

### LOGAN DIVIDEND PERFORMERS BALANCED PORTFOLIOS Q2 | 2023 REVIEW<sup>1</sup>

#### MARKET ENVIRONMENT

Stocks continued their upward momentum in the second quarter, supported by strong labor markets and wage growth that has kept consumers busy shopping, keeping a feared recession at bay. In addition, the Federal Reserve, after raising rates ten times, decided to pause its monetary tightening to see if the current medicine is enough to bring stubborn inflation metrics down. While the prospect for rate cuts has been pushed out, investors have generally become more optimistic regarding the underpinnings of the market. However, economic conditions have weakened in some areas as jobless claims and layoffs are rising and the PMI (S&P Global Purchasing Managers' Survey Index) has fallen throughout the year. This should be no surprise as higher interest rates, tightening credit conditions and the impending end of student loan repayment moratoriums are adding to consumer headwinds.

Similar to the last quarter, market performance in the second quarter was narrowly focused on a small group of mega-cap stocks. These stocks are mainly in the information technology, consumer discretionary and communication services sectors. While the S&P 500 Index is up mid-teens for the year, the equal-

weighted version of the Index is up only mid-single-digits, a nearly ten percentage point difference. In fact, just seven names accounted for over 60% of the quarterly return of the S&P 500 Index and a stunning over 70% of the return year-to-date. This is while steadier growth sectors, such as health care and utilities, are negative year-to-date. Investors appear to have given these mega-cap stocks a stamp of invincibility amongst all the recession angst. The advent of Generative AI is the latest headline that has most likely added to the intense focus on these names.

Switching to fixed income, the Federal Reserve increased the federal funds rate 25 bps (a basis point is one-hundredth of a percentage point) in May. However, after increasing rates for ten consecutive meetings, the Federal Reserve paused in June. The June press release indicated the pause would allow for assessing additional information while referencing the potential lagged effects of the significant policy actions already implemented. Following the June meeting, Chairman Powell communicated the US may still need additional increases in 2023. The Federal Reserve's June Summary of Economic Projections showed an improvement in expected

2023 GDP and unemployment metrics. 2023 inflation projections remained above the longer term 2% target. The strategy's fixed income benchmark posted a negative quarterly return as bond yields increased. The benchmark 10-year US Treasury continues to trade with some volatility given the uncertainty related to the fight to control inflation and the impact of policy actions on the economy. The yield curve remains inverted and a potential concern as historically many yield curve inversion periods have preceded an economic recession. The target range for the federal funds rates is now 5.00% - 5.25%. During the quarter, the benchmark 10-year US Treasury yield increased from 3.47% to 3.84%. The strategy's fixed income benchmark, the Bloomberg Barclays Intermediate U.S. Government/Credit Index, was down -0.81% during the quarter, while the Bloomberg Barclays US Aggregate index was down -0.84% (yield and index information sourced from Bloomberg).

#### PORTFOLIO REVIEW

The Logan Dividend Performers Balanced strategy underperformed its benchmark in the second quarter of 2023. The benchmark's performance was narrowly focused on a small number of mega-cap

<sup>1</sup>Dividend Performers Balanced results discussed herein should be read in conjunction with the attached performance and disclosures

stocks that typically reside in the information technology, consumer discretionary or communication services sectors. As mentioned above, most of the benchmark performance in the quarter was derived from seven names. Notably, while these are profitable companies with wide moats, many do not pay dividends never mind grow their dividends. This dynamic is very different from last year when market performance was dominated by more predictable growth sectors such as consumer staples and health care as well as energy. Given the volatility that has driven market dynamics over the past year and a half, it is worth noting that from the peak of the market at the end of 2021 through the second quarter of 2023, benchmark performance is still negative. During this period, Logan Dividend Performers has outperformed by over 100 basis points, pointing to its more durable characteristics. Importantly, it should also be noted that performance in the quarter was similar to dividend growth-related benchmarks and peers.

Our best performing sectors during the quarter were financials, materials and real estate. Our financial sector performance was positive in the quarter in what has been a challenging year for banks. Our selection and allocation effects were positive. We diversified away from banks earlier in the year, mitigating the impact on our portfolio. Our choice of diversified financials have been a positive factor recently. In the case of real estate and materials, we also showed good stock selection. These are smaller sectors for the benchmark, so modest differences in stock selection or weights can make a significant impact. Notably, our real estate holding, a data center operator, was helped by strong demand for data and this will only be magnified by the increased use of Generative AI. Our sector exposure continues to be driven by our

bottom-up fundamental analysis of our universe of companies that have consistently increased their dividends for at least five consecutive years. While short-term volatility can lead to quarterly volatility in performance, over the long run, dividend growth has consistently been a good predictor of stock performance.

On the negative side, our worst performing sectors were consumer discretionary, health care and communication services. Since the emphasis in the quarter was on longer duration, mega-cap growth stocks, it is not a surprise that more consistent growth sectors such as health care underperformed. Health care stocks have been mixed this year as the return to normalcy after the pandemic has been hard to predict. In particular, life science equipment manufacturers have been weak in addition to medical care organizations. Our underweight in the consumer discretionary sector in non-dividend paying mega-cap stocks was a big drag as was owning global retail-exposed names. China continues to struggle with restarting their economic engine after COVID and US consumers are starting to feel the pinch of tighter government policies.

During the quarter, we increased our exposure to retail brokers within financials as we see continued growth from wealth generation in the US and abroad. Animal health has been another area of recent emphasis in the portfolio as people now tend to view their pets as another member of the family in need of similar health care. We think there are still opportunities to benefit from the return to work trend so we added to global service companies. Within information technology, we trimmed larger positions for risk-related purposes and added a new position in

the semiconductor industry. Lastly, we added to industrials as it appears that a deep recession is less likely, leading to a more positive view of this sector.

Conversely, we trimmed our exposure to names in consumer staples which had reached our price objectives as investors tended to favor these names to prepare for a potential recession. While the higher end consumer appears in good shape at this point in the cycle, the lower end has likely burned through their post-COVID savings cushion and now faces the return of college loan payments. We reduced exposure to this cohort within our consumer staples weighting as well.

Related to fixed income performance, the fixed income portion of the portfolio posted a negative return for the quarter. Allocation contributed to fixed income performance driven by the strategy's overweight position in corporate bonds as that asset class relatively outperformed within the benchmark. Conversely, selection within corporate bonds resulted in a negative influence on performance as the strategy's corporate bonds underperformed the benchmark corporate bond return.

## PORTFOLIO OUTLOOK

We believe the economy remains in the midst of a historic reset from the pandemic with the Fed continuing to unleash its key tightening tool, interest rates. Credit is tightening, liquidity is contracting, and many consumers are feeling the bite of higher interest rates in more places. Chairman Powell appears ready to raise rates further and maintain them higher for longer as the labor markets remain strong and inflation, while no longer rising, remains persistently above target. This is likely to impact lower income

consumers more so as pandemic savings cushions are largely used up and now student loan repayments are set to resume. Highly indebted sectors of the economy will feel the pain of re-financing at higher rates with greater credit scrutiny which could lead to a credit crunch. Still, consumer confidence has been resilient in the face of these challenges with some of that due to stock market strength. Higher income consumers are more protected from higher rates and still have a savings cushion. This has led to strength in areas like consumer services and travel (post-pandemic pent-up demand). Yet, it's hard not to look to some of the growth pillars of the last few years for answers to the durability of this economy. This would include cloud, digitalization, electrification and now we can add Generative AI to the mix. Overall, it appears as though the strong labor markets and generally less bad conditions are likely to lead to only a modest recession in economic growth and earnings, but there will be wide disparities.

In this uncertain environment, investors have turned heavily to mega-cap information technology and social media names for a source of growth and defensive earnings. Valuation for some are reaching highs not seen since the dot-com area in terms of relative price-to-sales. At the same time more durable growth, defensive sectors such as utilities and health care have become more attractive versus long-term valuation metrics as they have significantly lagged the performance of the S&P 500 Index. Steadier growth, defensive indices such as the Nasdaq Dividend Achievers Index have become historically cheap again. This high-quality group of dividend growth stocks is trading near historically low price-earnings versus the S&P 500 Index, offering up, in our view, another opportunity for investors to own these

dividend compounders at attractive valuations.

Market performance for the second half rests, in our view, on how persistent current inflation is and how determined the Fed is to act against it. We think current conditions are still possible for domestic markets to manage, and another rate increase is not likely to be the straw that breaks the back of consumers. The typical consumer is still in good shape and interest rates are not that high from a historical perspective. Our preference is to look towards an end to the tightening cycle and for opportunities offered up by the market volatility. Risk of a deeper earnings recession is a consideration, but in many cases, this is being baked into estimates and valuations already. With many elements of market friction in play, a modest gain from here, similar to historical averages, is probably the most likely scenario. Notably, we think the mega-cap rally is stretched and investors should prefer cheaper, high quality, dividend growth stocks with predictable cash flow and earnings growth in this environment. Typically, lower return markets depend more on dividends to drive a larger portion of the total return. We remind clients the power of compounding dividends is one of the most formidable in historical return results and dividend stocks tend to outperform in times of challenged economic growth. Once again, sticking to our dividend growth focus should be a winning formula in 2023.

In this uncertain environment, bonds could perform well and provide potential diversification benefits as investors seek to meet their investment objectives. The Logan Dividend Performers Balanced portfolio provides the potential for growth, income and stability by combining high quality dividend growth stocks with

higher quality fixed income investments.

*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.*

*Purchasing managers' indexes (PMI) are economic indicators derived from monthly surveys of private sector companies. The three principal producers of PMIs are the Institute for Supply Management (ISM), which originated the manufacturing and non-manufacturing metrics produced for the United States, the Singapore Institute of Purchasing and Materials Management (SIPMM), which produces the Singapore PMI, and the Markit Group, which produces metrics based on ISM's work for over 30 countries worldwide. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment*

environment.

The Standard & Poor's 500 (S&P 500) Index is a free-float weighted index that tracks the 500 most widely held stocks on the NYSE or NASDAQ and is 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.

Bloomberg Barclays Intermediate US Government/Credit Index includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years. The returns published for the index are total returns, which include reinvestment of dividends.

The Bloomberg Barclays US Aggregate Bond Index, or the Agg, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.

Neither Asset Allocation nor Diversification guarantee a profit or protect against a loss in a declining market. They are methods used to help manage investment risk.

Portfolio holdings are subject to change without notice. All recommendations are based upon our experience and may or may not have been profitable in the past, now or in the future.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks, including changes in credit quality, liquidity, prepayments, and other factors. REIT risks include changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer.

The Nasdaq Dividend Achievers Index is part of the part of the Nasdaq Dividend and Income Index Family. The index tracks a group of over 150 stocks that have a history of increasing dividends for at least 10 consecutive years and meet certain liquidity requirements.

Year	60 % S&P										
	Total Return		60 % S&P	Number of	Composite	Composite 3-	500/40% Barclays		Assets in	% of Firm	Firm Assets
	Total Return	Pure Gross of	500/40%				Dispersion	Int. Gov't Credit			
	Net of Fees	Fees	Barclays Int. Gov't Credit	Accounts	Gross of Fees	Yr Gross Std Dev	3-Yr Gross Std Dev	Yr Gross Sharpe Ratio	Composite (\$millions)	Assets	(\$millions)
YTD 2023	3.6%	5.1%	10.6%	385	N/A	11.2%	11.9%	0.6	\$161	6.8%	\$2,373
2022	-11.1%	-8.5%	-13.7%	368	0.3%	12.8%	13.5%	0.3	\$142	6.3%	\$2,261
2021	12.3%	15.7%	15.9%	374	2.0%	10.4%	10.6%	1.4	\$172	6.5%	\$2,635
2020	5.3%	8.4%	14.3%	375	0.5%	10.2%	11.2%	0.9	\$146	6.5%	\$2,240
2019*	18.8%	22.0%	21.3%	347	0.0%	6.2%	7.1%	1.8	\$144	7.0%	\$2,050
2018	-0.3%	2.8%	-2.0%	893	0.0%	5.8%	6.3%	1.2	\$250		
2017	10.5%	13.9%	13.6%	1112	1.3%	5.8%	5.8%	1.0	\$323		
2016	3.6%	6.8%	8.1%	1047	0.6%	6.1%	6.3%	0.6	\$279		
2015	-3.8%	-0.9%	1.5%	1051	0.3%	6.2%	6.3%	1.1	\$273		
2014	3.1%	6.3%	9.4%	1117	0.6%	5.5%	5.5%	0.2	\$324		
2013	13.2%	16.7%	18.1%	1270	0.2%	7.4%	7.2%	0.1	\$363		

Annualized Returns (June 30, 2023)

YTD is not annualized

Year	Total Return		60 % S&P 500/40%
	Total Return Net of Fees	Pure Gross of Fees	Barclays Int. Gov't Credit
YTD	3.6%	5.1%	10.6%
1 Year	5.5%	8.6%	11.8%
3 Year	4.4%	7.5%	7.9%
5 Year	5.4%	8.5%	8.2%
10 Year	4.5%	7.7%	8.4%
Since Inception <sup>†</sup>	3.9%	7.0%	7.6%

<sup>†</sup>Inception 12/31/02

\*Logan Capital data starts 02/01/19

N/A – Data is not available for time period.

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



Logan Dividend Performers Balanced Wrap Composite contains fully discretionary dividend performers balanced accounts, measured against a blended index of 60% S&P 500 and 40% Bloomberg Intermediate Government/Credit. You cannot invest directly in an index. The S&P 500 Index seeks to reflect the risk and return of all large cap companies and is also used as a proxy for all of the total stock market. It tracks the 500 most widely held stocks on the NYSE or NASDAQ and is widely regarded as the best single gauge of large-cap U.S. equities. The Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity. The index includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities. The blended benchmark selected is rebalanced monthly and 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.

60% of the strategy invests in US securities with a market capitalization over \$2 billion at time of purchase. A small portion of the strategy (<15%) can be invest in ADR's. Turnover is low, typically under 35% and holdings range between 35 to 50 equity positions and 6 to 14 fixed income positions. 40% of the strategy invests in investment grade notes and bonds with a short to intermediate-term duration. Only accounts paying wrap fees are included. There is no minimum account size for this composite currently, but prior to April 1, 2009 there was a \$100,000 asset minimum required to be included in the strategy.

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, 2022. 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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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. Accounts in the composite pay a bundled wrap fee based on a percentage of assets under management. Other than portfolio management, this fee includes brokerage commissions, portfolio monitoring, consulting services, and in some cases, custodial services. Wrap fee accounts make up 100% of the composite for all periods shown. Pure gross returns are shown as supplemental information, as gross returns are not reduced by transaction costs. Net returns are calculated by geometrically linking monthly gross returns reduced by the highest wrap fee (3% annually). 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.

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. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Total annual fees charged by wrap sponsors are generally in the range of 2.0% to 3.0% annually.

The Logan Dividend Performers Balanced Wrap Composite was created February 1, 2019. Performance presented prior to February 1, 2019 occurred while the original members of the Portfolio Management Team were affiliated with a prior firm and those Portfolio Management Team members were the only individuals primarily responsible for selecting the securities to buy and sell.