



## **Dividend Value**

June 2019

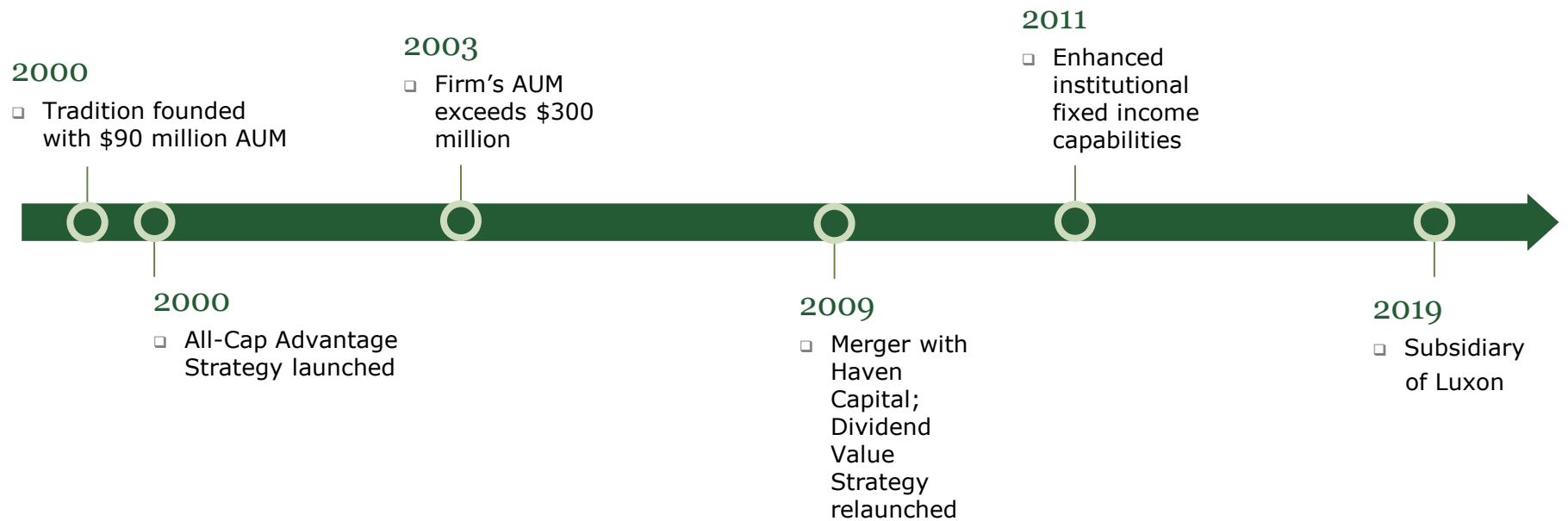
# About Tradition Asset Management

- ❑ Summit, NJ based boutique asset manager founded in 2000
- ❑ 23 employees; 8 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
- ❑ \$689 million in Assets Under Management (AUM)

## Tradition Investment Strategies

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

# Tradition Timeline



# 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

# 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

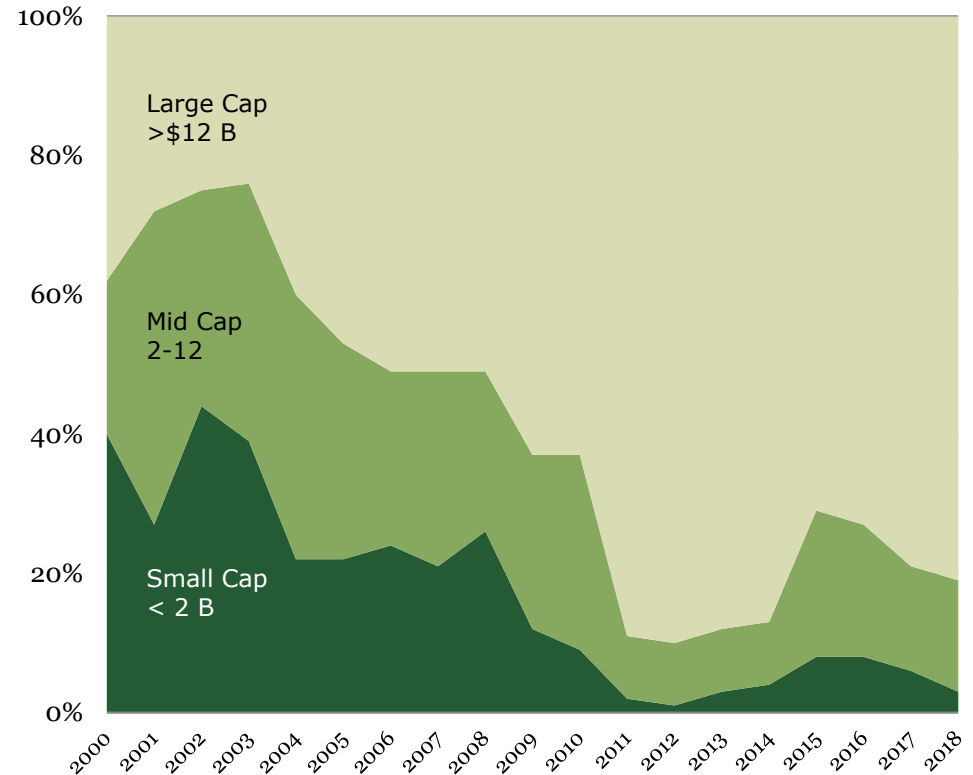
Tradition's Fixed Income portfolios are actively managed to outperform a benchmark index over the long-term while mitigating risk. We accomplish this through interest rate anticipation, sector allocation and security selection. This strategy is appealing to investors who require higher yields and can 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.

# Tradition Dividend Value Strategy

- ❑ A total return portfolio that offers potential growth and above-market income
- ❑ 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
  - Primary benchmark: S&P 500 Index
- ❑ Research-driven insights
- ❑ Consistent long-term track record of alpha and income generation
- ❑ Consistently high risk-adjusted returns

Historical Market Cap Distribution



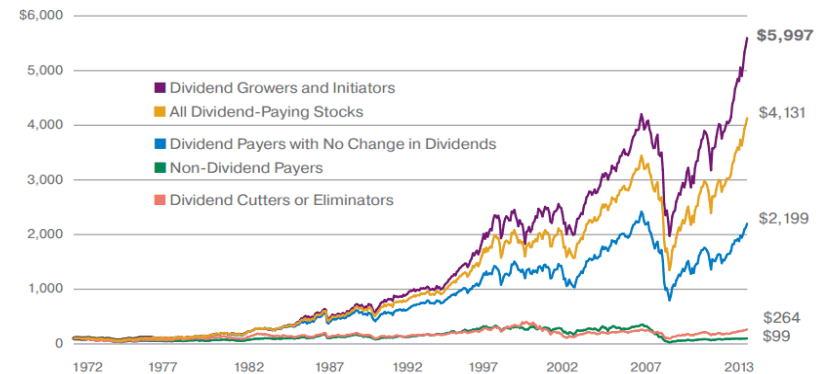
As of December 31, 2018

# Dividend Value: An Approach Supported by Academic Research

## Why Invest in a Dividend Strategy?

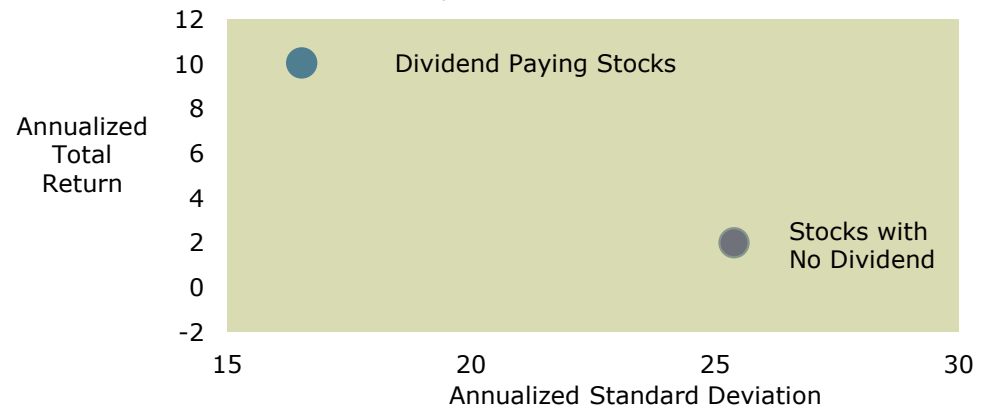
- ❑ Dividends have accounted for approx. 40% of stock market returns
- ❑ Growing dividends and high sustainable payout ratios lead to better profits and greater shareholder value
- ❑ Increased dividends reflect management's confidence in sustaining future cash flow
- ❑ Higher dividends impose financial discipline on management
- ❑ Dividend strategies offer an improved risk/reward tradeoff
- ❑ Dividend Value provides investors with a growing income stream

**S&P 500 Index: Dividend Growers Have Outperformed Over Time**  
Hypothetical performance of \$100 invested in each of the five strategies (1972–2013)



Source: Ned Davis Research, 12/31/13.

**Risk/Return in the S&P 500 Index\*\***

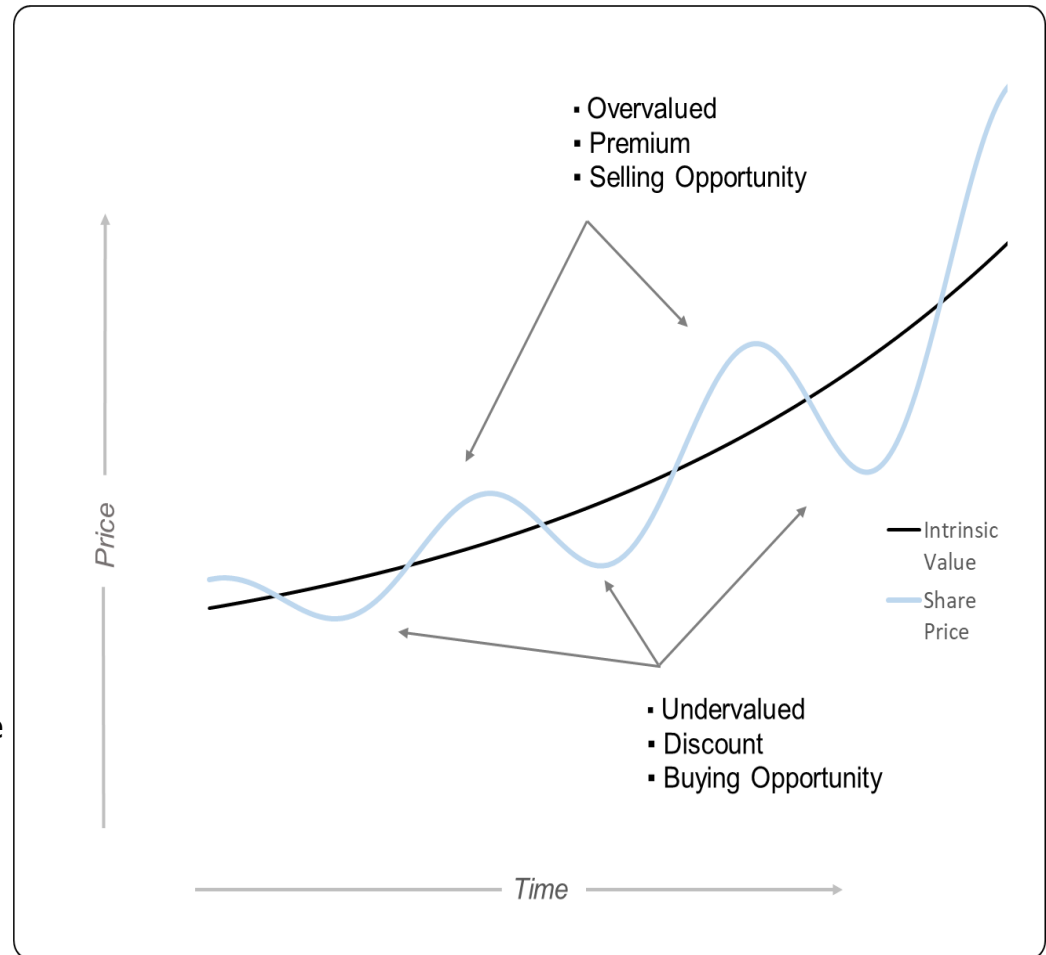


Source: Monthly Data 1/31/1972 - 12/31/2013  
Ned Davis Research, Inc.

# 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
- ❑ Higher-yielding stock portfolios can provide attractive total returns with downside protection
- ❑ This approach offers a higher probability of success





# Research Process: Identifying Solid Alpha and Income Generators

1

## Purchase Candidates

- Quantitative Screening
  - current dividend yield
  - dividend growth rate
  - dividend growth + yield
  - relative Price/Earnings ratio
  - Price/Earnings ratio/(DG + Yield)
  - total debt to capital
- Qualitative Factors
  - substantial competitive advantages
- Ideas sourced from an experienced investment team

2

## Bottom-Up Business Analysis

- Income statement
  - revenue drivers
  - margins
  - business economics
  - growing revenues, EPS and dividends
- Free cash-flow generation
- Attractive return on capital
- Solid balance sheets (quality)
- Industry-specific factors
- Investment thesis that differs from consensus

3

## Anticipated Change

- Company Factors
  - brand strength
  - intellectual property
  - distribution capabilities
  - management change
  - business restructuring
  - new product launch
  - potential negatives
- Industry Factors:
  - macro-environment
  - consolidation
  - demand growth
  - capacity constraints
  - product development
- Visualize change(s)

4

## Business Prospects

- Fundamentals
  - future cash earnings power
  - incorporate impact of change into valuation model
  - management's ability to deliver
  - time-horizon
  - competitive advantage
  - calculation of intrinsic value (estimated economic value)
  - risk/reward assessment
- Differentiated perspective from consensus

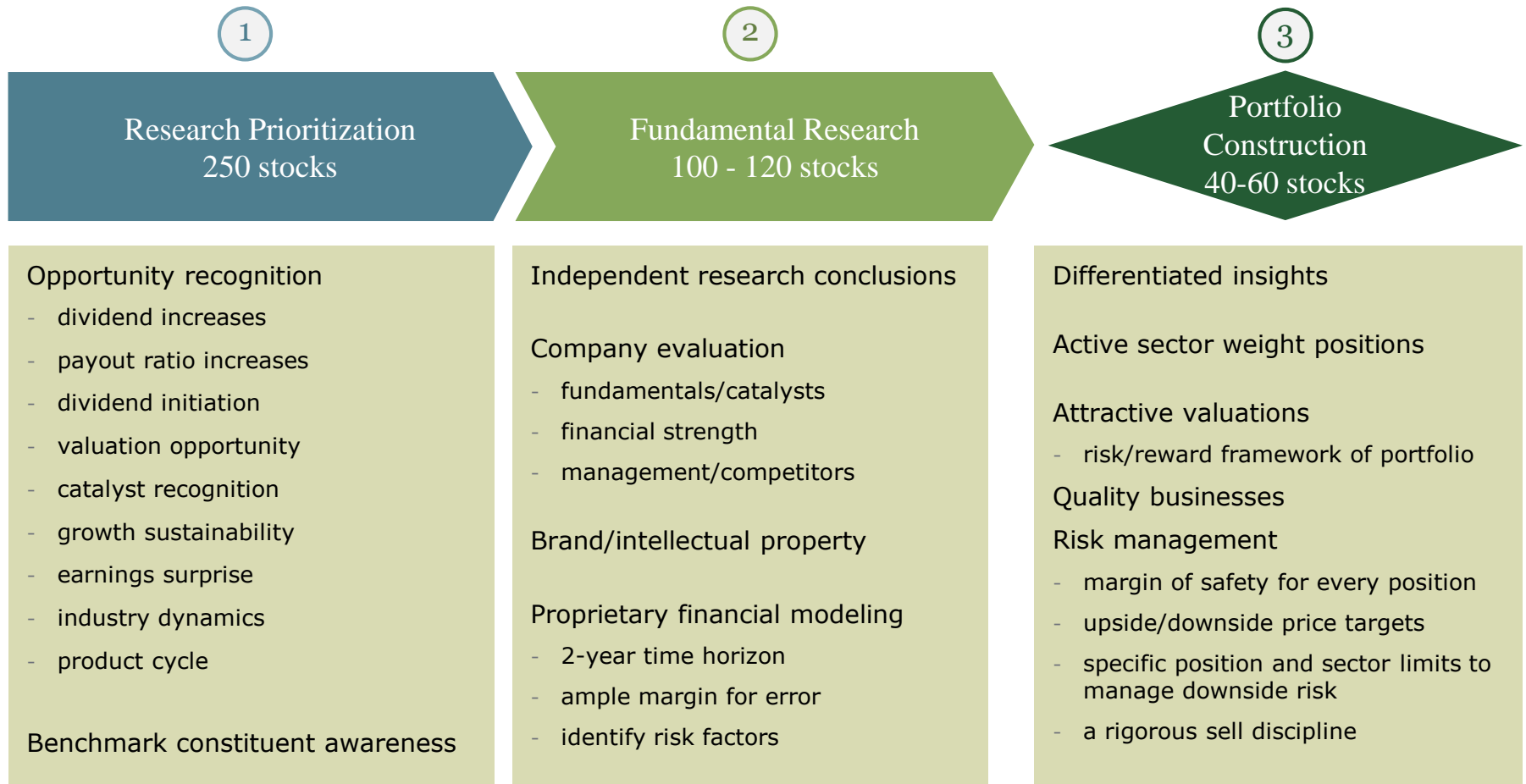
# Dividend Value's Keys to Success

## Key Drivers



# A Repeatable and Sustainable Investment Process

Translating Research Insights Into Consistent Alpha and Income



# A Rigorous Sell Discipline



# Representative Portfolio

## Consumer Goods

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

## Consumer Services

- CVS Health Corp.
- Wyndham Destinations

## Health Care

- Abbott Labs
- AbbVie
- Bristol-Myers Squibb
- Johnson & Johnson
- Medtronic
- Merck
- Novartis

## Utilities

## Financials

- Ares Management
- Citigroup
- Citizens Financial Group
- Dream Global REIT
- Everest Re Group
- FS KKR Capital
- Horizon Bancorp
- Huntington Bancshares
- JPMorgan Chase
- Lincoln National
- Marsh & McLennan
- PNC Financials
- Prudential Financial
- U.S. Bancorp
- WhiteHorse Finance
- Willis Towers Watson

## Industrials

- 3M Company
- Boeing Company
- Packaging Corp of America
- United Parcel Service

## Telecommunication

- AT&T
- Verizon

## Technology

- Apple
- Cisco Systems
- IBM
- Intel
- Microsoft
- Qualcomm

## Oil & Gas

- Halliburton Company
- Kinder Morgan
- Phillips 66
- Royal Dutch Shell
- Suncor Energy

## Basic Materials

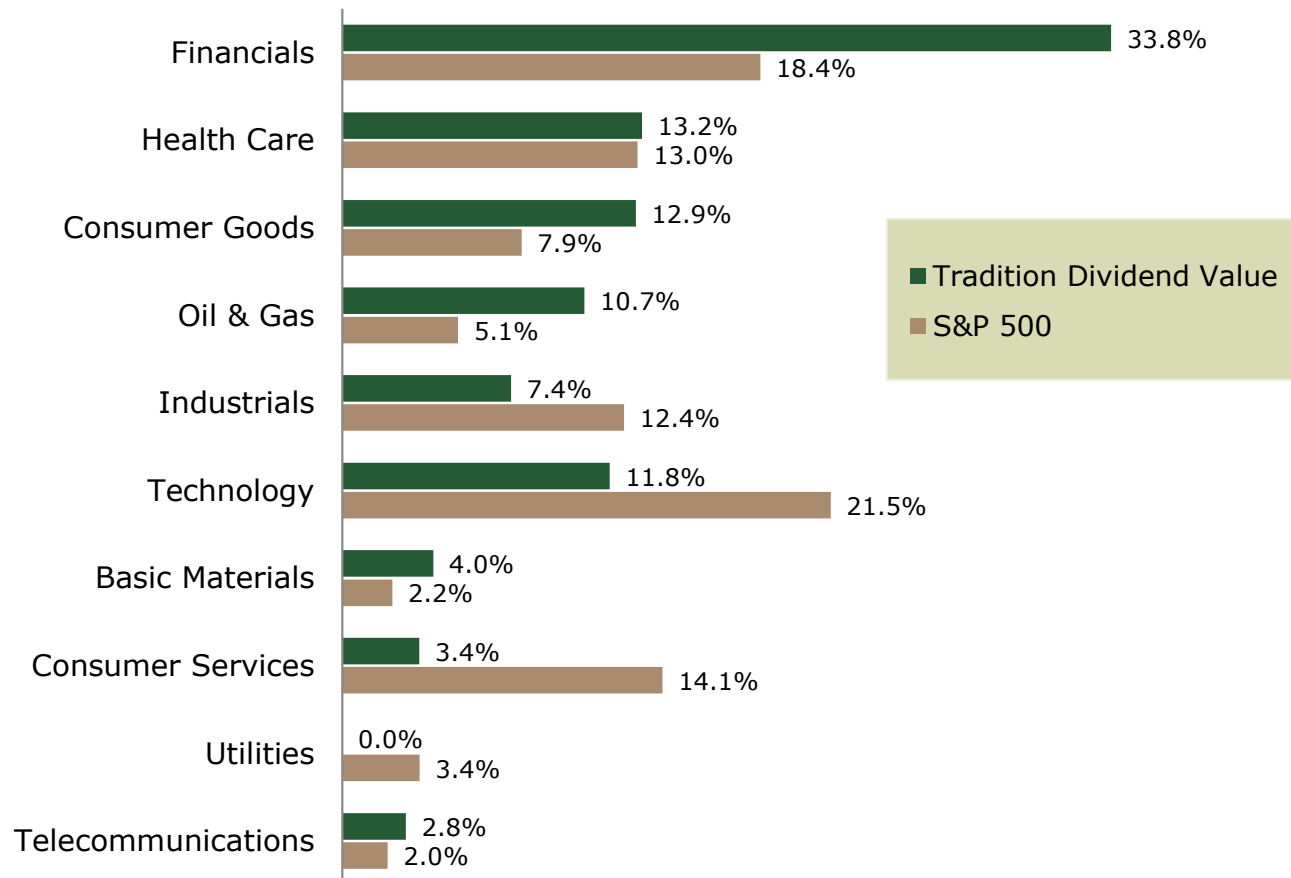
- Avery Dennison

# Top Ten Holdings

	<b>Sector</b>	<b>Percent of Portfolio</b>
Avery Dennison	Basic Materials	4.01%
Citizens Financial Group	Financials	3.79%
Citigroup	Financials	3.69%
Bristol-Myers Squibb	Health Care	3.29%
Prudential Financial	Financials	3.28%
Toyota Motor	Consumer Goods	3.12%
Lincoln National	Financials	2.94%
AbbVie	Health Care	2.81%
Everest Re Group	Financials	2.76%
Whirlpool	Consumer Goods	2.69%

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

# Sector Weightings



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

# Portfolio Characteristics

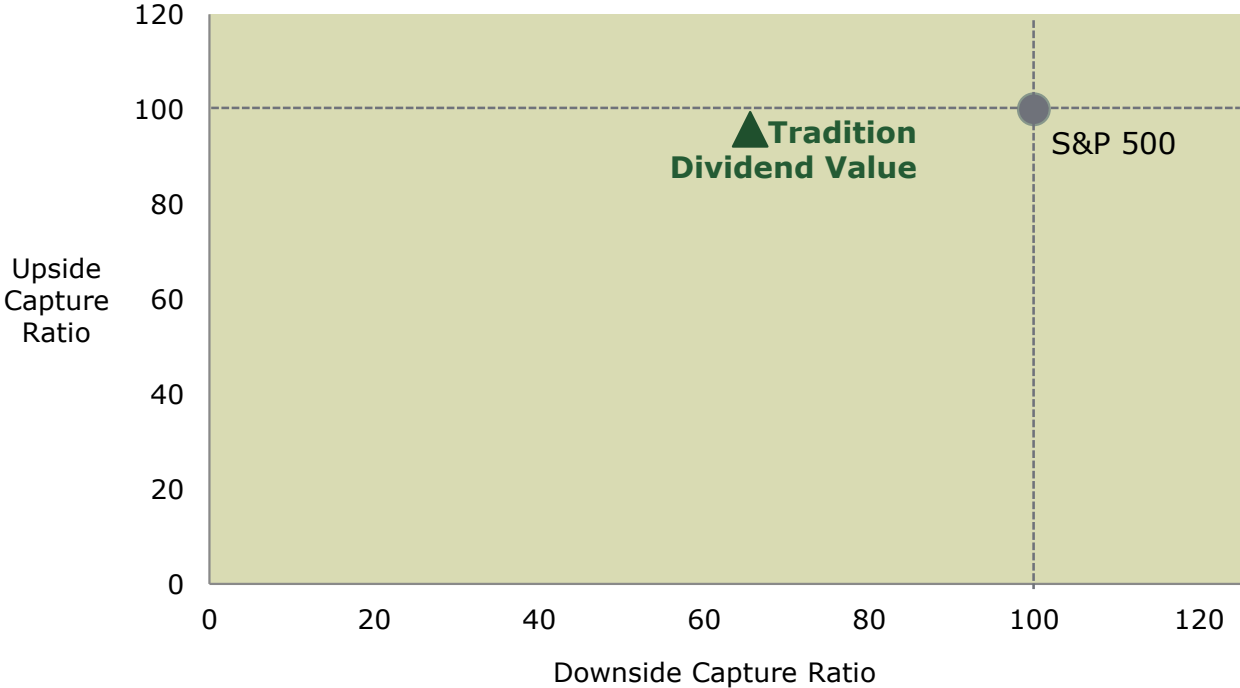
	Tradition Dividend Value	S&P 500
Dividend Yield	3.5%	1.9%
Dividend Growth (5-year estimate)	9.0%	6.0%
Return on Equity (weighted)	20.3%	15.3%
Long-Term Earnings Growth	11.0%	6.0%
Debt to Capital Ratio	44.7%	42.1%
Price/Earnings Ratio (forward 1-year estimate)	13.0	16.8
Price to Earnings Divided by Growth Rate (PEG)	1.4	2.8
Weighted Average Market Cap (\$ billion)	133.5	242.2
Number of Stocks	50	500

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



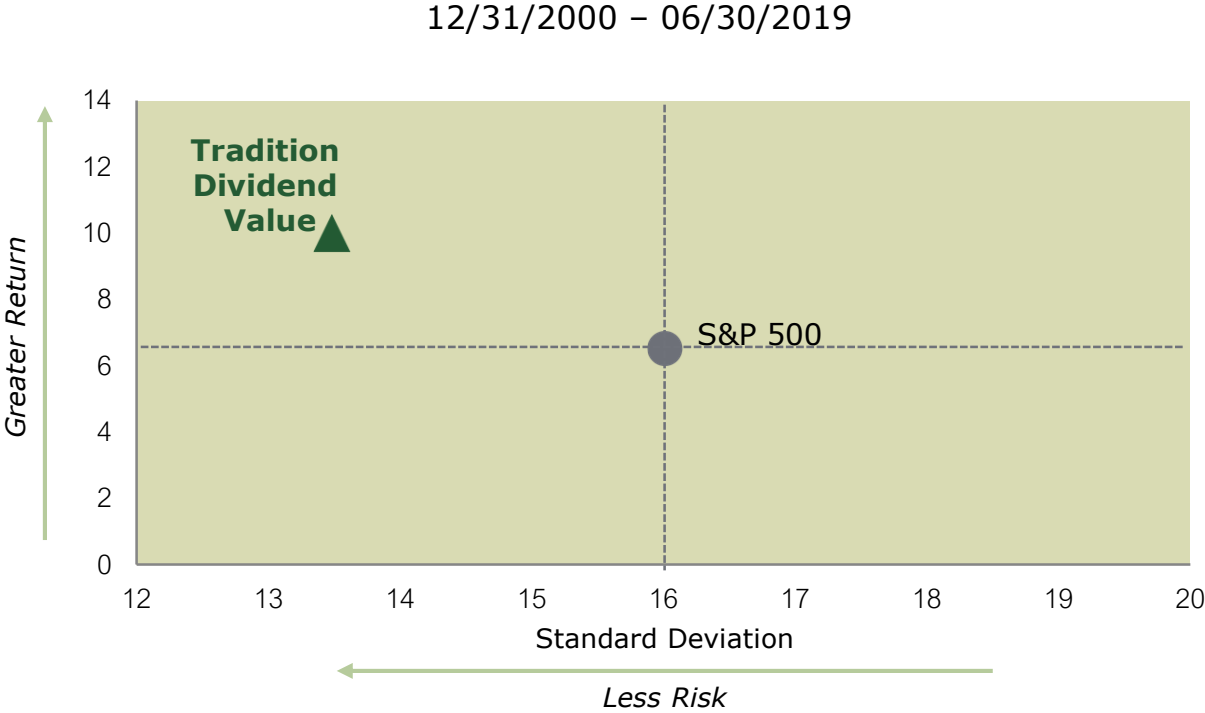
# Upside/Downside Capture Analysis

12/31/2000 – 06/30/2019



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 disclosure on the last page of this presentation. Past performance is not indicative of future results. Source:PSN

# Long-Term Risk and Reward Metrics



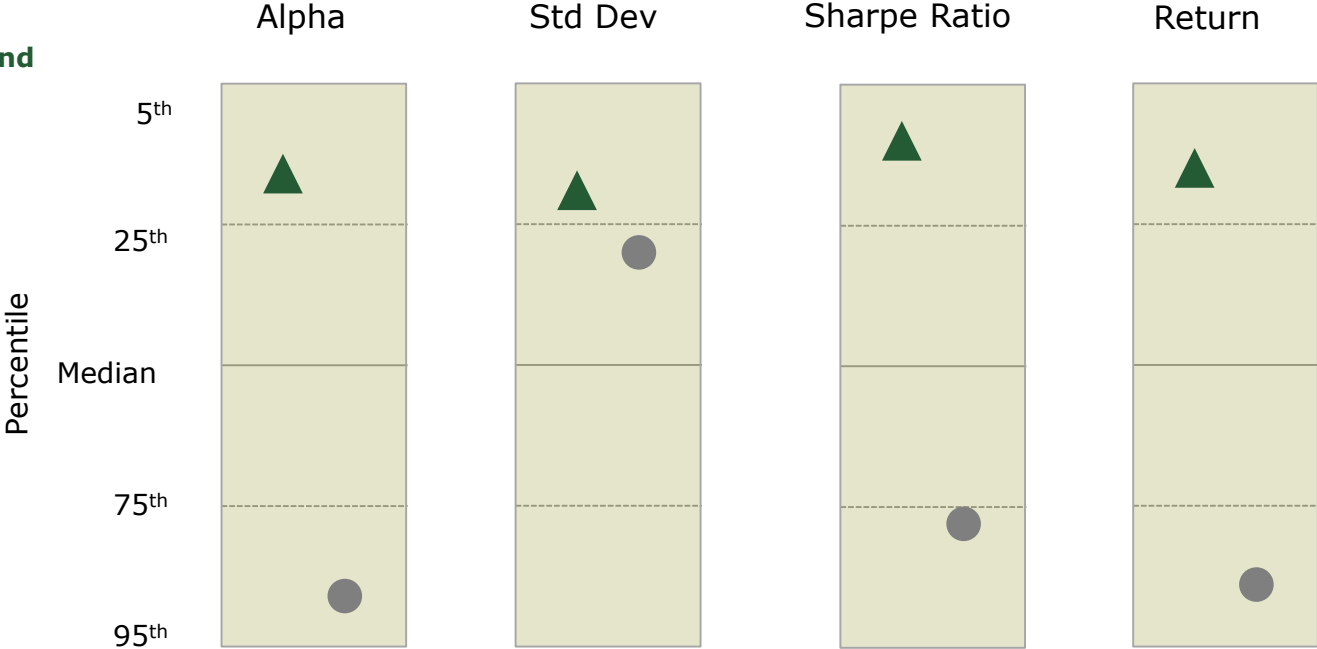
	Return	Std Dev	Alpha
Dividend Value Strategy	10.00%	13.49	4.54
S&P 500	6.52%	16.02	0.00

Source: PSN Please read the firm’s full performance disclosure on the last page of this presentation. Past performance is not indicative of future results.

# Risk-Return Statistics: Peer Group Comparison

12/31/2000 – 06/30/2019

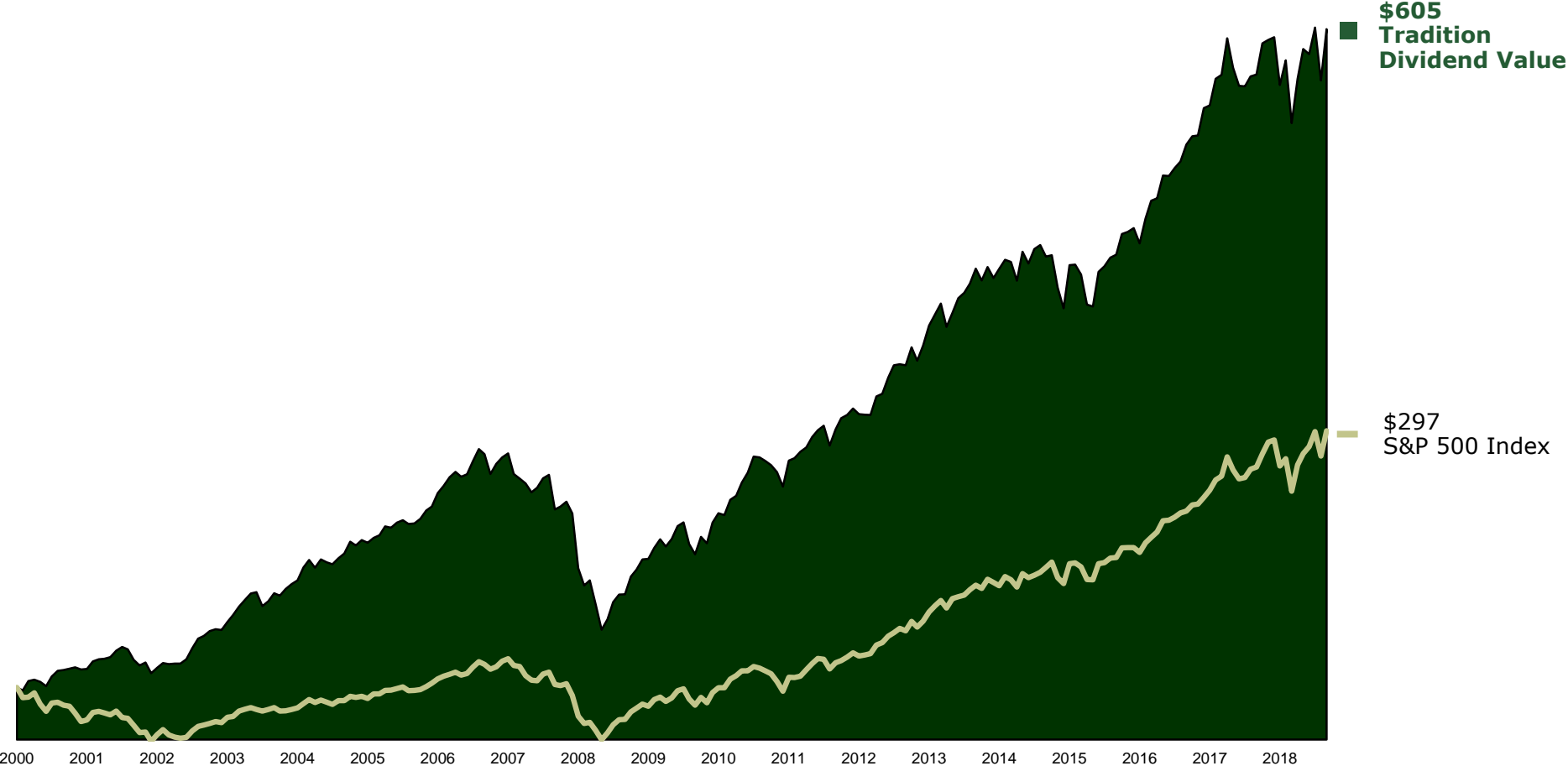
- ▲ Tradition Dividend Value
- S&P 500



Source: PSN All Cap Value peer group as of 06/30/2019. Past performance is no guarantee of future returns.

# Dividend Value Performance

Growth of \$100  
10/31/2000 – 06/30/2019



Past performance is no guarantee of future returns. Please read the firm's full performance disclosure on the last page of this presentation. For supplemental purposes only.

# Dividend Value Strategy Performance

Annual Performance



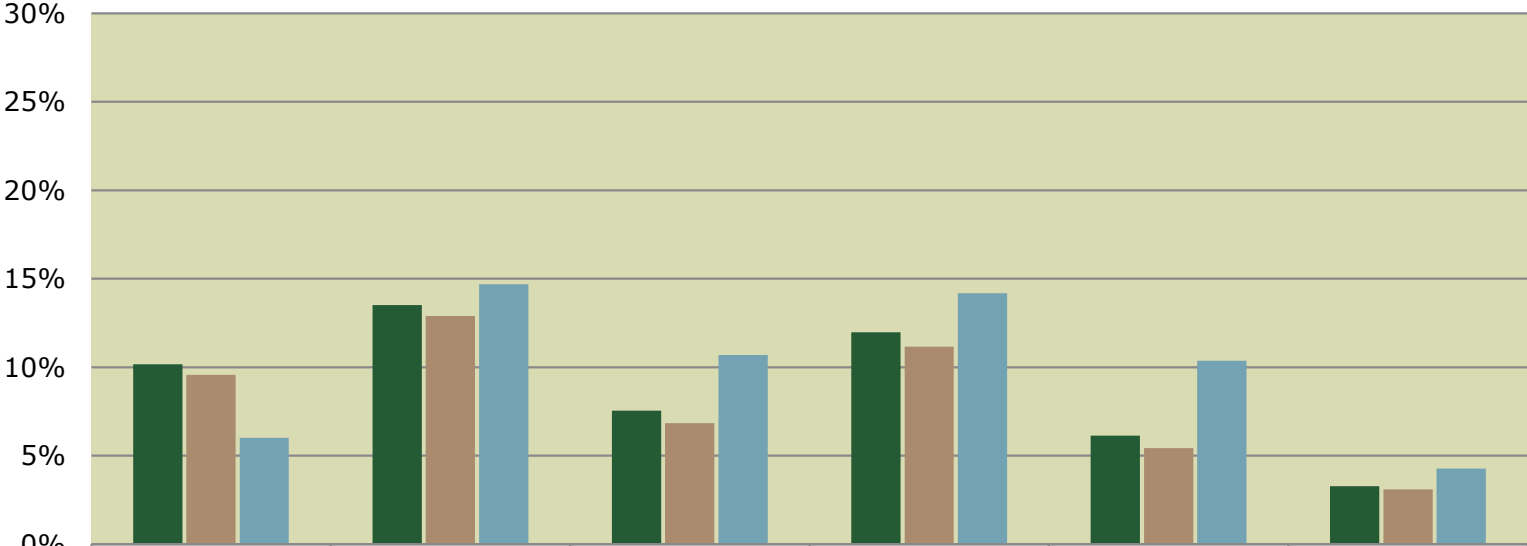
	2000*	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD 2019
■ Tradition Gross	4.82%	16.01	-3.01	37.34	22.13	9.53%	20.54	-0.38	-30.0	17.33	14.21	15.55	10.07	27.69	8.10%	-2.24	13.66	20.62	-6.49	13.52
■ Tradition Net	4.69%	15.20	-3.71	36.41	21.29	8.74%	20.33	-0.67	-30.2	17.08	13.79	15.01	9.48%	27.17	7.54%	-2.75	12.83	19.62	-7.08	13.13
■ S&P 500	-7.42	-11.8	-22.0	28.67	10.85	4.90%	15.76	5.48%	-36.9	26.45	15.06	2.09%	15.97	32.33	13.63	1.38%	11.92	21.80	-4.31	18.50

\*Since 10/31/2000.

Past performance is no guarantee of future returns. Please read the firm's full performance disclosure on the last page of this presentation. For supplemental purposes only.

# Dividend Value Strategy Performance

Annual Performance



	Since 10/31/00	10 Years	5 Years	3 Years	1 Year	2019:2Q
■ Tradition Gross	10.16%	13.51%	7.54%	11.97%	6.13%	3.27%
■ Tradition Net	9.57%	12.90%	6.84%	11.16%	5.43%	3.09%
■ S&P 500	6.01%	14.68%	10.69%	14.19%	10.37%	4.28%

Past performance is no guarantee of future returns. Please read the firm’s full performance disclosure on the last page 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	✓



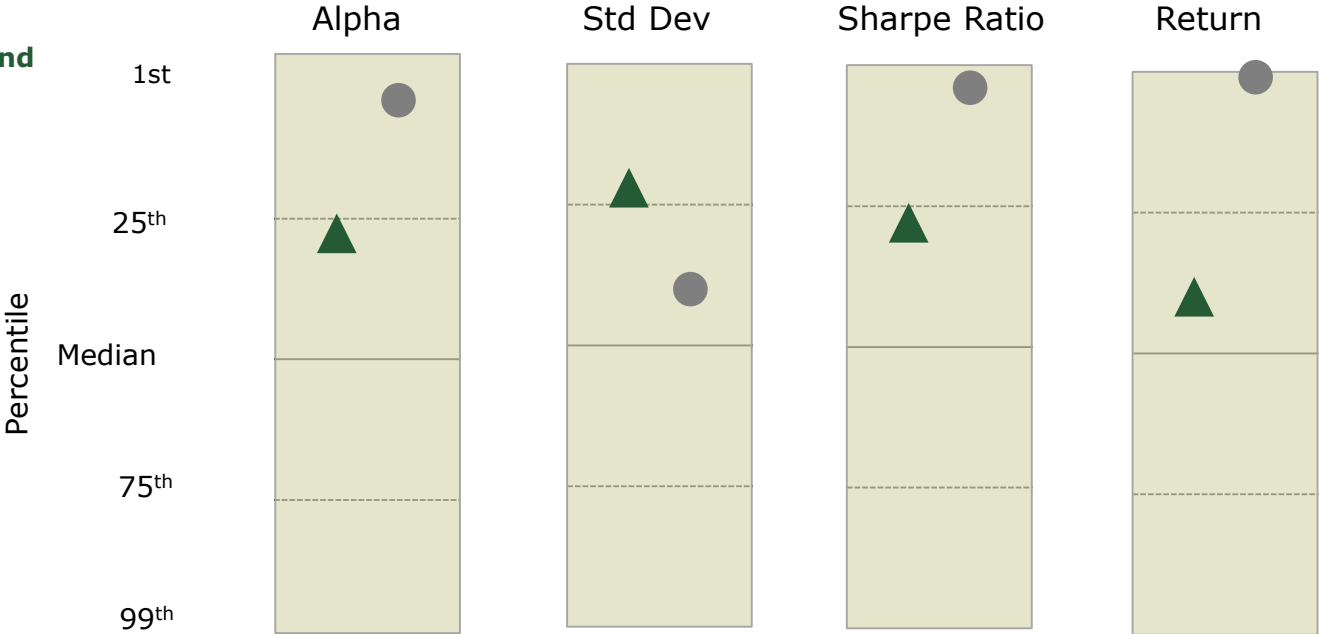
## Appendix



# Risk-Return Statistics: Peer Group Comparison

5 Years Ending 06/30/2019

- ▲ Tradition Dividend Value
- S&P 500



Source: PSN All Cap Value peer group as of 06/30/2019. Past performance is no guarantee of future returns.

# Tradition's Core Values

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- ❑ 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

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- ❑ 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

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<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-2A for additional information on fee schedule

# Contact Information

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**Portfolio Management Team:**

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# Dividend Value Performance Disclosure

Period	Total Firm Assets (mm)	Strategy Assets (mm)	Composite Assets (mm)	Composite			Annual Performance Results		Composite 3-Yr Std Deviation	S&P 500 3-Yr Std Deviation
				# of Accounts	Gross	Net	S&P 500	Composite Dispersion		
YTD 2019	689	150	101	122	13.5%	13.1%	18.5%	N/A	N/A	N/A
2018	616	139	88	111	(6.5%)	(7.0%)	(4.3%)	1.6%	10.7%	10.8%
2017	655	125	85	97	20.5%	19.8%	21.8%	1.6%	10.6%	9.9%
2016	535	105	71	84	13.6%	12.8%	11.9%	2.2%	11.1%	10.6%
2015	526	108	61	75	(2.4%)	(2.8%)	1.4%	0.6%	10.5%	10.5%
2014	465	91	61	61	8.1%	7.5%	13.7%	0.7%	8.1%	9.0%
2013	462	80	52	54	27.7%	27.1%	32.4%	1.4%	9.1%	11.9%
2012	423	N/A	31	40	10.1%	9.5%	16.0%	1.3%	11.8%	15.1%
2011	400	N/A	7.0	10	15.6%	15.0%	2.1%	N/A	16.4%	18.7%
2010	456	N/A	2.1	5 or fewer	14.2%	13.8%	15.1%	N/A	-	-
2009	514	N/A	2.4	5 or fewer	17.3%	17.1%	26.5%	N/A	-	-
2008	414		2.0	5 or fewer	(30.1%)	(30.3%)	(37.0%)	N/A	-	-
2007	542		2.9	5 or fewer	(0.4%)	(0.7%)	5.5%	N/A	-	-
2006	463		3.8	5 or fewer	20.6%	20.3%	15.8%	N/A	-	-
2005	410		1.1	5 or fewer	9.5%	8.7%	4.9%	N/A	-	-
2004	352		0.9	5 or fewer	22.1%	21.3%	10.9%	N/A	-	-
2003	308		0.5	5 or fewer	37.4%	36.4%	28.7%	N/A	-	-
2002	226		0.4	5 or fewer	(3.0%)	(3.7%)	(22.1%)	N/A	-	-
2001	254		0.4	5 or fewer	16.0%	15.2%	(11.9%)	N/A	-	-
2000	89		0.4	5 or fewer	19.2%	18.4%	(9.1%)	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, 2015. 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. Tradition Asset Management is the successor of Tradition Capital Management LLC effective April 30, 2019. Tradition Asset Management is a wholly owned subsidiary of Luxon Financial LLC. Tradition Asset Management is the trade name used by Tradition Asset Management LLC and is an SEC (Securities and Exchange Commission) Registered Investment Adviser under the Federal Investment Advisers Act and provides portfolio management and related services for a fee. Verification does not ensure the accuracy of any specific composite presentation. Past performance is not indicative of future results. Prior to July 1, 2009, the Dividend Value composite was under the management of Haven Capital Management LLC. Effective July 1, 2009, Haven Capital Management LLC joined with Tradition Asset Management, LLC. The Dividend Value Equity composite was created April 1, 2005. Performance presented prior to July 1, 2009 occurred before the portfolio manager joined Tradition Asset Management, LLC. The management of this composite has remained consistent. An independent accounting firm performed an examination of this track record; an Independent Accountant's Report is available upon request. Performance is calculated and expressed in U.S. Dollars. Total assets under management as of June 30, 2009 were \$133MM. Composite includes accounts valued at \$0.2MM or greater. The Dividend Value Equity composite is comprised of equity accounts, including cash reserves, managed in the dividend value style and for comparison purposes are measured against the S&P 500 Index. Wrap accounts are included in the composite; as of 12/2012 the composite is comprised of 8% wrap assets, 12/2013 - 4%, 12/2014 - 6%, 12/2015 - 4%. The S&P 500 Index returns are before taxes. Minimum account size is \$200,000. Prior to 1/2007 no minimum acct. size was required. 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. 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 include portfolio monitoring, consulting services, and in some cases, custodial services. The percentage of non-fee paying accts in this composite at year-end is as follows: 2006-61%; 2007-80%; 2008-81%; 2009-81%, 2010-100%, and 2011-2016 0%. Prior to January 1, 2002, one non-fee paying account was included in this composite which represents 100% of the composite. Gross performance includes all of the aforementioned criteria except for the deduction of Tradition's management fee. Tradition's current investment management annual base fee schedule is as follows: 1.0% on the first \$5MM, 0.8% on assets over \$5MM. Actual investment advisory fees incurred by clients may vary. 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 annual composite dispersion is an asset-weighted standard deviation calculated when there are more than five accounts in the composite for the entire year. The firm maintains a complete list and description of composites, which are available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The data and information necessary to support all items included in compliant presentations is captured and maintained for all years presented on the presentations. Records include custodian statements, and the transaction, position, market value and performance data stored in our portfolio accounting system. In August 2015, Candor Wealth Advisors joined with Tradition Asset Management.