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

MARKET ENVIRONMENT

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%). Logan Value outperformed the benchmark Value Index for the quarter, and for the first nine months held up well, too. For the quarter, the Logan Value gross composite slipped -0.3%, and for the first nine months of the year returned +15.5%. 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).

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 equities. The list of issues facing investors is almost always long. Sometimes they matter and sometimes they do not.

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

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 since they cannot be forecast with any consistency.

Nevertheless, macro factors can obviously impact stocks in the portfolio. 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 could 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

The third quarter saw strong earnings reports relative to expectations across the board in the portfolio. That is not something we typically see or expect, but we'll take it. Among the sectors contributing most to relative performance were the energy, financial, and consumer discretionary sectors. Detracting most from relative performance were the healthcare, industrial and materials sectors.

The energy stocks in the portfolio on a combined basis outperformed the sector, which in addition to being over-weighted added to relative performance. As mentioned above, cash flows for energy stocks have improved dramatically as oil prices have rebounded which has allowed for managements to increase dividends and initiate or add to stock buybacks.

Financial stocks added to relative performance in the portfolio for the quarter, 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 would 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 lone consumer discretionary stock in the portfolio (a retailer) declined, but nevertheless the sector aided relative performance primarily due to the portfolio's underweighting of a sector that generally did not perform well.

It was interesting that one of the better performing stocks in the portfolio was a healthcare stock (which benefitted from its Covid vaccine). However, the other healthcare stocks did not perform well and more than offset that stock's performance. One of the poorer performing healthcare stocks 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 more noticeable laggard was a stock whose earnings exceeded expectations exceeded 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. Nevertheless, as a group, the healthcare stocks continue to represent a solid collection of companies with strong cash flow, quality balance sheets and attractive dividend yields.

After being among the better performing sectors in the first six months of the year, industrials were among the poorer performing sectors in the Value Index in the third quarter. The portfolio's holdings did not evade that trend. And given that they were slightly over-weighted, they were a small headwind to relative performance.

The portfolio's lone materials sector holding declined even after reporting better than expected earnings, and raising guidance above analysts' estimates. With about twenty percent of revenues tied to the auto market, investors apparently became increasingly concerned about the slowdown in that market resulting from supply chain issues, most noticeably semiconductor shortages. Nevertheless, the Company continues to perform well and management has shown itself to be very shareholder friendly.

During the quarter, there were a number of trims and additions to existing positions. The only new stock added to the portfolio was a $70 billion market cap bank 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.

Formed by the merger of two regional banks in the southeastern United States in 2019, the merged banks expect 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.

PORTFOLIO OUTLOOK

The Logan Value portfolio modestly out-performed its benchmark in the third quarter, and has had a good 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, Logan Value'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 14.8X and a dividend yield of 3.1%.

Thank you for your continued confidence and investment in Logan Value. 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 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.*

TEN LARGEST PORTFOLIO HOLDINGS

TEN LARGEST PORTFOLIO HOLDINGS	% OF PORTFOLIO
Royal Dutch Shell Plc Class B	3.5%
Pfizer Inc.	3.4%
Philip Morris International Inc.	3.4%
MetLife, Inc.	2.9%
Truist Financial Corporation	2.9%
JPMorgan Chase & Co.	2.9%
AT&T Inc.	2.9%
CVS Health Corporation	2.9%
Wells Fargo & Company	2.9%
U.S. Bancorp	2.8%

LONG-TERM TRACK RECORD

LONG-TERM TRACK RECORD	TOTAL RETURN NET OF FEES	TOTAL RETURN GROSS OF FEES	RUSSELL 1000 VALUE
QTD	-0.6%	-0.4%	-0.8%
YTD	14.7%	15.5%	16.1%
1 Year	31.5%	32.8%	35.0%
3 Year	8.5%	9.6%	10.1%
5 Year	9.6%	10.7%	10.9%
10 Year	12.0%	13.1%	13.5%
Since Inception†	5.3%	7.0%	7.4%

Annualized Returns (as of 9/30/2021). Time period greater than YTD is annualized.
†Inception of (9/30/2000)
Reference performance disclosure

LOGAN AUM+AUA

Strategy AUM	$21M
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

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.

Logan Capital Management, Inc.
Performance Disclosure Results
Logan Value Composite
September 30, 2000 through September 30, 2021

LV

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	14.7%	15.5%	16.1%	8	N.M.	18.6%	20.2%	0.5	$15	0.6%	$2,451
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

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	14.7%	15.5%	16.1%
1 Year	31.5%	32.8%	35.0%
3 Year	8.5%	9.6%	10.1%
5 Year	9.6%	10.7%	10.9%
10 Year	12.0%	13.1%	13.5%
Since Inception†	5.3%	7.0%	7.4%

†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.

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.

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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.. Prior to 08/20/20, the Logan Value Strategy was known as Logan Dividend Value.