; Michael Napier, CFP®; Anna Pfaehler, CFP®; Mark Bennett, CFA; Terence L. Horan, CLU, ChFC; Matthew Antenucci; David Templeton, CFA; and Michael Tragesser.

trustee-directed profit-sharing plans or defined-benefit plans to foundations, endowments and corporate accounts. We work with investment committees to develop investment policy statements, reduce fiduciary risks and create diversified portfolios.

## 2. What has led to favorable client outcomes?

A team approach and thorough, repeatable processes. Our professionals at HORAN bring different levels of expertise. Although many clients gravitate to one point of contact, they meet with various portfolio managers throughout the year. Our clients also value our processes. We thoroughly gather the details of our clients' lives, build financial plans and uncover their desire for the distribution of wealth.

## 3. In short order, describe a client portfolio to us.

We leverage our best thinking for all our client accounts. Generally, our clients own many or most of the same securities, but position sizes will vary by the client's risk appetite. There are occasions where clients have appreciated positions and many times we will keep those positions based on tax implications. We will describe a growth portfolio, for example. Today, our growth portfolio is about 60% in equities, 25% in fixed income and 15% in alternative investments.

The core of the equity allocation is in large-cap individual stocks. We have the expertise to select individual positions and it is a real differentiator for our firm. Typically, we own 35–45 individual stocks. These stocks have a high-quality bias and excellent balance sheets. Beyond those stocks, we add funds to gain diversified access to U.S. mid-cap, U.S. small-cap and foreign equity markets. We also use funds for broad fixed-income allocations as well as alternatives. For larger client accounts we will buy individual bonds.

## 4. Where do you see markets going from here?

We are pretty optimistic on equity markets but very mindful that we have not had a 10% pullback in the S&P 500 Index since 2011. We evaluate the fundamentals that drive long-term investment results. Broad economic data is good. Valuations are reasonable. Corporate America is in fine shape as well as consumer balance sheets. Confidence is growing. Specifically within the United States, this recovery has been slow but prolonged.

Based on earnings expectations and related data, we do not see why U.S. earnings won't continue to grow at 6-8% a year. Fixed income (bonds) is another story. After a 30-year bond bull market, we feel the risk to owning longer-dated bonds is not commensurate to the reward. Inevitably, interest rates will go up and bond prices will go down. The Fed has already sent the message that rates will rise in 2015 and beyond. We continue to own short-term, high-quality bonds coupled with some global, floating-rate and real estate fixed income securities.

## 5. What differentiates your portfolio management style?

Our attention to risk and opportunism differentiates us. We build portfolios in the context of overall risk. Risk is evaluated at the asset-class level and at the security level. We are also opportunistic. The market presents opportunities and for those of us engaged in the research, we can take advantage of those opportunities.

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