LOGAN VALUE PORTFOLIOS: LOGAN VALUE (LV) Q4 | 2024 REVIEW[1]

MARKET ENVIRONMENT

The fourth quarter of 2024 saw a surge of exuberance following the U.S. presidential election, although that enthusiasm seemed to be tempering in the last few weeks of the quarter. With this has come the return of speculation and dominance of growth stocks, as can be seen in the relative performance of the growth and value indices. Specifically, the Russell 1000 Growth Index advanced by 7%, while the Russell 1000 Value Index declined by 2%. Moreover, in December, the Russell 1000 Value Index saw a record 14-day losing streak. Despite these headwinds, the Logan Value (LV) portfolio posted a solid 13% return for the year.

As with any period of exuberance, it is not without some valid underpinnings: the prospects of lower corporate tax rates, deregulation, and less pressure against merger and acquisition activity can all provide tailwinds to stock valuations. But problems can arise when the market begins pricing in a near-certain probability that everything will go just right, and many participants begin believing that prices can only go in one direction: up. In addition, some companies with ties to artificial intelligence or cryptocurrency are now seeing valuation metrics reminiscent of the dot-com bubble era. Fortunately, such disconnects between fundamentals and stock prices can create opportunities for us, as some others with a speculative bug and a fear of missing out swarm around already sky-high valuations in the latest fad. We see some excellent companies that have been left behind with very attractive risk/reward profiles.

As always, we maintain a disciplined process, focused on quality companies with strong balance sheets and prudent capital allocation trading at sensible valuations.

PORTFOLIO REVIEW

Of the sectors in which we hold positions, those that detracted most from LV’s relative performance were consumer staples, health care, and energy. Sectors that contributed the most to relative performance were financials, materials, and industrials.

The largest detractor within the consumer staples sector was our multinational confectionery, snack, and beverage holding. The stock underperformed primarily due to cocoa - a key input commodity for the company - seeing a 45% price spike during the quarter. The cocoa price spike was driven by weather disruptions in West Africa, a region that serves as a major supplier. We see the input price disruption as a transitory event that is not uncommon in commodity markets in general. Further, we see the company's 6.3% combined shareholder yield (as of December 31, 2024) as especially attractive for a consumer staples company with such a strong portfolio of brands.

The largest detractor within the health

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

care sector was our health insurance, retail, and pharmacy holding. The company reported earnings in the quarter that were largely in-line with expectations. However, the stock underperformed in the quarter due to a few external factors. First, the health care sector as a whole saw broad underperformance in the quarter. Second, rising tensions around healthcare costs, insurance regulations, and market consolidation put pressure on many health insurance and pharmaceutical stocks. And third, the dominance of headlines surrounding the murder of the CEO of a major U.S. health insurance provider added to negative sentiment within the health care space. We see the stock’s P/E multiple on estimated earnings of less than 8x, and its estimated forward free cash flow yield of better than 12% (as of December 31, 2024) as illustrative of the fact that the risks surrounding the company’s industry are priced in, and the company maintains a portfolio of attractively-positioned assets with a range of opportunities to re-rate the stock going forward.

Our Houston-headquartered oil and gas exploration and production company was the largest detractor within the energy sector. The company reported earnings in the quarter that beat expectations, and also significantly increased its share repurchase authorization. However, the stock was pressured by underperformance of the energy sector as a whole, given growing concerns by investors around the strength of the global economy. We believe the stock's present 8% free cash flow yield (as of December 31, 2024) for a company with a strong balance sheet and high returns on capital provides a compelling risk/reward profile for investors.

The largest contributor within the financials sector was our San Francisco-based bank holding. Two key events drove the stock's outperformance in the quarter. First, the company reported quarterly earnings that beat expectations, partly on better than expected investment advisory and investment bank fees. The company also reported expenses that were better than expectations, and completed share repurchases equivalent to an impressive 1.8% of its market capitalization in the quarter. The second key event for the stock was the presidential election outcome, which generally boosted share prices for large U.S. banks. This came as investors anticipated the new administration providing an environment of diminished regulation, reduced corporate tax rates, and other potential macroeconomic tailwinds that could benefit the banking sector.

The largest relative contributor within the materials sector was our multinational chemicals company. Earnings for the quarter came in better than expected, driven largely by stronger than expected operating margins. While the stock was down in the quarter on an absolute basis, our portfolio was underweight the negative-performing materials sector relative to our benchmark, the Russell 1000 Value. This underweight of the materials sector as a whole contributed very positively to our overall performance relative to the benchmark.

The largest contributor within the industrials sector was our industrial automation holding. Outperformance came as the company reported sales and earnings in the quarter that beat expectations, and also provided guidance for the coming year that was better than expected. We were also pleased to see the company report free cash flow in the quarter that surpassed expectations by a significant margin. This strong free cash flow generation further supports the company's attractive dividend and share repurchase policy, with a combined shareholder yield of 4.6% as of December 31, 2024.

PORTFOLIO OUTLOOK

As we head into the new year, the U.S. markets and economy are displaying signs of optimism and resilience mixed with trepidation and emerging challenges, with the latter being especially on display in the last few weeks of the year. By some metrics, the consumer continues to appear strong and consumer confidence remains above the lows of a couple years ago, but signs of strain have materialized. While unemployment is still low, it has been trending upward from 2023's historic lows. Delinquency rates on credit cards, auto loans, and commercial mortgage-backed securities have surged, and the U.S. Conference Board Leading Economic Index dropped precipitously throughout the year. At the same time, the 10-year Treasury yield rose by roughly one percentage point since September when the Fed started cutting short-term rates, indicating potential concern about growing deficits and coming inflationary pressures.

In this environment, we believe it's even more important to emphasize that focusing on fundamentals and valuation is crucial. Growth- and speculative-oriented assets have seen inflated valuations, with the P/E ratio on forward estimated earnings of the S&P 500 climbing to a lofty 22x multiple, a level rarely seen, and one that would historically imply significantly diminished expected returns over the coming years. The LV portfolio, by contrast, holds a diversified mix of quality, free-cash-flow-generative companies with strong balance sheets, and trades at just 14.6x its forward estimated earnings while also offering a dividend yield of 3.6%. Compared even to the valuation metrics of the Russell 1000 Value index, the LV portfolio wins out, with the index's P/E ratio of 16.2x and dividend yield of 1.9% as of December 31, 2004.

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 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.

Logan Capital Management, Inc.
Performance Disclosure Results
Value Composite
September 30, 2000 through December 31, 2024

LV

Year	Total Return Net of Model 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)
2024	10.4%	13.7%	14.4%	6	N.M.	15.0%	16.9%	0.1	$12	0.4%	$2,753
2023	-0.9%	2.1%	11.5%	4	N.M.	15.5%	16.7%	0.5	$9	0.4%	$2,451
2022	-0.5%	2.5%	-7.5%	6	N.M.	20.0%	21.6%	0.4	$12	0.5%	$2,261
2021	21.6%	25.3%	25.2%	7	0.4%	18.0%	19.3%	0.9	$13	0.5%	$2,635
2020	-2.8%	0.2%	2.8%	4	N.M.	18.3%	19.6%	0.2	$8	0.3%	$2,240
2019	21.7%	25.3%	26.5%	5	0.4%	11.3%	11.9%	0.8	$10	0.5%	$2,050
2018	-9.1%	-6.3%	-8.3%	5	0.2%	10.1%	10.8%	0.7	$4	0.3%	$1,431
2017	13.0%	16.4%	13.7%	6	0.3%	10.0%	10.2%	1.0	$8	0.5%	$1,590
2016	12.9%	16.3%	17.3%	6	0.2%	10.5%	10.8%	0.8	$6	0.5%	$1,401
2015	-4.1%	-1.2%	-3.8%	5	0.2%	10.7%	10.7%	1.2	$4	0.0%	$1,398

Annualized Returns (December 31, 2024)
YTD is not annualized

Year	Total Return Net of Model Fees*	Total Return Gross of Fees	Russell 1000 Value Index
YTD	10.4%	13.7%	14.4%
3 Year	2.9%	6.0%	5.6%
5 Year	5.2%	8.4%	8.7%
10 Year	5.7%	8.9%	8.5%
Since Inception†	4.0%	7.1%	7.5%

†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.

Net fee includes the maximum 3% fee required by the SEC for wrap programs.

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. Includes accounts paying both wrap and commission fees. Prior to October 1, 2024, the composite only included 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, 2024. 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. Some 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. As of December 31 for each year noted, the percentage of composite assets charged a wrap fee were (2015 0%, 2016 0%, 2017 0%, 2018 0%, 2019 0%, 2020 0%, 2021 0%, 2022 0%, 2023 0%, 2024 10.9%). Pure gross returns for accounts paying a wrap fee are shown as supplemental information as they do not reflect the deduction of any fees or transaction costs. Net returns are calculated by geometrically linking monthly gross returns reduced by the highest wrap fee (3% annually). Net returns shown prior to October 1, 2024 were calculated net of actual investment management fees & actual trading expenses. Gross returns for non-wrap accounts include investment management fees and have been reduced by transaction costs; net returns have been reduced by management fees and transaction costs. 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.