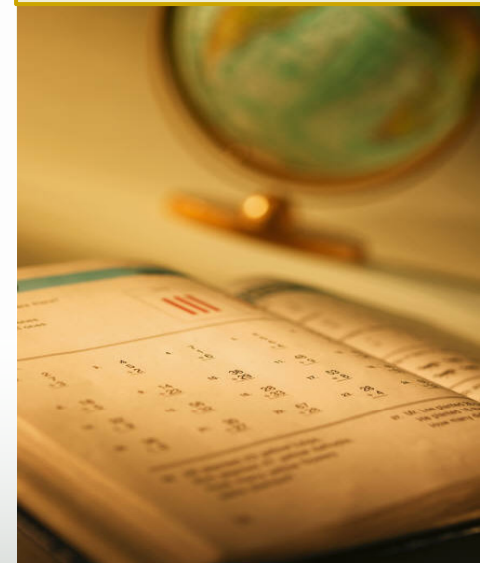


# *Dividend Value*

September 30, 2011



TRADITION CAPITAL  
MANAGEMENT, LLC



# Tradition Capital Management, LLC

## *Firm Summary*

- ✧ Asset management firm founded in 2000. Headquartered in Summit, NJ.
- ✧ Joined forces with Haven Capital Management LLC in April 2009 – a like-minded firm whose style and process of investing is similar to Tradition's. The resulting firm is larger in size and has greater depth of resources to benefit clients.
- ✧ 11 investment professionals with nearly two centuries of cumulative investment experience. Total of 15 employees.
- ✧ Employee owned with personal assets invested in the same strategies as our clients.
- ✧ Approximately \$417 million in assets (\$400 in SMA, \$17 in UMA)
  - Dividend Value
  - All-Cap Core
  - Large-Cap GARP
  - Equity strategies available in Tax Efficient, Balanced and Hedged disciplines.
  - Fixed Income Core, Limited Duration, Long Duration

# Philosophy

## *Common Stock Portfolios*

Tradition's philosophy in managing EQUITY portfolios is to find companies that will have a growing stream of earnings and cash flow, which can be used to enhance shareholder value, and to pay a reasonable price for their shares. (We try to buy GOOD COMPANIES as they become GOOD STOCKS).

Tradition has two EQUITY approaches which share this belief:  
Institutional All-Cap  
Dividend Value Equity (DVE)

Individually these have different starting points, but have a common investment process.

### **PROCESS:**

- Bottom up
- Independent screens for idea generation = less dependence on "Wall Street" research
- Focus on economic and financial characteristics
- Income statement driven
- Risk reduction through rigorous valuation disciplines

# Equity Investment Process

The initial emphasis in idea generation for the two equity approaches may differ slightly, however, the bulk of the investment process is shared by both. Most importantly, we are looking at the strength of a firm's business model, its financial and economic characteristics, and the commitment of management to continue to produce the normalized cash flow and earnings growth that we want. This means identifying the most important information, and identifying what may cause change to occur. As a result, we examine:

## **Micro Environment:**

- Understanding company economics
- Understanding what can change the economics
- Sources include:
  - external reports
  - management encounters
  - analysts discussions

## **Macro Environment:**

- Economic trends that may impact the enterprise
- Trends in financial characteristics for both company and industry

## **Objective:**

- Projection of future characteristics
- Identifying prospects of change
- Building confidence

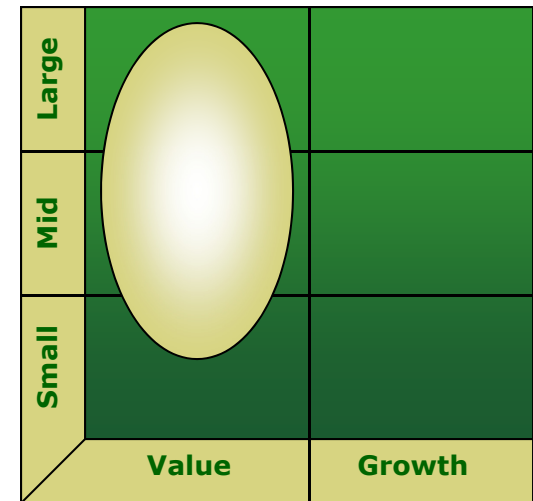
The valuation process of Dividend Value Equity (DVE) has a heavier focus on yield in its several forms, than does the Institutional All-Cap, however, the full process contains many overlapping elements that can be thought of as common.



# Philosophy

## *Dividend Value Equity*

- ☞ **Dividends Have Always Mattered**  
Historically dividends have contributed close to 40% of stock market returns.
- ☞ **Disciplined Capital Allocation Matters Even More**  
Recent work has shown that growing dividends and higher payout ratios lead to better profits and greater shareholder value.
- ☞ **Wall Street is Finally Paying Attention**  
“Sell-side” strategists are now focusing on dividend strategies.
- ☞ **Investor Demand is Shifting**  
Institutional and individual investors both face increasing cash flow requirements as retiree population grows. Dividends are expected to be a larger component of future equity returns than P/E expansion.



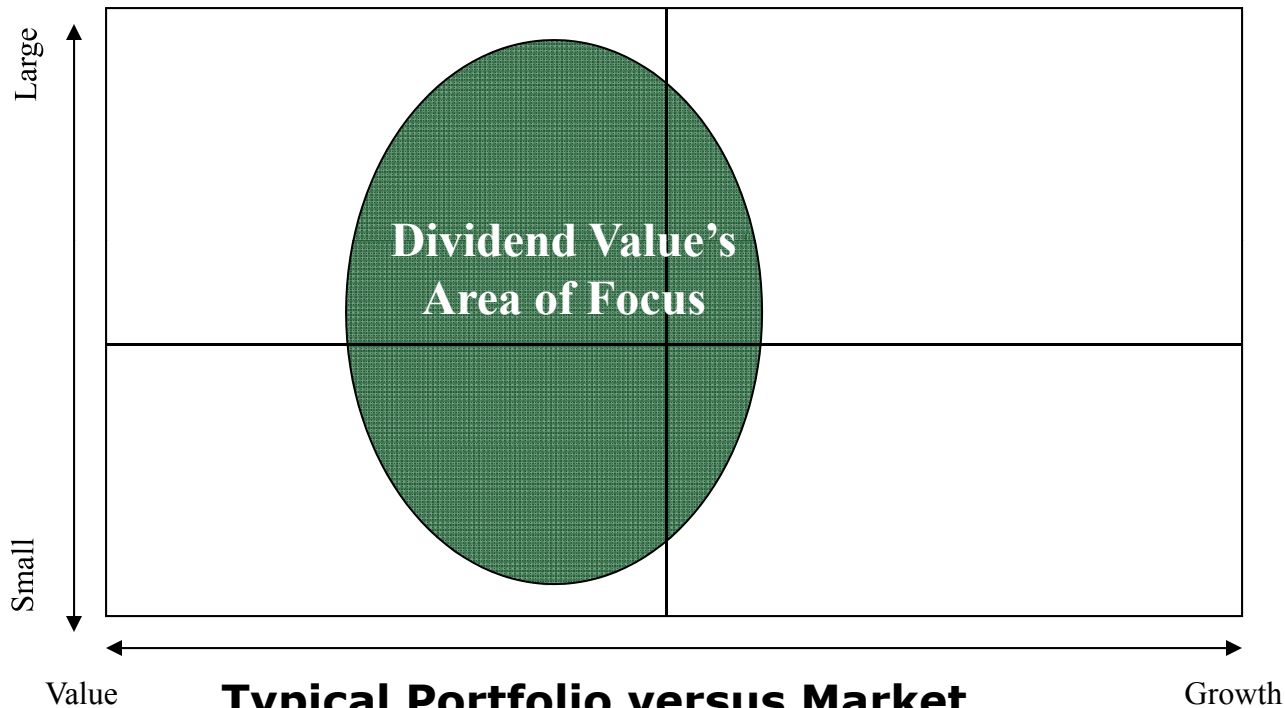
# Philosophy

## *Dividend Value Equity*

- A portfolio of stocks with an above-average dividend growth rate plus an above-average dividend yield will both outperform the broader market and experience less downside volatility than the market over the same period.
- An increased dividend is the best evidence of management's confidence that a company has reached a higher sustainable level of cash earnings and operating cash flow. It is also a highly reliable indicator that management's optimism is well-founded.
- Companies with a commitment to pay out a meaningful portion of annual cash earnings as dividends impose more financial discipline on management, generate higher quality earnings and are more likely to be successful businesses that add shareholder value.
- Valuation always matters. Optimism in a stock's price increases risk. "Reversion towards the mean" occurs in both directions – especially to the downside.
- The Arithmetic of loss: An effective sell discipline that contains loss of principal is the single most important element of successful portfolio management.

# Style Spectrum

*Where Does the Portfolio Fit in The “Style Spectrum”  
Dividend Growth & Dividend Yield with Attention to Valuation*



## **Typical Portfolio versus Market**

**Higher** yield

**Higher** returns on investment

**Higher** expected earnings and cash flow growth

**Lower** P/E ratio

**More** concentration



# Investment Process

## Dividend Value Equity

### Dividend Growth:

Dividend Growth Rate at least 5% (current or expected)

Dividend Yield exceeding benchmark of 2.8%

#### I. Initial Screen

- Dividend Yield
- Dividend Growth
- Absolute – vs. benchmark

#### II. Valuation

- P/E to Growth + Yield
- Discounted Cash Flow
- Free Cash Flow Yield
- Earnings Yield vs. 10-30 Year US Treasury

#### III. Fundamental Analysis

- Business model with economics able to support earnings and cash flow for desired purposes
- Industry fundamentals and valuation
- Company-specific criteria
- Price Targets

### Ability of Business Model, strength of cash flow and commitment of management to increasing dividends:

Identify the most important information to understand the economics of the business model.

Will these economics allow future earnings and cash flow to grow.

### Eliminates those that are not considered undervalued:

- Short term risk
- Long term Opportunity
- Ability to self-finance

What are the risks to free cash flow growth:

- Increasing capex, pension contributions, tax rates, legal issues
- Exposure to rising inter rates and debt rollover

Dividend pay-out ratios – earnings and free cash flow

Industry-specific valuations

Price Targets

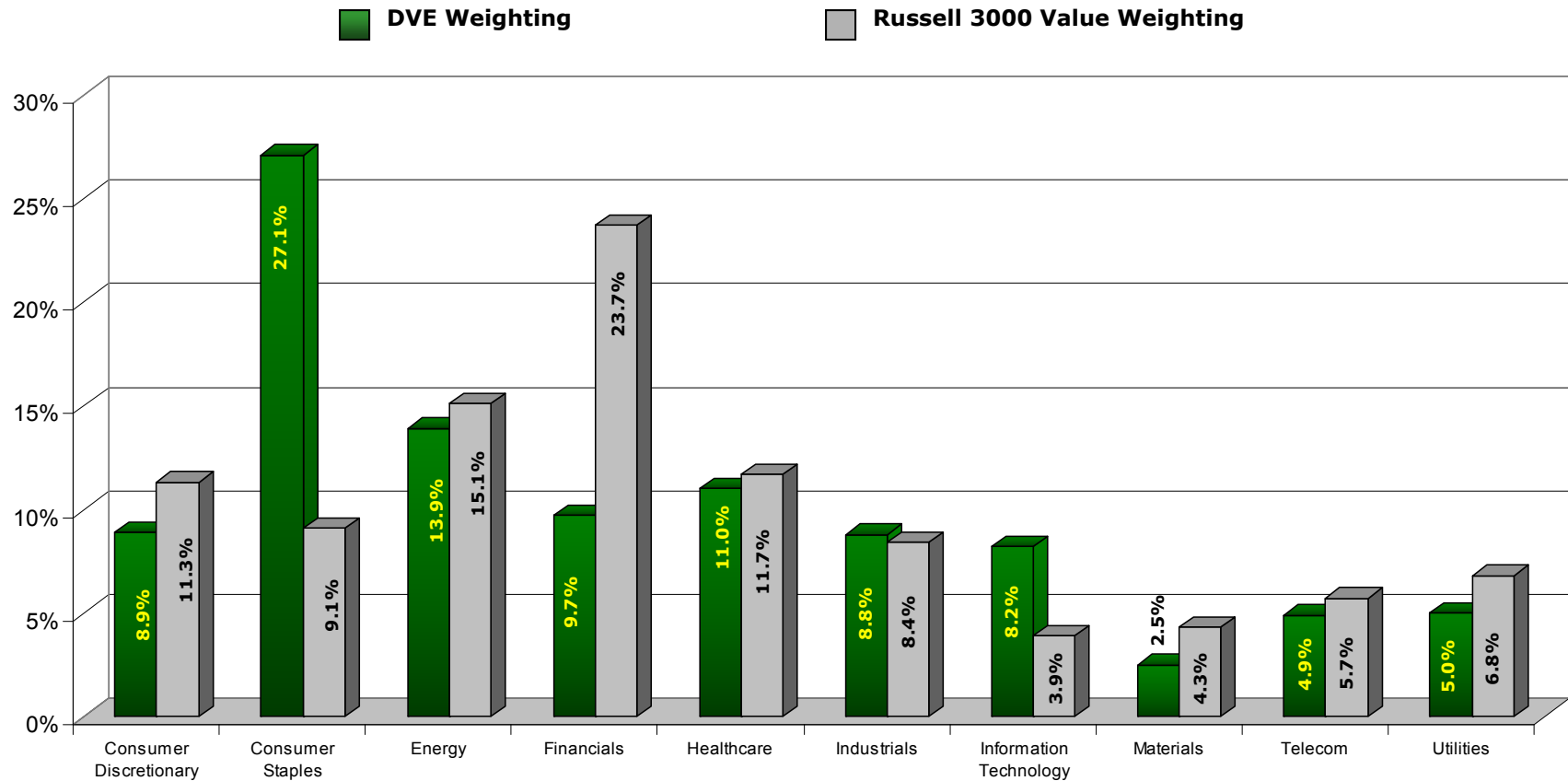
# Characteristics

September 30, 2011

<b>Portfolio Characteristics</b>	<b>Tradition DVE</b>	<b>Russell 3000 Value</b>
Return on Equity	17.9	11.7
Long-term Earnings Growth	10%	9%
Debt to Capital Ratio	36%	36%
Price to Earnings Ratio	10.8	8.8
Price to Earnings Growth Rate	1.1	1.0
Dividend Yield	4.1	2.8
Weighted Average Market Cap (\$BIL)	\$77.8	\$73.2
Number of Stocks	40	2016

# Dividend Value Equity

Portfolio Sector Breakdown vs. Russell 3000 Value  
As of September 30, 2011



# Dividend Value Representative Portfolio

As of September 30, 2011

## Consumer Discretionary

- Leggett & Platt
- McDonalds
- V.F. Corp.

## Consumer Staples

- Altria Group Inc.
- Coca-Cola Company
- Diageo Plc
- Kimberly-Clark
- Kraft Foods Inc.
- Lorillard, Inc
- Nestle SA
- Philip Morris International
- Unilever PLC ADR

## Energy

- Chevron
- ConocoPhillips
- EQT Corporation
- Exxon Mobil
- Royal Dutch Shell plc B
- Williams Companies

## Financials

- Aflac
- Annaly Capital Management
- Cincinnati Financial
- US Bancorp
- Willis Group Holdings

## Health Care

- Abbott Laboratories
- Johnson & Johnson
- Novartis AG
- Pfizer

## Industrials

- 3M Company
- Emerson Electric
- General Electric
- Waste Management

## Information Technology

- Diebold Inc.
- Intel
- Microsoft
- Molex Inc.

## Materials

- RPM International

## Telecommunications

- AT & T
- Vodafone Group PLC

## Utilities

- American Water Works
- PPL Corp.

# Performance

## *Dividend Value Equity*

- Objective

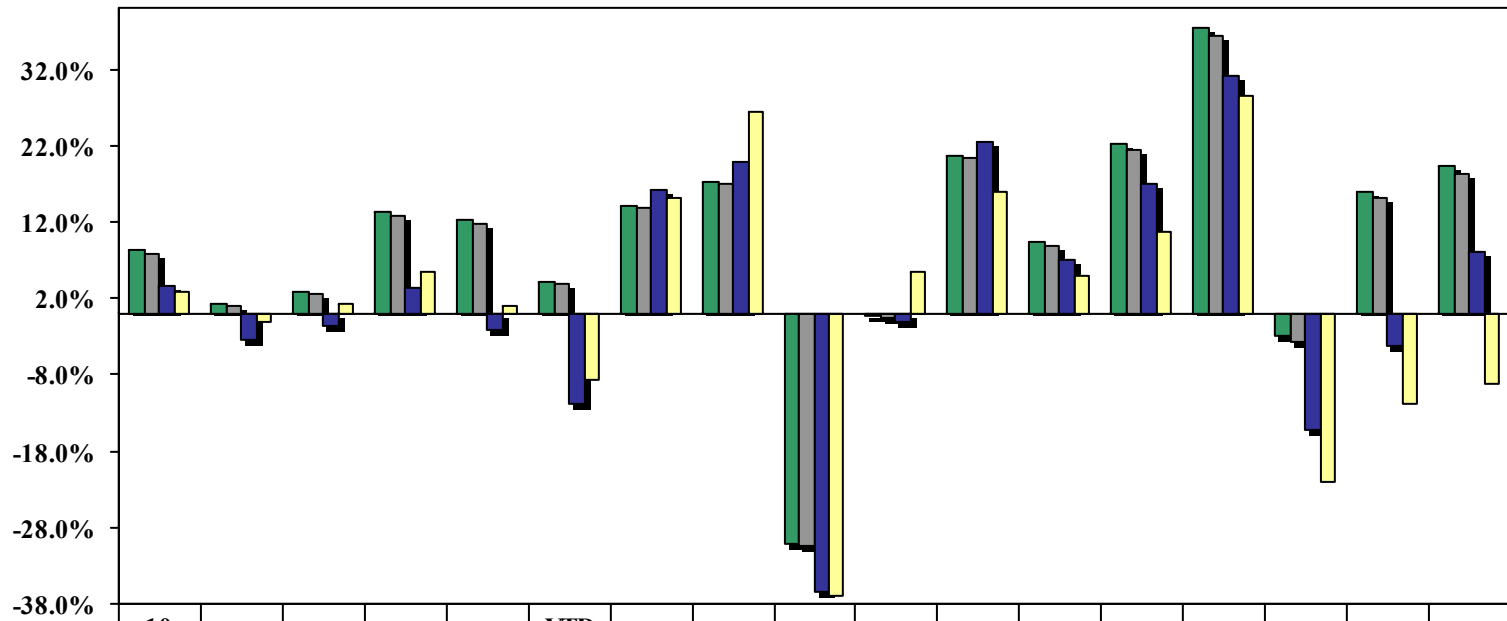
Outperform the Russell 3000 Value Index by an average of 150-200 bps per year, measured over rolling 5 year periods, in the context of appropriate risk.

- Expectation

Deliver the majority of out-performance during falling, flat and “normal” rising markets (up 9% per year or less). On average, achieve near benchmark returns during stronger markets.

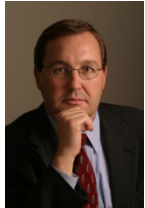
# Performance

*Dividend Value Equity*  
September 30, 2011



	10 Yrs	5 Yrs	3 Yrs	2 Yrs	1 Yr	YTD 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
■ DVE Gross	8.4%	1.3%	2.9%	13.2%	12.2%	4.1%	14.2%	17.3%	-30.1	-0.4%	20.5%	9.5%	22.1%	37.4%	-3.0%	16.0%	19.2%
■ DVE Net	7.8%	0.9%	2.5%	12.8%	11.7%	3.8%	13.8%	16.9%	-30.3	-0.7%	20.3%	8.8%	21.3%	36.4%	-3.7%	15.2%	18.4%
■ Russell 3000 Value	3.6%	-3.5%	-1.6%	3.3%	-2.2%	-11.9	16.2%	19.8%	-36.3	-1.0%	22.3%	6.9%	16.9%	31.1%	-15.2	-4.3%	8.0%
■ S&P 500	2.8%	-1.2%	1.2%	5.6%	1.1%	-8.7%	15.1%	26.5%	-37.0	5.5%	15.8%	4.9%	10.8%	28.6%	-22.1	-11.9	-9.1%

# TCM's Investment Professionals' Biographies



**Benjamin C. Halliburton, CFA**  
Managing Director

Mr. Halliburton is a founder and chief investment officer of Tradition Capital Management. He oversees the investment research and strategy for Tradition. He heads the Investment Committee and is a member of the Portfolio Committee. Mr. Halliburton has twenty five years of professional investing experience including ten years at Brundage, Story and Rose where he was BS&R's Director of Research and responsible for overseeing the firm's equity selection process. He was a principal of the firm and a member of the firm's Investment Policy Committee. He also designed, developed and managed BS&R's successful Disciplined Growth Strategy. He holds the Chartered Financial Analyst designation and earned an MBA from Duke's Fuqua School of Business in 1990, where he was distinguished as a Fuqua Scholar. He earned a BS degree from Vanderbilt University in three years, graduating Magna Cum Laude in 1985, and graduated Salutatorian from the McCallie School.



**Christopher J. Trompeter, CFA**  
Managing Director

Mr. Trompeter is a senior portfolio manager and works on Tradition's Investment Committee and heads the Portfolio Committee. Mr. Trompeter is responsible for the Consumer discretionary sector. He is a founder and principal of the firm and has over two and a half decades of investment management experience. Prior to Tradition Capital Management, Mr. Trompeter was a senior portfolio manager at Brundage, Story and Rose, where he was a member of the Core Stock Selection Group and the Technology Research Group. Mr. Trompeter's extensive experience includes Citibank Global Asset Management as a senior portfolio manager. Mr. Trompeter began his career at Bankers Trust Company in 1978 managing equity, balanced and fixed income portfolios for institutional clients. He is a Chartered Financial Analyst and a member of the New York Society of Security Analysts. Mr. Trompeter graduated from St. Lawrence University with B.A. degrees in Economics and Government.



**Denis M. Turko**  
Managing Director

Mr. Turko is a Managing Director of Tradition Capital Management. He contributes to the research and portfolio management responsibilities at Tradition Capital Management. Mr. Turko is the lead portfolio manager for the Dividend Value and Institutional All-Cap strategies. Mr. Turko was a Managing Director and a founding member of Haven Capital Management. He was a Principal in the group that was spun out of Goldman Sachs to form the predecessor to Haven. His role at Haven cut across all aspects of the investment process and management of portfolios. In addition, he coordinated the Firm's institutional business development. He graduated from Yale University with a BS in Engineering, and from Columbia University with an MBA. Mr. Turko is active in community and educational affairs as a member of the Investment Committee of Overlook Hospital Foundation and the area YMCA. He is a former member of the Board of Trustees of Deerfield Academy, where he served as Chairman of both the Finance and Investment Committees. He is also active in Yale alumni affairs.



**Joseph Staszkiw, JD**  
Managing Director

Mr. Staszkiw is Managing Director of National Sales and Marketing at Tradition Capital Management. He is an auditing member of the Investment Committee. With over forty years in the Financial Services Industry, he brings a broad range of experience to TCM. Most notably, prior to joining TCM he was a Managing Director of Separately Managed Accounts at Boston based Eaton Vance Corporation. Mr. Staszkiw founded and developed the Separately Managed Account practice at New York based Lazard Freres. Mr. Staszkiw has also held senior marketing positions at Regent Investor Services as well as Shearson American Express. He was Associate Director of Estate Planning and Business Valuation at Prudential. Mr. Staszkiw holds a B.A. in Government and Political Science from Seton Hall University. He attended the National Law Center at George Washington University in Washington, D.C., and received a Juris Doctor degree at Seton Hall Law School. He was admitted to the practice of law in New Jersey and Federal Courts in 1974.



# TCM's Investment Professionals' Biographies



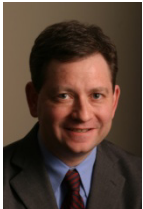
**Stephen Ely**  
Managing Director

Mr. Ely is a Managing Director of Tradition Capital Management. He manages portfolios for individuals at Tradition Capital Management. In addition he is a contributor to Tradition's research process, focusing on industry and economic trends. Mr. Ely was a Managing Director and one of the founding members of Haven Capital Management. In addition to equity and economic research, he managed portfolios for individual clients. Mr. Ely began his career at Kuhn Loeb & Co. where he became a Partner in charge of the firm's Investment Advisory Department. He joined Haven's predecessor as a Principal, and was a member of the original group that founded Haven. He graduated from Princeton University with a BA in History, and attended the Graduate School of Business at New York University. Mr. Ely serves as Chairman for the Finance and Investment Committee for the Grenville Baker Boys & Girls Club.



**Marty Fetherston, CFA**  
Managing Director of Fixed Income

Mr. Fetherston is the Managing Director of Fixed Income for Tradition Capital Management. He oversees all fixed income investments and portfolios for the firm and is a member of the Investment Committee. Marty has almost twenty years of experience building and managing Fixed Income Portfolios ranging in style from Enhanced Cash to Core Plus. His previous roles include Managing Director at TCP Global Investments and Senior Portfolio Manager at the Dreyfus Corporation where he managed a basket of Investment Grade debt and was lead Portfolio Manager for Dreyfus' institutional separate accounts business. Mr. Fetherston is a Chartered Financial Analyst and a member of the New York Society of Security Analysts. He earned a BA in Mathematics from The College of the Holy Cross and an MBA with distinction in Finance from New York University's Stern School of Business.



**Marc L. Davis, CFA**  
Senior Vice President

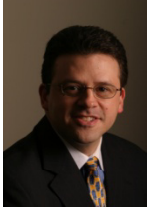
Mr. Davis is an equity research analyst working on the Health Care, Financial and Consumer Staples sectors for Tradition Capital Management. He works on the Investment Committee and Portfolio Committee. Mr. Davis joined Tradition in 2002 and started his investment management career in equity research at Brundage, Story and Rose where he was a junior equity analyst following Health Care, Consumer, Financial, Technology and Basic Materials. He was also a member of the firm's Health Care and Basic Materials industry working groups. He earned a Chartered Financial Analyst (CFA) designation and is a member of the New York Society of Security Analysts and the New York Bar. Mr. Davis graduated from Columbia College in 1985 and earned his J.D. degree from the New York University School of Law in 1989.



**Stephen Boyle**  
Chief Operating Officer

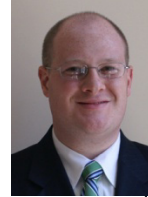
Mr. Boyle is Chief Operating Officer for Tradition Capital Management. He oversees Tradition's client servicing and operations functions. Prior to Tradition, Mr. Boyle was Program Director for JP Morgan's Managed Account Solutions outsourcing platform, providing the operational infrastructure for asset management firms and program sponsors in the SMA, UMA and mutual fund wrap space. Previously, he was Director of Operations for Bear Stearns' Managed Account Services platform where he started up the firm's SMA, UMA and mutual fund wrap platforms. Prior to that, he was Director of Client Services at Systematic Financial Management. Mr. Boyle is a graduate of Rutgers University with a B.A. in Economics and currently serves as the co-chair of the Money Management Institute's Billing Committee.

# TCM's Investment Professionals' Biographies



**Gregg E. Bullwinkel**  
Senior Vice President

Mr. Bullwinkel is a portfolio manager and oversees the firm's trading function. He is a member of both the Investment Committee and the Portfolio Committee. Mr. Bullwinkel has over a decade of experience in the financial services industry where he began his career as a financial advisor. He was employed by Morgan Stanley Dean Witter immediately prior to joining Tradition Capital Management in 2001. At Morgan Stanley Dean Witter, he received extensive training in investments and financial planning. He earned the titles of Retirement Planning Specialist and Lump-Sum 401K Distribution Specialist. He concentrated on the implementation and management of long-term financial plans for high net worth individuals. He graduated from Rutgers University in 1987 with a BS degree in Business Administration.



**John Heslin**  
Vice President

Mr. Heslin is a junior portfolio manager and an equity research analyst covering Industrials and Materials for Tradition Capital Management. He joined Tradition in 2005 as a portfolio assistant responsible for trading, reconciling accounts, and opening of new accounts. Prior to joining Tradition, Mr. Heslin worked for Hennion & Walsh, a broker/dealer specializing in municipal bonds. Mr. Heslin was promoted to equity research analyst in January of 2007 and to junior portfolio manager in November of 2007. He is currently a member of the Investment Committee and the Portfolio Committee at Tradition Capital Management. Mr. Heslin earned a BS degree from Siena College in 2004 and is currently a level I Chartered Financial Analyst (CFA) candidate.



**Michael C. Provine, J.D., LL.M**  
Managing Director

Mr. Provine is a principal and Chief Compliance Officer for Tradition Capital Management. He is also a wealth counselor servicing Tradition's legacy direct client business. He works with clients to design and implement investment strategies for their portfolios. Mr. Provine also works with clients to make certain their trust and estate plans are designed to best carry out their wishes as he did for the clients of Brundage, Story and Rose for the nine years prior to his founding Tradition Capital Management. Mr. Provine utilizes his legal training for reviews of clients' financial, retirement and estate planning arrangements, and prepares recommendations for execution by their legal, accounting, and insurance professionals. Mr. Provine was President of The Boston Safe Deposit and Trust Company of New York. He earned a law degree and an advanced tax degree from Temple University and is a licensed attorney. He is also a graduate of St. Joseph's University. For over a quarter of a century, he has worked in the investment management business providing Strategic planning and tax reviews.

## Dividend Equity Value Performance Disclosure

Period	Composite			Annual Performance Results				
	Total Firm Assets (millions)	US Dollars (million)	Number of Accounts	Composite		Russell 3000 Value	S&P 500	Composite Dispersion
				Gross	Net			
YTD 2011	400	6.5	10	4.1%	3.8%	-11.9%	-8.7%	N/A
2010	453	2.0	Five or fewer	14.2%	13.8%	16.2%	15.1%	N/A
2009	514	2.4	Five or fewer	17.2%	16.9%	19.8%	26.5%	N/A
2008	414	2.0	Five or fewer	(30.1%)	(30.3%)	(36.3%)	(37.0%)	N/A
2007	542	2.9	Five or fewer	(0.4%)	(0.7%)	(1.0%)	5.5%	N/A
2006	463	3.8	Five or fewer	20.5%	20.3%	22.3%	15.8%	N/A
2005	410	1.1	Five or fewer	9.5%	8.8%	6.9%	4.9%	N/A
2004	352	0.9	Five or fewer	22.1%	21.3%	16.9%	10.8%	N/A
2003	308	0.5	Five or fewer	37.4%	36.4%	31.1%	28.6%	N/A
2002	226	0.4	Five or fewer	(3.0%)	(3.7%)	(15.2%)	(22.1%)	N/A
2001	254	0.4	Five or fewer	16.0%	15.2%	(4.3%)	(11.9%)	N/A
2000	89	0.4	Five or fewer	19.2%	18.4%	8.0%	(9.1%)	N/A

Tradition Capital Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Compliance with GIPS has been verified firm wide by Ashland Partners & Company LLP., an independent accounting firm, from October 17, 2000 through December 31, 2009. Prior to June 30, 2009 the performance reflects the performance of the composite achieved at Haven Capital Management. The management of this composite has remained consistent. Haven's Dividend Value Equity composite was created April 1, 2005. Performance prior to April 1, 2005 occurred before the portfolio manager with sole responsibility for the DVE composite joined Haven; an independent accounting firm performed an examination of this track record. Performance is calculated in U.S. Dollars. Total assets under management as of June 30, 2009 were \$133 MM. Composite includes discretionary tax-exempt accounts valued at \$0.5 MM or greater. Haven's Dividend Value Equity (DVE) composite is comprised of equity accounts, including, cash reserves, managed in the dividend value style. Beginning January 1, 2007, the minimum account size for this composite is \$0.5 MM. The U.S. Dollar is the currency used to express performance. 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 \$2MM, 0.8% on the next \$3MM, 0.5% on the next \$15MM, and 0.3% on assets over \$20MM. Actual investment advisory fees incurred by clients may vary. Copies of the verification reports are available upon request.

