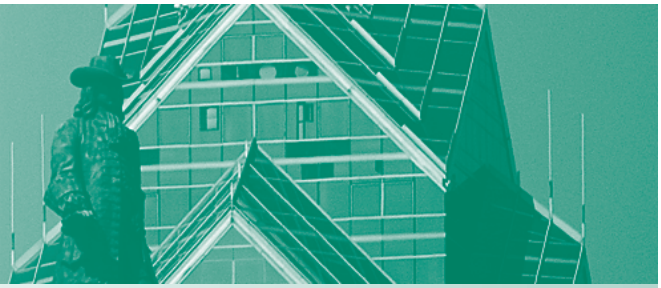
Logan Capital



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Logan Concentrated Value ("LCV"): 3rd Quarter Review[a]

The third quarter held a fair share of financial drama, though in the end equity prices finished not far from where they started with the S&P 500 finishing the quarter up +1.7%. For the first time this year value stocks and growth stocks produced overall results not noticeably different from one another, though how long that lasts is anybody's guess. The Russell 1000 Value and Russell 200 Value indexes were both up approximately +1.4%, while the LCV composite registered a gross return of +1.5% (+1.3%, net).

Looking back at the quarter, a number of things stood out to us. Among them was another Fed discount rate cut (its second after not having cut rates since December 2008), even though the economy does not appear to be nearing a recession. The Fed's action seemed at least partially a response to interest rates worldwide continuing to decline, as more than $15 trillion dollars of sovereign debt across the globe now carry negative interest rates. Were the Fed to keep rates unchanged, the dollar would likely strengthen further, thereby risking diminishing foreign demand for U.S. products and services. The Fed is also concerned about tariffs (both those already imposed and potentially new tariffs) and the impact they may have on businesses and consumers. Similarly, the on-again, off-again talks with China on trade policy also casts a cloud of uncertainty as businesses try to plan for different scenarios. Taken in that context, the Fed has to an extent tried to take out an insurance policy.

In addition, with longer-term U.S. treasury yields declining again in the quarter, concerns about the inverted yield curve likely also impacted the Fed's thinking. (An inverted yield curve occurs when short term interest rates exceed yields on longer term bonds). Specifically, the 10-year treasury yield dropped to 1.7% at the end of the quarter, down from 2.0% at the end of the second quarter. Consequently, if the Fed did not react and cut interest rates (target rate for Fed funds is now 1.75% to 2.0%), the possibility of an extended period of yield curve inversion might loom, which historically has been a pre-cursor to recessions.

We would also mention three other items of note in the quarter. Those would be the heating up of the 2020 Presidential election campaign, the bombing strike of Saudi Arabia's oil facilities and the beginning of an impeachment inquiry of President Trump by the U.S. House of Representatives. With regard to the election, rhetoric concerning all kinds of topics from health care and drug pricing to increased taxes and regulation seemed to randomly impact certain stocks on certain days, as did daily tweets from the Oval Office. Nevertheless, we would categorize most of that rhetoric as noise and put it aside. As for the strike on the Saudi oil fields, oil prices initially rose sharply, but then retreated as it appeared most of the impact on oil prices could be dealt with through repairs of the damaged facilities and with existing inventories. By the end of the quarter, oil prices had settled down not far from where they started the quarter. However, while political unrest in the Middle East is the norm not the exception, it would seem that the risk profile of oil prices has

[a] *LCV results discussed herein should be read in conjunction with the attached performance and disclosures.*

further increased as the potential political/military dangers are now more concrete. Regarding the impeachment inquiry, the path is unknown but currently the market does not seem overly concerned.

We are often asked about the interplay of growth and value stocks, and when the dominance of growth over value that has transpired over the last number of years will reverse. The short answer is – we do not know. However, conceptually we tend to believe that if the economy appears to be picking up steam, and if interest rates begin to rise, value stocks will likely show improved relative performance. We say this as we look at the components of the benchmark indexes, and where they differ the most. For example, the growth benchmark (i.e., the Russell 1000 Growth Index) is much more heavily weighted with technology stocks than is the value benchmark (i.e., the Russell 1000 Value Index). To the extent interest rates rise, the higher discount rate used to capitalize projected cash flows will likely have a larger negative impact on the prices of growth stocks than for value stocks because the latter are less dependent on discounting cash flows far into the future to determine their value than are growth stocks. Moreover, financial stocks will generally benefit from a steeping yield curve, thereby benefitting the value index where those stocks are more heavily weighted. Having said all that, we again state that we really do not know when the tide will turn toward value, but we do believe value's day (and week and month and year) will come.

Third Quarter Portfolio Review

In terms of sectors in which LCV had investments, the financials, communications, and healthcare sectors were the best contributors to relative performance. On the negative side, the energy, consumer staples and consumer discretionary sectors detracted most from relative performance.

In terms of specific stocks that helped and hurt relative performance, the three largest positive contributors were AT&T, Wells Fargo and Coca-Cola ("KO"), while the three largest detractors were Royal Dutch, Cisco, and Chevron.

AT&T reported earnings and revenues in line with analysts' estimates, though, cash flow was above estimates and management indicated stock buybacks were being considered given the improving financial profile. However,

Five Largest Holdings	% Portfolio
AT&T	11.3
General Motors	9.9
Philip Morris International	9.7
Chevron Corp	9.3
Royal Dutch Shell	8.7

Source: Factset

Supplemental information to a fully compliant GIPS presentation

Past peformance does not guarantee future results. To obtain the calculation methodology and a list showing the contribution of each holding in the representative account to the overall account's performance during the reporting period, please email a request to djhesketh@logancapital.com. The holdings 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 be assumed that investments in any of the sectors or industries listed were or will prove to be profitable. Sector and 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. Gross performance results include transaction costs but do not reflect the deduction of any management fee. Gross performance returns over one year are annualized and assume the reinvestment of dividends, interest and capital gains. A client's return will be reduced by the advisory fees and other expenses incurred as a client. As fees are deducted quarterly, the compounding effect will be to increase the impact of fees by an amount directly related to the gross account performance. For example, an account with an annual fee of 0.70%, if the gross performance is 10%, the compounding effect of the fees will result in net performance of approximately 9.23% annually. Past performance is no guarantee of future results.

the most significant event during the quarter was the announcement by Elliott Management Corp. (an activist hedge fund) that it had acquired shares with a value of $3.2 billion in AT&T's stock and was pushing for meaningful change at the Company. The changes included increased strategic focus, improved operational efficiency, more disciplined capital allocation and enhanced leadership and oversight. Investors reacted positively to the news, and management subsequently met with Elliott to discuss their views on these issues. It is not clear what will come of this, but it will likely be helpful to investors to have management being held to account for ongoing decisions, especially given the less than prescient moves the Company has made over the last few years. Even with the stock's strong performance this year, the dividend yield at the end of the quarter was still a very attractive 5.4%, and the Company was valued at 10.6X projected 2019 earnings.

KO again beat analysts' estimates for earnings and revenues last quarter, and management raised their guidance for organic revenue growth from 4% to 5%. After stumbling earlier this the year, KO has regained its footing and has seen continued improvement in its financial performance and its outlook, and the stock price has reflected that.

Wells Fargo ended the quarter on a positive note even though it did not start out that way. The Company indicated on its earnings call that expenses and net interest margins would continue to veer towards levels less helpful to income. Investors reacted negatively to that news. However, at the end of the quarter, the Company announced they had hired a new CEO, Charles Scharf. Mr. Scharf was hired away from the Bank of New York Mellon Corporation where he was CEO. Prior to that position he had been the CEO of Visa. Given his solid reputation, investors applauded the choice as they view his hiring as allowing the Company to more effectively deal with regulators and to impose a financial operating discipline that had been seen as lacking recently.

Royal Dutch negatively surprised investors with a poor quarterly earnings report, after having positively surprised investors the prior quarter. Hopefully, this was a small step backwards after haven taken a few steps forward previously. In any case, at the end of the quarter, the dividend yield on the stock was a very attractive 6.3%, with a dividend that appears to be secure.

Chevron, on the other hand, reported earnings above analysts' estimates, though investor concerns about the direction of oil and gas prices still seems to be a weight hanging over oil stocks generally.

Cisco also reported earnings and revenues above estimates, however, management uncharacteristically guided to softer results for the next quarter as they indicated they were seeing softness in some markets. Notably, management pointed to China, which represents only about 3% of overall sales, but where sales declined 25% and thus its impact on total revenues was disproportionate. Though the stock declined following the earnings report and the less than stellar guidance, it appears the business remains in a solid competitive position and should benefit when the Company's markets strengthen. In the meantime, management has been consistently raising the dividend and the Company has been repurchasing significant amounts of stock (though the amounts of those repurchases will decline going forward from the very high levels of the recent past).

Conclusion

The performance of the equity markets in the third quarter was positive but muted. LCV's performance might be characterized the same way.

Looking forward, we believe the best way to describe the investment landscape is that there is a lack of clarity. We can simply repeat what we said in our second quarter letter: "interest rates remain subdued, but it remains unclear what lays ahead for economic growth. China trade talks are on again-off again. Brexit remains a mystery. Washington D.C. is a town that might as well have its own wall built to keep the factions separated. The 2020 election race is just getting underway, and who knows who will say what about whatever as that process continues . . . it seems it's business as usual, which means predicting the direction financial markets will take is completely unpredictable, as is always the case."

As far as the LCV portfolio is concerned, we continue to believe it remains a prudent and conservative allocation to an investor's portfolio. At September 30th, the dividend yield on the portfolio was an attractive 4.3%, and the P/E on expected 2019 earnings was only 12.7X,

compared to 2.7% and 17.2X for the Russell 200 Value Index, respectively.

A Final Note

During the quarter, Bill Fitzpatrick joined the Logan Value team. Bill comes to us from Manulife Asset Management where he spent the last fifteen years on the value investment team. With his experience in both domestic and international equity markets, Bill fits in seamlessly with Logan's value strategies and is an excellent addition.

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

Sincerely yours,

Richard E. Buchwald Marvin I. Kline

William Fitzpatrick

Logan Capital Management, Inc.
Performance Results: LCV Composite
January 1, 1996 through September 30, 2019

Year	Total Return Net of Fees (%)	Total Return Gross of Fees (%)	Russell 200 Value (%)	Russell 1000 Value (%)	Number of Accounts	Composite Dispersion Gross of Fees (%)	Composite 3-Yr Std Dev (%)	Russell 200 Value 3-Yr Std Dev (%)	Russell 1000 Value 3-Yr Std Dev (%)	Composite 3-Yr Sharpe Ratio	Assets in Composite ($millions)	% of Firm Assets	Firm Assets ($millions)	Model / Licensed Assets ($millions)^*	Firm + Model / Licensed Assets^
YTD 2019	11.8%	12.5%	17.0%	17.8%	41	N.M.	12.1%	11.9%	12.2%	0.6	$16.5	0.9%	$1,905	$1,030	$2,935
2018	-8.2%	-7.4%	-6.2%	-8.3%	37	0.2%	11.1%	10.6%	10.8%	0.6	$12.7	0.9%	$1,431	$397	$1,827
2017	13.7%	14.7%	13.8%	13.7%	40	0.1%	12.1%	10.5%	10.2%	1.0	$14.8	0.9%	$1,590	$287	$1,877
2016	17.9%	19.0%	16.2%	17.3%	52	0.3%	12.5%	10.9%	10.8%	0.8	$18.2	1.3%	$1,401	$173	$1,574
2015	3.9%	4.7%	-3.4%	-3.8%	52	0.2%	11.9%	10.6%	10.7%	0.9	$16.9	1.2%	$1,398	$207	$1,605
2014	4.9%	5.7%	12.9%	13.5%	49	0.4%	9.3%	9.2%	9.2%	1.4	$14.6	0.8%	$1,816	$229	$2,045
2013	22.3%	23.3%	32.1%	32.5%	52	0.3%	9.8%	12.4%	12.7%	1.8	$17.7	0.9%	$2,061	$115	$2,176
2012	8.4%	9.2%	17.0%	17.5%	47	0.4%	12.6%	15.1%	15.5%	1.1	$9.7	0.5%	$1,932	$82	$2,014
2011	18.7%	19.7%	1.1%	0.4%	46	0.3%	18.2%	20.1%	20.7%	0.8	$11.0	0.6%	$1,873	$21	$1,894
2010	12.5%	13.5%	11.7%	15.5%	30	0.4%	19.8%	22.0%	23.2%	-0.1	$5.8	0.3%	$1,769	$13	$1,782
2009	8.5%	9.5%	14.6%	19.7%	23	0.3%	17.9%	20.1%	21.1%	-0.4	$6.0	0.4%	$1,539	$0	$1,539

† Inception of 12/31/95
N.M. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
^Information is supplemental to a fully GIPS compliant presentation
^ Model / Licensed Assets as of 08/31/19. Logan provides strategy models to certain advisers under model-license agreements. Under these agreements,*
Logan provides the models in a timely manner, yet does not arrange nor effectuate the transactions.

Portfolio Performance	Total Return Net of Fees	Total Return Gross of Fees	Russell 200 Value	Russell 1000 Value
	Annualized Returns (as of 09/30/19)			
Quarter-to-Date	1.3%	1.5%	1.4%	1.4%
Year-to-Date	11.8%	12.5%	17.1%	17.8%
1 Year	1.9%	2.8%	5.2%	4.0%
3 Years	7.8%	8.7%	10.2%	9.4%
5 Years	7.4%	8.3%	8.0%	7.8%
10 Years	11.1%	12.0%	11.1%	11.5%
20 Years	6.0%	7.1%	5.7%	6.9%
Since Inception †	8.5 %	9.4%	8.1%	8.8%

†Inception of 12/31/1995
Please reference the performance disclosure below.

Logan Concentrated Value (LCV) Composite contains fully discretionary large cap value equity accounts, measured against the Russell 1000 Value and Russell 200 Value benchmarks. 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 Russell 200 Value Index is an unmanaged index that measures the performance of the largest 200 companies within the Russell 3000 Index with a less-than-average growth orientation. The benchmarks selected include the reinvestment of dividends and income, but do not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing. These benchmarks are used for comparative purposes only and generally reflect the risk and investment style of the composite.

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, 2017 through March 31, 2019 by ACA Performance Services, LLC and April 1, 1994 through March 31, 2017 by Ashland Partners & Company LLP. A copy of the verification report(s) is/are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite disclosure presentation.

On June 28, 2017, ACA Performance Services, LLC acquired the investment performance service business of Ashland & Partners & Company, LLP.

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. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Additional information regarding the policies for valuing portfolios, calculating performance, and preparing compliant presentations 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.