Logan Concentrated Value

LCV

A BOTTOM UP APPROACH

Q4 | 2022

LOGAN VALUE PORTFOLIOS: LOGAN CONCENTRATED VALUE (LCV) Q4 | 2022 REVIEW[1]

MARKET ENVIRONMENT

The stock market's performance for the year just ended was a play with several acts, many of them unpleasant for many investors. According to Ned Davis Research, 2022 witnessed eight S&P 500 pullbacks of at least 5% and three corrections of at least 10%, which are both about three times the yearly average going back almost one hundred years. For Logan Concentrated Value ("LCV") investors, however, 2022 ended up in a much more pleasant place, with a composite (both gross and net) registering a modest gain for the year. That represented a dramatic outperformance relative to both the broader stock market as measured by the S&P 500 (down -18.1% for the year), and the benchmark Russell 1000 Value Index (down -7.5%). LCV similarly outperformed both those indexes in the fourth quarter, which was the best quarter of the year for equities generally. Indeed, LCV's total return for the fourth quarter was among its best quarters in its 27 year history.

The list of obstacles confronting equity investors during the year seemed endless. To name just a few, there was the war in Ukraine and the derivative consequences stemming from it including volatile oil prices, inflation pressures throughout the economy (with the CPI hitting a forty year high of 9.1%), the continued though lessening impact of Covid, surprising U.S. election results, the fastest Fed rate raising cycle since 1980, and increasing concerns that those rate hikes and higher interest rates generally (e.g., mortgage rates exceeded 7% for the first time in two decades, according to Bloomberg) will lead to a recession.

Looking back at what was being written by many analysts at the end of 2021 about what they foresaw for 2022, one would be hard pressed to see much useful foresight or wisdom. For example, Bank of America had a December 2021 publication that said the investors they surveyed on average forecasted only two rate hikes for 2022. And obviously, Russia's behavior regarding Ukraine was not on anybody's radar screen. Even the Federal Reserve was still in the "inflation is transitory" mindset before undertaking the rate hikes mentioned above starting in March 2022.

As Yogi Berra might say, predictions are hard, especially when they are about the future. That truism is why we do not rely on macro forecasts in our investing methodology. Reading tea leaves of what the Federal Reserve might do regarding interest rate policy may be an intellectually interesting endeavor, but it is likely to be wrong as often as it is to be right. There were several times during 2022 that equity markets rallied when investors assumed the Fed would soon be changing course and take their foot off the monetary tightening peddle. Each time Fed Chairman Jerome Powell subsequently re-emphasized the Fed's intent to stay the course and keep interest rates elevated until they are convinced inflation will be back to their target. The stock market's rally and partial retreat in the fourth quarter was just another act in the play.

Having said all that, we are cognizant of macro oriented risks, though we may not assign much, if any, weight to them given that their probability is far from certain. For

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

example, Bespoke Investment Group put out an analysis that showed in the four prior instances going back to 1962 when the three month Treasury yield was above the 10 year Treasury bond yield by 50 basis points (i.e., one-half of a percentage point) or more for at least 15 days, a recession followed within eight months. Moreover, there seems to be some evidence of a slowing economy, and the Fed's own projections point to a virtually stagnant economy next year. Nevertheless, many of the same economists now projecting a recession were way off the mark last year in their projections. So while their current forecasts may be well reasoned, they are still little more than guesses.

At some point inflationary pressures may subside enough to have the Fed reverse course on interest rates. At that point we would expect equity markets to respond favorably for more than just a fleeting few weeks. However, we do not know when that will be, nor do we know if the economy is destined for a soft landing or a significant recession. Thus, our fallback position is simply to continue investing in large, financially stable, quality companies that can survive well in rough waters, and provide our investors with a handsome dividend yield as we await calmer seas. We believe that quality matters when it matters most. That approach has served us and our investors well for the last quarter century, and we believe it will continue to do so going forward over time.

PORTFOLIO REVIEW

The LCV composite, both gross and net, saw outperformance versus the benchmark Russell 1000 Value Index in the fourth quarter, adding to its year-to-date outperformance (gross and net) versus the benchmark going into the quarter. Of the sectors in which we hold positions, those contributing most to LCV's relative performance were consumer staples, communication services, and information technology. Sectors detracting from relative performance the most were industrials, financials, and energy.

Within the consumer staples sectors, our tobacco holding was the biggest contributor. Third quarter earnings beat expectations, benefiting from increased pricing and a favorable mix shift to smoke-free products. Also during the quarter, the company's tender offer for a Swedish competitor ultimately succeeded. Finally, a prominent sell-side analyst raised his price target for the firm by 12%, noting both the successful tender offer and lower foreign exchange headwinds going forward as catalysts. We believe the acquisition presents a beneficial strategic fit that should serve as a tailwind going forward, and the 5.0% dividend yield as of December 31, 2022 is very attractive.

Within the communication services sector, the biggest contributor was our holding in the world's largest telecommunication company. Third quarter earnings handily beat expectations on higher than expected sales and better than expected profit margins, with management also raising guidance for the full year. The quarterly results showed strong, sustained momentum in customer additions across both its 5G wireless network and its fiber network, with additions of postpaid phone subscribers and fiber broadband subscribers both beating expectations. Management also indicated that they were on track to achieve more than $4 billion of the planned $6 billion in cost-savings run-rate target by the end of the year and said cash flow from operating activities in the quarter gave them confidence in their ability to generate free cash flow of $14 billion for the full-year. Finally, the company will be aiming to reduce its debt burden by monetizing non-core assets. With a year-end 2022 dividend yield of 6.0% and a very favorable 7x P/E ratio, we continue to see the company as an attractive element of the portfolio.

The largest contributor within the information technology sector was our diversified digital communications holding. The company reported earnings that beat expectations as their Enterprise Networking and Cybersecurity segments drove strong growth in the quarter, with management also raising full-year sales guidance. The reported quarter also provided a positive in that orders were down less than expected, especially given underlying macroeconomic headwinds of late. We continue to like the stock given its robust free cash flow generation supporting a solid dividend yield, as well as an attractive forward P/E ratio of only 13x as of December 31, 2022.

The largest detractor within the industrials sector was our multinational shipping holding. The company reported earnings in the third quarter that beat expectations, though sales fell a bit short of expectations. Further, management's outlook and sentiment for the rest of the year carried a cautious tone, which drove the stock's underperformance on the day of the earnings announcement. Later in the fourth quarter, the stock managed to claw back some relative performance due to certain retail macroeconomic data being more positive than feared. While macroeconomic uncertainty can be a drag on performance in the short-run, we see the stock’s attractive valuation, high free cash flow generation, and solid balance sheet as providing a compelling long-term investment profile.

Within financials, one of our bank holdings detracted most in the quarter. The company has been working through a large merger, and expected merger cost savings have been offset by higher core expenses and higher investment spend, particularly technology investment. The company had strong net interest income in the quarter, but saw weaker non-interest income from lower mortgage banking and investment banking activity. Given the cyclical nature of the latter items, as well as the historically better-than-peer credit risk of the two pre-merger entities, combined with our belief that current heightened investment spend is beneficial to the bank’s long-term strategy, we continue to view the bank as an attractive long-term holding. It offers one of the best dividend yields in its peer group, reinforced by an attractive 8.4x forward P/E as measured at year-end 2022.

While both of our holdings within the energy sector saw positive absolute gross performance greater than that of the benchmark, the sector was one of the least positive in terms of relative sector-benchmark performance. This can largely be attributed to the fact that, along with the energy sector's strong performance in the quarter, higher beta and riskier energy companies generally outperformed the higher quality energy companies, such as those held in our portfolio. We believe our higher quality, strong free cash flow generating holdings provide the most attractive risk-adjusted return profile over the long run, and will also provide ample downside protection through periods of turmoil in the energy markets.

PORTFOLIO OUTLOOK

The annual outlook for financial markets is oftentimes a humbling exercise, and 2022 was no exception. As we look to the year ahead, GDP is expected to grow by 0.4% in the United States according to Factset estimates. This does not appear to be a favorable economic backdrop and will certainly weigh on companies’ revenue estimates, regardless of whether or not we enter a global recession. As a result, we believe the market will continue to direct its attention towards quality companies that can adapt to difficult market conditions. Logan Concentrated Value is invested entirely in large cap companies that are relatively conservatively capitalized and provide attractive dividend yields; and we go to great lengths to assess that our portfolio’s dividends are well-supported by company cash flows. Given that policymakers are expected to continue raising short term rates into 2023 to combat inflationary pressures - and rates could very well remain elevated for some time - we believe a continued focus on quality, cash flows, and fundamentals is the soundest path to follow.

We see the challenging macroeconomic landscape as an opportunity that is awarding us with attractive investment options, and take comfort in the Portfolio’s underpinning valuation levels, which at December 31, 2022, offered a dividend yield of 3.8% and a P/E ratio on next twelve month’s earnings of 12.9x (based on Factset estimates). This compares favorably to the Russell 1000 Value index, which had a yield of 2.2% and a forward P/E ratio of 22.8x at quarter-end.

We 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 does 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 Consumer Price Index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies.

Logan Capital Management, Inc.
Performance Disclosure Results
Concentrated Value Composite
December 31, 1995 through December 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)
2022	4.2%	5.1%	-7.5%	27	0.6%	21.1%	21.6%	0.3	$11	0.5%	$2,261
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%	38	0.2%	11.1%	10.8%	0.6	$13	0.9%	$1,431
2017	13.7%	14.7%	13.7%	41	0.1%	12.1%	10.2%	1.0	$15	1.0%	$1,590
2016	17.7%	18.8%	17.3%	53	0.3%	12.5%	10.8%	0.8	$18	1.3%	$1,401
2015	3.9%	4.7%	-3.8%	53	0.2%	11.9%	10.7%	0.9	$17	1.3%	$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, 2022)

YTD is not annualized

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
YTD	4.2%	5.1%	-7.5%
3 Year	5.4%	6.2%	6.0%
5 Year	5.1%	5.9%	6.7%
10 Year	8.6%	9.5%	10.3%
Since Inception†	8.3%	9.2%	8.7%

†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 measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios and lower sales per share historical growth (5 years). The Russell 1000 Value Index is constructed to provide a barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. 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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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.

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 09/16/22, Logan Capital hired Managing Director Dan Gruemmer, CFA to assist in portfolio management of the Logan Concentrated Value strategy.

Logan Capital Management, Inc.
Performance Disclosure Results
Concentrated Value Wrap Composite
December 31, 1996 through December 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)
2022	2.3%	5.3%	-7.5%	9	0.2%	21.2%	21.6%	0.3	$3	0.1%	$2,261
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2020	-12.9%	-10.3%	2.8%	16	0.2%	19.2%	19.6%	-0.1	$4	0.2%	$2,240
2019	16.9%	20.4%	26.5%	27	0.3%	11.7%	11.9%	0.6	$8	0.4%	$2,050
2018	-9.6%	-6.9%	-8.3%	23	0.3%	11.1%	10.8%	0.7	$5	0.4%	$1,431
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2016	15.6%	19.0%	17.3%	28	0.1%	12.5%	10.8%	0.8	$8	0.6%	$1,401
2015	1.8%	4.9%	-3.8%	27	0.1%	11.9%	10.7%	0.9	$7	0.5%	$1,398
2014	2.9%	6.0%	13.5%	38	0.2%	9.1%	9.2%	1.7	$12	0.7%	$1,816
2013	19.9%	23.5%	32.5%	44	0.1%	9.7%	12.7%	2.1	$26	1.2%	$2,061
2012	6.3%	9.4%	17.5%	58	0.4%	12.6%	15.5%	1.3	$28	1.5%	$1,932

Annualized Returns (December 31, 2022)

YTD is not annualized

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
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Since Inception†	5.8%	9.0%	8.2%

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