



TRADITION ASSET  
MANAGEMENT

A LUXON FINANCIAL COMPANY

*FEMALE FOCUS EQUITY*

December 2019

# About Tradition Asset Management

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- ❑ 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
- ❑ \$727 million\* in Assets Under Management (AUM)
- ❑ Affiliate of Luxon Financial

## 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 December 31, 2019

# ESG Equity Strategies



## ESG Focus Equity

- ❑ Companies with proven environmental, social and governance practices
- ❑ Seek the most attractive combination of fundamental investment opportunities with positive environmental, social, and governance (“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 to provide competitive risk-adjusted returns relative to the S&P 500 Index over time.

# Evolution of Socially Responsible Investing

## Impact Investing Spectrum



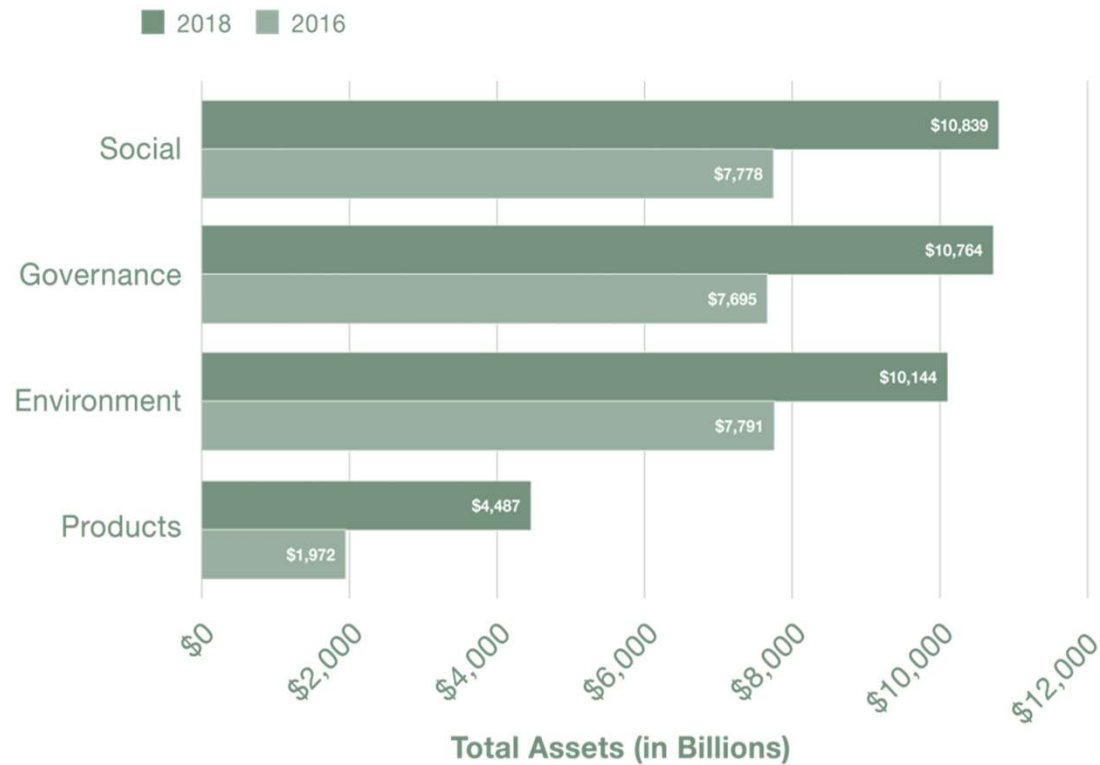
\*ESG - Environmental, Social and Governance factors

\*\*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

# ESG Trends

ESG Categories Incorporated by Money Managers 2016–2018

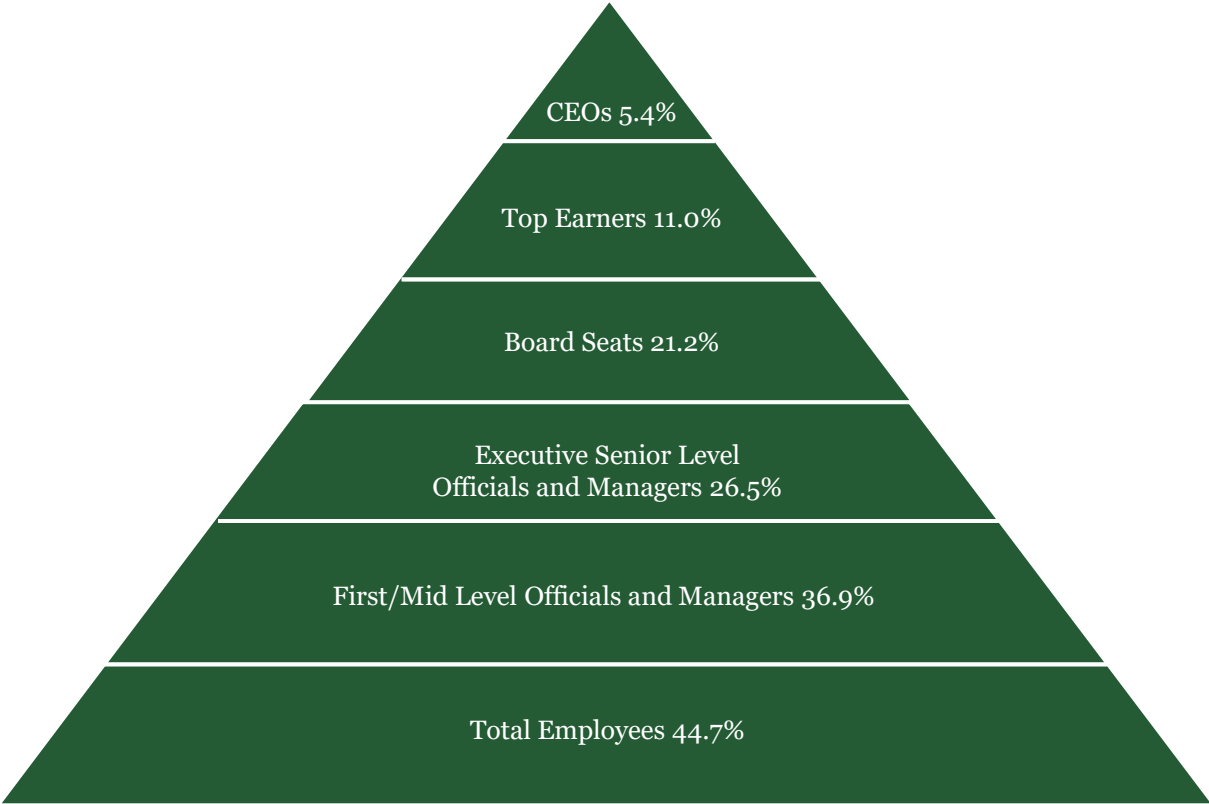


- Money managers have been shifting significantly towards ESG incorporation
- Attitudes toward ESG investing are increasingly positive globally
- Many clients' personal goals and objectives are aligned with ESG

Source: US SIF

# Women in Leadership

## Women In S&P 500 Companies



Sources: Catalyst, Women CEOs of the S&P 500 (2019).  
EY Center for Board Members, 2016 Top Earners in S&P 500 Companies, Unpublished data.  
Catalyst, 2016 Catalyst Census: Women and Men Board of Directors (2017).  
U.S. Equal Opportunity Commission (EEOC), Unpublished 2015 S&P 500 EEO-1 data

**S&P 500 is owned by S&P Dow Jones Indices, LLC** Updated September 2019

# Investing with a Gender Lens

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- ❑ 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 a focused, active investment approach combining the Tradition investment process with positive ESG criteria in a concentrated equity portfolio.

\* Empirical Research Partners

\*\*Eligible for accounts greater than \$1M

# The Case for Impact Investing – Female Focus

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- ❑ Strong overlap exists between companies with diverse leadership and attractive fundamentals with lower risk.
- ❑ Focus on companies seeking financial return on capital through the intentional consideration for diversity. This differs from philanthropy where financial returns may not be a consideration.
- ❑ Stock selection focuses on companies that proactively believe that a diverse workforce contributes to financial success. Additionally, we believe a large market opportunity exists for businesses addressing the needs of women in society.
- ❑ Female focused investing provides investors with a targeted portfolio tilting investment assets towards a specific goal.
- ❑ The strategy aligns investments with companies actively seeking to promote women and close the gender gap rewards and supports positive action.



# Female Focus Criteria + A Proven Investment Process

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

- ❑ **Potential for additional alpha \*\***

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

- ❑ **Lowered risk**

Disclosed female/gender population data provide transparency helpful in determining idiosyncratic or company-specific red flags

- ❑ **Investor incentive**

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

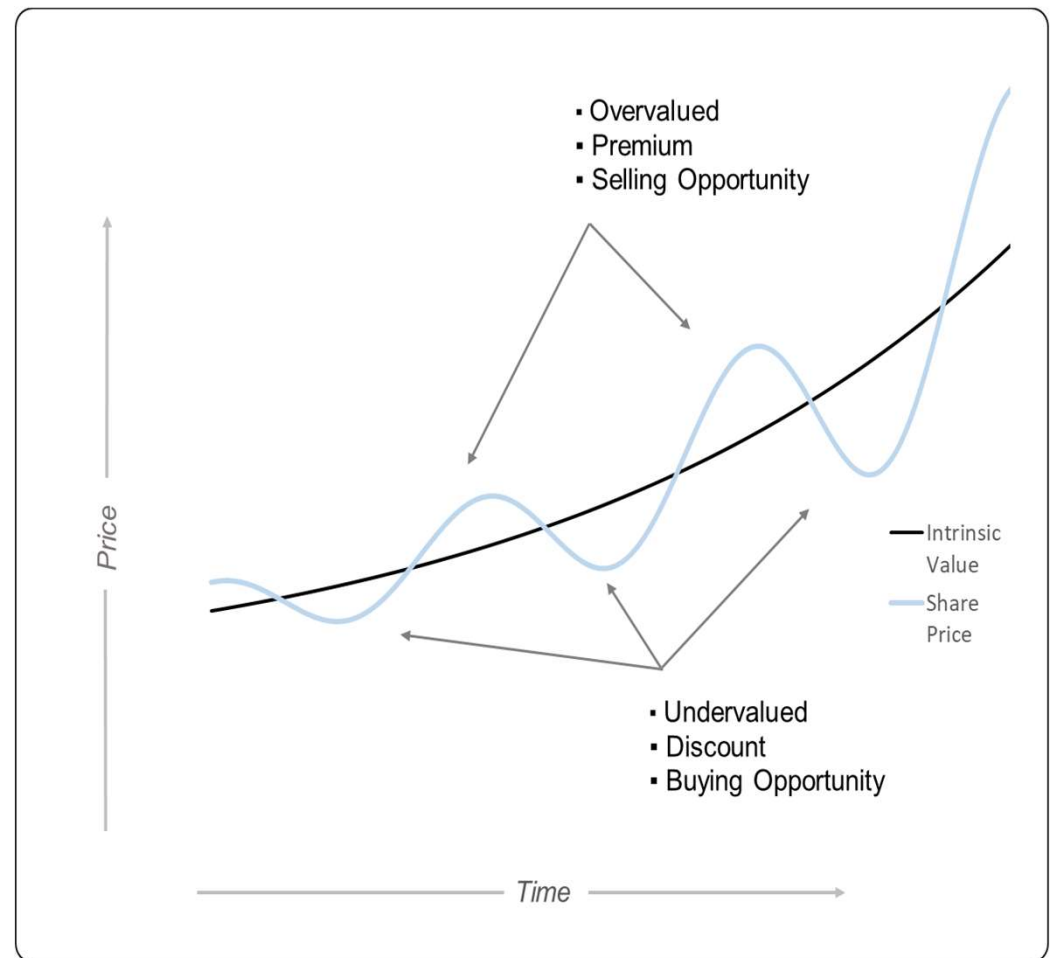
\* Cambridge Associates, "Gender Lens Investing, Impact opportunities through Gender Equity"

\*\***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.

# Tradition's Investment Philosophy

## A Well-Disciplined Approach

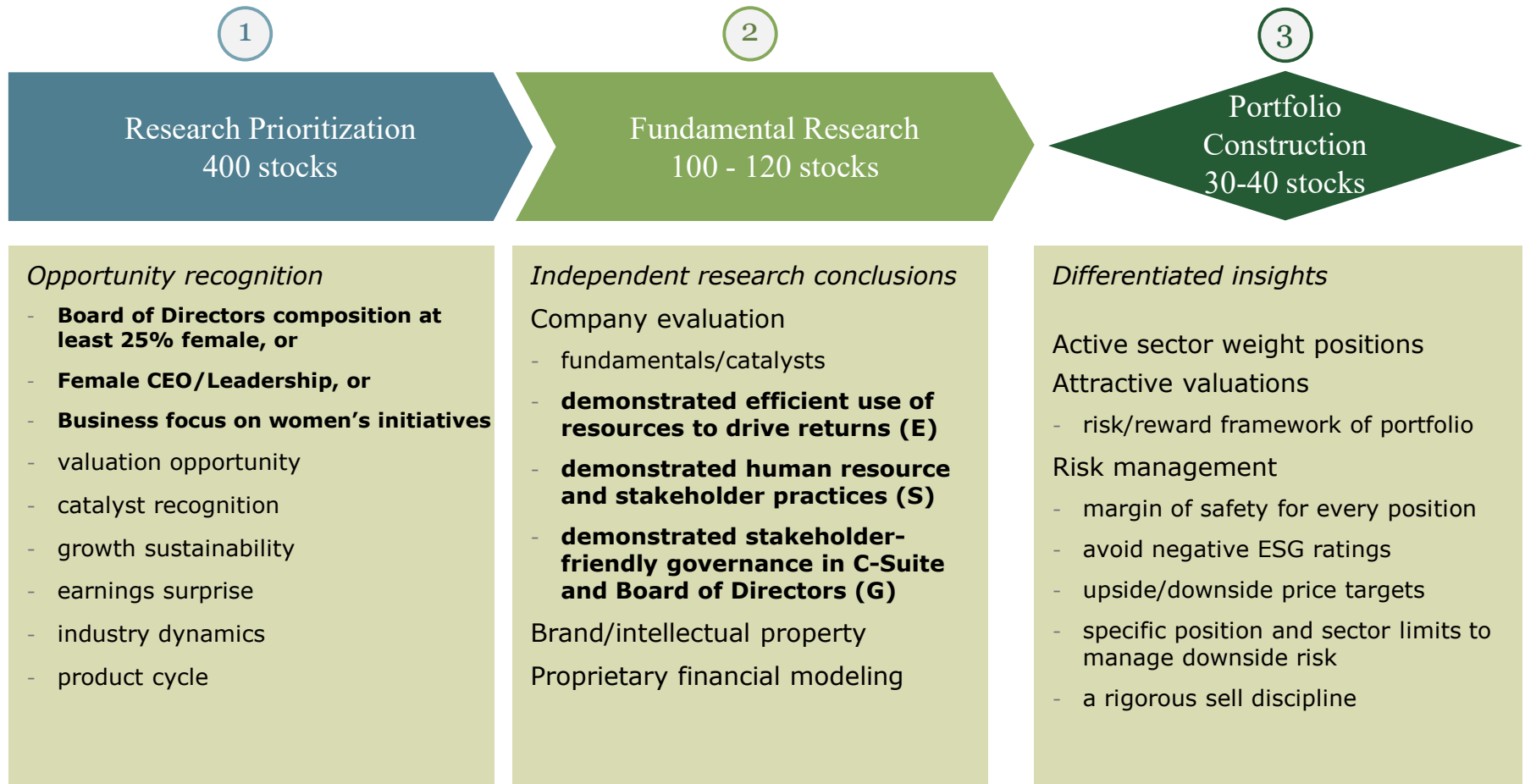
- ❑ Markets are inefficient in the short term; fear and greed create opportunities for the long-term investor
- ❑ Share prices often fluctuate above/below their intrinsic value (our estimate of a company's economic worth)
- ❑ Fundamental research uncovers opportunities to capitalize and to manage risk
- ❑ We invest only if our proprietary research suggests a stock is undervalued



For illustrative purposes only.

# A Repeatable and Sustainable Investment Process – Female Criteria

*Translating Research Insights Into Consistent Alpha – Foundation for Female Focus Investing*



# A Rigorous Sell Discipline



## Top Ten Holdings

	<b>Sector</b>	<b>Percent of Portfolio</b>
Bank of America Corporation	Financials	5.06%
CDW Corporation	Technology	4.80%
Phillips 66	Oil & Gas	4.26%
The Kroger Co.	Consumer Services	4.04%
Accenture plc	Industrials	3.86%
Cisco Systems, Inc.	Technology	3.81%
IBM Corporation	Technology	3.69%
JPMorgan Chase & Co.	Financials	3.62%
The PNC Financial Services Group	Financials	3.42%
The TJX Companies, Inc.	Consumer Services	3.36%

As of December 31, 2019; data shown is for a representative portfolio

## Sector Weightings

	Female Focus	S&P 500 Index
Financials	20.80%	18.00%
Health Care	14.81%	13.00%
Consumer Goods	7.71%	7.82%
Oil & Gas	4.26%	4.33%
Industrials	9.44%	12.15%
Technology	20.44%	23.50%
Basic Materials	0.00%	2.00%
Consumer Services	19.73%	13.50%
Utilities	2.82%	3.50%
Telecommunications	0.00%	2.20%

As of December 31, 2019; data shown is for a representative portfolio  
 Source: Bloomberg

## Portfolio Characteristics

	Female Focus	S&P 500 Index
Dividend Yield	1.85%	1.82%
3-year Earnings Growth	16.3%	11.7%
Price/Earnings Ratio – Forward 12 Months	16.0x	18.5x
Weighted Average Market Cap (\$ billion)	\$145.3	\$298.3
Number of Stocks	35	500

As of December 31, 2019; data shown is for a representative portfolio.  
Source: Bloomberg, Tradition estimates.

# Bright Horizons Family Solutions (BFAM)

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Industry: Consumer Services

Bright Horizons is a leading provider of high-quality childcare and early education, back-up care and educational advisory services designed to help employers and families better address the challenges of work and family life. The company has client relationships with over 170 Fortune 500 companies and over 1,150 relationships worldwide.

Sales: \$1.941 bil.  
Sales CAGR: 10%  
FY1 est. EPS: \$3.63  
2020 est. EPS: \$4.17  
EBITDA CAGR: 15%  
Source: Bloomberg

## ***Female Focus Thesis:***

Bright Horizon's Board of Directors is composed of 53.8% (7/13) women, and has 40% female executive leadership in the Chief Operating Officer and Chief Financial Officer positions.

The company's business is focused on improving the work life balance for families across the globe, primarily through corporate employers seeking to provide enhanced benefits for employees. The company has been operating for over 30 years and has maintained its reputation as a high-quality childcare provider with low staff turnover. Additionally, the company provides educational advisory services through college years.

## ***Investment Thesis:***

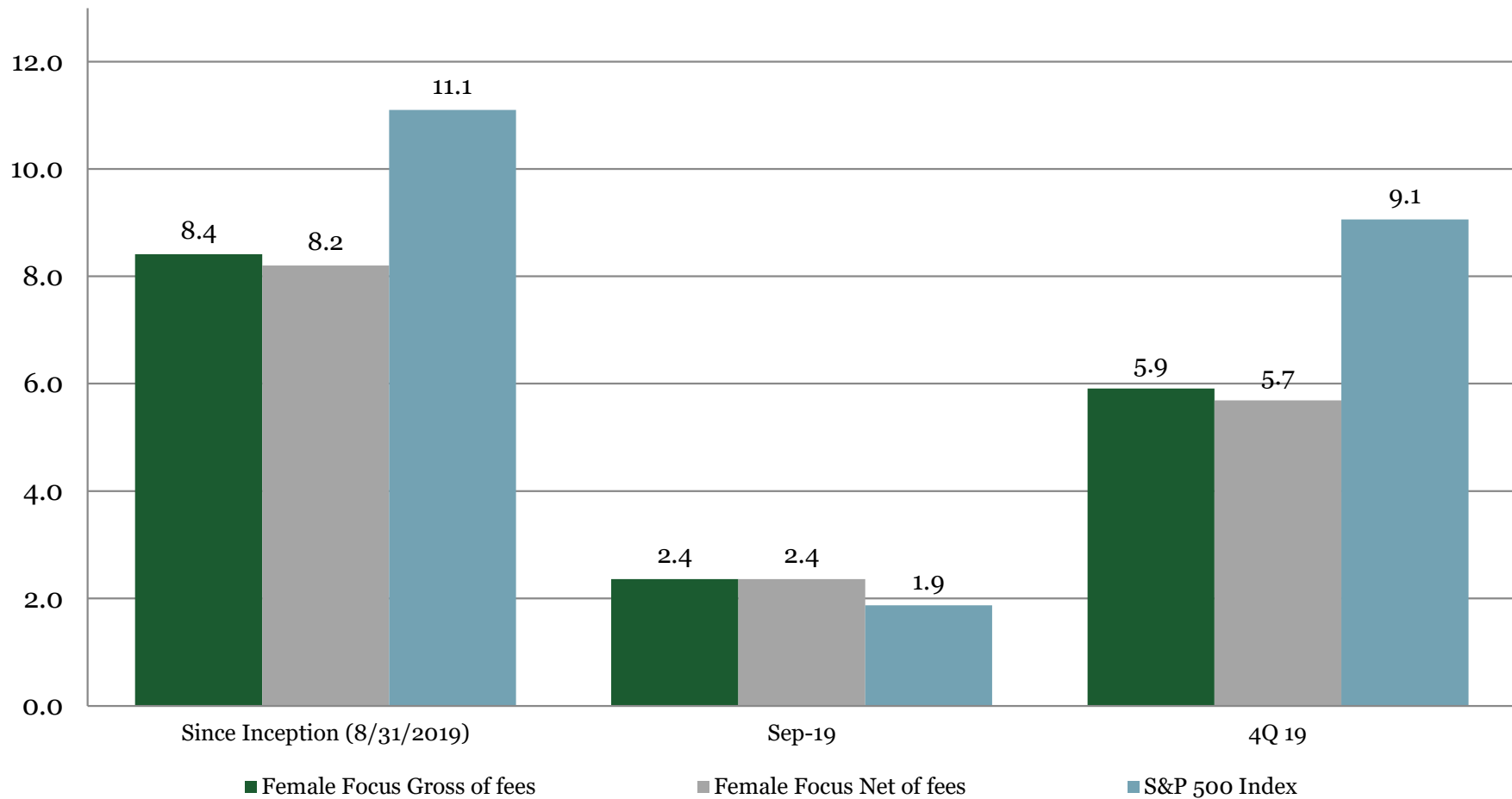
We believe that Bright Horizon will sustain high earnings and operating margins through multiple expansion opportunities in the US and abroad. Demographics support growth in the US with millennials beginning to form households and have children, while maintaining dual careers. Additionally, employers are increasing benefits that improve work life balance in order to keep valued employees in the workforce as the labor pool is shrinking. Long term contracts provide revenue stability and rising EBITDA, which supports the above market valuation.

This is for illustrative purposes only. This is a single investment and is not representative of the entire portfolio. Other investments in the portfolio have varying financial and ESG attributes.

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# Female Focus 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

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

## Source references

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- ❑ 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

# Contact Information

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Benjamin C. Halliburton, CFA  
Chief Investment Officer  
[bch@traditioncm.com](mailto:bch@traditioncm.com)

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

## Female Focus Performance Disclosure

Period	Total Firm 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		
2019	727	0.34	1	8.4%	8.2%	11.1%	N/A	N/A	N/A

N/A: Dispersion is not calculated since there are less than five accounts in the composite. Composite dispersion is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. The 3-year standard deviation is not reported since there is less than 36 months of performance history.

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, 2018. 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. Performance is calculated and expressed in U.S. Dollars. The Female Focus composite is comprised of equity accounts, including cash reserves, managed in the Female Focus style and for comparison purposes measured against the S&P 500 Index. Minimum account size is \$100,000. The start date of ESG composite is August 31, 2019.

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. 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. 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. 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.

# General Disclosures

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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. 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.

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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.