



C H E S S

Call Harvesting Equity Stock Strategy

March 2018

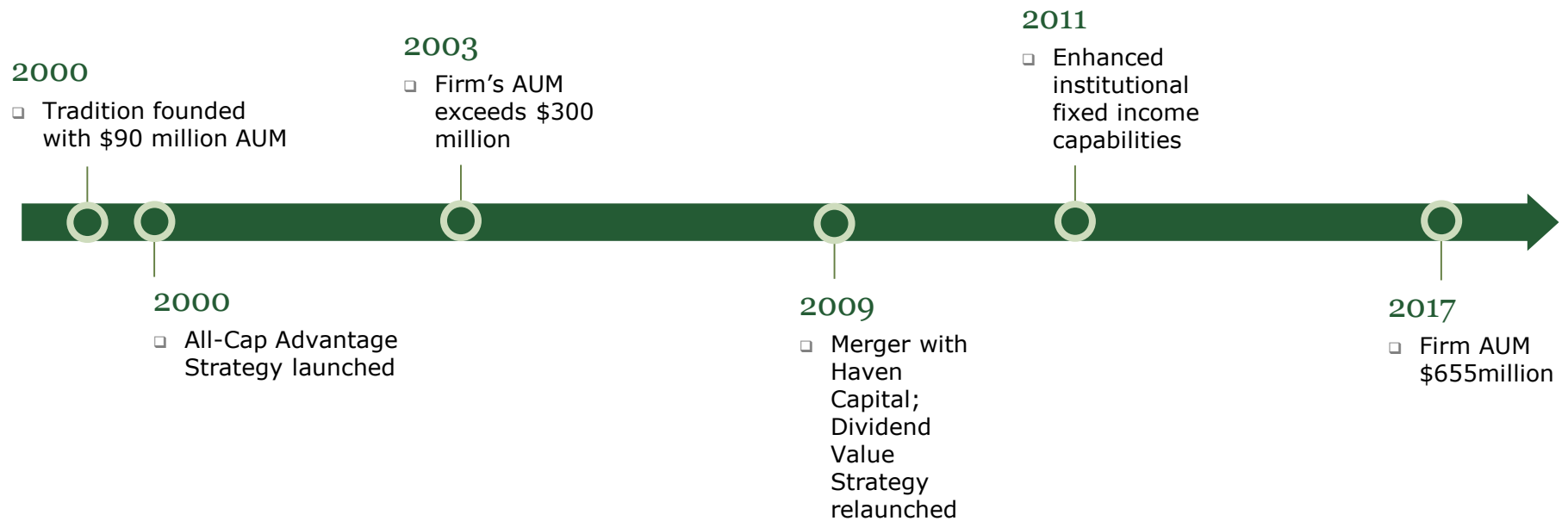
About Tradition Capital Management

- ❑ Summit, NJ based boutique asset manager founded in 2000
- ❑ 21 employees; 7 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
- ❑ \$660 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	Experience	Tenure
	Benjamin C. Halliburton, CFA Managing Director	Chief Investment Officer	Vanderbilt University, BS Duke University (Fuqua), MBA	31 years	2000
	Adam Levy Managing Director	Portfolio Manager	U. of Pennsylvania (Wharton), BS MIT (Sloan), MBA	20 years	2015
	Alan J. Reef Managing Director	Portfolio Manager	U. of Pennsylvania (Wharton), BS New York University (Stern), MBA	37 years	2012
	Denis M. Turko Managing Director	Portfolio Manager	Yale University, BS Columbia University, MBA	52 years	2009
	Christopher J. Trompeter, CFA Managing Director	Portfolio Manager	St. Lawrence University, BA	38 years	2000
	Stephen Ely Managing Director	Portfolio Manager	Princeton University, BA New York University (Stern)	53 years	2009
	Marc L. Davis, CFA Senior Vice President	Senior Analyst	Columbia College, BA New York University (Law School), JD	20 years	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 Russell 3000 and S&P 500 indices 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.

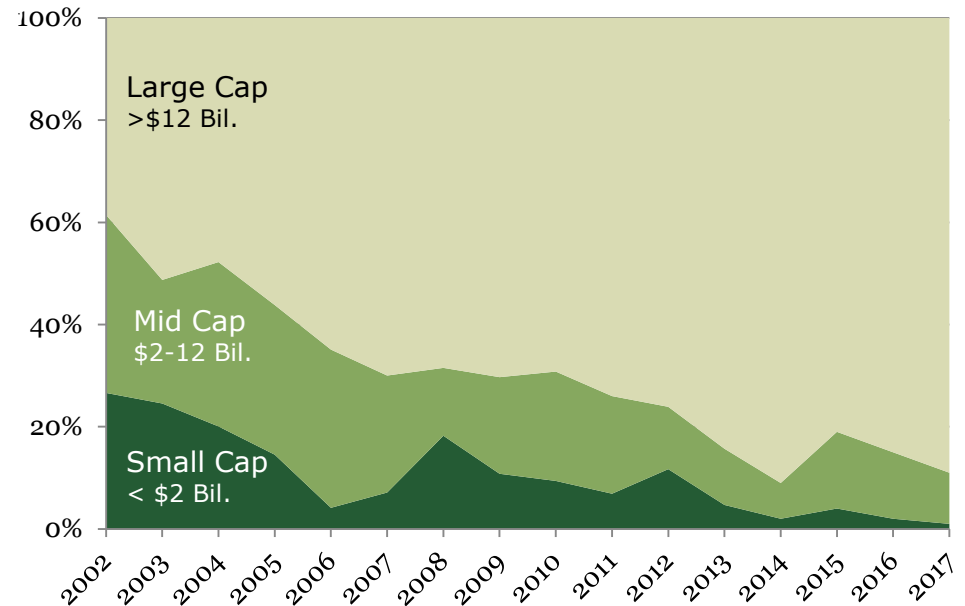
*Tradition also offers balanced portfolios and other fixed income portfolios that can be customized for specific client objectives.

See full disclaimer on the last page of presentation

Tradition Equity Strategies

- ❑ “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

Historical Market Cap Distribution



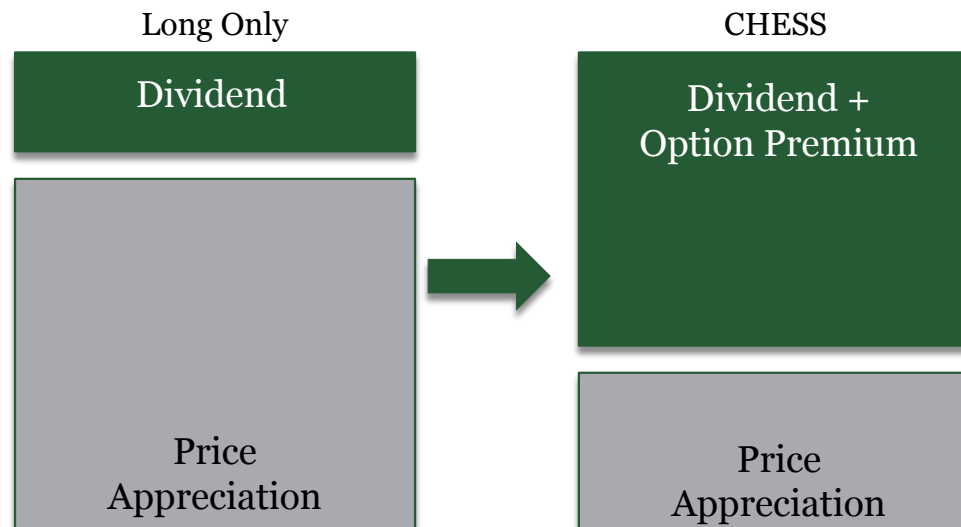
As of December 31, 2017

Call Harvesting Equity Stock Strategy - CHESS

- ❑ **CHESS: Call Harvesting Equity Stock Strategy** combines Tradition's actively managed Equity Strategies with a covered call overlay. Specifically, it utilizes a strategy of buying stock and the simultaneous writing of call options against them ("Buy-Write" Strategy.)
- ❑ Writing call options on equity positions can help increase income generated by a portfolio and add a small measure of downside cushion via the premiums earned on the calls and the dividends received. Essentially, a covered call position exchanges unknown potential price appreciation for a known income component (option premium).
- ❑ In a flat, slowly rising, or down market, CHESS is expected to help generate additional income. In a rising market, the fund seeks to capture a substantial portion of the upside with less risk.
- ❑ The covered call strategy will likely limit the upside potential of the portfolio; however, the income earned from the premiums provides an added source of return and can help offset some of the downside if stock prices decline.
- ❑ The maturity length of the call options written will depend upon each individual stock, the opportunity for capital appreciation of the stock and the relative attractiveness of options at varying strike prices (price at which the option is exercisable) and expiration dates compared to underlying value.

Call Harvesting Equity Stock Strategy - CHESS

- ❑ Once the portfolio holdings are defined, individual call options are sold with the objective of achieving our fundamental targets for total return, but with a higher income component and lower risk than long-only.
- ❑ The option overlay strategy is optimized for each equity position and dynamically managed in order to maximize call premium income while minimizing exercise risk.
- ❑ Historically, the CHESS portfolio has a total investment yield of 5.6%, with 2.3% earned from dividends and 3.3% generated by written option premiums.
- ❑ CHESS typically writes call options on all positions, however there occasionally may be a small number of positions included in the portfolio without writing options if yield and value are compelling.

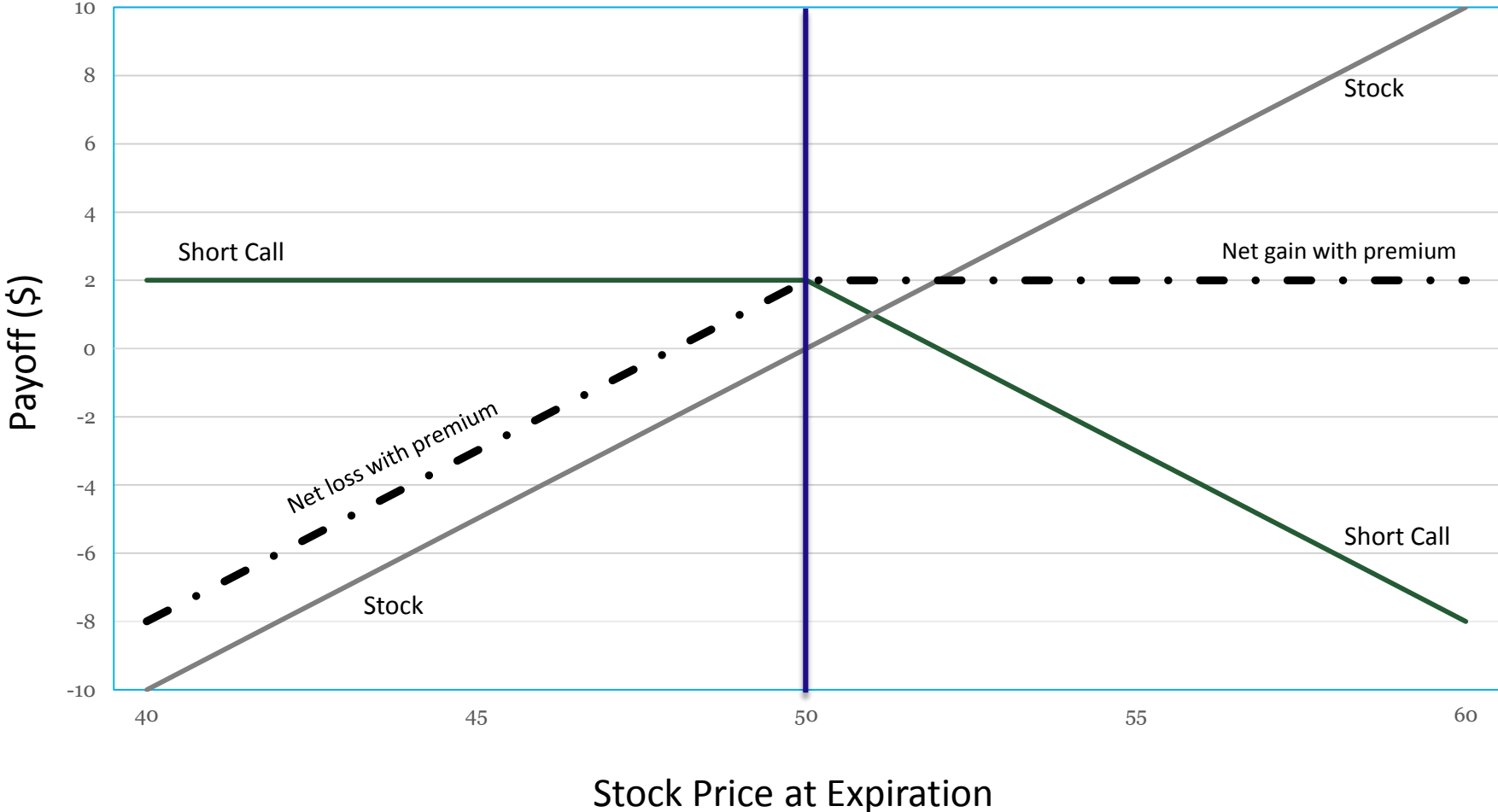


Covered Call Payoff Diagram

Current Stock Price = \$50

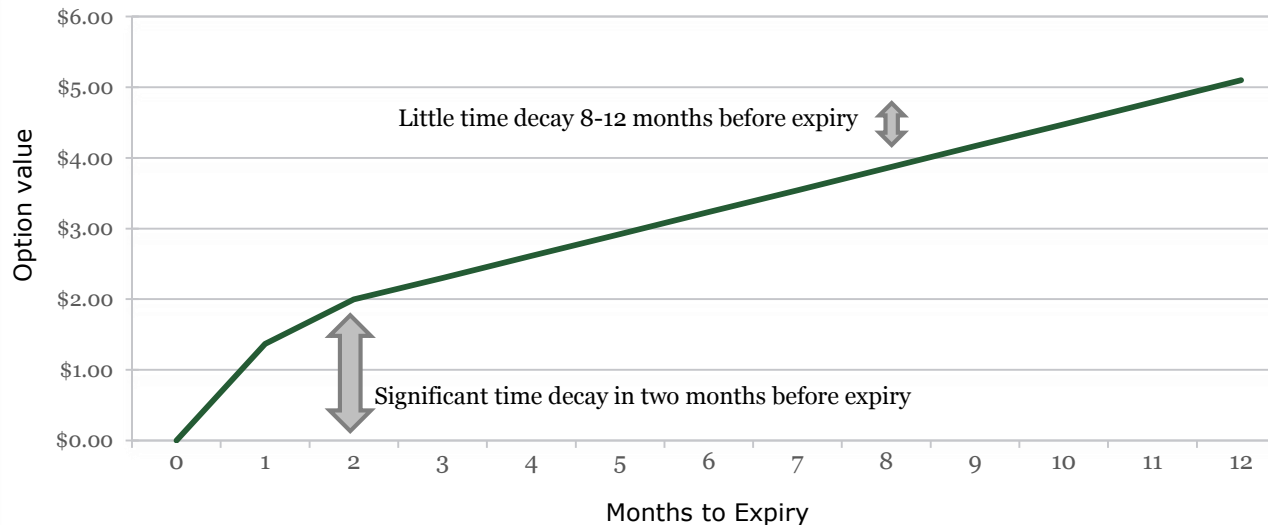
Strike Price = \$50

Call Price = \$2



The Advantage of Option Time Decay

- Writing (selling) Call options allows the option writer to benefit from the natural decline in value of options due to time decay as they get closer to expiration date
- The call writing process is consistent and systematic in that options are always written on the full stock position and are immediately rewritten once they expire or we repurchase the options initially written (no market timing)
- Options are typically written 1-3 months out to maximize the time decay, but may be written out to longer expiration dates



Performance - CHESS

Month End 3/31/2018	Since Inception* Annualized	Since Inception* Cumulative	YTD 2018	2017
CHESS Gross of fees	11.65%	14.76%	-2.47%	17.67%
CHESS Net of Fees	11.45%	14.51%	-2.52%	17.47%
CBOE Buy-Write Index	8.89%	11.24%	-1.56%	13.00%
CHESS Alpha Net Return less Index Return	2.56%	3.27%	-0.96%	4.47%
S&P 500 Index	16.39%	20.89%	-0.76%	21.82%

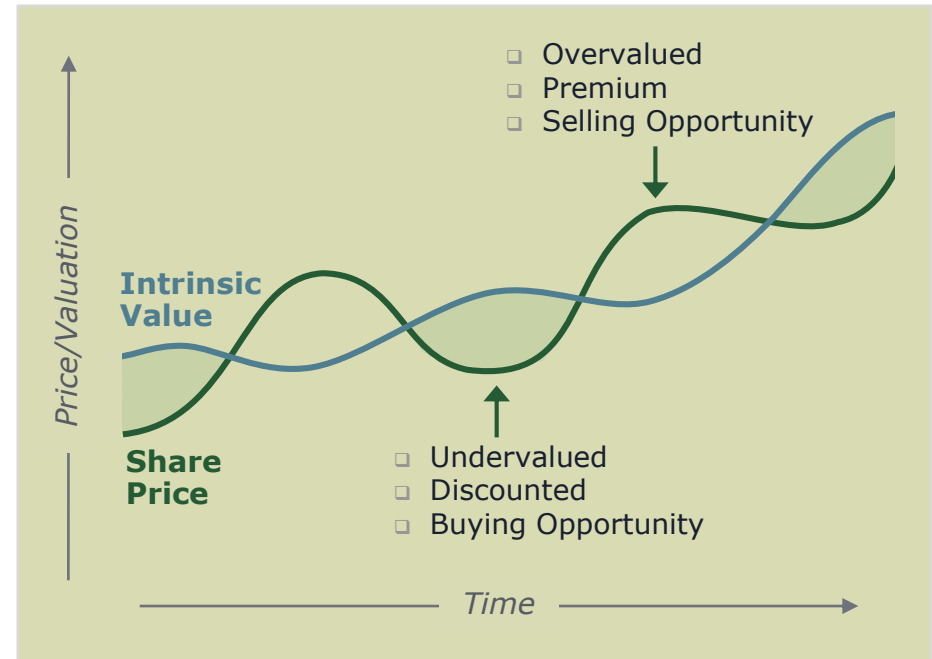
*Inception Date 12/31/16.

Call Harvesting Equity Stock Strategy (CHESS) is made up of discretionary equity portfolios with a covered call overlay. The CHESS composite was created on December 31, 2016 and the minimum account value is \$500,000. For comparison purposes the CHESS composite is measured against the Chicago Board of Exchange Buy-Write Index and the S&P 500.

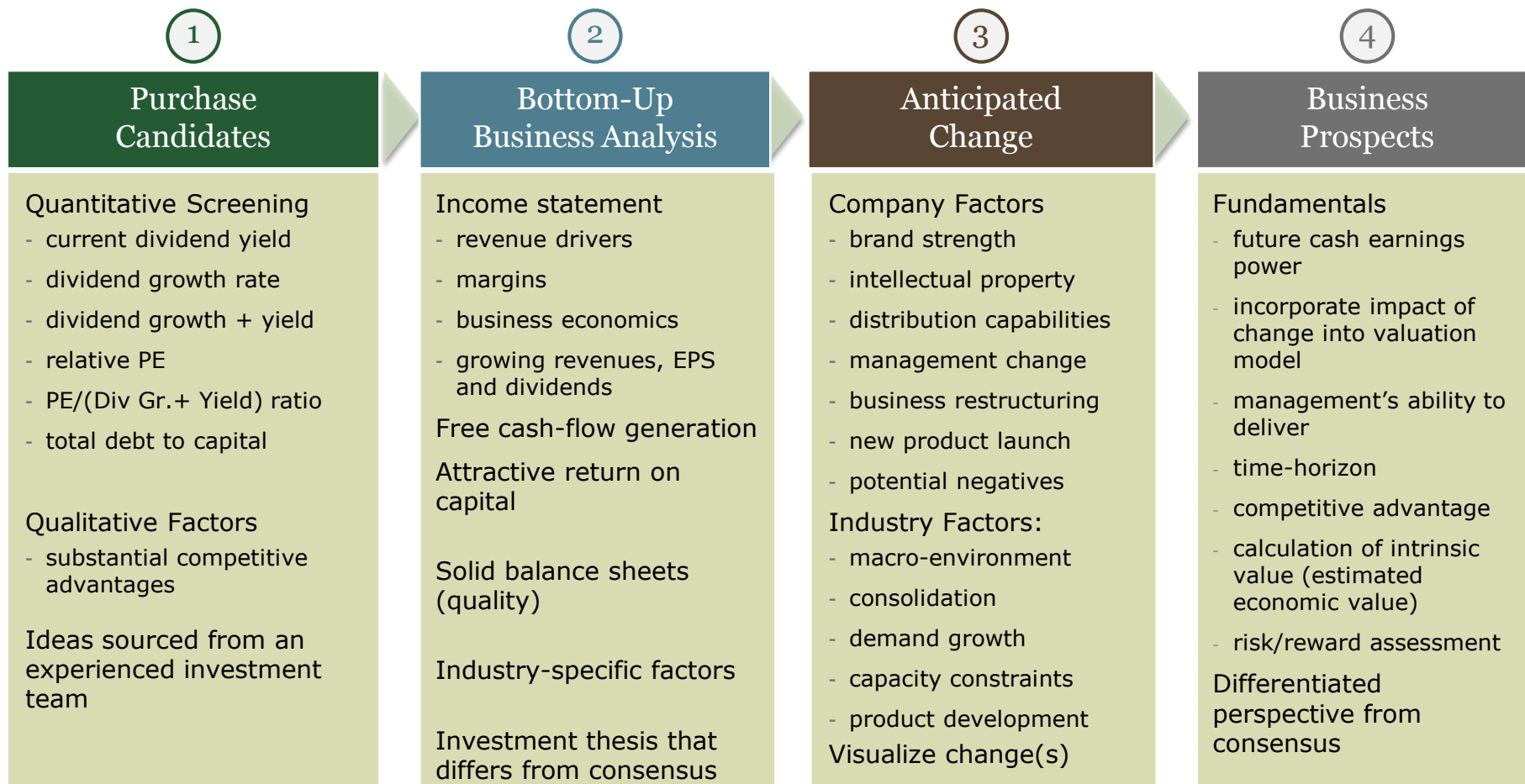
Tradition's Equity Investment Philosophy

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

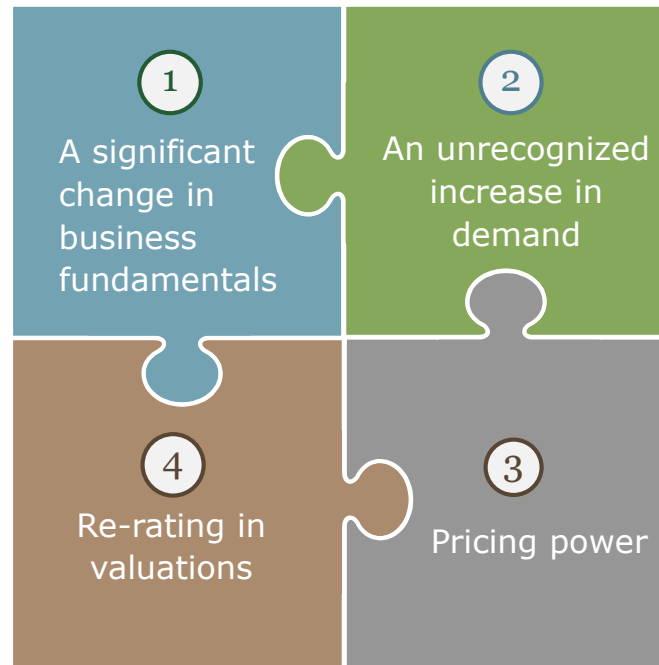


Research Process: Identifying Solid Alpha and Income Generators



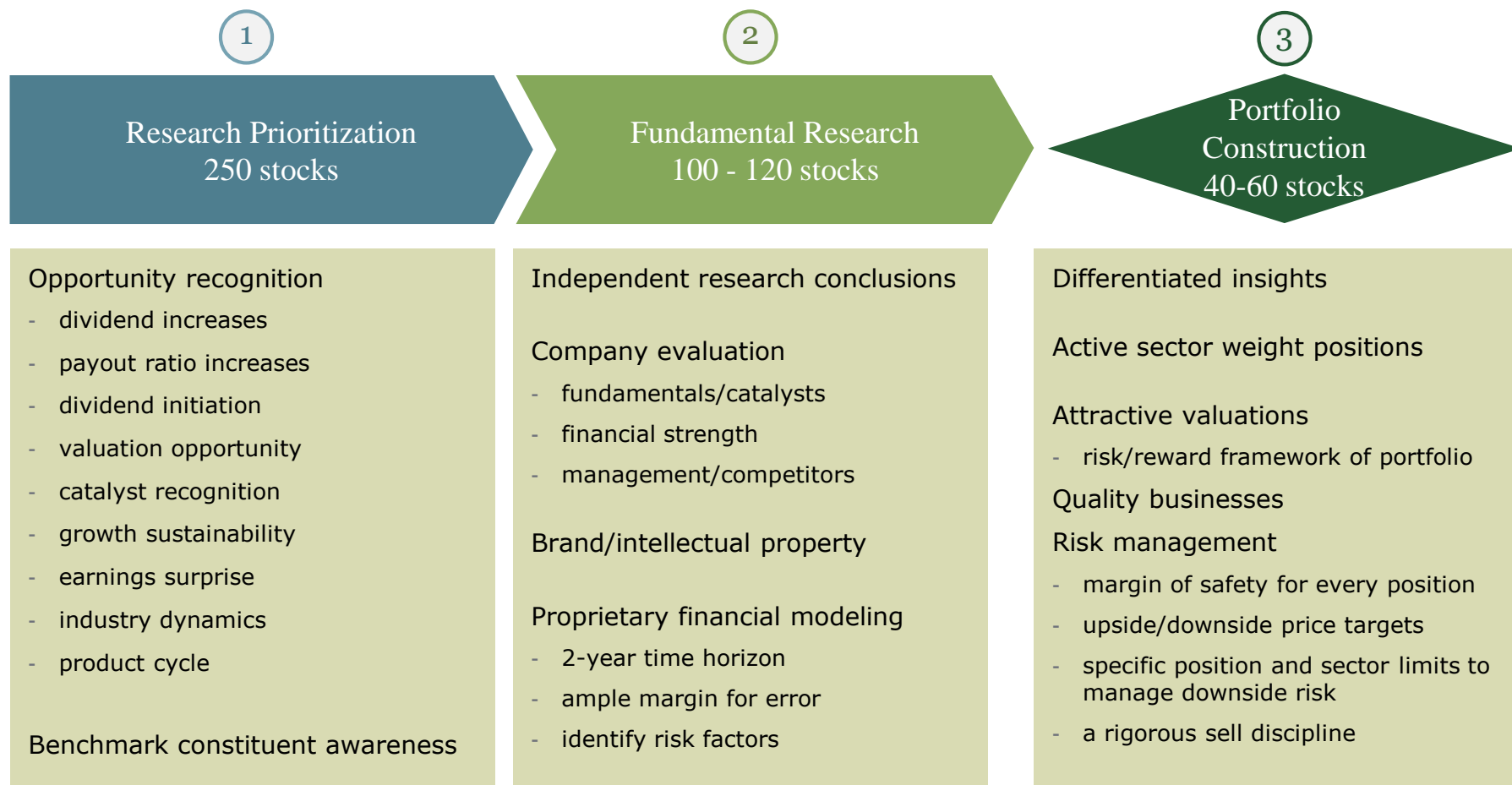
CHES's Keys to Success

Key Drivers



A Repeatable and Sustainable Investment Process

Translating Research Insights Into Consistent Alpha and Income



A Rigorous Sell Discipline



Representative Portfolio - CHESS

Consumer Goods

- Diageo PLC
- Hanesbrands, Inc.
- Kimberly-Clark
- Hain Celestial Group
- Nestle SA
- Toyota Motor Corporation
- Unilever PLC
- Whirlpool Corporation

Consumer Services

- Lowes Companies
- Tractor Supply

Health Care

- AbbVie *
- Becton Dickinson & Co. *
- Bristol-Myers Squibb Co.
- Johnson & Johnson
- Medtronic *
- Merck & Co. Inc. *
- Novartis
- Thermo Fisher Scientific *
- Zimmer Biomet Holdings
- Zoetis Inc. *

Financials

- American Express Co.
- Aon PLC
- Citigroup Inc.
- Citizens Financial Group *
- Everest Re Group *
- F.N.B Corporation
- Horizon Bancorp
- Marsh & McLennan Company *
- Willis Towers Watson PLC LTD.
- Colony Northstar
- Dream Global REIT*

Industrials

- FedEx Corp. *
- Landstar System Inc.

Telecommunication

Technology

- Alibaba Group *
- Analog Devices
- Canadian Solar
- IBM Corp
- Microsoft
- Qualcomm Inc.

Oil & Gas

- Devon Energy
- Royal Dutch Shell plc

Basic Materials

- Avery Dennison

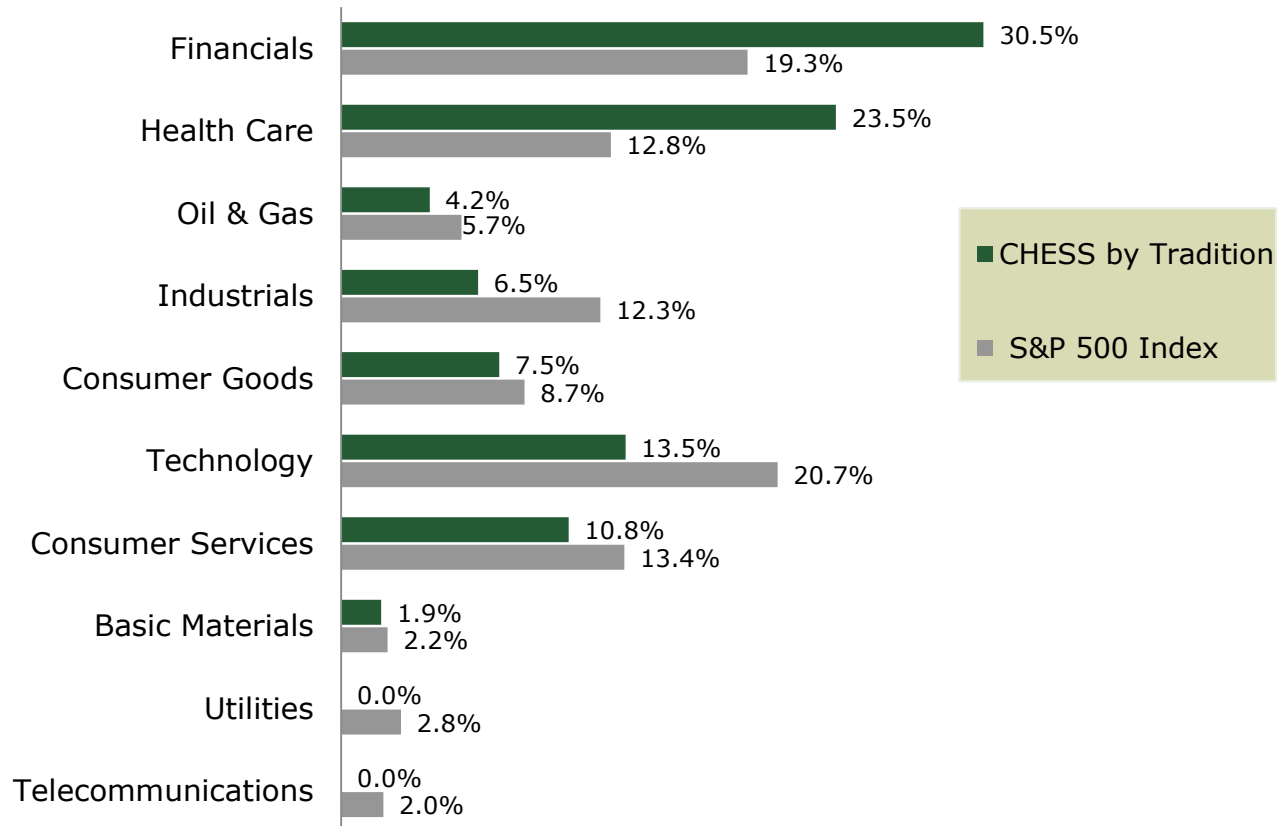
*Top Ten Holding As of March 31, 2018. The portfolio holdings are not investment recommendations and may no longer be held in the portfolio. For illustration purposes only.

Top Ten Holdings - CHESS

	Sector	Percent of Portfolio
Everest Re Group	Financials	4.79%
FedEx Corp.	Industrials	4.48%
Becton Dickinson & Co.	Health Care	4.04%
Dream Global REIT	Real Estate	3.98%
Thermo Fisher Scientific	Health Care	3.85%
Alibaba Group Holding	Technology	3.42%
Merck & Co.	Health Care	3.30%
Citizens Financial Group	Financials	3.13%
Zoetis Inc.	Health Care	3.12%
Marsh & McLennan Company	Financials	3.08%

As of December 31, 2017; data shown is for a representative portfolio

Sector Weightings - CHESS



As of March 31, 2018; representative portfolio

Portfolio Characteristics - CHESS

	CHESS By Tradition	S&P 500
Return on Equity	35.4%	13.7%
Long-Term Earnings Growth	11.4%	6.0
Debt to Capital Ratio	40.6%	39.4%
Price/Earnings Ratio (forward 1 yr estimate)	14.5	16.4
Price to Earnings Divided by Growth Rate (PEG)	1.3	2.7
Weighted Average Market Cap (\$ BIL)	85.8	198.7
Number of Stocks	39	500
Dividend Yield	2.3%	1.9%
Expected Call Harvesting Yield	3.3%	0.0%
Expected Total Yield	5.6%	1.9%

As of March 31, 2018; data shown is for a representative portfolio

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-2A for additional information on fee schedule

Contact Information

Web Address:

traditioncm.com

Mailing Address:

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

Telephone:

(908) 598-0909

eFax:

(908) 847-0288

Portfolio Management Team:

Benjamin C. Halliburton, CFA
Chief Investment Officer
bch@traditioncm.com

Adam M. Levy
Managing Director
alevy@traditioncm.com

Disclosures

Tradition Capital 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 investment 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 in this presentation. Clients are cautioned that they should carefully consider fully diversifying their total personal investment allocations to incorporate a variety of investment assets which also may include stocks, stock mutual funds and ETFs, international assets, bonds and fixed income instruments (where appropriate), and other nonstock/bond investments (e.g., without limitation, Real Estate and other assets).

Tradition claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Tradition has been independently verified for the periods October 17, 2000 through December 31, 2015. 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, 2015. Verification does not ensure the accuracy of any specific composite presentation. A copy of the verification reports are available upon request. Tradition’s annual base investment management fee schedule, as detailed in Form ADV Part 2A, is as follows: 1.0% on the first \$5MM, 0.8% over \$5MM. Actual investment advisory fees incurred by clients may vary. Copies of the ADV and Privacy policy are available upon request. In March 2009 and August 2015 respectively, Haven Capital Management LLC (“Haven”) and Candor Wealth Advisors LLC joined Tradition. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request by contacting Tradition through their website at www.traditioncm.com.