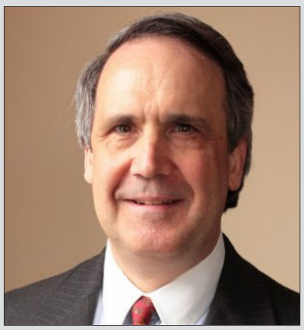
REPRINTED FROM JULY 3, 2017

THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

Seeking Equities That Offer Growth at a Reasonable Price



CHRISTOPHER J. TROMPETER, CFA, is Chief Operating Officer at Tradition Capital Management, LLC and works on Tradition's Investment Committee. Mr. Trompeter is also an analyst responsible for the consumer discretionary sector and regional banks. He is a founder and principal of the firm and has over three decades of investment management experience. Earlier, 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 also worked at Citibank Global Asset Management, where he was 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. Mr. Trompeter graduated from St. Lawrence University.

SECTOR — GENERAL INVESTING

TWST: Could you tell me a little bit about the firm?

Mr. Trompeter: Tradition Capital Management was founded in 2000. Our client base is made up of high net worth individuals and smaller institutional clients. We offer a range of equity and fixed income separately managed strategies for those clients.

TWST: Is there a unique investment philosophy with the funds you work on?

Mr. Trompeter: I would call the strategy that we use in the equity side "growth at a reasonable price." So we're looking for companies that have a good revenue growth, certainly strong EPS growth, some type of sustainable competitive advantage that allows the companies to generate better-than-average margins, and we want companies that have management teams that are shareholder friendly.

TWST: What are some of the concerns that you're seeing on the part of high net worth individuals and some of these smaller institutions that you work with?

Mr. Trompeter: Well, I think clients recognize the stock market has done very well. We have been pointing out the fact that with the stock market close to all-time highs, we don't expect the return from stocks going forward to be as attractive as the long-term historical average of roughly 10% total return. On the fixed income side, with interest rates at very, very low levels, the expected return from both short-term investments and intermediate-type funds also will be well below historical averages.

TWST: Is there a stock that you find interesting now?

Mr. Trompeter: There are a handful of stocks that we think are significantly undervalued. One that would fit the criteria that I described before would be **Lowe's** (NYSE:LOW), the home-improvement retailer, which is the second-largest company in the home-improvement retailing area behind **Home Depot** (NYSE:HD). The company would benefit from continued improvement in the housing market. Certainly, the fact that home prices have been increasing over the last few years as well as greater demand for home ownership has encouraged homeowners to either invest in their existing properties, or if they purchase a new property, there's always generally investment on the part of the homeowner once the purchase is completed.

TWST: And they've got a number of people who come in there who are the do-it-yourselfers?

Mr. Trompeter: They do. They have both do-it-yourselfers, and they also very much are trying to attract professional contractors as well. So they have a separate area that's directed toward professional contractors. They're trying to improve the service and end-product offering to appeal to those customers as well as the do-it-yourselfer.

TWST: With the professional contractors, a store like Lowe's or even one like Home Depot, the homeowner can go in and look at the different options for what they might want and then order it through their contractor. Is that one of the benefits of these stores?

Mr. Trompeter: Well, certainly they could do it that way. Even the stores themselves will help the homeowner/do-it-yourselfer in terms of some education classes, or in some cases, they'll actually do installations if that's what the homeowner wants. So the homeowner doesn't even necessarily have to go out and look for a contractor. Some of the services that **Lowe's** and **Home Depot** offer, they have their own professional installers.

TWST: They also have a pretty wide variety of items in the stores, just not hardware and things like that; it's a lot of different things for the home.

Mr. Trompeter: That is definitely the case. They offer plumbing, electrical, all sorts of kitchen types of items, renovation-type-related products, appliances. They do a very large seasonal business in terms of lawn and garden. So they sell all sorts of products to help the do-it-yourselfer who either wants to fertilize or cut their lawn, or actually put in new trees, shrubs and flowers.

TWST: I would think that no matter where the economy goes, if there's a correction in the market or it's robust, that there's still going to be the need for people to go out to these stores and get things for their homes?

Mr. Trompeter: That's true. Although there is some cyclicality associated with the demand for housing, but we believe that we're in the middle innings of what we expect is going to be a reasonably long and improving housing cycle. So we look at that as a tailwind for **Lowe's**. There are opportunities for **Lowe's** to drive more business through their existing stores. They also offer online ordering and pickup as well. And there is room for them to also close the margin gap between **Lowe's** and **Home Depot**.

TWST: Did you want to mention another company?

Mr. Trompeter: Sure. Another company that we like is **Hanesbrands** (NYSE:HBI). The stock is well down off of its high. It's one of the world's largest manufacturers and marketers of basic apparel for women, men and children. They have a number of well-recognized brands such as Hanes, Bali, Maidenform, Champion, and they have very little fashion risk. The sales of the company have been hurt a little bit in the last year or so with the closing of stores by various retailers and just a general reluctance to reorder some of **Hanes'** products.

Highlights

Christopher J. Trompeter discusses Tradition Capital Management, LLC. The firm serves high net worth individuals and smaller institutional clients. On the equity side, Mr. Trompeter uses a growth-at-a-reasonable-price strategy. He looks for companies with strong revenue and EPS growth, and sustainable competitive advantages that lead to better-than-average margins. Mr. Trompeter also wants companies with shareholder friendly management teams. According to Mr. Trompeter, it is never too late to invest. He also encourages younger investors to invest in retirement accounts and more heavily in equities than bonds or cash.

Companies include: Lowe's Companies (NYSE:LOW); Home Depot (NYSE:HD); Hanesbrands (NYSE:HBI); Amazon.com (NASDAQ:AMZN); Devon Energy Corporation (NYSE:DVN); American Express Company (NYSE:AXP); JPMorgan Chase & Co. (NYSE:JPM) and Costco Wholesale Corporation (NASDAQ:COST).

> ***"Although there is some cyclicality associated with the demand for housing, but we believe that we're in the middle innings of what we expect is going to be a reasonably long and improving housing cycle."***

But the basic nature of their products is that they're always going to be in demand, and they are a highly integrated manufacturer and marketer. And as a result, they generate very high returns on invested capital and very high free cash flow, which they can use to either invest in their business, make accretive acquisitions, buy back their debt or shares. They raised their dividend 36% a few months ago. So while basic apparel in the United States is a mature market, we do think there are significant opportunities for consolidation, particularly internationally.

TWST: And is that a kind of apparel that there's a sizable market for via online purchases, either through some kind of direct channel or different retail operations?

Mr. Trompeter: That's true. **Hanesbrands** has their own online website, plus it's one of the brands that's most in-demand on **Amazon's** (NASDAQ:AMZN) website, and you can order various **Hanesbrands** products on other retailers' websites as well. So while online has certainly been very disruptive for the retail store industry in general, it won't necessarily be bad for **Hanesbrands** because, again, it'll just provide opportunities for customers to be able to purchase products in whatever format they choose.

TWST: Did you want to mention another company?

Mr. Trompeter: Another one that we think is significantly undervalued would be **Devon Energy** (NYSE:DVN). It's an exploration and production company in both the oil and natural gas areas. Those companies went through a very difficult 2016, and **Devon** is considered one of the best E&P companies in terms of its resource base and financial condition. We think natural gas prices are at the low end of the range. We think oil prices are kind of in the middle of what we expect is a reasonable range, and **Devon** is growing their production significantly over the next few years, which should cause their earnings to increase significantly.

TWST: And I understand the last year they announced some layoffs and also cut their dividend as sort of a cost-cutting effort. Does that show that they are willing to make those kinds of tough decisions to maintain the company as being a strong company?

Mr. Trompeter: Yes, that is correct. Those were difficult decisions, and they also sold some of the properties that they own to really concentrate on the ones that they think have the greatest potential going forward.

TWST: With the priorities of the Trump administration, natural gas and oil might be in for a strong period in the economy.

Mr. Trompeter: Well, definitely the demand for natural gas is increasing globally and even domestically as a fuel choice because it's cleaner, and oil and gasoline demand have remained reasonably strong. So we expect that it's an environment that **Devon** should be able to prosper well in.

1-Year Daily Chart of Lowe's Companies, Inc.

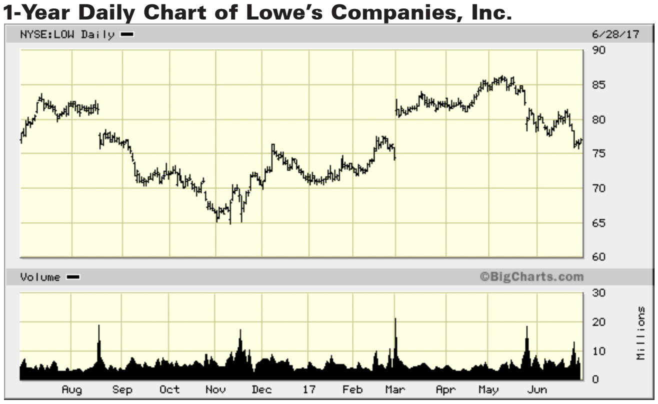


Chart provided by www.BigCharts.com

TWST: Did you want to mention one final company?

Mr. Trompeter: I would say another stock that we think is very attractive is **American Express** (NYSE:AXP). The stock has gotten knocked down in price over the last year or so because they lost a large contract with **Costco** (NASDAQ:COST). There's been increased competition on the part of some banks including **JPMorgan** (NYSE:JPM) on the higher-end credit card and rewards program. But a large portion of **American Express'** earnings are actually from overseas, and there's a lot of opportunity in those economies that have increasing wealth, fewer competitors and a shift in those economies away from cash-based transactions to more credit-based transactions. And **American Express** would certainly benefit from that.

TWST: And people recognize the name of American Express, but what do you think are one or two things that people don't realize about the company?

Mr. Trompeter: From an investment point of view?

TWST: Yes.

Mr. Trompeter: Well, I think the company generates very attractive returns. It's less cyclical than a lot of other financial service companies, and they tend to have a very loyal client base.

TWST: So people will use the card when they're on vacation or just shopping. If they have a few cards in their wallet, they might take the American Express card out, that kind of thing?

Mr. Trompeter: Correct. And **American Express** cardholders tend to be more affluent than the cardholders of some of their competitors. So that benefits the merchant, because the merchant is oftentimes dealing with somebody who is spending more, and it certainly benefits **American Express** in terms of the charge volume.

TWST: And changing gears a bit, you had said that you work sometimes on smaller institutional investments. What are some of the concerns that you're hearing from those kinds of clients?

Mr. Trompeter: The same that I described before, that they may have a hard time meeting either their actuarial assumptions, in the case of a pension fund, or if it's a not-for-profit organization, a hard time meeting some of their budgetary needs because the returns from the stocks and bonds and cash going forward may be less than the historical averages.

"Definitely the demand for natural gas is increasing globally and even domestically as a fuel choice because it's cleaner, and oil and gasoline demand have remained reasonably strong."

1-Year Daily Chart of Devon Energy Corporation

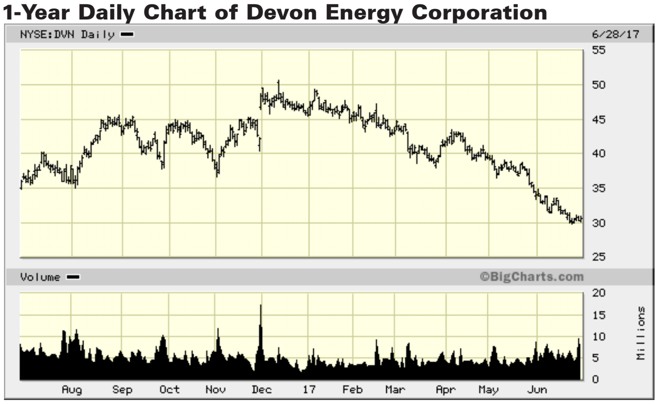


Chart provided by www.BigCharts.com

TWST: Could the government take some steps that would help them out a bit?

Mr. Trompeter: I don't think the government would be able to necessarily address their specific needs. I think the best thing that could happen would be to put into place some pro-growth economic policies that would stimulate economic growth here in the United States, which would translate into better corporate profits and potentially better stock market returns than we're currently expecting.

TWST: So those might be things like tax cuts, bringing cash that's overseas back to the United States, maybe some less stringent regulations on business, those kind of things would help you think?

Mr. Trompeter: All of those things, and of course, the other thing that is mentioned frequently is greater infrastructure spending would be good for the economy, both in the short run from a job-creation point of view but in the long run from a productivity point of view.

TWST: And do you think that would also help the Main Street economy, not just the Wall Street economy?

Mr. Trompeter: That's correct. Certainly, it would benefit people who are looking for jobs in the construction area. And so it wouldn't be just the people who have the assets that have benefited maybe disproportionately since the financial crisis.

TWST: Any concerns globally that you might have and that might be of interest to investors?

Mr. Trompeter: Well, the good news is that global economic growth in general looks like it's on an improving trend. So we view that as a positive. We don't believe the global economy is growing so robustly that it's going to force central banks to raise interest rates very rapidly. So we think it's a good environment for equities.

TWST: From the point of view of you and your colleagues, have you seen that much investment activity by Millennials yet, or do you think there's a lot more out there once their wages start to grow and they start to save some cash from work — they might then get more involved with investments?

Mr. Trompeter: I would say the Millennials are probably dealing with job issues, income issues and also maybe student debt. So that has impinged on their ability to save either for investment or, in some cases, to accumulate a sufficient nest egg to make a down payment on a home. Again, we think this trend is improving, and that would be good for the U.S. economy and certainly a number of the companies that we follow and invest in.

TWST: Any suggestions for those Millennials that might be a little late to the investment game but want to get in once they start seeing that they have a little bit of cash to invest? It seems like some folks in other generations were able to invest just as they started working in the work force, but many of the Millennials have to put that off to make sure their more immediate financial needs are met.

Mr. Trompeter: Well, our view is it's never too late to invest, and we certainly believe the longer the client's investment time horizon, the more risk the client can assume. So we would certainly encourage younger people to invest in retirement accounts, particularly to invest more heavily in equities than bonds or cash and to the extent that their employer offers some type of retirement plan where there is a match involved. That's a great opportunity to get basically free money if they're getting a match from their employer.

TWST: Thank you. (ES)

CHRISTOPHER J. TROMPETER, CFA
Chief Operating Officer
Tradition Capital Management, LLC
129 Summit Ave.
Summit, NJ 07901
(908) 598-0909
(908) 847-0288 — FAX
www.traditioncm.com