



ESG FOCUS EQUITY

September 2019

About Tradition Asset Management

- ❑ Summit, NJ based boutique asset manager founded in 2000
- ❑ 23 employees; 9 investment committee professionals averaging 31 years of experience
- ❑ Rich history of traditional research-driven investing
- ❑ A proven track record of success (GIPS® verification)
- ❑ Personal assets invested with clients
- ❑ Firm-wide client-centric culture
- ❑ \$688 million* in Assets Under Management (AUM)

Tradition Investment Strategies

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

* As of 8/31/2019

ESG Equity Strategies



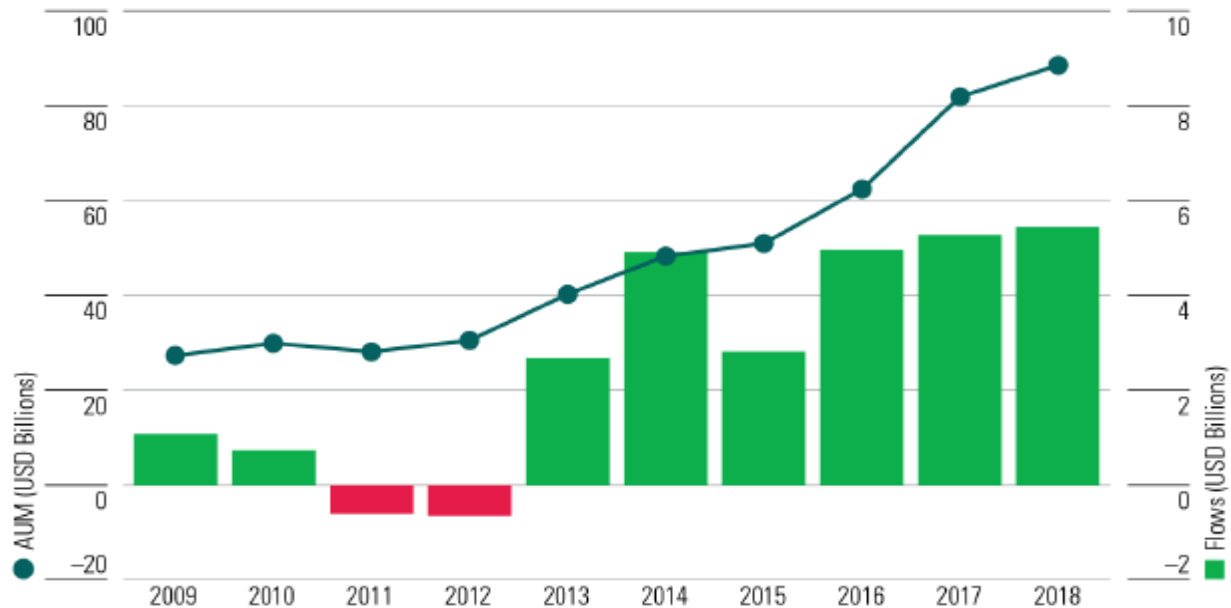
ESG Focus Equity

- ❑ Companies exhibiting best in class environmental, social and governance practices
- ❑ Seek the most attractive combination of fundamental investment opportunities with positive ESG quantitative and qualitative criteria.
- ❑ Focused portfolio of 30-40 stocks to provide competitive risk-adjusted returns relative to the S&P 500 Index over time.

Female Focus Equity

- ❑ Companies with female executive leadership, diversity in the corporate board room or businesses focused on meeting the needs of women in society
- ❑ We seek to exploit the positive financial performance that is identifiable in companies with diverse leadership characteristics
- ❑ Focused portfolio of 30-40 stocks to provide competitive risk-adjusted returns relative to the S&P 500 Index over time.

Sustainable Fund Flows: A Decade of Growth



Source: Morningstar Direct. Data as of 12/31/2018.

5 The \$5.5 billion does not include pre-existing funds that simply added ESG criteria to their existing investment process without completely repurposing themselves.

6 Morningstar Direct Asset Flows Commentary: United States, December 2018.

7 Note that sustainable-fund flows constituted only about 3.5% of overall fund flows in 2018. Their \$89 billion in assets under management constituted only about 0.5% of overall fund AUM.

Evolution of Socially Responsible Investing

Impact Investing Spectrum



Classic Investing

Emphasis on profit maximization without regard for ESG factors

Responsible

Consideration of ESG risk and/or personal values across a range of factors to screen out investments

Sustainable

Targeting investments best positioned to benefit from the integration of ESG factors and broad-based macro trends

Thematic

Focus on issue areas where social or environmental needs offer commercial growth opportunities for market rate return

Impact First

Emphasis on the optimization of social or environmental needs (e.g. PRI**), which may result in financial trade off

Philanthropy

Where social and/or environmental needs outweigh any consideration for financial return

*ESG - Environmental, Social and Governance factors

**PRI - Program-related investments available to US investors as defined by the Tax Reform Act of 1969

Source: Sonan Capital, Lessons from the field, Evolution of an Impact Portfolio: For Implementation to Results, October 2013

Equity Portfolio with an ESG Approach

- ❑ We believe that companies demonstrating excellence in environmental practices, social behavior, and governance practices can deliver sustainable financial performance.
- ❑ We believe that rigorous fundamental research incorporates both financial analysis and ESG criteria to assess growth and offers a higher probability of success.
- ❑ We will customize portfolios to meet client goals and objectives using client driven criteria.*
- ❑ Our mission is to deliver competitive returns for our clients using focused, active investment approach combining the Tradition investment process with positive ESG criteria in a concentrated equity portfolio.

* Eligible for accounts greater than \$1M

ESG Criteria + A Proven Investment Process

Screening for top ESG-ranked companies within existing Tradition portfolios has multiple benefits*

- ❑ **Potential for additional alpha**

Companies highly ranked in both fundamental models and ESG criteria can help capture additional returns

- ❑ **Lowered risk**

Disclosed ESG data companies allow transparency in shareholder risk as well as idiosyncratic /company-specific dangers

- ❑ **Investor incentive**

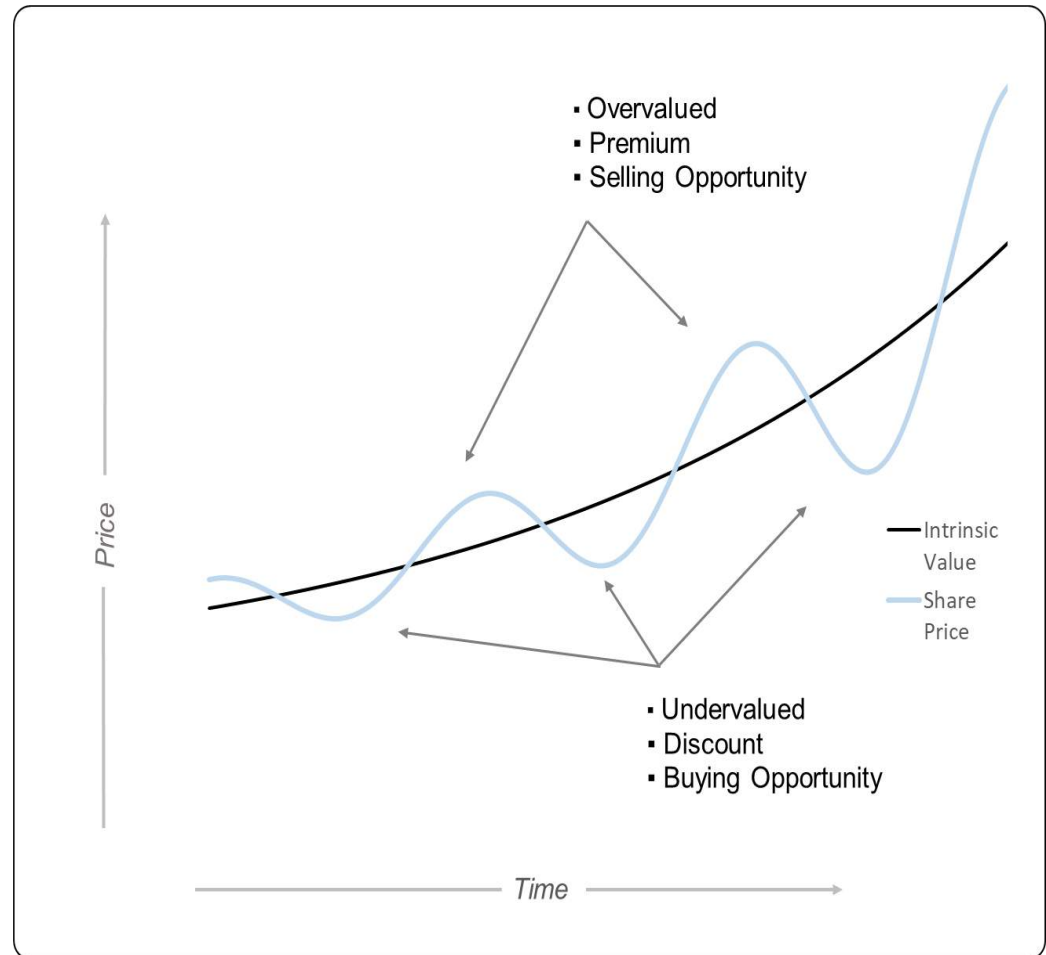
ESG investing appeals to a growing demographic and aligns client goals, objectives and values with investments

*Empirical Research Partners, "ESG Strategy: Our ESG Stock Selection Model Turns 4, Why Do Investors Buy ESG Funds?", Rochester Cahan and Yu Bai, December 7, 2018

Tradition's Investment Philosophy

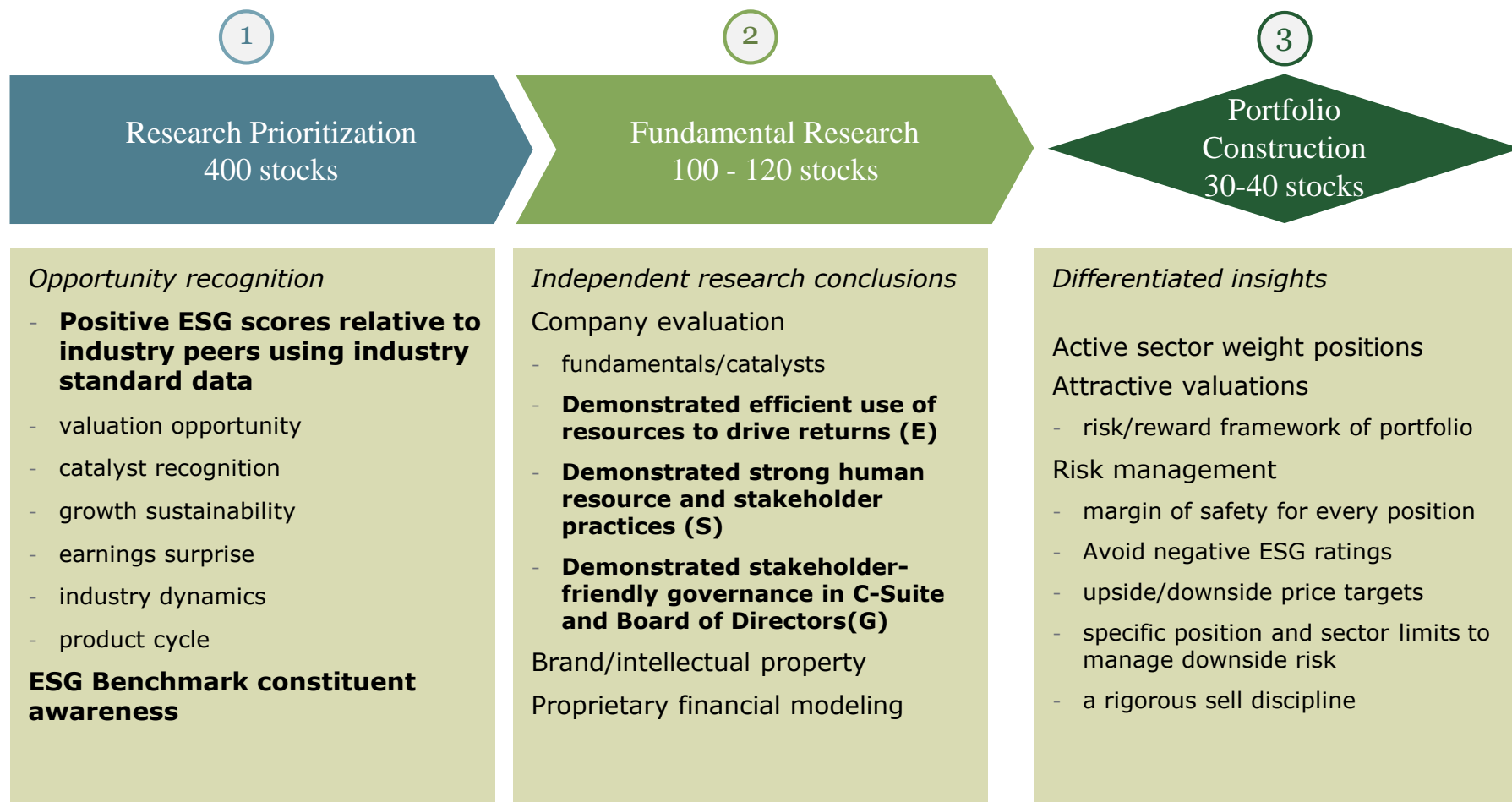
A Proven Approach

- ❑ 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 the greatest opportunities to capitalize and to manage risk
- ❑ We invest only if our proprietary research suggests a stock is undervalued



A Repeatable and Sustainable Investment Process – ESG Criteria

Research Insights Integrated with ESG Analysis



Bottom up Stock Selection

ESG Data Sources

- ❑ Sustainalytics Rank
- ❑ Refinitiv (Thompson Reuters) ESG
- ❑ ISS Quality Score
- ❑ Sustainable Accounting Standards Board (SASB)
- ❑ UN Sustainable Development Goals (SDGs)

ESG Fundamental Focus

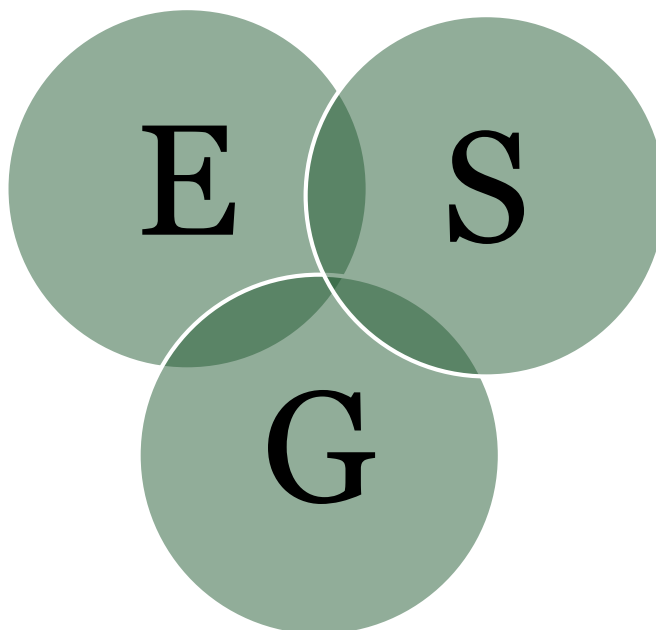
- ❑ Review company sustainability disclosures
- ❑ Assess capital allocation decisions
- ❑ Question management on resource utilization, both human and capital.
- ❑ Assess corporate culture
- ❑ Understand industry best practices
- ❑ Prioritize impact on investment thesis

Components of ESG Factors

Major ESG Factors

Environmental

- Climate change
- Greenhouse gas (GHG) emissions
- Resource depletion, including water
- Waste and pollution
- Deforestation



Social

- Working conditions, including slavery and child labor
- Local communities, including indigenous communities
- Conflict
- Health and safety
- Employee relations and diversity

Governance

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy

* Source: United Nations Principles for Responsible Investing (UNPRI)

A Rigorous Sell Discipline



Top Ten Holdings

	Sector	Percent of Portfolio
Waste Management, Inc.	Industrials	4.00%
JPMorgan Chase & Co.	Financials	4.00%
Alphabet, Inc.	Communication Services	3.00%
The TJX Companies	Consumer Discretionary	3.00%
Medtronic plc	Health Care	3.00%
Accenture plc	Technology	3.00%
CBRE Group, Inc.	Real Estate	3.00%
CVS Health Corporation	Health Care	3.00%
International Flavors & Fragrances	Materials	3.00%
Aqua America, Inc.	Utilities	3.00%

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

Sector Weightings

	Portfolio	S&P
Communication Services	4.0%	10.4%
Consumer Discretionary	11.5%	10.2%
Consumer Staples	7.0%	7.5%
Energy	4.0%	4.5%
Financials	14.0%	12.6%
Health Care	18.1%	13.9%
Industrials	10.0%	9.2%
Information Technology	22.0%	22.2%
Materials	3.0%	2.7%
Utilities	3.0%	3.7%
Real Estate	3.0%	3.1%

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

Portfolio Characteristics

	Sustainable ESG Focus	S&P 500
Dividend Yield	2.3%	1.9%
Long-Term Earnings Growth	14.0%	6.0%
Price/Earnings Ratio (forward 1-year estimate)	13.5x	16.5x
Weighted Average Market Cap (\$ billion)	154.7	245.9
Number of Stocks	39	500

Source: Bloomberg

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

Lowe's Companies, Inc. (LOW)

Industry: Retail, Home Improvement

Lowe's is a Fortune 50 home improvement company which operates more than 2,200 stores in the United States and Canada. Lowe's employs over 300,000 associates throughout its organization. The home repair and remodeling business is attractive, benefiting from the aging housing stock, rising existing home sales and demographics driving household formation.

2018 Revenues: \$71.3 bil.*
Trailing 12-month EPS: \$5.52
2020 est. EPS: \$6.60

ESG Thesis:

Lowe's ranks in the top 20% of companies in the Consumer Cyclical sector across environmental, social and governance criteria as rated by Sustainalytics.

The company's Corporate Responsibility Report reveals current and ongoing improvement goals with respect to product sustainability, workplace safety and wellbeing, community development, and operational excellence through energy efficiency and supply chain management. Lowe's has been recognized for its diverse workforce and board of directors, and is ranked by Barron's as one of the top 100 most sustainable companies in the U.S.

Investment Thesis:

We believe that Lowe's will continue to drive earnings and operating margins higher through ongoing efficiencies in its store base, store rationalization, improved customer service and leverage with its suppliers. We expect solid revenue growth driven by housing turnover as household formation accelerates with strong employment and demographic trends.

* Source: Bloomberg

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	✓
Seeks strong performance over full market cycles	✓
Risk controls	✓

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 Analyst	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 Analyst	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 VP - Director	Senior Analyst	Columbia College, BA New York University (Law School), JD	2002

Contact Information

Portfolio Management Team:

Diane L. Sobin, CFA
Managing Director

dsobin@traditioncm.com

Seasoned equity fund manager with a disciplined investment process and solid long term track record at global investment firms.

Actively engaged in implementing ESG factors in investment process to meet client objectives.

Benjamin C. Halliburton, CFA
Chief Investment Officer

bch@traditioncm.com

Head of the Investment Committee overseeing investment research and strategy.

Seasoned investment professional with over a quarter century of investing experience.

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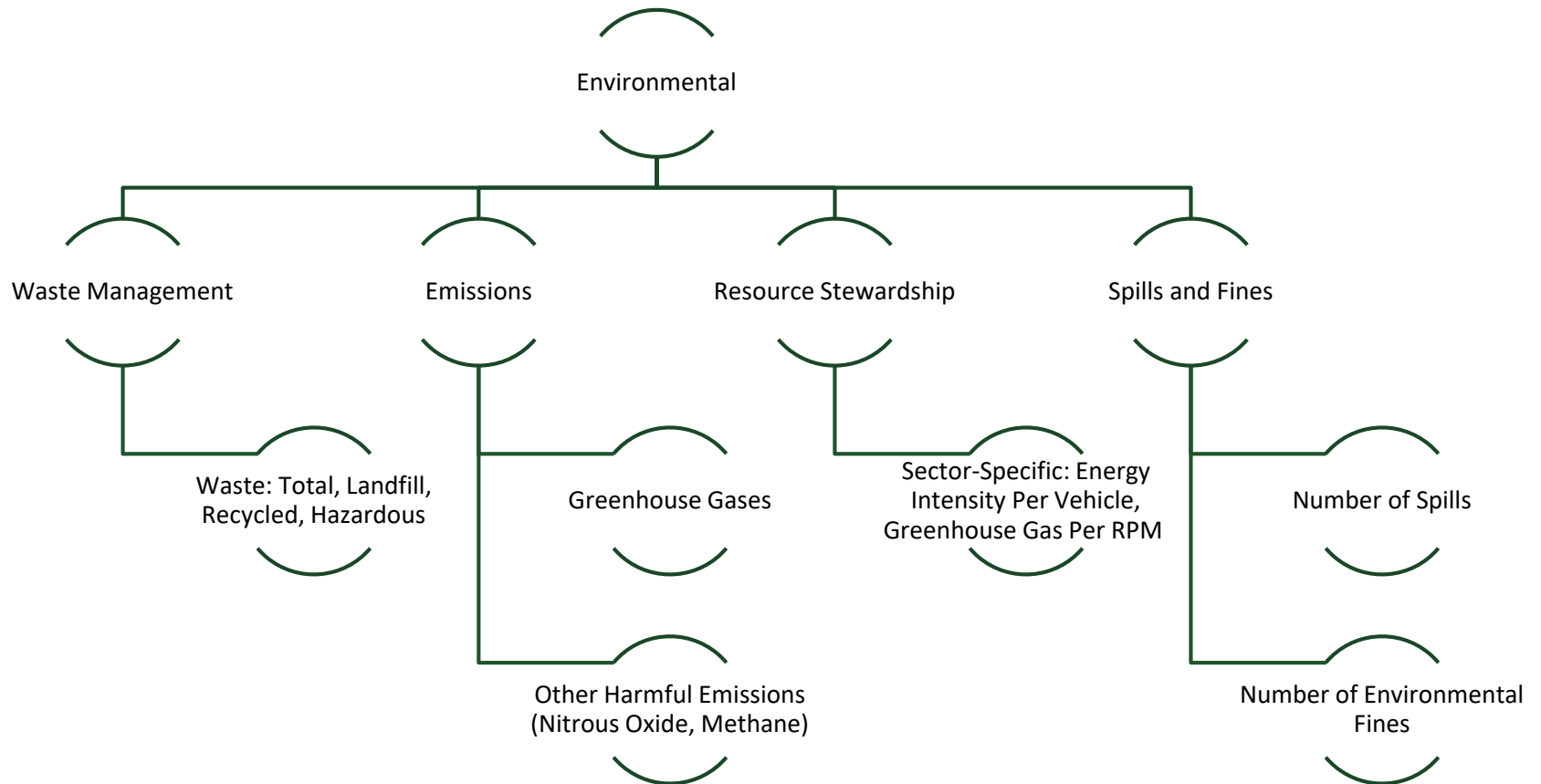
Source references

- ❑ Sonen Capital, “Evolution of an Impact Portfolio: From Implementation to Results”, October 2013
- ❑ Global Impact Investing Network, “Core Characteristics of Impact Investing”
- ❑ Morgan Stanley, “The Gender Advantage: Integrating Gender Diversity into Investment Decisions” 2016
- ❑ McKinsey and Company, “More than Values: The Value-Based Sustainability Reporting that Investors Want”, By Sara Bernow, Jonathan Godsall, Bryce Klempner, and Charlotte Morton
- ❑ Cambridge Associates, “Gender Lens Investing, Impact opportunities through Gender Equity”
- ❑ Morningstar, “Sustainable Funds U.S. Landscape Report, More Funds, More Flows, and strong Performance in 2018”, Jon Hale, Ph.D. , February 2019
- ❑ USSIF, “Moving Forward with Sustainable Investing: A Roadmap for Asset Owners”, 2019
- ❑ ISSIF, “Incorporating Sustainable, Responsible and Impact Investing Into Your Practice: A Roadmap for Financial Advisors”, 2018
- ❑ Empirical Research Partners, “ESG Strategy: Our ESG Model Turns Four, Why Do Investors Buy ESG Funds?” by Rochester Cahan and Yu Bai



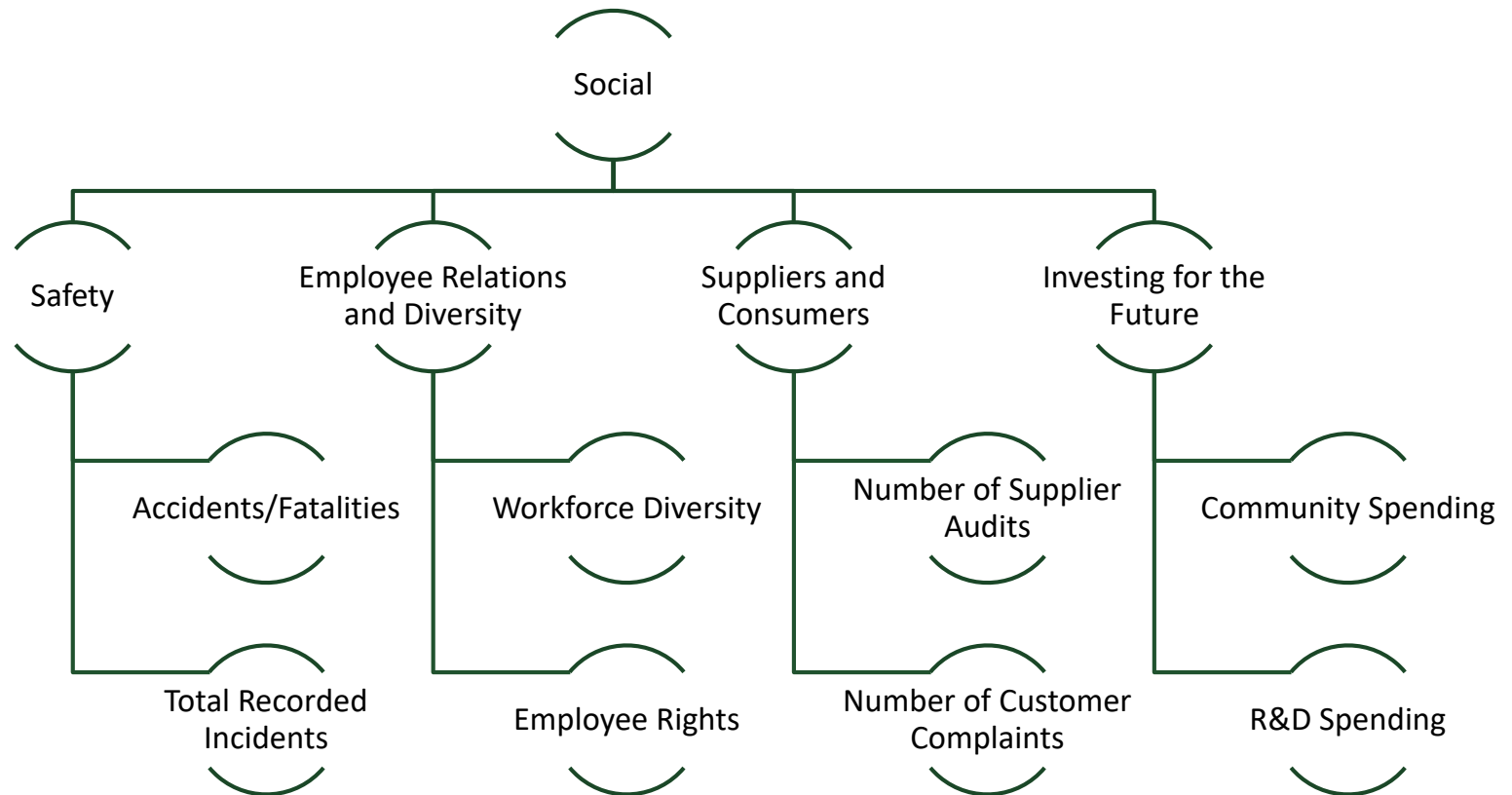
Appendix

ESG Components: Environmental*



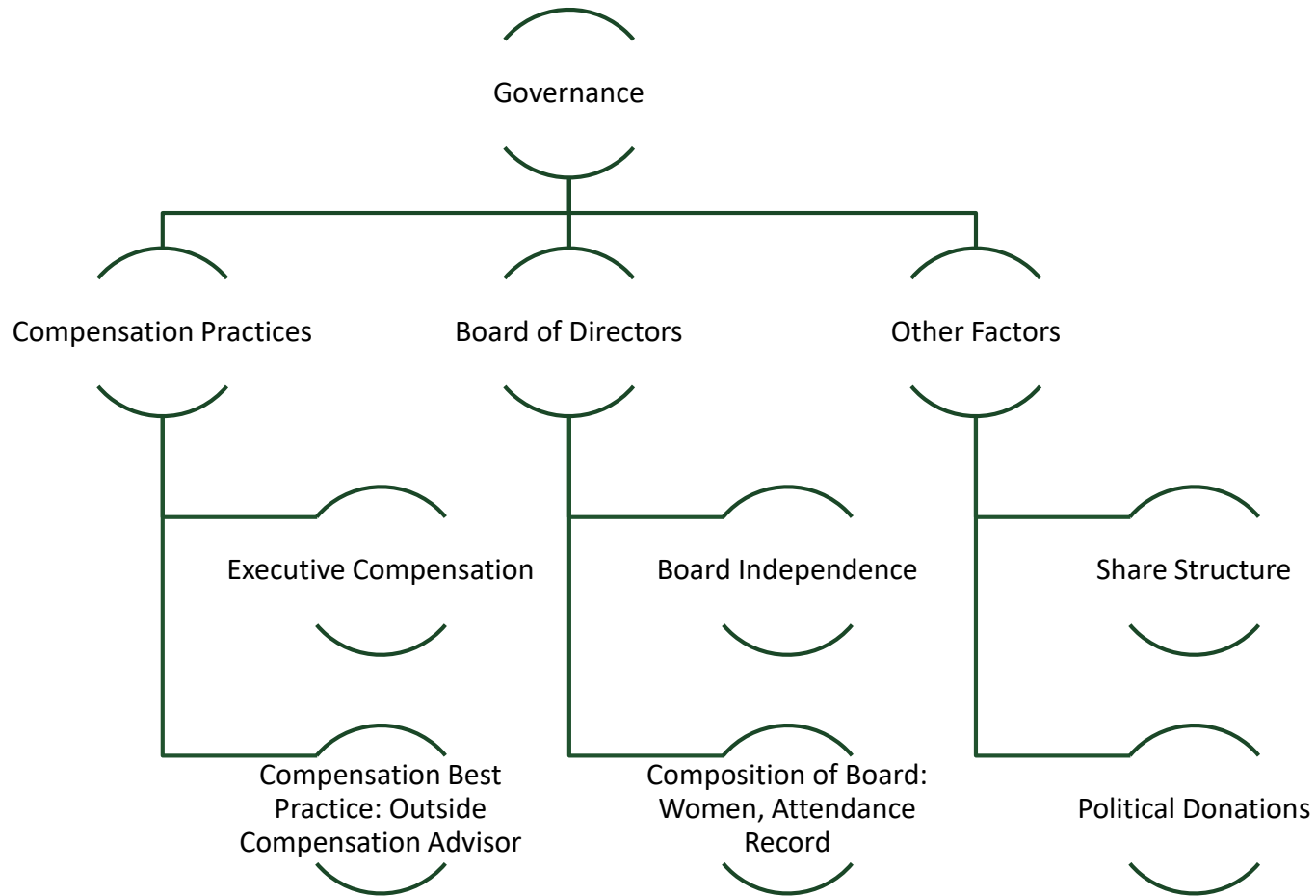
*Empirical Research; Tradition Asset Management

ESG Components: Social*



*Empirical Research; Tradition Asset Management

ESG Components: Governance*



*Empirical Research; Tradition Asset Management

Disclosures:

Tradition Asset Management, LLC ("Tradition") is an SEC (Securities and Exchange Commission) Registered Investment Adviser (RIA).

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 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.