Logan Concentrated Value

LCV

A BOTTOM UP APPROACH

Q1 | 2022

LOGAN VALUE PORTFOLIOS: LOGAN CONCENTRATED VALUE (LCV) Q1 | 2022 REVIEW[1]

MARKET ENVIRONMENT

LCV held up very well in a turbulent first quarter environment, with the LCV composite registering a gross positive return of +4.3%. In contrast, the S&P 500 hit its high water mark on the first trading day of the year and then spent virtually the entire rest of quarter in negative territory. Though it did claw its way upward in the closing days of March, the S&P 500 ended the quarter down -4.6%. Noticeably, however, value stocks (as measured by the Russell 1000 Value Index) outperformed growth stocks (as measured by the Russell 1000 Growth Index), with the former recording a loss of -.7% compared to the -9.0% loss of the growth index. That was among the larger quarterly discrepancies of the past two decades.

It was not hard to understand the volatility encountered in financial markets in the first quarter given the number of significant obstacles confronting investors. Among those were inflation readings that Bloomberg termed "the hottest in four decades", interest rates rising in response to those readings as well as from the Federal Reserve indicating it is planning a series of rate hikes over the next two years, oil prices crashing through the $100 per barrel range, and needless to say the invasion of Ukraine (which had an impact on many of the aforementioned items as well).

In addition, Barron's noted that the money supply as measured by "M2" rose 41% over 2020 and 2021, more than twice the rate following the 2008-2009 financial crises, and higher than during the inflationary 1970's period. Many economists, Milton Friedman most prominent among them, would associate that kind of monetary growth with inflation, though others in the modern monetary theory ("MMT") camp contend that outsized spending and money growth do not result in inflation. At the moment, it appears the MMT side is losing that argument.

Financial markets reacted to rising inflation by pushing up interest rates, with the ten year Treasury bill ending the quarter at 2.32%, up from 1.51% at the beginning of the quarter, according to Bloomberg. Bloomberg also noted that rising interest rates were a worldwide occurrence. They noted that trillions of dollars of government debt across the globe had negative yields coming into the quarter but saw those yields turn positive.

In addition, oil prices reacted to both the general imbalance between supply and demand that we have been noting in many of our past quarterly letters, and to market disruptions as a result of the sanctions on Russia. Brent crude prices gyrated wildly (including after the Biden administration announced at the end of March a large reserve release from the Strategic Petroleum Reserve), but ultimately rose to $105 per barrel at the end of the quarter, having peaked near $130 per barrel in early March. Notably, however, that was up from $78 per barrel at the beginning of the first quarter, as reported by Bloomberg. At what point higher oil prices start to meaningfully impact the overall economy is debatable, but they do act like a tax increase and generally

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

inhibit economic growth (though they certainly have helped the oil stocks in the portfolio).

As to where the economy and financial markets go from here, we view that as unknowable. Should the yield curve invert (i.e., short rates exceed long rates), that would not be a good omen as most recessions are preceded by such occurrences. While the two year versus ten year treasury yield inverted very briefly during the quarter, there is no question that the yield curve has flattened, so it is worth keeping an eye on. Having said that, a study by the IMF several years ago found that of forty-nine recessions around the world in 2009, none had been predicted a year in advance by a consensus of economists. Moreover, only two of the sixty recessions in the 1990's had been predicted a year in advance. Given that kind of inglorious track record, we re-emphasize that the future of the financial markets is unknowable.

What is knowable is what is shown in a study by Ned Davis Research which highlights that since 1930 the total return on the S&P 500 has been 10% annually, however, if dividends are excluded the return drops to 6% annually. Clearly, the dividend component of equity market returns is a central element to investor success over the long term in our view. Therefore, we believe the very attractive dividend yield of 3.7% on the LCV portfolio as of March 31st helps the odds of LCV performing well over time.

PORTFOLIO REVIEW

LCV's material out-performance in the first quarter was most aided by holdings in the energy, industrials and health care sectors. Sectors least helpful in which the portfolio was invested were financials, communication services and technology.

As mentioned before, energy prices increased dramatically during the quarter because of both market dynamics independent of the situation in Ukraine, as well as the impact of that conflict on energy flows. Specifically, Brent crude had risen from just under $60 per barrel at the end of March 2021 to about $90 per barrel prior to the Russian invasion (and as noted earlier, it finished the first quarter at $105 per barrel). Needless to say rising oil prices generally translate into well performing stock prices of oil companies, which was the case in the first quarter.

The industrial stock in the portfolio generates about half its revenues from the commercial airline industry and the other half from the military. It benefitted from the receding Covid threat and also to the Russia/Ukraine situation. The opening up of the U.S. economy as the quarter went on and the seemingly receding threat from Covid improved the visibility of the commercial part of the business, while the newly focused attention on defense spending improved the chance that government budget pressures in that industry will be lessened relative to what had been assumed earlier in the Biden administration.

Health care stocks in the portfolio produced results that were less than uniform even though the sector overall helped LCV's relative performance. One of the stocks had a standout quarter after again beating estimates and indicating its pipeline remains strong. Another stock provided guidance through the rest of the decade that considerably exceeded most analysts' expectations. The only stock whose price faltered did so primarily because it had received a significant boost last year from its treatments and vaccines for Covid, and investors became concerned that should the virus increasingly come under control, the markets for those treatments will diminish. Nevertheless, those opportunities remain as do others in the Company's pipeline.

Though two of the three financial stocks in the portfolio performed relatively well, the third did not after announcing it planned to spend heavily in 2022 and would likely push back its target for reaching its longer run target for return on equity. Nevertheless, that bank is among the premier and best run financial institutions in the country, and so we see the current stock price action as merely a bump in the road. Moreover, rising interest rates should be a tailwind for the financial stocks as higher rates help to improve net interest margins.

The portfolio's communications services stock is still battling crosswinds from an impending spinoff which will return the Company to its original telecom roots. Given the pricing and terms of the spinoff, the resulting pure telecom company will be paying a dividend that provides a pro forma yield of over 6%, and cash flow that strongly supports the dividend. We suspect that as the spinoff is completed early in the second quarter and the new shareholder base becomes more established, the stock price will respond favorably.

The technology sector modestly detracted from relative performance as one of the two portfolio holdings in the sector drove most of that underperformance. Nevertheless, that stock's business performance continues to improve with backlogs at record levels and broad strength across geographies and customer types. Moreover, the company also increased its dividend and announced an additional stock repurchase authorization of $15 billion.

PORTFOLIO OUTLOOK

Despite numerous crosscurrents that pressured equities in the first quarter, LCV performed very well on a relative basis and an absolute basis. As we have noted before, equity investors are well served to remember the importance of dividends. The Ned Davis Research referred to earlier indicated that dividends have comprised about 40% of the stock market's total return historically.

Moreover, much academic research points to dividend stocks typically (though not always) holding up better in more volatile markets. Interest rates are meaningfully higher than they had been not long ago, the Federal Reserve has initiated a rate raising cadence, energy prices are higher and geopolitical issues are becoming ever more concerning. While we do not predict market movements, we do expect volatility to result from those concerns, as was seen in the first quarter. Our best advice is to stay the course, and dedicate part of a portfolio strategy to quality stocks with strong cash flows that have relatively high dividend yields. Coincidentally, that describes the nature of the LCV portfolio.

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

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.

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.

FIVE LARGEST PORTFOLIO HOLDINGS

FIVE LARGEST PORTFOLIO HOLDINGS	% OF PORTFOLIO
Chevron Corporation	9.7%
Philip Morris International Inc.	9.5%
Shell PLC	8.6%
Raytheon Technologies Corporation	8.0%
AbbVie, Inc.	6.8%

LONG-TERM TRACK RECORD

LONG-TERM TRACK RECORD	TOTAL RETURN NET OF FEES	TOTAL RETURN GROSS OF FEES	RUSSELL 1000 VALUE
QTD	4.0%	4.2%	-0.7%
1 Year	19.0%	19.9%	11.7%
3 Year	8.8%	9.6%	13.0%
5 Year	7.4%	8.3%	10.3%
10 Year	8.8%	9.7%	11.7%
Since Inception†	8.6%	9.4%	9.2%

Annualized Returns (as of 3/31/2022). Time period greater than YTD is annualized.
†Inception of (12/31/1995)
Reference performance disclosure

LOGAN AUM+AUA

Strategy AUM	$195M
Strategy AUA	$148M
Firm AUA	$1,586M
Firm AUM	$2,383M
Total Firm AUM+AUA	$3,969M

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

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.

Logan Capital Management, Inc.
Performance Disclosure Results
Concentrated Value Composite
December 31, 1995 through March 31, 2022

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)
YTD 2022	4.0%	4.2%	-0.7%	29	N.M.	19.0%	19.1%	0.5	$12	0.5%	$2,383
2021	26.3%	27.3%	25.2%	26	0.2%	19.3%	19.3%	0.5	$10	0.4%	$2,635
2020	-11.1%	-10.4%	2.8%	28	0.1%	19.1%	19.6%	-0.1	$10	0.4%	$2,240
2019	19.3%	20.3%	26.5%	40	0.3%	11.7%	11.9%	0.6	$17	0.8%	$2,050
2018	-8.2%	-7.4%	-8.3%	37	0.2%	11.1%	10.8%	0.6	$13	0.9%	$1,431
2017	13.7%	14.7%	13.7%	40	0.1%	12.1%	10.2%	1.0	$15	0.9%	$1,590
2016	17.9%	19.0%	17.3%	52	0.3%	12.5%	10.8%	0.8	$18	1.3%	$1,401
2015	3.9%	4.7%	-3.8%	52	0.2%	11.9%	10.7%	0.9	$17	1.2%	$1,398
2014	4.9%	5.7%	13.5%	49	0.4%	9.3%	9.2%	1.4	$15	0.8%	$1,816
2013	22.3%	23.3%	32.5%	52	0.3%	9.8%	12.7%	1.8	$18	0.9%	$2,061
2012	8.4%	9.2%	17.5%	47	0.4%	12.6%	15.5%	1.1	$10	0.5%	$1,932

Annualized Returns (March 31, 2022)

YTD is not annualized

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
1 Year	19.0%	19.9%	11.7%
3 Year	8.8%	9.6%	13.0%
5 Year	7.4%	8.3%	10.3%
10 Year	8.8%	9.7%	11.7%
Since Inception†	8.6%	9.4%	9.2%

†Inception 12/31/95

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

Logan Concentrated Value (LCV) 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 10-15 very large cap stocks with strong balance sheets, strong cash flows and relatively high dividend yields. ADR's may be included in the portfolio (generally less than 20%). Turnover is typically 30-50% annually. Only accounts paying commission fees are included. As of September 30, 2014 the minimum account size for the composite is $75,000. Prior to this date there was no minimum account size.

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, 2021. 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.

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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. Prior to 2020, the annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Equal-weighted dispersion is presented for 2021 and going forward. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS Reports are 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 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 Concentrated Value (LCV) Commission Composite was created August 1, 2000. Performance presented prior to August 1, 2000 represents that of Berwind Investment Management, L.P. On 09/25/19, Logan Capital hired Managing Director Bill Fitzpatrick, CFA to assist in portfolio management of the Logan Concentrated Value strategy. On 12/31/19, Managing Director Marvin Kline, CFA retired as portfolio manager of the Logan Concentrated Value strategy.