

## LOGAN VALUE PORTFOLIOS: LOGAN VALUE (LV) Q3 | 2024 REVIEW<sup>1</sup>

### MARKET ENVIRONMENT

In the third quarter of 2024, the market saw a notable shift, with value stocks outperforming growth stocks. The Russell 1000 Value benchmark was up 9% in the quarter, compared to the Russell 1000 Growth index's 2% return. Logan Value (LV) finished the quarter with returns that were competitive compared to its Russell 1000 Value benchmark on a net performance basis. LV remains ahead of its benchmark year-to-date and over the longer-term 3-year period.

The third quarter brought both an increase in volatility in equity markets and new record highs for the S&P 500 and the Russell 1000 Value indices. In addition to growth stocks underperforming value stocks, there was also a retraction of excitement surrounding A.I.-related stocks, many of which underperformed the S&P 500. By contrast, the Utilities and Financials sectors showed broad strength, helping to lead the Russell 1000 Value index on its

march higher during the quarter.

Interest rate dynamics also played a significant role this quarter. The Federal Reserve implemented a 50 basis point cut in September, following the longest period in several decades of holding rates at relative highs in the interest rate cycle. The interest rate cut was supported by what has generally been a continued downward trend in average inflation levels, though the decline in inflation is certainly not a given.

While the broader market grappled with uncertainty during the quarter, the environment underscored the importance of investing in high-quality, financially stable companies. Our portfolio, as always, is focused on free-cash-flow-generative businesses with solid balance sheets and strong market positions. This approach has served us well as evidenced by our returns over the last several years.

### PORTFOLIO REVIEW

Of the sectors in which we hold positions, those that detracted most from LV's relative performance were energy, industrials, and health care. Sectors that contributed the most to relative performance were consumer staples, information technology, and communication services.

The largest detractor within the energy sector was our London-headquartered multinational oil and gas company. The company reported earnings that beat expectations, but weakness in underlying energy commodity prices during the quarter weighed on the stock. We were pleased with the company's eleventh consecutive share buyback announcement of greater than \$3 billion, which continues to show a strong commitment to returning capital to shareholders. Further, the company's 14% free cash flow yield and 4.2% dividend yield (as of September 30, 2024) illustrate the outstanding fundamentals the stock

<sup>1</sup>LOGAN VALUE results discussed herein should be read in conjunction with the attached performance and disclosures

offers within the portfolio.

The largest detractor within the industrials sector was our multinational shipping holding. The company reported earnings in the quarter that missed expectations as they saw a shift by customers to lower margin products. While the company may need some time to work through mix-shift headwinds and rationalize the business to a more optimal cost structure, we are confident that efficiency measures underway will provide tailwinds to margins going forward. The company's return to domestic volume growth, along with its 4.9% dividend yield and 16x forward estimated earnings multiple as of September 30, 2024, presents what we believe is an attractive risk/reward opportunity.

Our New Jersey-headquartered pharmaceutical holding was the largest detractor within the health care sector. While earnings for the quarter were ahead of expectations, management guided for its full-year outlook to be weaker than expected, and noted weakness from China regarding its HPV vaccine sales in the country. We believe the reaction in the quarter was overdone, as its scale was irrationally sized relative to the market for the vaccine in China. The company has a high-returns business with a promising portfolio of drugs and vaccines, with a stock trading at only 13.4x forward estimated earnings as of

September 30, 2024.

The largest contributor within the consumer staples sector was our tobacco holding. The company reported earnings in the quarter that beat expectations, as product volumes were strong, most notably from the company's blockbuster nicotine pouch products. Management also raised earnings guidance for the full year on the quarterly call, on increased expectations for volume growth going forward. The stock continues to be an appealing holding in the portfolio, with strong returns on capital, solid growth prospects, and a 4.5% dividend yield (as of September 30, 2024).

Our information technology solutions and services holding was the largest contributor within the information technology sector. The company reported revenue and earnings for the quarter that beat expectations, with software growth stronger than anticipated and artificial intelligence business continuing to gain traction. The stock continues to look attractive relative to its sector, with a 3% dividend yield (as of September 30, 2024) supported by a solid 6% free cash flow yield.

The largest contributor within the communication services sector was our telecom holding. The company has continued to deliver on its free cash flow promises, assuaging investors' prior

doubts, which had put the stock at especially depressed valuation levels just a year ago. While the stock has done very well since then, we continue to see management's strong execution, reduction of debt levels, and increasing propensity for future share buybacks as key components of the thesis. Further, the stock offers a 5.1% dividend yield (as of September 30, 2024), which is backed by a whopping 13% free cash flow yield.

#### PORTFOLIO OUTLOOK

As we close the third quarter of 2024, several key economic indicators point to a heightened risk of a slowdown in the U.S. economy. While the unemployment rate still sits near historically low levels, many were quick to note a recent triggering of the so-called "Sahm rule", occurring when the three-month moving average of the unemployment rate moves up at least half a percentage point from its recent low. The rule has had a strikingly high correlation with recessionary periods in the past. While trying to predict moves in the macro economy - much less the stock market - generally proves to be a fool's errand, we view the recent increase in volatility and uncertainty overlaid with recent record market highs as further evidence of why it pays to avoid the temptation to speculate and instead remain invested for the long run in a portfolio of stable, high-quality companies.

Logan Value is invested in free cash flow generative companies with strong balance sheets, sizeable margins of safety, and discerning capital allocation policies, which we find to be a compelling recipe through any market environment. The LV portfolio offers a dividend yield of 3.4% and a P/E ratio on the next twelve month's estimated earnings of 15.3x (based on Factset estimates) as of September 30, 2024. This compares favorably to the Russell 1000 Value index, which had a yield of 1.8% and a forward P/E ratio of 16.7x 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. Forwardlooking 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 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.*

*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 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 VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. Often referred to as the fear index or the fear gauge, it represents one measure of the market's expectation of stock market volatility over the next 30-day period.*

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 2024	15.1%	15.9%	16.7%	6	N/A	15.3%	16.7%	0.4	\$15	0.6%	\$2,783
2023	1.2%	2.1%	11.5%	4	N.M.	15.5%	16.7%	0.5	\$9	0.4%	\$2,451
2022	1.7%	2.5%	-7.5%	6	N.M.	20.0%	21.6%	0.4	\$12	0.5%	\$2,261
2021	24.1%	25.3%	25.2%	7	0.4%	18.0%	19.3%	0.9	\$13	0.5%	\$2,635
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	0.4%	11.3%	11.9%	0.8	\$10	0.5%	\$2,050
2018	-7.3%	-6.3%	-8.3%	5	0.2%	10.1%	10.8%	0.7	\$4	0.3%	\$1,431
2017	15.3%	16.4%	13.7%	6	0.3%	10.0%	10.2%	1.0	\$8	0.5%	\$1,590
2016	15.1%	16.3%	17.3%	6	0.2%	10.5%	10.8%	0.8	\$6	0.5%	\$1,401
2015	-2.1%	-1.2%	-3.8%	5	0.2%	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

Annualized Returns (September 30, 2024)  
YTD is not annualized

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 1000 Value Index
YTD	15.1%	15.9%	16.7%
1 Year	24.6%	25.8%	27.8%
3 Year	8.6%	9.6%	9.0%
5 Year	9.6%	10.6%	10.7%
10 Year	8.5%	9.5%	9.2%
Since Inception <sup>†</sup>	5.7%	7.3%	7.6%

<sup>†</sup>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 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 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.

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, 2023. 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. 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.

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.