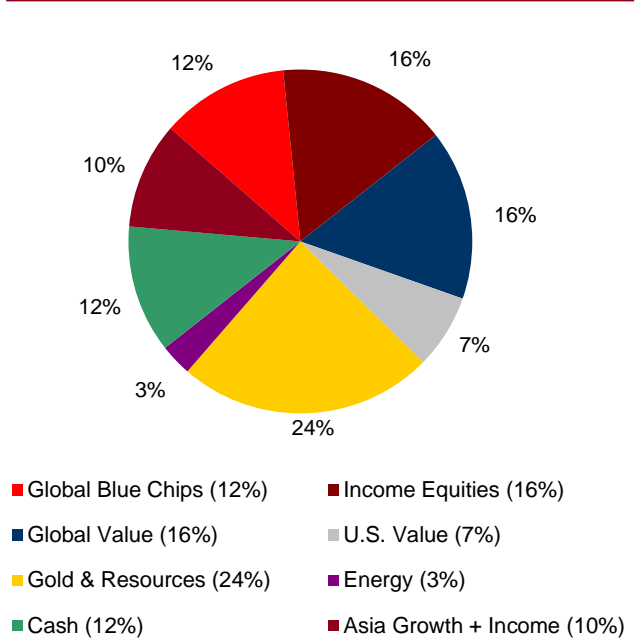


CONSERVATIVE ACCOUNTS

All accounts are tailored to individual objectives and circumstances, so even within a single category, such as “conservative,” the portfolio balance and specific securities can vary. Conservative accounts can have as a primary objective capital preservation, income, or risk-averse, long-term growth.

Investors with conservative accounts generally prefer a stream of income and the return *of* capital in preference to potentially higher return *on* capital. Conservative accounts aim for less volatility than other objectives. This is achieved by being more “balanced”; however, it should be emphasized that all securities, even the most “conservative,” have some risk, and particularly can be volatile. Diversification in the account can mitigate volatility in the overall portfolio, even if individual stocks or sectors decline. (Where clients authorize, we also sell puts as a low-risk way of buying stocks we like, as well as generating income.) Typically, there is also much less turnover in more conservative accounts than in others.

Account Allocation* 10/16



Adrian Day Asset Management is primarily an equity manager. Even though we own bonds from time to time, our accounts are typically dominated by equities. Moreover, we believe the risk/reward for bonds is unattractive at this time. We frequently own foreign currencies, but prefer shorter maturities. We see the U.S. stock market as somewhat vulnerable, while some global equity valuations are more reasonable. We are deliberate in our buying, searching for great companies selling at reasonable prices, that is, less than their intrinsic value. From fully invested, we are now raising cash, given that we see enhanced risks. Sometimes we are selling only partial positions. We continue to hold stocks of quality companies from around the world that pay good dividends. We look at the macro-economic and financial situations as well as at markets and sectors. But mostly, we take a “bottom up” approach in buying.

Top Holdings

representative as of October 2016

Nestle	Gladstone Land
New World Development	Ares Capital
Kingsmen Creatives	Sprott Physical Gold
Pargesa Holding	Franco-Nevada Corp.
Collectors Universe	Loews Corp.

*Note: The composition of the portfolios will vary for individual clients and is subject to change at any time at the manager’s full discretion.