LOGAN VALUE PORTFOLIOS: LOGAN VALUE (LV) Q4 | 2020 REVIEW[1]

MARKET ENVIRONMENT

The world changed on November 9, 2020. The Covid-19 virus which had appeared uncontrollable since emerging early in the year, finally had a foreseeable end to its destructive path when Pfizer announced the vaccine it had been testing was more than 90% effective. Shortly thereafter, Moderna announced similarly impressive results for its vaccine. While much remains to be done before Covid-19 is in fact behind us, financial markets look forward and those markets liked what they saw and heard. Indeed value investors experienced what in recent years has been a rarity - in a quarter where equity markets were up, the Russell 1000 Value Index outpaced the Russell 1000 Growth Index for the first time since 2016. Moreover, dividend stocks also awakened from their slumber, and LV performed well. Indeed, LV's fourth quarter return of 14.9% was among the top five best quarterly returns in the strategy's history.

Looking back at previous letters, the thesis we had recently laid out would seem to have been somewhat validated as to what might change the nature of both value stocks generally, and dividend stocks specifically, relative to growth stocks. That thesis could be boiled down to one word: vaccine. As a return to "normalcy" comes into view (even if it is 6-9 months away), investors are likely to see a world where people resume more traditional spending patterns, employment trends continue to improve with less dependence on government spending to do so, and travel and leisure spending increases. Among other things, those add up to potential loan losses declining at lending institutions as the business environment improves, higher interest rates as the bond market recognizes the increasing demand for money and the potential for the Fed to slowly take its foot off the pedal over time, and higher energy prices as people drive more and also return to flying. Not coincidentally, the energy and financial sectors within the value index (which had been hit the hardest this year by Covid-19) were the clear winners in the fourth quarter. That was also the case within the LV portfolio, as discussed below.

How long this continues is something that can only be known in hindsight. As the Bank Credit Analyst ("BCA") noted, the 94-year period through 2020 saw large value stocks outperform large growth stocks by 170 basis points on an annualized basis. Similarly, the fifty-year period from 1970 through 2020 saw a 130-basis point annualized advantage of value over growth. On the other hand, since 2008 that relationship has changed dramatically, with growth showing a +11.7% annualized return and value returning an annualized +3.3%. In other words, the trends favoring growth stocks were well established prior to 2020, but we believe the work-from-home trade exasperated those trends. A reversion to the mean would obviously favor value, though that could have been said anywhere along the way over the last thirteen years..

[1]LOGAN VALUE results discussed herein should be read in conjunction with the attached performance and disclosures

However, the case is stronger today following a year in which the Russell 1000 Growth Index outperformed the Russell 1000 Value Index by 3,600 basis points, a disparity never seen before in a single year.

One reason value stocks have outperformed growth stocks historically, according to BCA, is that estimates for growth stock earnings are historically well off the mark. And since investors in growth stocks are "paying up" for growth, they are destined to be overpaying. Specifically, BCA's research indicates that, on average, the actual realized five-year earnings growth rate for companies is only about half of what analysts had estimated they would be several years prior. In that context, disappointments are likely. Large growth stocks over the last several years have been dominated by very large companies that have continually generated strong earnings, which in turn has led to very strong stock price performance (and strong overall growth index performance as well). If those earnings begin to disappoint, and history suggests that is more likely the case over time than not, it is likely the growth indexes will reflect those disappointments to some degree.

Having said all that, we have not and will not change the way we invest. While at times uncomfortable, value investing requires discipline above all else. Being out of step with the crowd and changing your stripes and your philosophy to blend in better is in our view a recipe for failure, not success.

PORTFOLIO REVIEW

The economic changes that accompanied the vaccine announcements had a profound impact on various sectors of the market and on the LV portfolio. For example, the rate on 10-year Treasuries increased from .68% at September 30th to .91% at December 31st, according to Bloomberg. Similarly, oil prices increased more than 20%, rising from $42 per barrel (Brent price) to almost $52 at year-end. Not surprisingly, as mentioned before, the financial and energy sectors were the two strongest sectors both within the value index and within the LV portfolio. Industrials, another cyclical sector, also fared well in both the index and the LV portfolio.

The portfolio's top three performers all reside in the energy and financial sectors, and several portfolio holdings reversed course from the prior quarter to deliver strong fourth quarter performance. The sectors which were least helpful to the portfolio's performance last quarter were communication services, health care, and consumer staples. Within each of those sectors, the individual holdings generally had positive returns, but on average they trailed the average returns of their respective sectors, or in the case of consumer staples the overweighting of the holdings had a negative impact on overall performance (even though the average performance of LV's holdings in that sector were above those of the index sector average).

In terms of trading activity in the quarter, we purchased shares of a large defense company and rotated out of a large integrated oil company in favor of a comparable competitor that we viewed as higher quality. Given the widespread pressure on value stocks throughout the year, we have taken advantage of a unique opportunity to upgrade in quality without paying a premium to do so.

The defense company fits well into the LV investment process, as they are a market leader in their industry, valuation is attractive on both earnings and dividend yield, financial leverage is low, and the dividend is well covered by a steady stream of cash flows. Shares had been pressured most of the year, partly due to election uncertainty and the potential for defense budget cuts. However, the company has already lowered guidance for 2021 and has a history of producing results that beat expectations.

PORTFOLIO OUTLOOK

The fourth quarter started out much like the nine months that preceded it, but it changed dramatically on November 9th when Pfizer made its vaccine announcement. To see the magnitude of the impact, one need only look at the relative performances of the Russell 1000 Growth and Value Indexes on that day. The Value index was up +4.1% while the Russell 1000 Growth Index was down -1.8%, a remarkable difference of almost 600 basis points in a single day. For the quarter, the Russell 1000 Value Index outperformed the Russell 1000 Growth Index by almost 500 basis points, though still trailing significantly for the year as mentioned earlier.

Looking forward, if the vaccines do what we hope and expect they will do, that should improve the quality of life generally around the globe. It should also allow the portfolio to perform relatively well. Whether value continues its ascendency relative to growth we do not know. But in any event, higher interest rates and firming energy prices may provide a tailwind to the portfolio's energy and financial stock holdings. Moreover, a strengthening economy should aid a number of other stocks in the portfolio as well. That is not to say that challenges do not lay ahead. Now that the election is over, the uncertainty of a new administration's policies may be an overhang. In addition, there is still an economic bridge to cross until most people are vaccinated. In addition, the effectiveness of the vaccines still remains to be determined, if for no other reason than there may be a reluctance by many people to take it. If that turns out to be the case, it may become problematic. We shall see.

We are encouraged by a more favorable economic backdrop but also cognizant of investor angst and high emotions following a turbulent year. As a result, we will remain disciplined in our investment process which emphasizes strong balance sheets, strong cash flows, and relatively high dividend yields. At December 31, 2020, the Logan Value portfolio sold at 19.9x P/E on estimated 2021 earnings and had an average dividend yield of 3.5%. In a period where overall stock market valuations are escalating markedly, we take comfort in the portfolio's valuation levels.

Thank you for your continued confidence and investment in Logan Value. As always, please call or email us if you have any questions.

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.

The Russell 1000 Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment.

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Actual results, performance, or achievements may differ materially from those expressed or implied. Information is based on data gathered from what we believe are reliable sources. It is not guaranteed as to accuracy, does not purport to be complete and is not intended to be used as a primary basis for investment decisions. It should also not be construed as advice meeting the particular investment needs of any investor. Past performance does not guarantee future results.

TEN LARGEST PORTFOLIO HOLDINGS

TEN LARGEST PORTFOLIO HOLDINGS	% OF PORTFOLIO
JPMorgan Chase & Co.	4.0%
Philip Morris International Inc.	3.8%
Berkshire Hathaway Inc. Class B	3.7%
AbbVie, Inc.	3.6%
U.S. Bancorp	3.4%
PNC Financial Services Group, Inc.	3.3%
Honeywell International Inc.	3.1%
BlackRock, Inc.	3.0%
PepsiCo, Inc.	2.9%
Qualcomm Inc	2.9%

LONG-TERM TRACK RECORD

LONG-TERM TRACK RECORD	TOTAL RETURN NET OF FEES	TOTAL RETURN GROSS OF FEES	RUSSELL 1000 VALUE
QTD	14.7%	14.9%	16.3%
YTD	-0.8%	0.2%	2.8%
3 Year	4.5%	5.6%	6.1%
5 Year	8.7%	9.7%	9.7%
10 Year	10.0%	11.2%	10.5%
Since Inception†	4.8%	6.5%	6.9%

Annualized Returns (as of 12/31/2020). Time period greater than YTD is annualized.
†Inception of (9/30/2000)
Reference performance disclosure

LOGAN AUM+AUA

Strategy AUM	$15M
Firm AUA	$1,312M
Firm AUM	$2,240M
Total Firm AUM+AUA	$3,552M

Numbers are subject to rounding differences
AUA has a one month data lag

Supplemental to a fully compliant GIPS Report.
Past performance does not guarantee future results. The holding identified do not represent all of the securities purchased, sold or recommended for advisory clients. The views expressed are those of Logan Capital. Any securities, sectors or industries discussed should not be perceived as investment recommendations; any security discussed may no longer be held in an account's portfolio. It should not assumed that investment in any of the securities, sectors or industries listed were or will prove to be profitable. Sector or industry weights of any specific account can vary based on investment restrictions applicable to that account. The securities discussed do not represent an account's entire portfolio and in aggregate may only represent a small percentage of an account's portfolio holdings.

Performance Disclosure

LV

Logan Capital Management, Inc.
Performance Results: Logan Value Composite
September 30, 2000 through December 31, 2020

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index	Number of Accounts	Composite Dispersion Gross of Fees	Composite 3-Yr Gross Std Dev	Russell 1000 Value Index 3-Yr Gross Std Dev	Composite 3-Yr Gross Sharpe Ratio	Assets in Composite ($millions)	% of Firm Assets	Firm Assets ($millions)
2020	-0.8%	0.2%	2.8%	4	N.M.	18.3%	19.6%	0.2	$8	0.3%	$2,240
2019	24.0%	25.3%	26.5%	5	N.M.	11.3%	11.9%	0.8	$10	0.5%	$2,050
2018	-7.3%	-6.3%	-8.3%	5	N.M.	10.1%	10.8%	0.7	$4	0.3%	$1,431
2017	15.3%	16.4%	13.7%	6	N.M.	10.0%	10.2%	1.0	$8	0.5%	$1,590
2016	15.1%	16.3%	17.3%	6	N.M.	10.5%	10.8%	0.8	$6	0.5%	$1,401
2015	-2.1%	-1.2%	-3.8%	5	N.M.	10.7%	10.7%	1.2	$4	0.0%	$1,398
2014	11.2%	12.3%	13.5%	6	N.M.	8.4%	9.2%	2.1	$5	0.0%	$1,816
2013	27.6%	28.9%	32.5%	4	N.M.	9.8%	12.7%	1.8	$4	0.0%	$2,061
2012	12.1%	13.3%	17.5%	5	N.M.	12.3%	15.5%	1.1	$3	0.2%	$1,932
2011	9.8%	12.0%	0.4%	5	N.M.	17.0%	20.7%	0.8	$3	0.1%	$1,873

Annualized Returns (12/31/2020)

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
YTD	-0.8%	0.2%	2.8%
3 Year	4.5%	5.6%	6.1%
5 Year	8.7%	9.7%	9.7%
10 Year	10.0%	11.2%	10.5%
Since Inception†	4.8%	6.5%	6.9%

†Inception 09/30/2000

N.M. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Performance Disclosure

Logan Value Composite contains fully discretionary large cap value equity accounts, measured against the Russell 1000 Value Index. You cannot invest directly in an index. The Russell 1000 Value Index is an unmanaged index that measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth rates. The benchmark selected includes the reinvestment of dividends and income, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing. This benchmark is used for comparative purposes only and generally reflects the risk and investment style of the composite. The sharpe ratio is included to help investors understand the return of an investment compared to its risk. The ratio is the average return earned in excess of the risk-free rate (90 Day U.S. TBill) per unit of volatility or total risk.

The strategy invests in 35-45 large cap stocks with strong balance sheets and strong cash flows, and which typically have relatively high dividend yields. ADR's may be included in the portfolio (generally less than 10%). Turnover is typically 25 - 50% annually. Only accounts paying commission fees are included. Prior to January 1, 2012, the composite included both wrap and commission accounts. No minimum account size for this composite.

Logan Capital Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Logan Capital Management, Inc. has been independently verified for the periods April 1, 1994 through December 31, 2019. A copy of the verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Logan Capital Management, Inc. is a privately owned Pennsylvania-based investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply a certain level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the adviser. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross of fee returns, have, however, been reduced by all actual trading expenses. Net of fee returns are calculated net of actual investment management fees & actual trading expenses. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The investment management fee schedule for non-wrap accounts is as follows: 65 basis points on the first $25 million, 55 basis points on the next $25 million, 45 basis points on the next $25 million and 35 basis points on the next $25 million. Fees for accounts with over $100 million in assets are negotiable. Minimum fee is $32,500. Actual investment advisory fees incurred by clients may vary.

The Logan Value Composite was created October 1, 2000. On 09/25/19, Logan Capital hired Managing Director Bill Fitzpatrick, CFA to assist in portfolio management of the Logan Value strategy. On 12/31/19, Managing Director Marvin Kline, CFA retired as portfolio manager of the Logan Value strategy. Prior to 08/20/20, the Logan Value Strategy was known as Logan Dividend Value.