Logan Concentrated Value

LOGAN VALUE PORTFOLIOS: LOGAN CONCENTRATED VALUE (LCV) Q4 | 2021 REVIEW[1]

MARKET ENVIRONMENT

The year just ended was full of contradictions. Covid seemingly came and went and came and went and came again. And despite Covid's persistence in evolving forms and the toll it took on people around the world, the stock market had a very good year. LCV's performance was excellent with the LCV composite comparing well to its benchmark for both the fourth quarter and the full year (see accompanying performance table). For the full year just ended, the LCV composite registered a gross return of approximately 27%, noticeably above the 25.2% return for the benchmark Russell 1000 Value index .

For most of the year, the financial markets operated against a backdrop of a very accommodating Federal Reserve and seemingly unrestrained government spending as Covid's effects on the economy ebbed and flowed. As the year progressed, inflation continued to escalate, and while Fed Chairman Powell had described it as "transitory" for most of the year, he ultimately dropped that phrase as reality stared him in the face. Indeed, Ned Davis Research noted that the jump in the CPI during the fourth quarter reached the highest level in thirty years, and they further noted that the last time it reached current levels back in the early 1990's, the yield on ten year Treasury Bonds was more than 8%. That is a far cry from the 1.51% level Bloomberg reported it was at on December 31, 2021.

Nevertheless, U.S. equity markets finished the year very strongly even as the Federal Reserve laid out its likely path to less accommodative monetary policy. At its final meeting in December, the Fed indicated they would end their debt purchases sometime in the first half of 2022, and indicated raising the Federal Funds rate following that cessation would be likely, though the pace is not exactly clear. Rising rates is not necessarily a death knell for stocks, however. A study by Ned Davis indicated that the pace of rate increases will be a big determinant of how stocks perform. For example, in their study equity markets did fairly well when the Fed raised rates slowly (i.e., defined as at least one Fed meeting between rate hikes), but that was not the case when the Fed moved more aggressively.

Though there have been short spurts of increased volatility since the spring of 2020, to date, each instance has been a buying opportunity. For example, Bloomberg pointed out that in 2021 there were three times when the NASDAQ declined by two percent or more on a single day, only to have all the losses more than recouped the following day. That has happened only three times over the last twenty years. Given the level of inflation measured almost however you would like, real interest rates are solidly negative (i.e., stated interest rates minus the level of inflation). In that environment, prices of most things would be expected to rise, including stock prices. Having said that and at the same time acknowledging that the future is unknowable, increased volatility would seem likely going forward with the FED becoming less

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

accommodative and interest rates likely trending higher.

Ultimately, however, stock prices require earnings to support them and it appears the economy is relatively healthy, though growth is likely to slow in 2022 as fiscal stimulus recedes and the fight against inflation proceeds (to mention nothing of what might become of Covid). Of course, stock prices already reflect much optimism, so where we go from here is unclear - though that is usually the case. The stock market to some extent seems to us to sense that Covid is something we will learn to live with, despite its ambitious tendency to try and evade vaccines mere mortals come up with. The more that we can cope with the virus, the better the economy will perform and the stronger the underpinnings of the stock market will be. We believe that is especially true of stocks in the LCV portfolio, as will be discussed later in the letter.

PORTFOLIO REVIEW

We are often asked which stocks in the portfolio we believe will perform best in the coming months. After years of experience, we have concluded the best answer is that we do not know. To that point, the sectors adding most to relative performance in the quarter were health care and information technology, while those detracting most were the financial and industrial sectors.

Health care was aided most by the portfolio's holding of a company benefitting significantly from its newly developed products to combat Covid, as well as another holding that continues to exceed expectations but has traded at very conservative valuation levels due to an impending patent expiration of a key product. In both cases, patience is paying off quite nicely.

Both technology stocks in the portfolio performed well. One had been languishing recently as the economy and supply chain dynamics were headwinds, but those pressures look like they are resolving themselves to some extent. The other stock is hopefully getting its house in order as it restructures its business. We believe ultimately it will be successful, though there have been false starts before so the jury is still out on exactly where things stand now.

On the other side of the fence, financial stocks in the portfolio hindered relative performance the most perhaps reflecting the stubbornness of interest rates to rise much, if at all (as mentioned before, the ten year Treasury yield ended the quarter at 1.51%, almost exactly where it started the fourth quarter according to Bloomberg). Moreover, all three of the financial holdings in the portfolio had done very well going into the final quarter, so the fourth quarter may simply have been a rest stop on what we believe will be continued good performance going forward.

The industrial stock in the portfolio fell victim to the reemergence of Covid when Omicron gathered steam around Thanksgiving. Its stock price was impacted because of the Company's exposure to the airline industry, even though results continued to improve throughout the year.

As most of our investors are aware, the LCV portfolio is rebalanced semi-annually, with a mid-year and a year-end rebalancing schedule. This "year-end" rebalance is being pushed into early January, so any changes in the portfolio's holdings will be discussed in the first quarter letter of 2022.

PORTFOLIO OUTLOOK

The LCV portfolio performed very well both in the fourth quarter and for the full year of 2021 as a number of "abnormal" factors that hindered performance in the prior year returned to normal, as we anticipated they might.

For example, we had talked about the financial sector's positive sensitivity to higher interest rates and how they might respond well to both higher rates and strong credit metrics. We believe that is still the case, and thus believe the financial stocks remain attractive holdings, especially with the Fed indicating they will likely be raising interest rates in 2022.

Similarly, coming into 2021 we talked about our expectations for higher energy prices and the impact that would have on the cash flows of our energy holdings and thus their stock prices. In that regard, we would note that according to Empirical Research Partners, the 2021 capital spending of energy companies was below their level of depreciation for only the second time in the last seventy years. In addition, though many people are pushing to phase out fossil fuel production in favor of "clean" energy sources, Empirical also points out that if energy companies spend according to a schedule that has them at "net 0"emissions by 2050 (a schedule the International Energy Agency has estimated would be needed to do so), alternative energy sources would have to be spending trillions of dollars to bridge the gap, and that is not likely. All of which seems to point to firming or higher oil and gas prices for the foreseeable future in our opinion.

From a higher level view, despite the portfolio's appreciation in 2021, its valuation remained attractive at December 31, 2021. For example, the P/E on estimated 2022 earnings provided by Factset was 14.8X, while the dividend yield on the portfolio at year-end was 3.7% (approximately double that of the Russell 1000 Value Index according to Factset). We would note that with regard to dividends, several stocks in the portfolio raised their dividend in the fourth quarter and we would anticipate almost all the stocks in the portfolio will raise their dividends over the course of 2022.

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

FIVE LARGEST PORTFOLIO HOLDINGS

FIVE LARGEST PORTFOLIO HOLDINGS	% OF PORTFOLIO
Philip Morris International Inc.	8.7%
Cisco Systems, Inc.	8.0%
Pfizer Inc.	7.9%
Chevron Corporation	7.9%
Royal Dutch Shell Plc Class B	7.7%

LONG-TERM TRACK RECORD

LONG-TERM TRACK RECORD	TOTAL RETURN NET OF FEES	TOTAL RETURN GROSS OF FEES	RUSSELL 1000 VALUE
QTD	7.8%	8.0%	7.8%
YTD	26.3%	27.3%	25.2%
3 Year	10.2%	11.1%	17.6%
5 Year	6.9%	7.8%	11.2%
10 Year	9.0%	9.9%	13.0%
Since Inception†	8.5%	9.4%	9.4%

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

LOGAN AUM+AUA

Strategy AUM	$45M
Strategy AUA	$129M
Firm AUA	$1,659M
Firm AUM	$2,635M
Total Firm AUM+AUA	$4,294M

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 December 31, 2021

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)
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 (December 31, 2021)

YTD is not annualized

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
YTD	26.3%	27.3%	25.2%
3 Year	10.2%	11.1%	17.6%
5 Year	6.9%	7.8%	11.2%
10 Year	9.0%	9.9%	13.0%
Since Inception†	8.5%	9.4%	9.4%

†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 equal-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.