Logan Concentrated Value

LCV

A BOTTOM UP APPROACH

Q3 | 2021

LOGAN VALUE PORTFOLIOS: LOGAN CONCENTRATED VALUE (LCV) Q3 | 2021 REVIEW[1]

MARKET ENVIRONMENT

All things considered LCV performed well in the third quarter, and has had a good first nine months of the year, exceeding its benchmark index (i.e., the Russell 1000 Value index) for both periods. For the quarter, the LCV gross composite returned +1.5%, and for the first nine months of the year returned +17.8%. Those results compare to the Russell 1000 Value index returns of -0.8% and +16.1% for the quarter and nine months, respectively (see accompanying performance table).

For the first eight months of the year the stock market as represented by the S&P 500 looked like a steadily rising escalator, though in September that ride went in reverse a bit. As we said in our second quarter letter, "with the Fed still in a wait and see mode, we would not be surprised to see equity markets maintain an upward bias, though bouts of indigestion are to be expected (and perhaps heavy indigestion at times)." After rising about +5.5% for the quarter through early September, the S&P 500 ended the quarter up just +0.6%. What we found particularly interesting, though, was the late September rotation from growth stocks to value stocks as interest rates started rising (see more on this below).

In the third quarter growth stocks (as measured by the Russell 1000 Growth Index) outperformed value stocks (as measured by the Russell 1000 Value Index) by about 190 basis points. However, that outperformance was noticeably less at the end of the quarter than it was earlier in the quarter. For the nine months, though, the Value Index outperformed the Growth Index by 180 basis points (+16.1% versus +14.3%).

Prior to the turbulence in September, the stock market had shown notable calm. According to Bloomberg, through August the stock market had not had a pullback of more than 5% for nine months, only the third time that has happened in twenty-five years. Moreover, the S&P 500 rose for seven consecutive months through August, which has happened only fifteen times since 1950.

One of the reasons we find little use in trying to predict the stock market is that it is unpredictable. Much of the chatter about the cause of September's pullback involved issues that were known and discussed by analysts and the media for many of the preceding months. The laundry list is indeed lengthy and includes, among other things: the rising risk of inflation being something less than transitory, the Fed tapering their bond purchases, rising interest rates, exploding government spending and accompanying tax hikes (and ironically the alternative possibility that not all proposed spending plans will be passed or spent in a timely manner), the lifting or non-lifting of the U.S. debt ceiling, the continuing economic impact of Covid in the U.S. and worldwide, slowing growth in China and the financial impact of the China Evergrande Group (one of the largest real estate companies in the world that is currently experiencing financial troubles and has a massive $300 billion of public debt outstanding), rising oil prices, and generally stretched valuations of

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

equities. The list of issues facing investors is almost always long. Sometimes they matter and sometimes they do not. And sometimes there is no rhyme or reason as to which is which. Consequently, we choose not to spend our time on things that are unlikely to be helpful in our investment process.

Even though macro factors can clearly have an impact on the overall portfolio and stocks within the portfolio, we would note that focusing on each security from a "bottoms-up" perspective can have benefits that manifest themselves in various ways. For example, by focusing on cash flow and balance sheet quality, we strive to maintain a portfolio of financially strong companies whose dividends in our view are not only sustainable, but can be raised over time. To that point, fourteen of the fifteen stocks in the LCV portfolio have raised their dividends in the last twelve months. We believe that makes the portfolio's dividend yield at September 30th of 3.8% particularly attractive, especially at a time when yields on competing assets and money market instruments often provide investors with negligible returns.

Speaking of macro factors, two factors which tend to have an outsized impact on the portfolio are interest rates and oil prices. According to Bloomberg, ten year treasury yields finished the quarter at 1.5%, up noticeably following the Fed meeting in September. It is not clear exactly why that happened when it did, though some speculate that despite the overhang of the delta variant, the Fed saw fit to telegraph that they saw the economy still strengthening enough to begin withdrawing the monetary stimulus it has had in place since the beginning of the pandemic. Since higher interest rates tend to benefit the financials in the portfolio by facilitating higher net interest margins, it was not surprising to us to see financials finish the quarter strong after lagging prior to that.

Oil prices were essentially flat for most of the quarter until mid-September, when Brent crude proceeded to climb towards $80 per barrel before ending the quarter slightly over $78 per barrel, according to Bloomberg. Even at price levels seen earlier in the year (i.e., Brent crude prices between $65-$70 per barrel), the oil companies in the portfolio can generate cash flows that not only cover dividends but also allow for meaningful additional capital to be returned to shareholders by way of stock buy-backs. Clearly that is even more so the case at Brent oil prices nearer to $80 per barrel. Moreover, our understanding of the supply-demand dynamics of the marketplace, including OPEC's adherence to its production plans, lead us to believe that the pressure for oil prices to remain approximately where they are or rise over time is stronger than it is for a meaningful fall in prices. We believe that dynamic will continue to benefit the portfolio through our energy holdings. It certainly helped in the third quarter, as discussed below.

Growth in the economy overall is likely to slow somewhat from the rapid pace seen to date this year, however, that does not necessarily imply impending doom. As pointed out in Barron's recently, peak growth rarely comes in the final year of economic expansions. Since 1970, in only two cases of recovery has the peak growth rate taken place in the final year of recovery. Moreover, the average expansion has lasted 37 months, and the current expansion is just over a year old. Every expansion is different, but the odds of continued though perhaps less robust growth would seem to be favorable. Typically, extended bear markets are associated with recessions and negative growth. If the duration of the current expansion is more akin to typical expansions, that would support a reasonable, though possibly more turbulent stock market environment moving forward. Moreover, the biggest driver of incremental economic activity these days would seem to be Covid and the delta variant. Based on data from Ned Davis Research, new Covid cases in the U.S. appeared to peak in September, at least temporarily. If it appears Covid is being dealt with effectively and cases are moderating, we believe economic activity will reflect that. Furthermore, we believe that would keep the wind at the back of the rotation into value stocks witnessed towards the end of the third quarter. Having said that, the only thing we can guaranty is that we cannot guaranty that.

PORTFOLIO REVIEW

Every company held in the portfolio reported earnings that exceeded analysts' estimates last quarter. That is not something we typically see or expect, but we'll take it. Among the sectors where LCV was invested that contributed most to relative performance were the energy, financial and industrial sectors. The least helpful sectors were the healthcare, communication services and consumer staples sectors.

As noted above, energy prices rose sharply towards the end of the quarter, and energy stocks generally responded as we have surmised in the past they might. The two energy stocks in the portfolio on a combined basis outperformed the sector, which in addition to being over-weighted added positively to relative performance. Interestingly, the performance of those two stocks diverged even though oil prices remained strong and both companies reported good results. While both companies announced new stock buybacks, one also surprisingly raised its dividend for the second quarter in a row. We'll let you guess which of the two companies had the better performance in the quarter.

Financial stocks added to relative performance in the portfolio, but it seemed during the three months they were in a ping-pong match as interest rates bounced higher and lower on a daily basis until rates finally headed higher in the later part of September. As mentioned earlier, higher interest rates will likely lead to higher net interest margins for the banks, and given the inherent operating margin that may provide, earnings could move materially higher. Rising interest rates may also signal a continuing strong economy which could further support the strong credit quality banks are currently experiencing. Consequently, on days when the economic news was positive and interest rates moved higher, financials seemed to do well, and vice versa. Over the next several quarters, we would expect interest rates to move higher and financial stocks to respond accordingly, as evidenced by their strong upward stock price movements in the final days of September when interest rates started rising. In the meantime, the valuations of the financials in the portfolio are still at the low end of the stock market overall.

The portfolio's sole industrial sector holding, a military/commercial aerospace company, registered a small gain while the sector overall registered a small loss. Investors are likely anticipating an improvement in the commercial segment of the business as the "re-opening" improves commercial air traffic.

It was interesting that one of the best performing stocks in the portfolio was a healthcare stock (which benefitted from its Covid vaccine). However, the other two healthcare stocks did not perform well. One was impacted by an FDA decision regarding one of its newer drugs, though it's not quite clear how impactful that ruling will be. The other healthcare stock exceeded earnings estimates but did not raise guidance for the year which concerned investors. In addition, investors became concerned about a possible IRS claim regarding prior taxes. Though any resolution to that claim is likely years away, it would appear, based on comparable claims by the IRS in other cases, that investors are being excessively pessimistic about the likely conclusion and the likely financial impact.

The single communication services sector stock held in the portfolio registered a modest decline during the quarter as investors are still grappling with the corporate transformation the company is going through. We believe that on a pro forma basis, the remaining slimmed down telecom enterprise will be seen as very modestly valued with a high dividend yield and a dividend that is very well covered by cash flow. As the clouds lift over the coming year, our view is that the "new" company will see its valuation improve noticeably.

Consumer staples stocks in the portfolio on a combined basis actually slightly outperformed the sector, though LCV's holdings and the sector overall were down slightly. Despite the portfolio being over-weight this sector, these holdings had virtually no impact on relative performance.

Our mid-year rebalancing was moved into early July this year for tax reasons. During the rebalance the only full position change was the sale of one bank stock and the purchase of another. Though somewhat similar to one another, our decision was driven solely by valuation.

The newly acquired bank had a dividend yield 100 basis points above the bank that was sold and a P/E two multiples lower at the time of the trades. Formed by the merger of two regional banks in the southeastern United States in 2019, the merged bank has a $70 billion market capitalization and is known for its conservative lending culture, strong community banking operations and overall efficiency. In addition, it houses one of the largest insurance brokerage businesses in the country which had grown earnings by about 12% per year for twenty years.

Management expects to realize about $1.6 billion of savings over the next two years. Moreover, given the banks' size, it is not considered a "globally systematically important" bank and thus avoids some of the more onerous regulatory capital requirements associated with that designation. Still, many consider the bank over-capitalized (core CET1 of about 10% versus peers in the 8.5-9% range). Management has maintained the additional capital as it integrates the two banks, but it is likely over time that the excess capital will be deployed in ways that will be beneficial to shareholders (e.g., higher dividends, larger stock buy-backs, or opportunistic M&A).

Like most banks, they face a slow lending environment and an interest rate environment that puts pressure on margins. To some extent, that is offset by continued improvements in efficiency (e.g., meaningfully reducing the branch count and investing heavily in technology) and by finding additional sources of revenue. For example, the insurance brokerage operation mentioned above represents about 10% of earnings and continues to grow.

While the bank would clearly benefit from a strengthening interest rate environment (i.e., higher rates), there are levers the bank can pull that can help it adapt to current pressures weighing on it. In the meantime, the banks' recently raised dividend provided a 3.3% dividend yield as of September 30th, and with the stock buybacks that analysts project, the total shareholder yield was approximately 5.6%. Moreover, the bank's P/E multiple on next year's projected earnings of about 12.5X reflects investors' shorter term concerns about the pace of the merger integration which we believe will dissipate over time.

The banks in the portfolio (three) were all rebalanced in July to equal weights totaling 20%. We also increased the total health care weighting from 15% to 17.5%, with each of those three holdings held at roughly 5.8%. The only other change of note was a reduction in the model weight of the communication stock held from 10% to 7.5% to reflect an increase risk emanating from a corporate reorganization.

PORTFOLIO OUTLOOK

The LCV portfolio performed relatively well in the third quarter, and has had a strong first nine months of the year. As we move forward, many of the issues facing investors listed earlier in the letter may become more significant. Then again, maybe they will not. We simply do not know. What we do expect, however, is that the valuation of the stocks in the portfolio leaves a margin of safety in the event the market faces turbulence from any of those issues or others that arise.

That is not to imply any sort of a guaranty since anything can happen, as 2020 illustrated. However, LCV's history would indicate that conservative valuations can provide meaningful downside protection. As of September 30th, the portfolio appears to us to have relatively attractive attributes, including a P/E on projected next twelve month's earnings (from Factset) of 14.0X and a dividend yield of 3.8%.

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

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.*

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 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 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.

Rebalancing/Reallocating can entail transaction costs and tax consequences that should be considered when determining a rebalancing/reallocation strategy.

FIVE LARGEST PORTFOLIO HOLDINGS	% OF PORTFOLIO
Philip Morris International Inc.	9.3%
Royal Dutch Shell Plc Class B	8.4%
Raytheon Technologies Corporation	7.3%
Cisco Systems, Inc.	7.3%
Chevron Corporation	7.3%

LONG-TERM TRACK RECORD	TOTAL RETURN NET OF FEES	TOTAL RETURN GROSS OF FEES	RUSSELL 1000 VALUE
QTD	1.3%	1.5%	-0.8%
YTD	17.1%	17.8%	16.1%
1 Year	36.1%	37.2%	35.0%
3 Year	4.2%	5.1%	10.1%
5 Year	6.8%	7.7%	10.9%
10 Year	9.7%	10.6%	13.5%
20 Year	6.6%	7.5%	8.3%
Since Inception†	8.3%	9.1%	9.1%

Annualized Returns (as of 9/30/2021). Time period greater than YTD is annualized.
†Inception of (12/31/1995)
Reference performance disclosure

LOGAN AUM+AUA

Strategy AUM	$201M
Strategy AUA	$178M
Firm AUA	$1,651M
Firm AUM	$2,451M
Total Firm AUM+AUA	$4,102M

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 September 30, 2021

LCV

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 2021	17.1%	17.8%	16.1%	29	N.M.	19.7%	20.2%	0.2	$11	0.4%	$2,451
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 (September 30, 2021)

YTD is not annualized

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
YTD	17.1%	17.8%	16.1%
1 Year	36.1%	37.2%	35.0%
3 Year	4.2%	5.1%	10.1%
5 Year	6.8%	7.7%	10.9%
10 Year	9.7%	10.6%	13.5%
Since Inception†	8.3%	9.1%	9.1%

†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, 2020. 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. 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.

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.