



LOGAN DIVERSIFIED VALUE: 4TH QUARTER 2010 REVIEW^(A)

SIX
COULTER
AVENUE

SUITE
2000

SUBURBAN
SQUARE

ARDMORE, PA
19003

800.215.1100

610.642.7100
(FAX)

The final three months of 2010 provided equity investors with a second consecutive quarter of strong returns. Logan Value similarly had another good quarter with the composite registering a net return of 7.9%. Moreover, the composite returned 20% from June 30th, one of the strongest six month gains in Logan Value's history. While the portfolio's fourth quarter return was lower than those of the benchmark Russell Large Cap 200 Value and Russell 1000 Value indexes, which were up 9.7% and 10.5%, respectively, Logan Value's returns since June 30th have kept pace with the benchmarks' respective returns of 19.8% and 21.7%. As we mentioned in our third quarter letter, Logan Value's strong relative results in a very robust equity market since mid-year is somewhat surprising because typically the portfolio's performance advantage over time has come from holding up well in down markets. Nevertheless, we'll take it when we get it.

While large cap dividend yield stocks outperformed the broad indexes in the third quarter, that was not the case in the fourth quarter. For example, of the 100 largest market cap companies in the S&P 500, those that ranked in the top third by dividend yield (i.e., higher dividend yielding stocks) were up 6.3% on average for the quarter while the bottom third was up more than 10%. It increasingly appeared that speculative impulses were gaining traction as the quarter wore on, perhaps induced by comments and actions by the Federal Reserve. Specifically, after a second round of quantitative easing was instituted in November, Chairman Bernanke wrote an op-ed in the November 4, 2010 *Washington Post* to defend the action and

among other things wrote the following:

“Easier financial conditions will promote economic growth. For example, lower mortgage rates will make housing more affordable and allow more homeowners to refinance. Lower corporate bond rates will encourage investments. And higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending. Increased spending will lead to higher incomes and profits that, in a virtuous circle, will further support economic expansion.”

This was the first time a Fed Chairman had ever explicitly targeted higher stock prices as a means to improve the economy. Consequently, many investors viewed this as the Fed flashing a green light and thus became less risk averse, at least in the short term. Only time will tell as to the longer term effectiveness of this policy, but it is interesting to note that one pillar of the Chairman's argument above was that the policy would lead to lower interest and mortgage rates. However, since the policy was announced rates have risen noticeably. Nevertheless, the economy does seem to have picked up momentum, which some have argued is the reason for the rise in rates.

Further raising economic growth prospects for 2011 is the somewhat unexpected extension of the Bush tax cuts for two more years. Not only is this good news for the economy, but it also continues the very favorable 15% tax rate on dividends. The continuation of this low tax rate heightens the attractiveness of high dividend

^(A) Logan Value results discussed herein should be read in conjunction with the attached performance and disclosures.

yield stocks, especially those with growing dividends, compared to bonds.

On the other hand, there are cross currents that warrant concern such as substantially higher commodity prices including wheat, copper, oil and gold (though official inflation indexes show inflation remains dormant). From our point of view, the economy is materially better off than it was two years ago and appears to be mending. However, it is probably not yet time to give the “all clear” signal since “unexpected” events like another round of housing price declines, state and local fiscal strains or additional sovereign debt stress from the weaker European countries like Greece, Ireland, Spain, etc. could have a material impact on the financial markets.

Portfolio Review

With regard to the portfolio, all but a handful of stocks had a positive return in the fourth quarter. Two sectors that provided solid returns to the portfolio for the quarter were energy and financials. In the energy group, Conoco and Exxon were both up over 19%, Royal Dutch was up 15% and Chevron was up 14%. Among the financials in the portfolio, U.S. Bancorp was up 25%, Wells Fargo was up 24% and JP Morgan was up 12%. Other stocks that helped performance were Honeywell (up 22%), GE (up 13%), Home Depot (up 12%) and Verizon (up 11%).

The weakest parts of the portfolio generally were holdings in the health care and consumer sectors. As these are typically defensive sectors, it is not surprising to see them lag the broader market when the market is buoyant. As a group the health care stocks in the portfolio (Pfizer, JNJ, Glaxo, Merck and Abbott Labs) were down -0.6% for the quarter, while the consumer staples stocks (Philip Morris International, Kraft Diageo, Coca-Cola and Kimberly-Clark) were up 5%. These stocks all generate strong cash flow, sell at conservative earnings multiples and have very attractive dividend yields. Consequently, though the sun may not have shined on these stocks this past quarter, we believe their day will come.

Portfolio Changes

During the fourth quarter two new stocks were purchased and one was sold. The purchases were Bank of New York Mellon (“BNY Mellon”) and Pepsi, while Coca-Cola was sold. BNY Mellon is a global financial services company formed by the merger of Bank of New York and Mellon Corporation in 2007. The Company provides asset and wealth management services, clearing services, asset servicing and issuer services (e.g. securities custody) to institutions and corporations. Most of the Company’s revenues are fee based and recurring, and do not require much capital. Moreover, over time the asset base on which they earn those fees is typically growing, providing a rising income stream. Historically, BNY Mellon has sold at P/E multiples of 15-20X, compared to the approximate multiple of 11X 2011 earnings when it was purchased into the portfolio. Consequently, we believe there is significant upside to the stock in addition to what we believe will be a growing dividend.

The purchase of Pepsi was essentially a decision based on a comparative valuation with Coca-Cola. Coke had been originally purchased in the portfolio two years ago at a price in the low \$40’s when its valuation was near the very low end of its historic valuation range. When we sold Coke in the fourth quarter near \$65 per share, it had climbed back towards the higher levels of its valuation range for the last few years. Meanwhile, Pepsi was trading near the lower end of its valuation range when it was purchased in the fourth quarter. We believe the outlook for both companies is bright, but we are paying less for the outlook with Pepsi than with Coke.

In retrospect, 2010 turned out to be a good year despite a rocky first six months in the financial markets. It may be hard to remember now, but the S&P 500 was down about 8% from the beginning of the year through early July. However, investors who stuck to their discipline were rewarded, and we believe that discipline remains a key element of Logan Value’s success. While certain sectors or styles of investing may drift in and out of favor from

time to time, adhering to a strategy that has a strong underlying rationale is a good recipe for investment success.

Logan Value is premised on the fact that over time, large cap, financially sound companies with attractive dividend yields provide investment returns that compare favorably with broad market indexes, and do so with less than market risk. As of December 31, 2010, the average dividend yield of stocks in the portfolio was 3.0% and the consensus dividend growth rate was about 4%. In addition, the average P/E based on 2011 estimated earnings was 12.2x. We believe those valuation levels indicate the portfolio is conservatively priced and will help protect investors if markets encounter unexpected negative events, while also allowing them to participate if equity markets perform well.

As always, please call or e-mail us if you have any questions.

Sincerely yours,



Richard E. Buchwald
rebuchwald@logancapital.com



Marvin I. Kline
mikline@logancapital.com

Logan Capital Management, Inc.
 Performance Results: Logan Diversified Value Composite
 October 1, 2000 through December 31, 2010

Year	Total Return Net of Fees (%)	Total Return Gross of Fees (%)	Russell 200 Value Index (%)	Russell 1000 Value Index (%)	Composite Dispersion Gross of Fees (%)	Number of Accounts	Wrap Assets in Composite (Percent)	Assets in Composite (\$millions)	% of Firm Assets**	Total Firm Assets (\$millions)**
2010	11.31%	13.51%	11.70%	15.50%	54.00%	7	15.6%	\$3.35	0.2%	\$1,769
2009	12.56%	14.78%	14.59%	19.69%	N.M.	6	16.6%	\$2.63	0.2%	\$1,539
2008	-31.12%	-29.60%	-36.09%	-36.85%	0.86%	6	14.9%	\$2.36	0.2%	\$1,240
2007	-4.28%	-2.33%	0.24%	-0.17%	0.82%	9	4.0%	\$11.64	0.7%	\$1,658
2006	16.16%	18.41%	23.01%	22.20%	0.12%	9	5.6%	\$12.37	0.9%	\$1,333
2005	-1.77%	0.22%	4.62%	7.05%	0.21%	9	4.3%	\$13.54	1.2%	\$1,123
2004	7.28%	9.41%	13.33%	16.48%	N.M.	6	0.0%	\$12.89	1.2%	\$1,066
2003	21.65%	23.99%	26.76%	30.04%	N.M.	4	0.0%	\$13.99	1.4%	\$1,006
2002	-17.33%	-15.58%	-18.02%	-15.53%	N.M.	2	0.0%	\$11.85	1.4%	\$861
2001	-0.84%	1.17%	-8.79%	-5.59%	N.M.	2	0.0%	\$16.86	1.8%	\$912
2000†	9.26%	9.76%	1.28%	3.60%	N.M.	1	0.0%	\$19.61	1.9%	\$1,027

†Inception 9/30/00. Year 2000 results are for 9/30/00 - 12/31/00

**Prior to 2000, figures are based on the combined firm assets, which includes Berwind Investment Management, L.P.

n/m - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
 Please reference the performance disclosure below.

Year	Total Return Net of Fees	Total Return Gross of Fees	Russell 200 Value	Russell 1000 Value
Annualized Returns (as of 12/31/10)				
1 Year	11.31%	13.51%	11.70%	15.50%
3 Years	-4.79%	-2.84%	-6.48%	-4.43%
5 Years	-0.82%	1.19%	0.17%	1.27%
Since Inception†	0.95%	2.99%	1.36%	3.53%

†Inception 9/30/00

Please reference the performance disclosure below.

Logan Diversified Value Composite contains fully discretionary large cap value equity accounts. For comparison purposes the composite is measured against the Russell 1000 Value and the Russell 200 Value indices.

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, 2008 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 presentation.

In presentations shown prior to September 30, 2010 performance had incorrect net of fees returns, reflecting only the deduction of Logan's management fee. This has been corrected and the net of fees returns now reflect the highest (2.0%) wrap fee deduction.

Logan Capital Management, Inc. is a privately owned registered investment adviser. The firm maintains a complete list and description of composites, which is 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 U.S. Dollar is the currency used to express performance. Returns are presented net and gross of all fees and include the reinvestment of all income. As of December 31, 2009, 16.6% of the composite assets were charged a wrap fee. Gross returns for accounts paying a wrap fee are stated gross of all fees and transaction costs; net returns are reduced by all fees and transaction costs incurred. Gross returns for non-wrap accounts have been reduced by transaction costs; net returns have been reduced by management fees and transaction costs. Gross returns for accounts paying a wrap fee are shown as supplemental information and are stated gross of all fees and transaction costs. Net of fee performance was calculated using model fees. 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.

The investment management fee schedule is as follows: 80 basis points on the first \$25 million, 70 basis points on the next \$25 million, 50 basis points on the next \$25 million and 45 basis points on the \$25 million thereafter. The investment advisory fees charged for accounts whose market value exceeds \$100 million are negotiable. Accounts under \$10 million will be charged a flat 1.00% per annum. Actual investment advisory fees incurred by clients may vary. This composite has included accounts that pay a bundled wrap fee based on a percentage of assets under management. This fee includes portfolio management, brokerage commissions, portfolio monitoring, consulting services and in some cases custodial fees.

The Logan Diversified Value Composite was created October 1, 2000. **Effective August 1, 2000, Logan Capital Management, Inc. acquired the investment advisory accounts of Berwind Investment Management, L.P., and no material change in personnel responsible for the investment management process occurred.