



# TRADITION ASSET MANAGEMENT

A LUXON FINANCIAL COMPANY

## **All-Cap Advantage**

September 2019

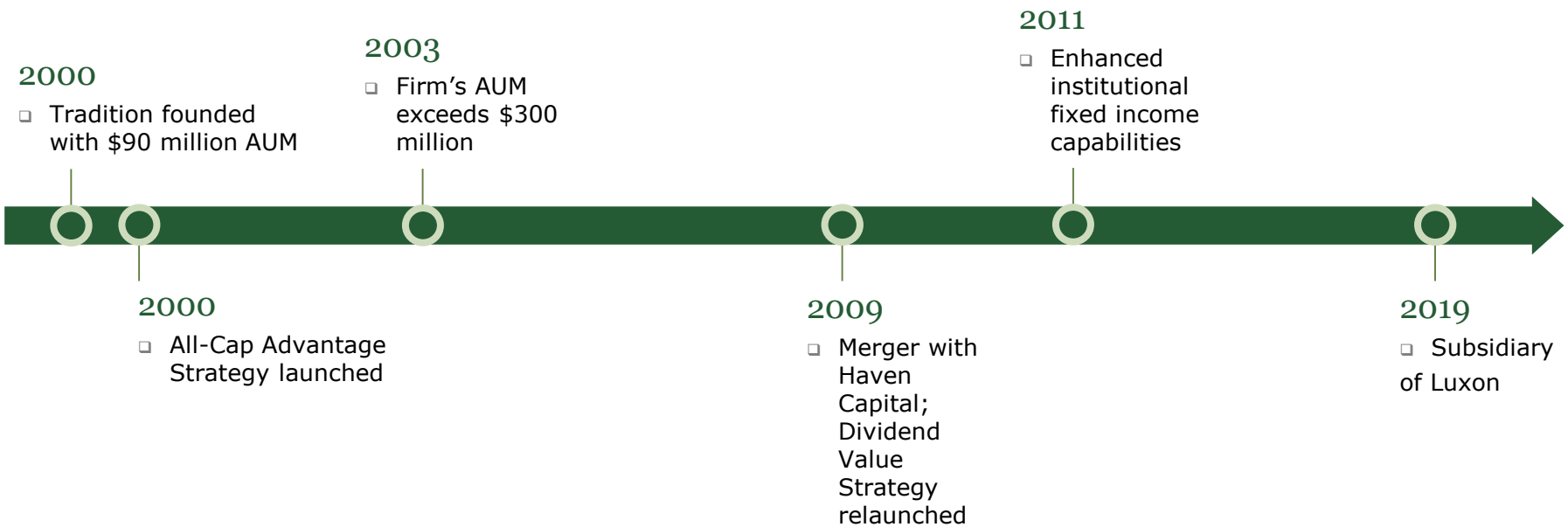
# About Tradition Asset Management

- ❑ Summit, NJ based boutique asset manager founded in 2000
- ❑ 21 employees; 9 investment committee professionals averaging 31 years of experience
- ❑ Rich history of traditional research-driven investing
- ❑ A proven track record (GIPS® verification)
- ❑ Personal assets invested with clients
- ❑ Firm-wide client-centric culture
- ❑ \$700 million in Assets Under Management (AUM)
- ❑ Approx. \$180 million in All-Cap Advantage Strategy

## Tradition Investment Strategies

- ❑ U.S. Equity Strategies
  - All-Cap Advantage
  - Dividend Value
- ❑ Tax-Efficient Portfolios
- ❑ Customized Portfolios
- ❑ Balanced Portfolios
- ❑ Fixed Income Portfolios

# Tradition Timeline



# Strategy Offerings\*



## All-Cap Advantage

The All-Cap Advantage Strategy (ACA) is a long-term, fundamentally-driven investment approach whose goals are to generate an attractive risk-adjusted rate of return and to outperform the S&P 500 index over time. The strategy's primary tenet is that a stock represents an ownership interest in a business. Our goal is to identify quality businesses and to buy their stock at a discount to our estimate of its intrinsic worth. ACA portfolios typically hold 40-60 positions. The strategy's long-term orientation results in low portfolio turnover and tax efficiency, making the strategy particularly attractive for taxable investors.

## Dividend Value

The Dividend Value investment process is based on the belief that a portfolio of stocks with above-average dividend growth plus an above-average dividend yield should outperform the broader market and experience less downside volatility over a full market cycle. An increased dividend is the most meaningful evidence of management's confidence that a company has reached a higher sustainable level of future cash earnings and operating cash flow. Our research suggests this is a highly reliable indicator that management's optimism is well-founded. As a group, companies with a commitment to pay out a meaningful portion of cash earnings as dividends typically impose more financial discipline on management and are indicative of successful businesses that build shareholder value.

## Fixed Income

Tradition's Fixed Income portfolios are actively managed to outperform a benchmark index over the long-term while mitigating risk. We accomplish this through interest rate anticipation, sector allocation and security selection. This strategy is appealing to investors who require higher yields and can accept moderate price volatility. All maturities and sectors are utilized in this strategy as is duration management. Typical duration for a core portfolio ranges between 3 and 7 years depending upon our outlook for the direction of interest rates. Yield curve management is utilized as well. The overall portfolio quality is typically AA-. Fixed income portfolios are constructed to meet specific client needs and mandates.

\*Tradition also offers balanced portfolios and other fixed income portfolios that can be customized for specific client objectives.

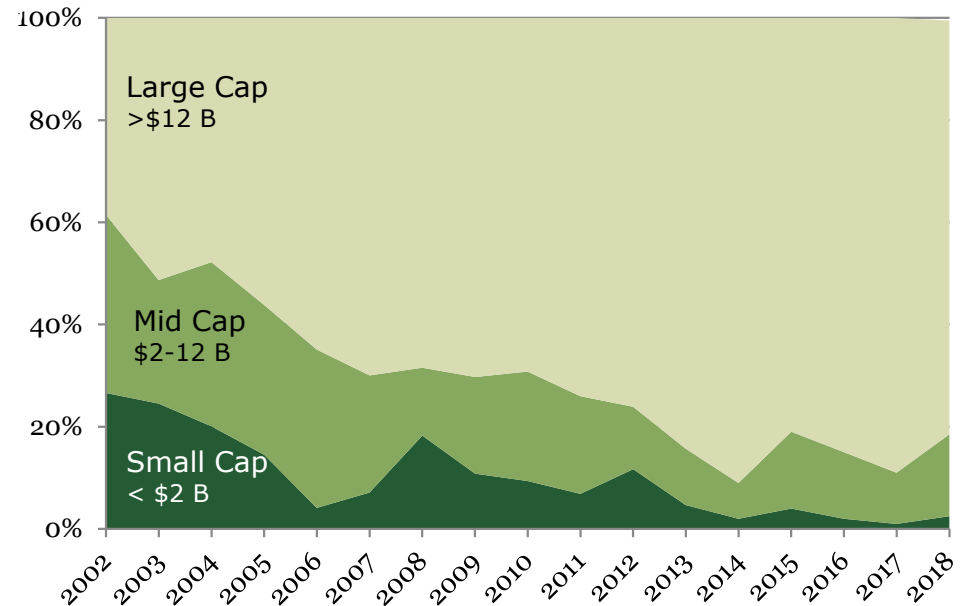
# Investment Committee

Name	Role	Education	Tenure
Benjamin C. Halliburton, CFA Managing Director	Chief Investment Officer	Vanderbilt University, BS Duke University (Fuqua), MBA	2000
Diane Sobin, CFA Managing Director	Portfolio Manager	Pace University, BBA	2019
Alan J. Reef Managing Director	Portfolio Manager	U. of Pennsylvania (Wharton), BS New York University (Stern), MBA	2012
Denis M. Turko Managing Director	Portfolio Manager	Yale University, BS Columbia University, MBA	2009
Christopher J. Trompeter, CFA Managing Director	Portfolio Manager	St. Lawrence University, BA	2000
John W. Feaster Managing Director	Portfolio Manager	Fordham University, BS Rutgers University, MBA	2019
Stephen Ely Managing Director	Portfolio Manager	Princeton University, BA New York University (Stern)	2009
Robert J. Voccola, CFA Managing Director	Portfolio Manager	Lehigh University, BS Columbia University, MBA	2018
Marc L. Davis, CFA Senior Vice President	Senior Analyst	Columbia College, BA New York University (Law School), JD	2002

# Tradition All-Cap Advantage Strategy

- ❑ “Best Ideas” portfolios
- ❑ Strategy seeks alpha across the entire capitalization spectrum
  - Bottom-up stock selection from focus research list
  - Capitalization exposure will vary over time depending on valuations
- ❑ Research-driven, contrarian insights
- ❑ Consistent long-term track record of alpha generation
- ❑ Consistently high risk-adjusted returns
- ❑ Achieved a 4-star rating from Morningstar (SMA large blend peer group)

Historical Market Cap Distribution

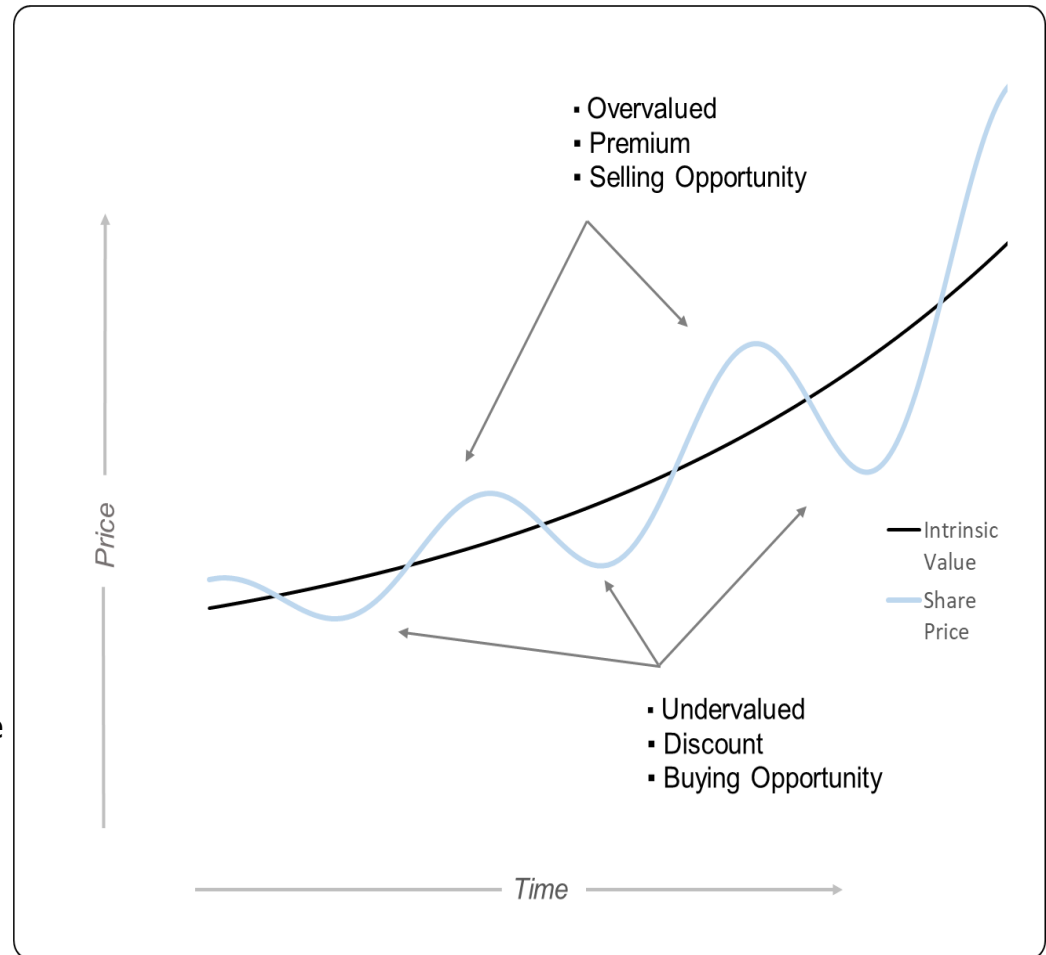


As of December 31, 2018

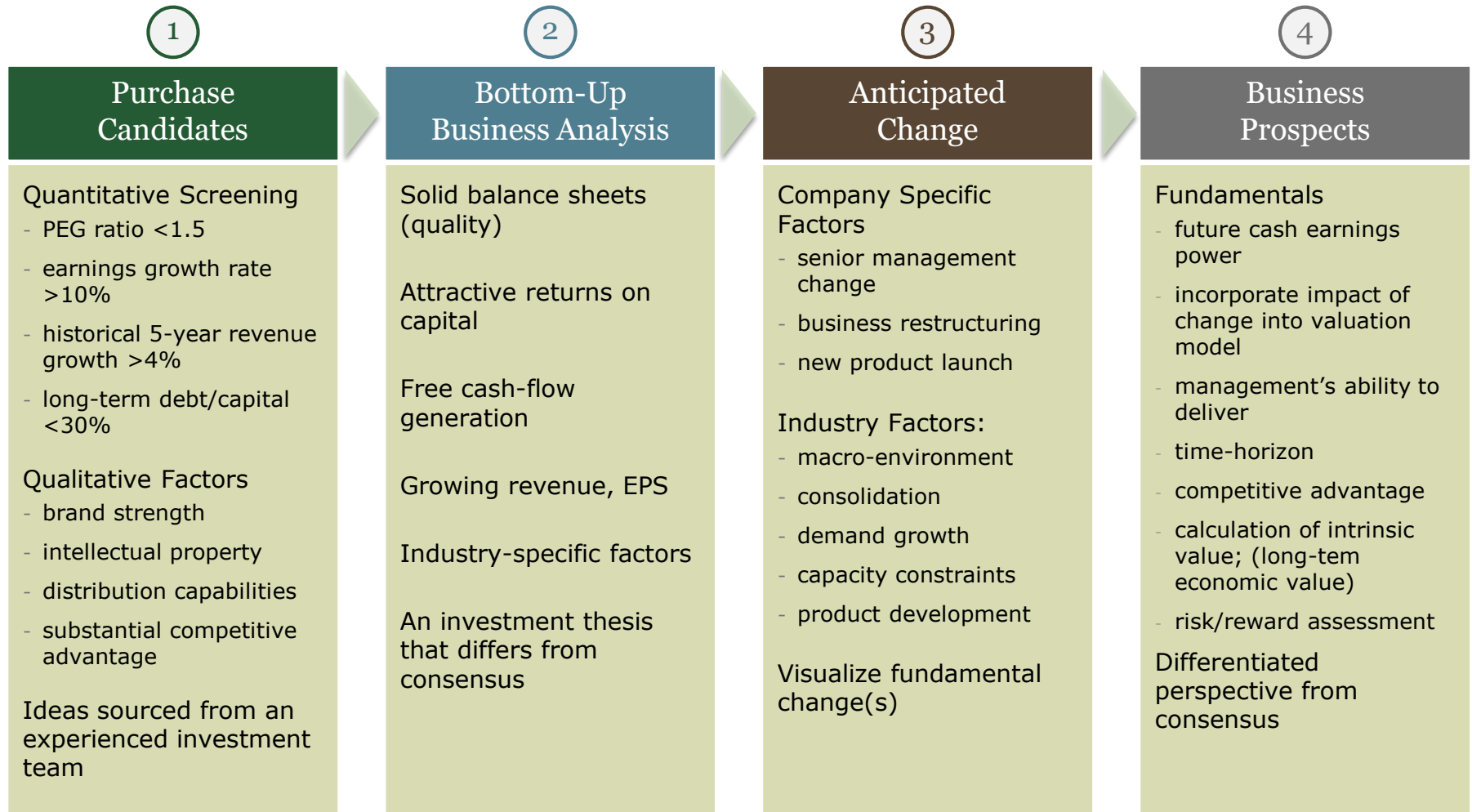
# Tradition's Investment Philosophy

## A Well-Disciplined Approach

- ❑ Markets are inefficient in the short term; fear and greed create opportunities for the long-term investor
- ❑ Share prices often fluctuate above/below their intrinsic value (our estimate of a company's economic worth)
- ❑ Fundamental research uncovers opportunities to capitalize and to manage risk
- ❑ We invest only if our proprietary research suggests a stock is undervalued
- ❑ Higher-yielding stock portfolios can provide attractive total returns with downside protection
- ❑ This approach offers a higher probability of success



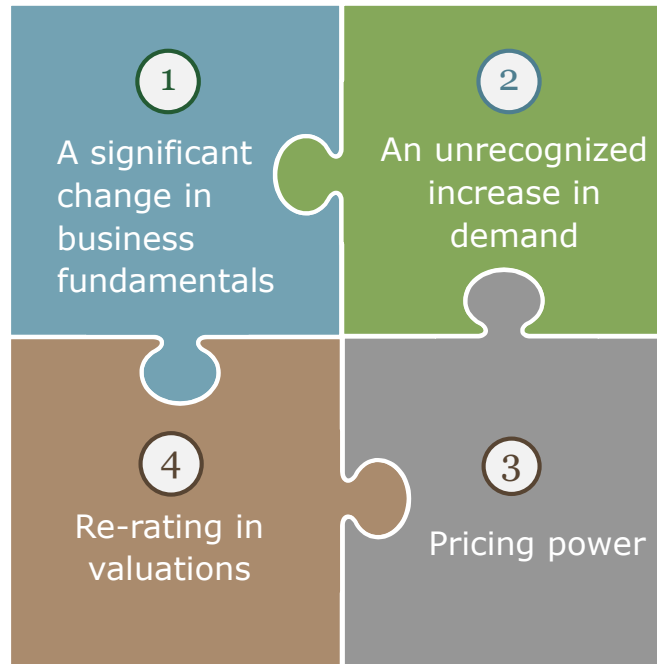
# Research Process: Identifying “Best Idea“ Alpha Generators





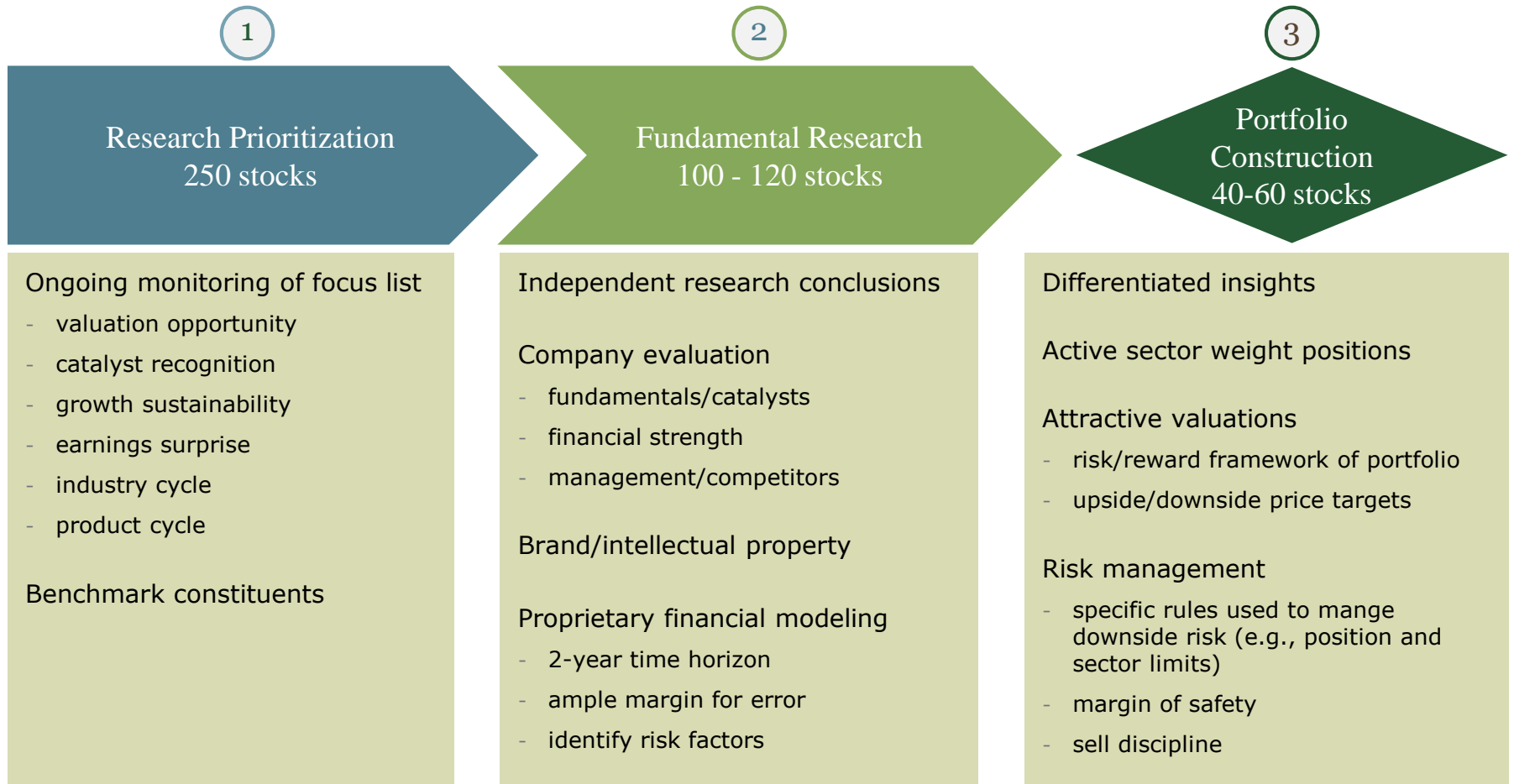
# All-Cap Advantage's Keys to Success

## Key Drivers

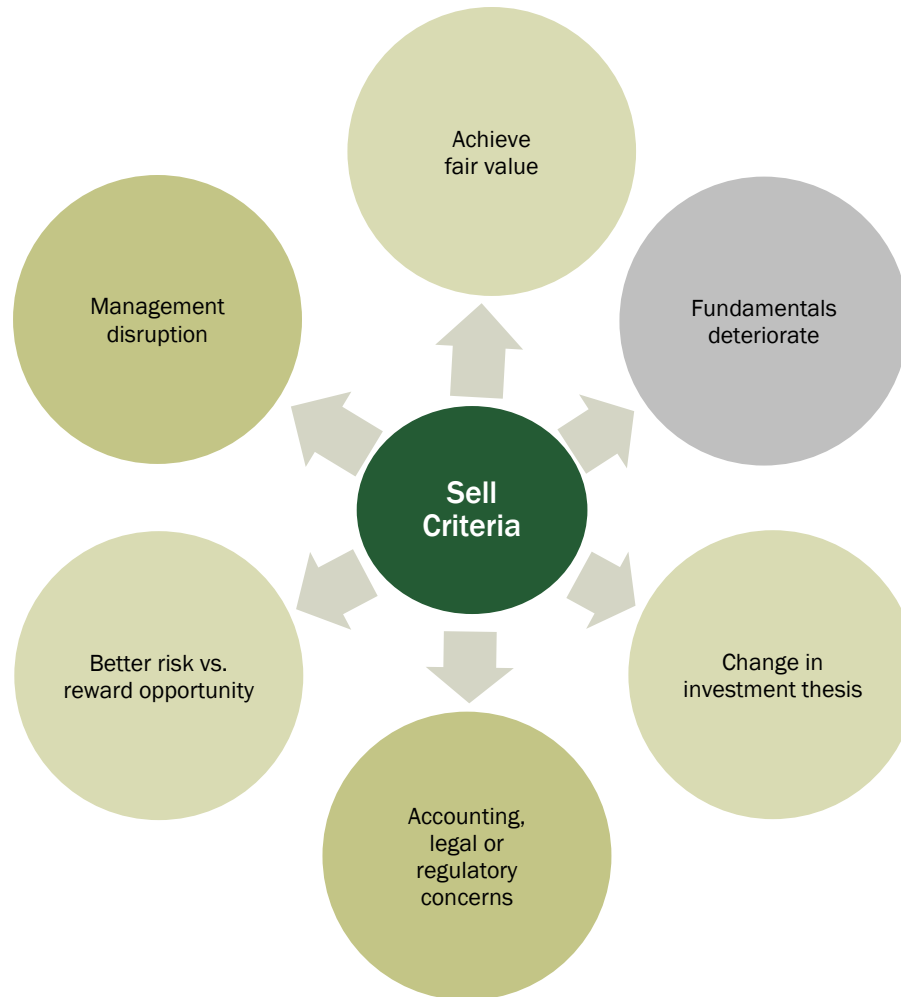


# A Repeatable and Sustainable Investment Process

## Translating Research Insights Into Alpha



# A Rigorous Sell Discipline



# Representative Portfolio

## Basic Materials

- Avery Dennison

## Consumer Goods

- Colgate-Palmolive
- Diageo
- Kimberly-Clark
- Nestle
- Unilever
- Whirlpool

## Oil & Gas

- Encana
- Suncor Energy

## Consumer Services

- Alibaba Group Holding
- CarMax
- CVS Health Corp.
- Lowes Companies
- Norwegian Cruise Line
- Walt Disney

## Health Care

- Abbott Laboratories
- AbbVie
- Becton Dickinson
- Bristol-Myers Squibb
- Johnson & Johnson
- Merck
- Novartis
- Stryker
- Thermo Fisher Scientific
- Zimmer Biomet Holdings
- Zoetis

## Industrials

- 3M Company
- Airbus
- Boeing Company
- Canadian Solar
- FedEx
- First Solar
- Granite Construction
- Landstar System
- Packaging Corp of America

## Utilities

## Technology

- Alphabet Inc. Class C
- Apple
- Cisco Systems
- DXC Technology
- Facebook
- Intel
- Microsoft
- NXP Semiconductors
- Qualcomm

## Financials

- American Express
- Aon
- Citigroup
- Citizens Financial Group
- Everest Re Group
- Goldman Sachs Group
- JP Morgan Chase
- Lincoln National
- Marsh & McLennan
- PNC Financial Services
- Willis Towers Watson

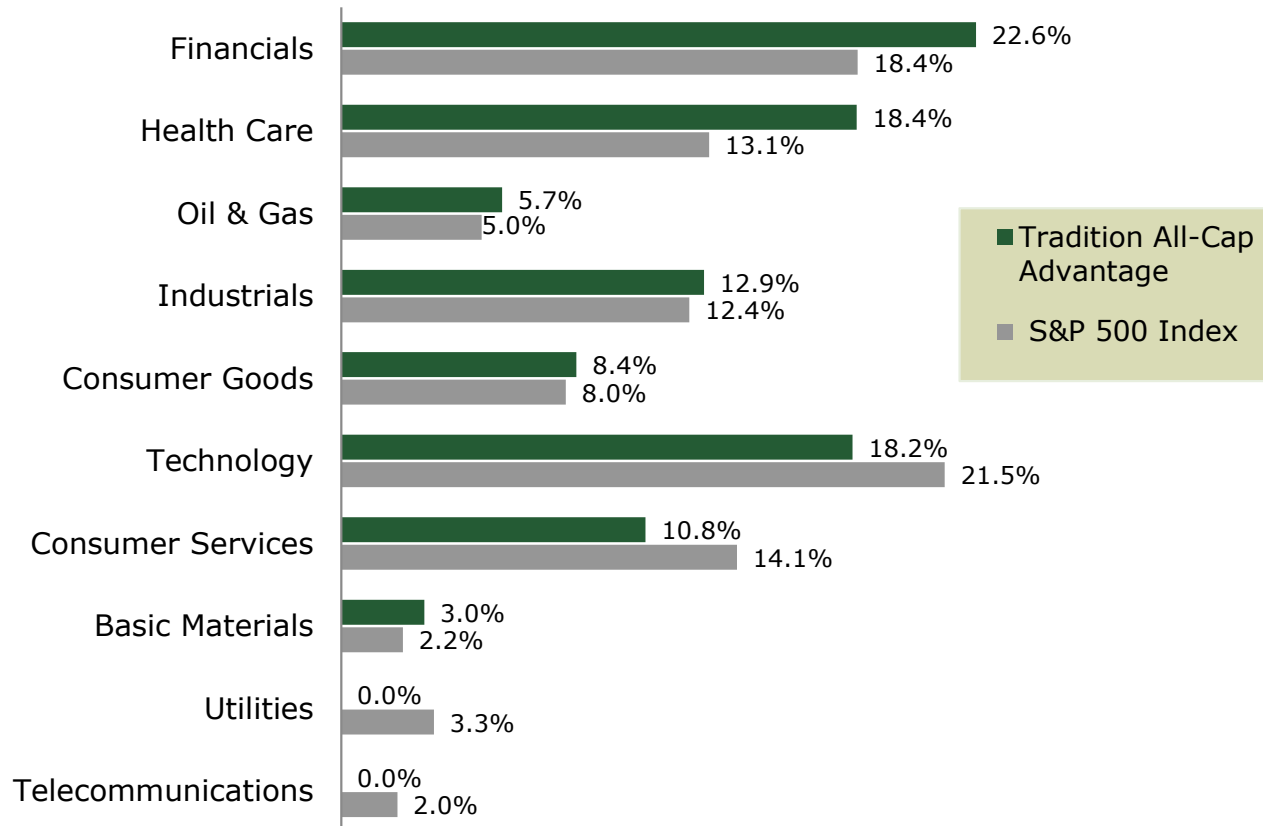
As of September 30, 2019. The portfolio holdings are not investment recommendations and may no longer be held in an account. For supplemental purposes only.

# Top Ten Holdings

	<b>Sector</b>	<b>Percent of Portfolio</b>
Citizens Financial	Financials	3.74%
Citigroup	Financials	3.25%
Bristol-Myers Squibb	Health Care	3.03%
Everest Re Group	Financials	2.97%
Avery Dennison	Basic Materials	2.96%
Lincoln National	Financials	2.72%
NXP Semiconductors	Technology	2.69%
Thermo Fisher Scientific	Health Care	2.57%
Whirlpool	Consumer Goods	2.55%
Alphabet	Technology	2.38%

As of September 30, 2019; data shown is for a representative portfolio.

# Sector Weightings



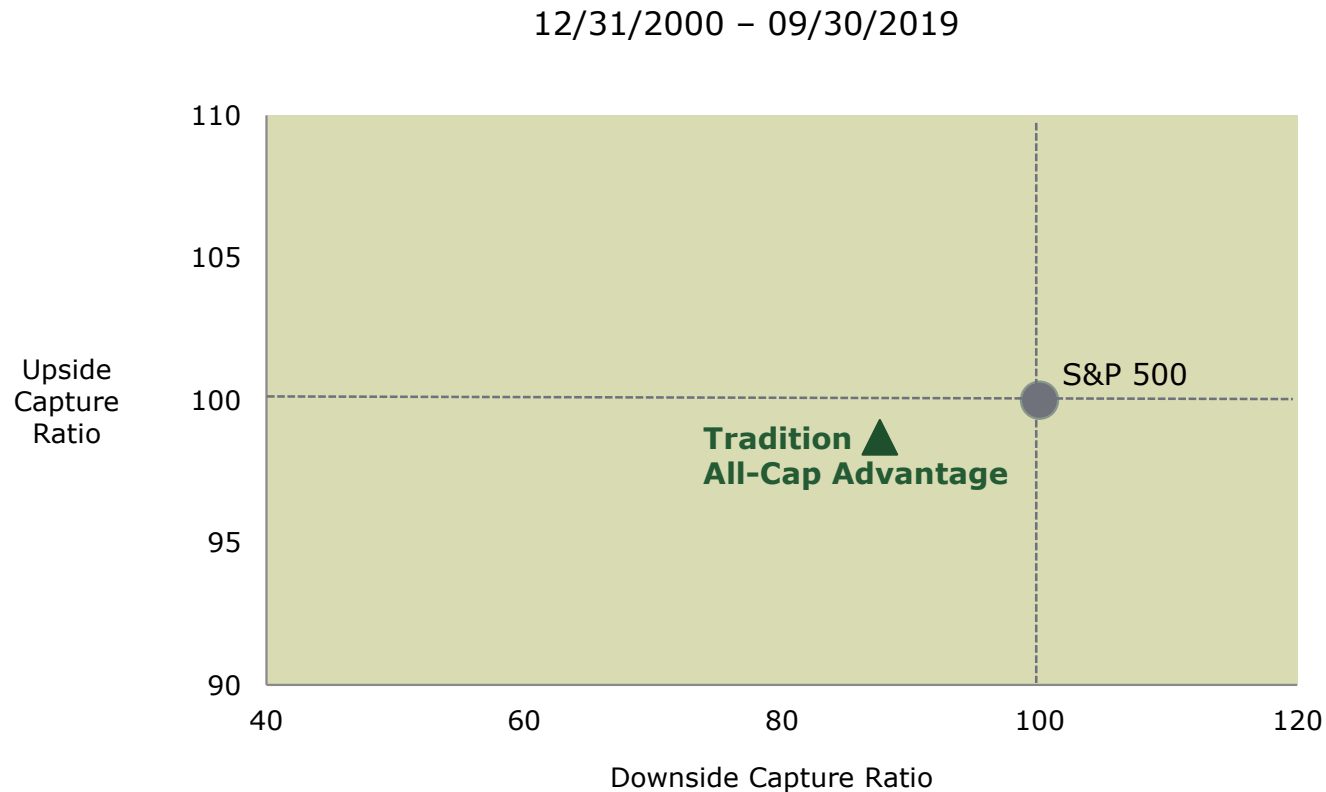
As of September 30, 2019; data shown is for a representative portfolio

# Portfolio Characteristics

	Tradition All-Cap Advantage	S&P 500
Return on Equity	21.2%	15.3%
Long-Term Earnings Growth	11.0%	6.0%
Debt to Capital Ratio	43.4%	42.4%
Price/Earnings Ratio (forward 1 yr estimate)	14.9	16.9
Price/Earnings Divided by Growth Rate (PEG)	1.4	2.8
Weighted Average Market Cap (\$ BIL)	155.2	249.6
Number of Stocks	55	500

As of September 30, 2019; data shown is for a representative portfolio. Source: Bloomberg. Tradition estimates.

# Upside/Downside Capture Analysis

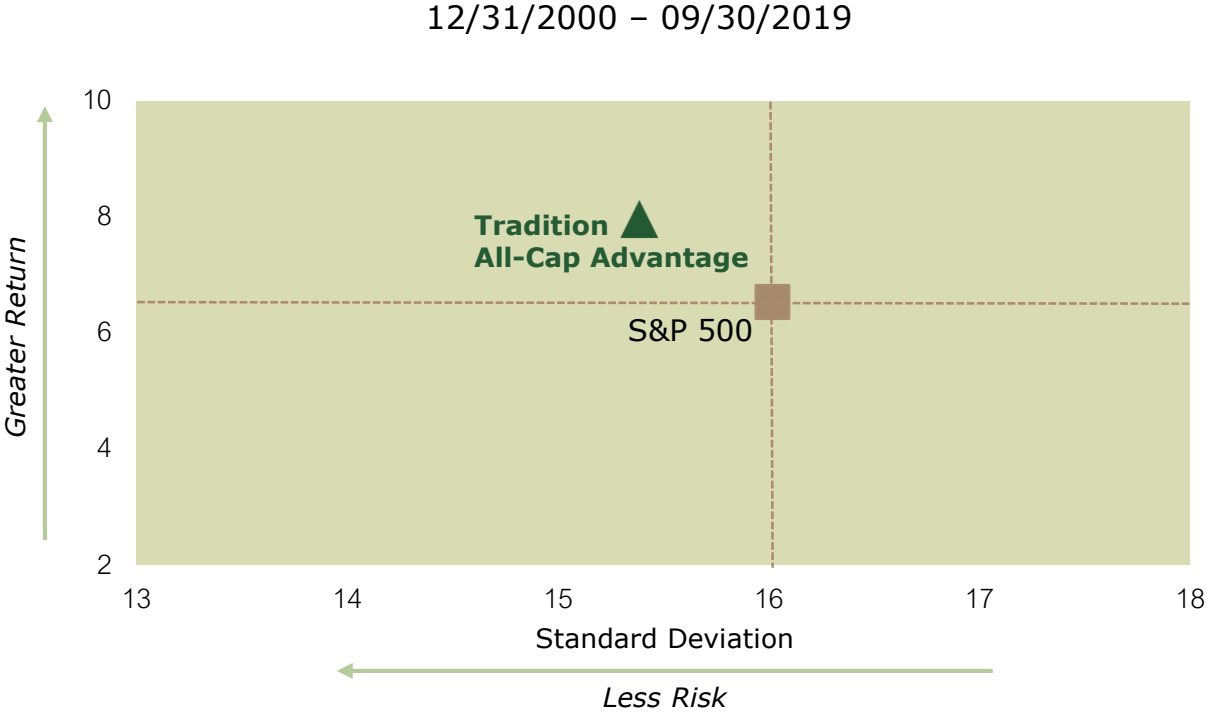


Upside capture ratio greater than 100 has outperformed the index during up-market periods; downside capture ratio of less than 100 has outperformed the index in down market periods. Please read the firm's full performance and general disclosures at the end of this presentation. Past performance is not indicative of future results.

Source: PSN



# Long-Term Risk and Reward Metrics

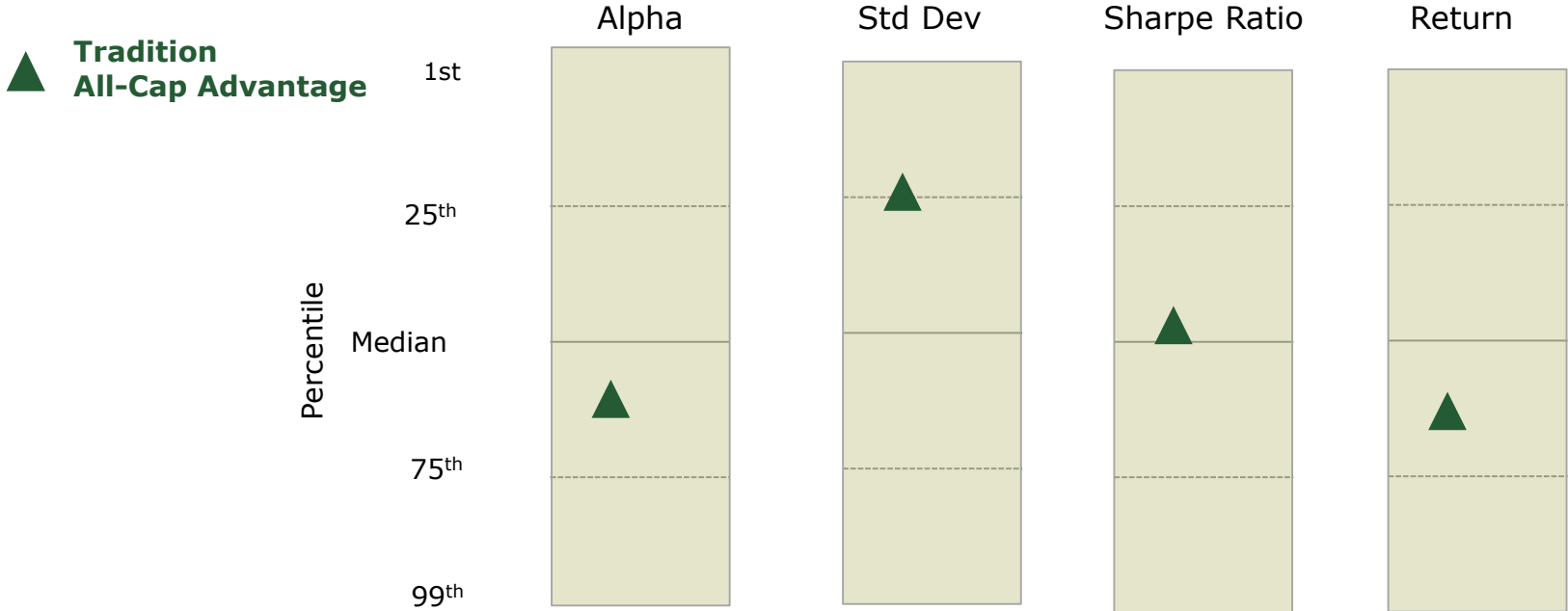


	Return	Std Dev	Alpha
All-Cap Advantage	7.85%	15.40	1.72
S&P 500	6.52%	16.02	0.00

Source: PSN Please read the firm’s full performance and general disclosures at the end of this presentation. Past performance is not indicative of future results.

# Risk-Return Statistics: Peer Group Comparison

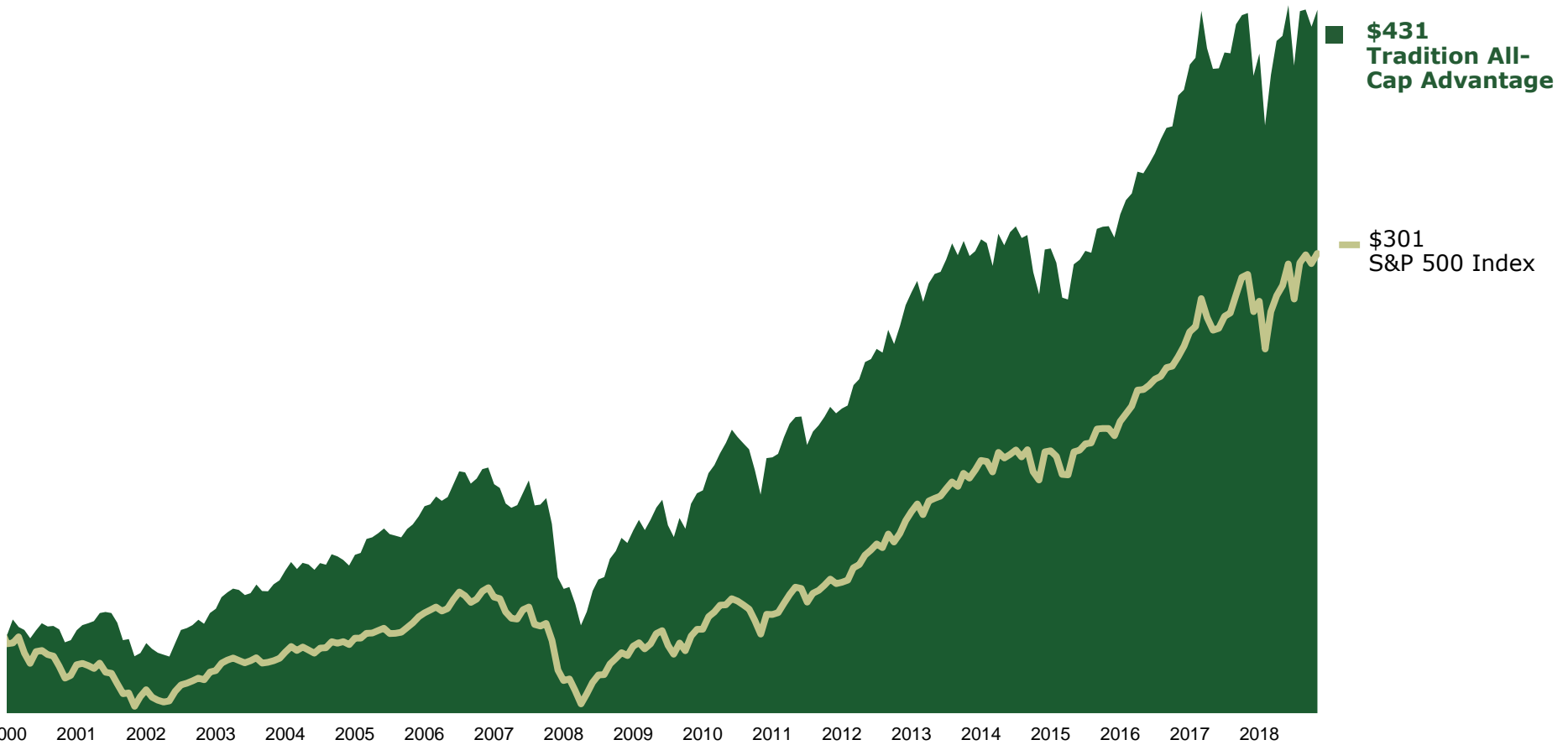
12/31/2000 – 09/30/2019



Source: PSN All Cap peer group as of 09/30/2019. Past performance is not indicative of future results.

# All-Cap Advantage Performance

Growth of \$100  
10/31/2000 - 09/30/2019

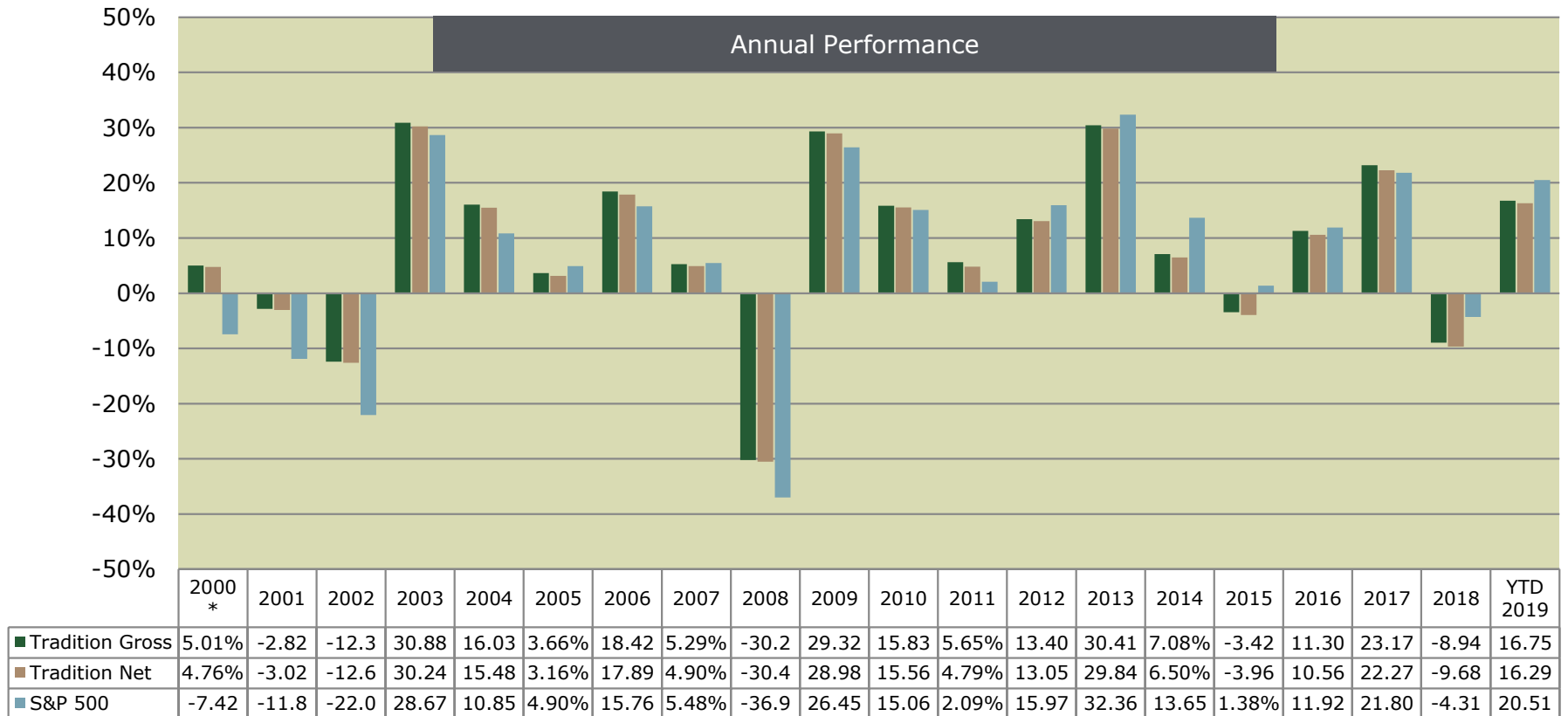


■ \$431  
Tradition All-Cap Advantage

— \$301  
S&P 500 Index

Past performance is no guarantee of future returns. Please read the firm's full performance and general disclosures at the end of this presentation. For supplemental purposes only.

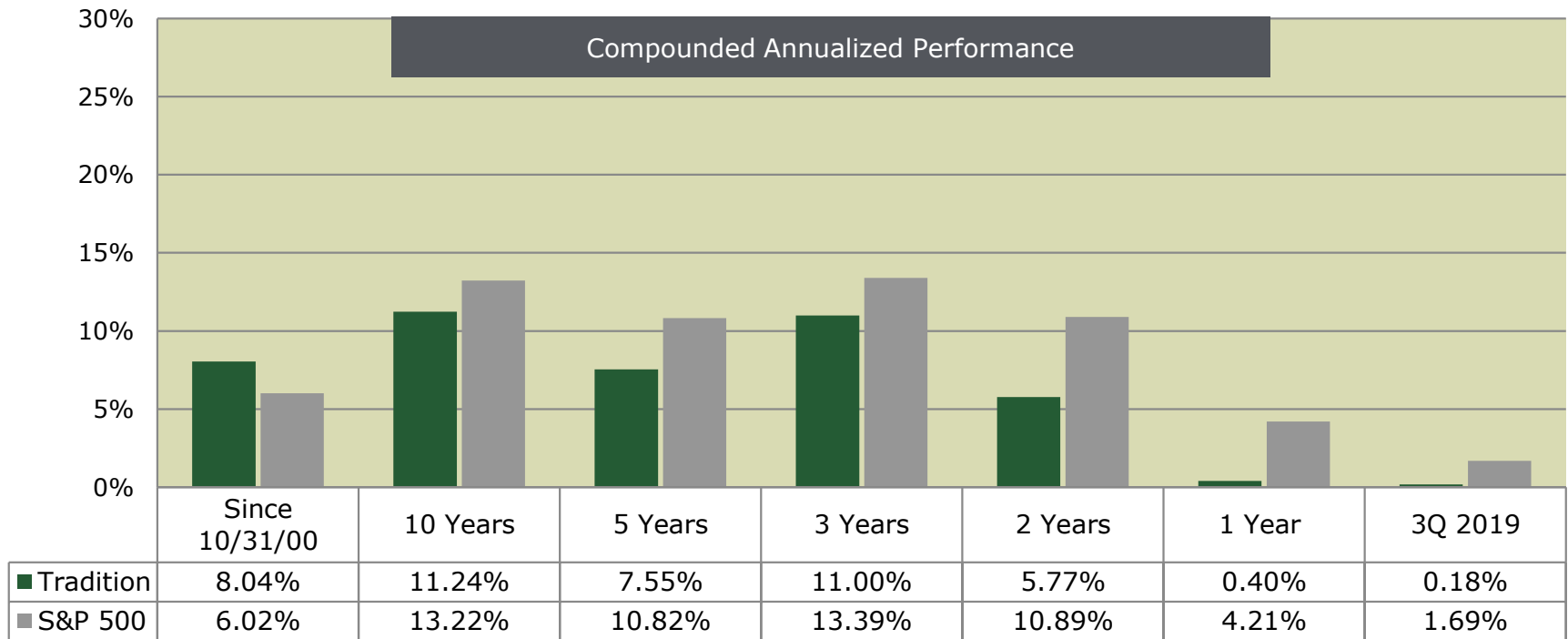
# All-Cap Advantage Performance



\*Since 10/31/2000.

Past performance is no guarantee of future returns. Please read the firm's full performance and general disclosures at the end of this presentation. For supplemental purposes only.

# All-Cap Advantage Performance



Past performance is no guarantee of future returns. Please read the firm's full performance and general disclosures at the end of this presentation. For supplemental purposes only.

# The Pursuit of Alpha: Key Drivers of Success

Success Drivers	Tradition
Investment team structured for accountability	✓
Disciplined decision-making process	✓
Repeatable and transparent	✓
Disciplined analytical skills	✓
Proactive sell discipline	✓
Agility of a “boutique” manager	✓
Co-investments with clients	✓
Focus	✓
Experience	✓
Strong performance over full market cycles	✓
Risk controls	✓



## Appendix

# Tradition's Core Values

---

- ❑ Our clients' best interests always come first
- ❑ The highest ethical standards must be adhered to at all times
- ❑ Exceeding client expectations is an ongoing process that builds greater trust in our firm
- ❑ Achieving excellence is our firm's most important business objective



# Client Service Approach: Resourced to be Responsive

---

- ❑ Understanding of client information needs
  - Useful and timely written reports
  - Useful formal and informal review meetings
  
- ❑ Experienced and capable relationship managers
  - Deep industry experience / lengthy firm tenure
  - Frequency of personal contact
  - Strong relationships with consultants, custodian banks and broker dealers
  - Team based
  
- ❑ Direct access to investment professionals

# Fee Schedule

---

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$5,000,000	1.00%
Over \$5,000,000	0.80%

This is the firm's discretionary investment advisory only fee schedule. Please see Form ADV Part 2A for additional information regarding Tradition's fees.

# Contact Information

---

**Web Address:**

traditioncm.com

**Mailing Address:**

Tradition Asset Management, LLC  
129 Summit Ave  
Summit, NJ 07901

**Telephone:**

(908) 598-0909

**eFax:**

(908) 847-0288

**Portfolio Management Team:**

Benjamin C. Halliburton, CFA  
Managing Director  
bch@traditioncm.com

Alan J. Reef  
Managing Director  
areef@traditioncm.com

Denis Turko  
Managing Director  
dturko@traditioncm.com

# All-Cap Advantage Performance Disclosure

Period	Assets (mm)			# of Composite Accounts	Gross	Net	S&P 500	Composite Dispersion	3-Yr Std Deviation	
	Total Firm	Strategy Assets	Composite Assets						Composite	S&P 500
YTD 2019	700	180	75	70	16.7%	16.3%	20.5%	N/A	N/A	N/A
2018	616	150	66	71	(8.9%)	(9.4%)	(4.3%)	1.7%	11.9%	10.8%
2017	655	183	85	79	23.1%	22.6%	21.8%	2.3%	11.1%	9.9%
2016	535	171	78	86	11.3%	10.6%	11.9%	1.5%	11.5%	10.6%
2015	526	195	117	104	(3.4%)	(3.9%)	1.4%	1.4%	11.1%	10.5%
2014	465	225	137	123	7.1%	6.5%	13.6%	1.2%	9.1%	9.0%
2013	462	N/A	32	6	30.4%	29.9%	32.4%	1.3%	12.1%	11.9%
2012	423	N/A	26	6	13.4%	13.1%	16.0%	1.2%	14.7%	15.1%
2011	400	N/A	23	6	5.7%	4.8%	2.1%	1.1%	17.9%	18.7%
2010	456	N/A	22	6	15.8%	15.6%	15.1%	0.8%	-	-
2009	514	N/A	20	6	29.3%	28.9%	26.5%	N/A	-	-
2008	414	N/A	6	5 or fewer	(30.3%)	(31.0%)	(37.0%)	N/A	-	-
2007	542	N/A	123	5 or fewer	5.3%	4.9%	5.5%	N/A	-	-
2006	463	N/A	117	5 or fewer	18.4%	17.9%	15.8%	N/A	-	-
2005	410	N/A	98	5 or fewer	3.7%	3.2%	4.9%	N/A	-	-
2004	352	N/A	95	5 or fewer	16.0%	15.5%	10.9%	N/A	-	-
2003	308	N/A	88	5 or fewer	30.9%	30.2%	28.7%	N/A	-	-
2002	226	N/A	67	5 or fewer	(12.4%)	(12.6%)	(22.1%)	N/A	-	-
2001	254	N/A	77	5 or fewer	(2.8%)	(3.0%)	(11.9%)	N/A	-	-
2000*	89	N/A	110	5 or fewer	15.7%	15.4%	(7.4%)	N/A	-	-

N/A: Is not statistically meaningful due to insufficient number of portfolios in the composite for the entire year. Tradition Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Tradition Asset Management, LLC has been independently verified for the periods October 17, 2000 through December 31, 2017. A copy of the verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Please see continuation of full detailed performance disclosures on next page entitled **Dividend Value Performance Disclosure – continued**. Please read the firm's general disclosures at the end of this presentation or visit our website at [www.traditioncm.com](http://www.traditioncm.com).

# All-Cap Advantage Performance Disclosure - continued

Tradition Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Tradition Asset Management, LLC has been independently verified for the periods October 17, 2000 through December 31, 2017. A copy of the verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Past performance is not indicative of future results and the performance of a specific individual client account may vary substantially from the performance results reflected above. The All-Cap Advantage composite, previously known as Institutional All-Cap and renamed in December 2013, is made up of all equity discretionary equity accounts with the objective of all-cap and with a minimum account level of \$ 200 thousand. Prior to 2013 the minimum was \$500 thousand. Prior to January 1, 2007, the minimum account size for this composite was \$1 MM. For comparison purposes is measured against the S&P 500 and index. The S&P 500 index returns are before taxes. Prior to October 2005 the composite was compared against the Wilshire 4500. The account must have been managed for at least a full calendar quarter and a month during the relevant time periods. The firm maintains a complete list and description of composites, which are available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance. An independent accounting firm performed an examination of this track record; an Independent Accountant's Report is available upon request. The S&P 500 Index returns are before taxes. The S&P 500 (a registered trademark of McGraw-Hill Companies) is an unmanaged index of common stock. Unmanaged indices are for illustrative purposes only. An investor cannot invest directly in an index.

Returns are presented gross and net of management fees. The net performance results reflect time-weighted rates of return, the re-investment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, as well as Tradition's management fee. Gross performance includes all of the aforementioned criteria except for the deduction of Tradition's management fee. Net of fee performance was calculated using actual management fees. In addition to a management fee, some accounts pay an all-inclusive fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes portfolio monitoring, consulting services, and in some cases, custodial services. Tradition's investment management annual base fee schedule is as follows: 1.0% on the first \$5MM, 0.8% over \$5MM. Actual investment advisory fees incurred by clients may vary. Gross returns of wrap accounts are reduced by all transaction costs and other expenses incurred; net returns for all accounts have been reduced by all actual fees incurred. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. For purposes of this composite, we've included assets in fee-based commissioned accounts as wrap assets. Wrap accounts are included in the composite; as 12/2014 – 16%, 12/2015 – 13%, 12/2016 – 15%, 12/2017 – 15%, 12/2018 – 12%. Portfolio and composites will be revalued if external cash flow is greater than 10%. The annual composite dispersion is an asset-weighted standard deviation calculated when there are more than five accounts in the composite for the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request by contacting Tradition through their website at [www.traditioncm.com](http://www.traditioncm.com). If an account has a 15% of total portfolio withdrawal/deposit, over a 2 month period, account will be taken out of the composite at the end of the month preceding the withdrawal/deposit and won't be put back in for 3 months. As of 1/1/2009 the cash flow policy changed from 15% to 25%. The All-Cap Advantage composite was originally created by Haven Capital Management on April 1, 1983. Haven Capital Management joined Tradition Asset Management in March 2009, the shaded area above reflects the composite levels at Haven Capital Management. Performance results shown prior to January 1, 2002 have undergone an abbreviated firm-wide verification by a predecessor verifier in accordance with Standards in effect at that time, and are included as part of a completed disclosure presentation. Results for the full historical period are time weighted. From January 1, 1984 through December 31, 1992, composite results were a simple average; the Firm was not in compliance during this time period. Beginning January 2007 a non-fee paying account is included in this composite: In 2007, 7.7%; in 2008, 95% of the composite is comprised of a non-fee paying account. As of June 2009, no non-fee paying accounts are in composite. Strategy assets is for supplemental purposes only. The assets include all accounts that are managed under the All-Cap Advantage strategy whether or not they qualify for the composite. On December 31, 2013 Tradition Asset consolidated variations of their All-Cap strategy into one composite. \*\*Partial year from Oct 2000 to Dec 2000. On August 31, 2015, Candor Wealth Advisors merged into Tradition Asset Management.

# Definition of terms

**Alpha** is a risk (beta adjusted) measurement. Officially, alpha measures the difference between a portfolio actual returns and what it might be expected to deliver based on its level of risk. High risk generally means higher reward. A positive alpha means the fund has beaten expectations. A negative alpha means that the manager failed to match performance with risk. If two managers had the same return, but one had a lower beta, that manager would have a higher alpha.

**Beta** represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered risky as the benchmark would therefore provide expected returns equal to those of the market during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.

**The Sharpe Ratio**, developed by Professor William F. Sharpe, is a measure of reward per unit of risk – the highest the Sharpe ratio, the better. It is a portfolio's excess return over the risk-free rate divided by the portfolio's standard deviation. The portfolio's excess return in its geometric mean return minus the geometric mean return of the risk-free investment (by default, T-bills).

**Standard Deviation** is a statistical measure of volatility; indicates the “risk” associated with a return series. The Fund vs. Universe graph measures a funds percentile rank for a given statistic relative to the chosen category.

**The Up and Down Capture** is a measure of how well a manager was able to replicate or improve on phases of positive benchmark returns, and how badly the manager was affected by phases of negative benchmark returns.

# General Disclosures

Tradition Asset Management, LLC (“Tradition”) is an SEC (Securities and Exchange Commission) Registered Investment Adviser (RIA) and provides portfolio management and related services for a fee.

Investing in stocks, bonds, and other assets which present various forms of risk to investors could result in losses and positive returns are not guaranteed. Diversification only reduces risk of capital loss but does not eliminate this risk. Measures of expected return and/or expected risk are not forecasts of returns or risks but are only statistical definitions for modeling purposes based upon financial and statistical analyses. Past performance is no indication of future results, and all investments or assets could lose value in the future due to a variety of financial factors. Due to volatility exhibited in various markets, including but not limited to stocks, bonds and other forms of investable assets these markets may not perform in a similar manner in the future. Among risks which can affect value, financial assets are also exposed to potential inflation and liquidity risks. Investors may experience different results in any chosen investment strategy or portfolio depending on the time and placement of capital into any assets associated thereto. The performance of a specific individual client account may vary substantially from the performance results reflected above.

Tradition claims compliance with the Global Investment Performance Standards (GIPS®) for specific investing strategies which involve investment into individual stocks and/or bonds and has prepared and presented performance in compliance with the GIPS Standards for such strategies. Tradition has been independently verified for the periods October 17, 2000 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards through December 31, 2017. Verification does not ensure the accuracy of any specific composite presentation. A copy of the verification reports are available upon request.

In March 2009 and August 2015 respectively, Haven Capital Management LLC (“Haven”) and Candor Wealth Advisors LLC joined Tradition Capital Management LLC. Tradition Asset Management LLC is the successor of Tradition Capital Management LLC and effective April 30, 2019, is a wholly owned subsidiary of Luxon Financial LLC. Tradition Asset Management is the trade name used by Tradition Asset Management LLC.

Tradition's investment management annual base fee schedule as detailed in Form ADV Part 2 is as follows: 1.0% on the first \$5MM, 0.8% over \$5MM. Actual investment advisory fees incurred by clients may vary.

Please visit our website at [www.traditioncm.com](http://www.traditioncm.com) for all the firm’s disclosures and to request copies of the most recent Form ADV Part 2A and Privacy policy as well as Tradition’s policies for valuing portfolios, calculating performance, and preparing compliant presentations.