



**GRIFFIN ASSET
MANAGEMENT**

COVERED CALL STRATEGY

4Q 2014



- Founded in 1976
- An employee-owned firm that focuses exclusively on investment management and investment advice
- \$400 million in assets under management, \$240 million for families and family offices, and the balance for Endowments and Foundations
- Investment committee with 7 investment professionals and an average of 25 years of experience
- A diverse investment team trained at some of the most highly esteemed institutions including Goldman Sachs, Dreman Value Management & JP Morgan
- Some of our relationships date back to 1978
- Headquarters in New York, NY

“Compound interest is the most powerful force in the universe” (Albert Einstein)

- **Create and generate long-term wealth by partnering with clients to meet their diverse goals for the present and the future**
- **We invest in large and mid-capitalization dividend paying stocks that are conservatively financed and trading at a discount to our assessment of intrinsic value**
- **A disciplined approach to stock selection and portfolio construction with a focus on growing dividends, low P/E multiples, and strong cash flows**
- **Stock analysis focused on non-traditional valuation and quality metrics like free cash flow yield and return on invested capital**
- **Individual security selection with an objective decision-making process**
- **A transparent investment process that is dynamic in bear markets and always mindful of risk**

President & CIO



Doug Famigletti, CFA

Doug Famigletti is the President and Chief Investment Officer of Griffin Asset Management. Doug is the Chief Investment Officer of the investment committee, the co-portfolio manager of the Dividend Growth Strategy and portfolio manager of the Covered Call. Prior to joining Griffin Asset Management, Mr. Famigletti worked at Goldman Sachs and Massachusetts Financial Services.

Mr. Famigletti is a Chartered Financial Analyst (CFA), a member of the CFA Institute and the New York Society of Security Analysts. He earned a B.A. in Economics from Hamilton College where he captained the Men's Ice Hockey Team and played Men's Lacrosse.

Portfolio Manager & COO



Diana L Salter

Ms. Salter is the Chief Operating Officer and Portfolio Manager of Griffin Asset Management. She is the portfolio manager of the Growth Strategy. With 35 years of investment experience, Ms. Salter joined Griffin in 2003 bringing her expertise in asset management of equity and debt portfolios. Prior to joining Griffin, Ms. Salter was a senior portfolio manager with JPMorgan Chase and Bank of New York.

Ms. Salter's career has included analytical work and previous experience with an independent investment advisory firm. She was the first woman to become a Registered Commodity Trading Advisor in the U.S.

Portfolio Manager & CCO



Thomas Famigletti

Mr. Famigletti is the Chief Compliance Officer and Portfolio Manager of Griffin Asset Management. He is the co-portfolio manager of the Dividend Growth Strategy. With 45 years of investment experience, Mr. Famigletti has been with Griffin Asset Management since 1995. Prior to Griffin, Mr. Famigletti spent 12 years with Dreman Value Management where he helped grow assets under management from under \$50 million to over \$4 Billion.

Mr. Famigletti has a B.A. in Economics from Hofstra University. He is a member of the New York Society of Security Analysts.



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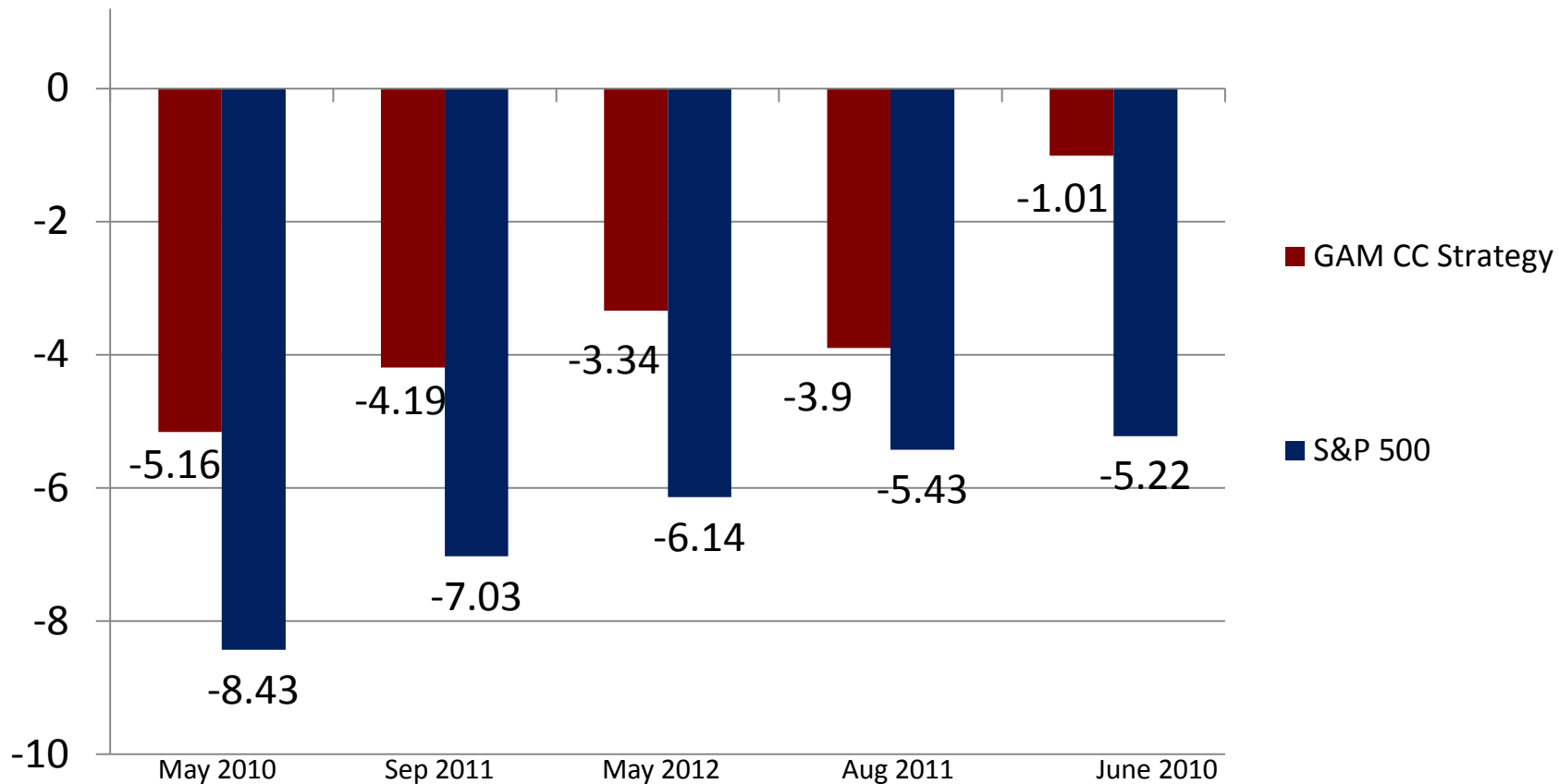
COVERED CALL STRATEGY

2006 CALLAN ASSOCIATES STUDY

“A 2006 study by Callan Associates demonstrated the superior risk-adjusted returns generated by using a buy-write strategy, also known as Covered Call Strategy. After analyzing 18 years of data, the study concluded that owning stocks in the S&P 500 and selling calls would have produced a return 10 basis points a year better than the S&P 500 with 2/3 of the volatility. A buy-write strategy also generates a return pattern different from a traditional equity portfolio by offering a source of potential diversification”.

Downside protection

PERFORMANCE VERSUS THE S&P 500 DURING THE FIVE LARGEST DOWN MONTHS OVER THE LAST FIVE YEARS



This supplemental material complements the GIPS® compliant composite presentation which is provided at the end of this brochure.

Why a covered call strategy?

S&P 500 Total Return

INCOME

43% → Dividends have accounted for 43% of the total return of the S&P 500 over the last 70 years. In addition to their importance in total return is the stability they provide in down markets.

APPRECIATION

57% → Appreciation has accounted for 57% of the total return of the S&P 500 over the last 70 years, but with incredible inconsistency. Appreciation was +17% and -24% during the 1970's and 2000's, respectively.

GAM Covered Call Strategy

INCOME

← 75% The GAM Covered Call Strategy looks to generate over 75% of the total return from dividends and the writing of covered calls. The strategy seeks to enhance income and reduce the volatility of returns through the writing of covered calls.

APPRECIATION

← 25% Appreciation will not be eliminated but the strategy will only rely on a portion of the return from rising stock prices.

Portfolio construction

1. STOCK HOLDINGS

The portfolio is a concentrated list of 30-35 names

2. CALL WRITING

Covered Calls are written on 50%-100% of positions during most market conditions

3. CASH

Cash will account for 5%-20% of portfolio

4. DIVIDEND GROWTH

3-5 year estimated and trailing dividend growth rate of 7.5%

5. DIVIDEND YIELD

Portfolio Yield that is greater than the S&P 500

CHARACTERISTICS	GAM C.C.	S&P
P/E 2015	14.9x	15.7x
Dividend Yield	2.6%	2.0%
Trailing DIV Growth 3 YRS	9.1%	10.0%
RISK METRICS (5 Years)	GAM C.C.	S&P
ALPHA	1.41	0.00
BETA	.57	1.0
SHARPE RATIO	1.30	1.19
STANDARD DEVIATION	7.84	12.89
UPSIDE CAPTURE	53.2	100
DOWNSIDE CAPTURE	50.1	100

As of 12-31-14

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Fundamental analysis



Fundamental Analysis

- 1. DIVIDEND GROWTH:** Consistent history of increasing dividends and favoring dividend increases over stock buy-backs
- 2. FREE CASH FLOW YIELD:** We invest in companies that convert an average of 100% of earnings into free cash flow over five years
- 3. RETURN ON CAPITAL:** Companies earning more than their cost of capital, grow and maintain high rates of ROC that are sustainable
- 4. BALANCE SHEET:** Marginal changes over long periods of time help us identify positive and negative trends in key balance sheet metrics
- 5. PAYOUT RATIO:** We focus on quality of dividends instead of absolute yield and look for a payout ratio of less than 50% which gives companies room to grow their dividend



Fundamental Analysis

Quantitative Analysis

1. **PE:** Proprietary valuation screens help us analyze the last 5 and 10 years earnings, PE ratios and volatility of earnings to determine a potential price range to buy a stock

2. **EV/EBITDA:** EV/EBITDA allows us to compare the valuation of companies on an apples to apples basis. Our proprietary valuation screen helps us analyze long term trends in capital structure and valuation of the entire Enterprise

3. **FREE CASH FLOW YIELD:** Proprietary valuation screens are used to analyze the trends in all the components of Free Cash Flow and Free Cash Flow Yield over the last 5 years to help identify a good price to buy a stock

Quantitative sell discipline

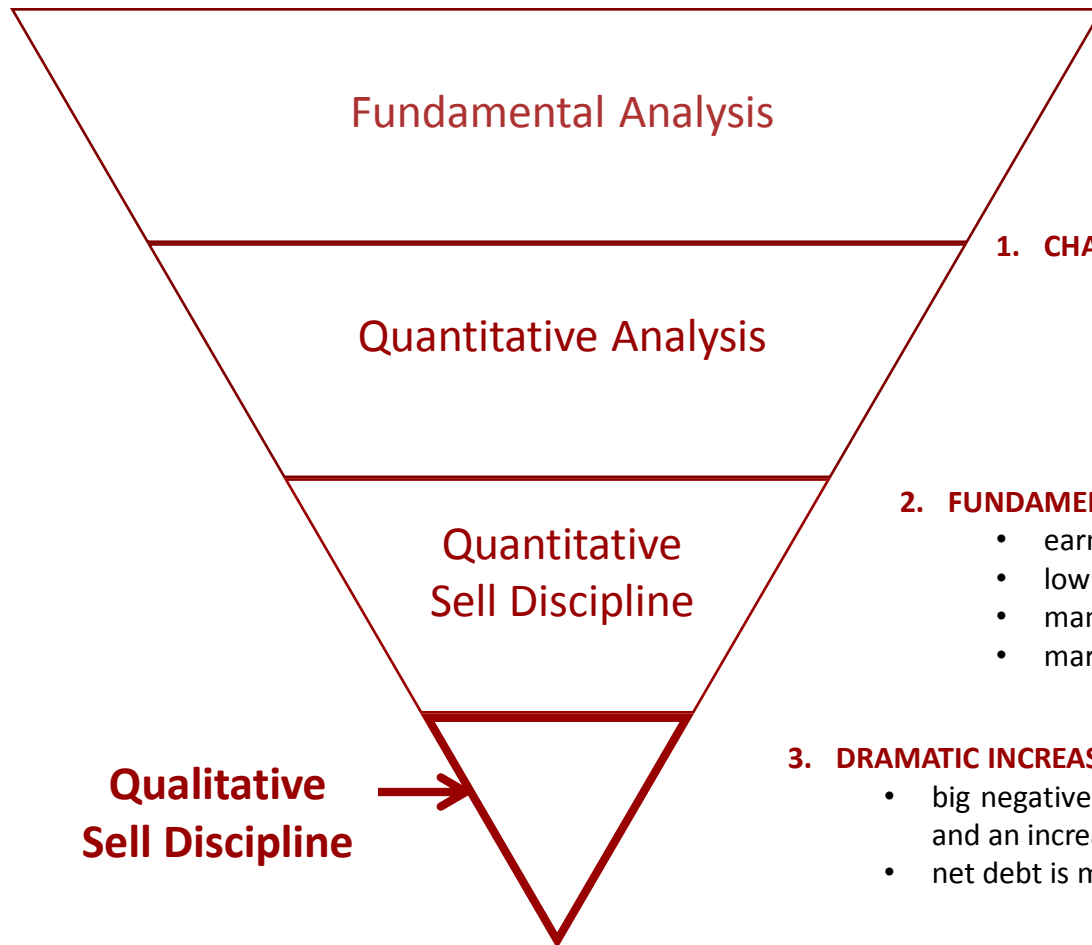
Fundamental Analysis

Quantitative Analysis

Quantitative
Sell Discipline

- 1. PE:** We use a proprietary valuation model to determine the normal distribution of PE multiples. We will sell part of a position based on our PE valuation model. We would sell an entire position if the valuation was 3 standard deviations away from the mean
- 2. FCF YIELD:** We use a proprietary valuation model to determine the normal distribution of a stocks FCF YIELD. We will sell part of a position based on valuation if the stock does not present a reasonable FCF Yield relative to the historical range and relative to the Risk Free Rate
- 3. EV/EBITDA:** We use a proprietary valuation model to determine the normal distribution of a stocks EV/EBITDA multiple. Similar to our PE model, our EV/EBITDA valuation tool will be used to sell a part of a position when a stock screens expensive in our model
- 4. PERCENT OF PORTFOLIO:** No specific limit on maximum position size since we want to have the flexibility to let a stock run. It is rare that we let a position account for over 7.5% of the portfolio for an extended period of time

Qualitative sell discipline



1. CHANGE IN DIVIDEND POLICY

- dividend cut
- no dividend growth over three years
- management steering cash away from dividends in favor of buy-backs or acquisitions

2. FUNDAMENTAL DETERIORATION IN BUSINESS

- earnings to cash conversion over a cycle of less than 80%
- low quality earnings that aren't driven by revenue growth
- management is inefficient in their use of cash
- market share loss in key business units

3. DRAMATIC INCREASE IN LEVERAGE

- big negative changes in capital structure including a decrease in cash and an increase in debt
- net debt is more important than actual debt

Griffin versus the industry

GAM Covered Call Strategy

- Buy and write calls on individual stocks
- 20 year history of generating significant Alpha (2.35) in our Dividend Growth Strategy
- Option writing varies between 50%-100% of equity holdings to take advantage of various market conditions and avoid downward skew
- Cash weighting ranges from 5%-20% to manage risk and take advantage of individual stock opportunities
- GAM Covered Call Strategy Alpha since inception (December 31, 2008) of 3.69

Covered Call Industry Norm

- Buy and write calls on broad market indices
- Select securities based on option premiums versus the quality of the underlying asset
- Passive writing and rolling of options causing downward skew in performance
- Fully invested at all times
- Very low or no Alpha generated

Investment returns

December 31, 2008 through December 31, 2014



	ROR	Beta	Alpha	Sharpe Ratio Pop	Std Dev Pop	Upside Cap Ratio	Dnside Cap Ratio
— GAM Covered Call Strategy	13.56	0.56	3.69	1.52	8.85	57.70	47.97
— S&P CBOE Buy-Write Index	10.02	0.63	-0.61	0.95	10.44	53.39	62.16
— S&P 60/US Treasury 40	10.35	0.60	0.00	1.17	8.81	55.58	64.45

Risk Benchmark is the S&P 500

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PERFORMANCE

Annual returns

Annual Returns (%)	2014	2013	2012	2011	2010	2009
CC Strategy (Gross)	+7.53%	+16.59%	+10.50%	+3.30%	+14.12%	+31.40%
CC Strategy (Net)	+7.06%	+16.07%	+10.04%	+2.89%	+13.13%	+30.10%
CBOE S&P 500 Buy-Write Index	+5.66%	+13.25%	+5.18%	+5.73%	+5.90%	+25.90%

As of December 31, 2014

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Annualized returns

Annual Returns (%)	4Q 14	1 Year	3 Year	5 Year	Since Inception
CC Strategy (Gross)	+1.46%	+7.53%	+11.48%	+10.31%	+13.56%
CC Strategy (Net)	+1.34%	+7.06%	+10.99%	+9.74%	+13.04%
CBOE S&P 500 Buy-Write Index	-0.81%	+5.66%	+7.96%	+7.09%	+10.02%

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APPENDIX

GIPS® table & disclosures

Year as of 12-31-14	Gross of Fees	Net of Fees	Primary Benchmark	Dispersion	Number of Portfolios	Total Strategy Assets (\$ millions)	Total Composite Assets (\$ millions)	Total Firm Assets (\$ millions)
2014	+7.53%	+7.06%	+5.66%	0.41	12	\$13.7	\$13.7	\$429.3
2013	+16.59%	+16.07%	+13.25%	0.68	11	\$12.8	\$5.9	\$394.9
2012	+10.50%	+10.04%	+5.18%	0.26	11	\$5.5	\$5.1	\$350.2
2011	+3.30%	+2.89%	+5.73%	1.15	10	\$4.8	\$4.7	\$266.5
2010	+14.12%	+13.13%	+5.86%	.54	5	\$2.2	\$2.2	\$271.9
2009	+31.38%	+30.05%	+25.91%	N/A	2	<\$1	<\$1	\$432.1

Griffin Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Griffin Asset Management has been independently verified for the periods January 1, 1998 through December 31, 2013. 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.

> Firm Information

Griffin Asset Management is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Griffin Asset Management is an independent investment management firm that is not affiliated with any parent organization. Griffin Asset Management was formed on January 1st, 2006 as a result of the merger between its two predecessor firms Hovey, Youngman Associates, Inc. and Griffin Asset Management, LLC. Griffin Asset Management manages traditional and alternative investment strategies for individuals and institutions including, Dividend Growth, Growth, Value, Covered Call, Balanced, Fixed Income, and Tactical. A complete list and description of firm composites are available upon request. Please call us at 212-661-3636 or email at info@griffinasset.com.

> Composite Characteristics

The Composite includes all discretionary, fee-paying portfolios with a market value over \$100,000, a Covered Call Strategy investment objective where at least 50% of the stock positions are pledged against a call. The primary benchmark is 75% of the S&P 500 and 25% of the United States Treasury Bill. The secondary benchmark is the CBOE S&P 500 Buy-Write Index.

> Covered Call Strategy Definition

The Griffin Asset Management Covered Call Value Strategy invests in large and mid-capitalization stocks of high quality companies at a discount to their intrinsic value. The Strategy seeks to build a diversified portfolio of exceptional companies that are leaders in their respective businesses but trade at a discount to their intrinsic value due to short-term concerns. The Strategy seeks to increase current income and lower risk (volatility) through the writing of covered calls against at least 50% of the equity positions and up to 100% of the equity positions. The primary goal of the Strategy is to preserve capital in the short to intermediate term by taking less risk than the overall market with the long stock portfolio and the writing of covered calls. The secondary goal is to generate superior returns over the long-term with lower risk relative to the Strategy's benchmarks.

> Composite Methodology

Valuations and returns are computed and stated in U.S. Dollars. Returns are displayed Gross and Net of Investment Management Fees. Gross of Fees performance calculations are presented Gross of Investment Management Fees and Net of Trading Fees. Net of Fees returns are presented Net of Trading Fees and Net of Investment Management Fees. During calendar year 2009 fees were not paid on this composite until the 3rd quarter therefore the Net of Fees calculation is made using the maximum possible fee on this type of account which is equal to 1%. Starting in calendar year 2010 Net of Fees numbers will be calculated through AXYS. Gross and Net of Fees returns are calculated gross of withholding taxes on foreign dividends. There are no performance fees in this composite and therefore net of fees returns include all deducted fees. Internal dispersion is not calculated for this composite because there are too few accounts to make it a relevant measure.

> Standard Deviation

As of 12-31-13, the Three-Year annualized Ex-Post Standard Deviation of the Composite was 7.43% and for the benchmark, 9.25%. As of 12-31-12, the Three-Year annualized Ex-Post Standard Deviation of the Composite was 9.43% and for the benchmark, 11.39%. As of 12-31-11, the Three-Year annualized Ex-Post Standard Deviation of the Composite was 11.44% and for the benchmark, 12.96%.

> Other Disclosures

Upon request, we will personally meet with you and provide you with information regarding performance results, investment strategies and our advisory fees. The following fee schedule is negotiable, 1.25% on first \$2Mil, 1.00% on the next \$3Mil and .75% on balance. This composite was created in December of 2008. A complete list and description of firm composites is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request.



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