

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Investing in Large Cap Growth Stocks



STEPHEN S. LEE is a Founder, Managing Director, COO, Portfolio Manager and a member of the investment team for Logan Capital Management, Inc. Additionally, he is responsible for the firm's operations and compliance areas. His background includes finance, marketing and extensive programming experience. He has served as a Vice President of Mercer Capital Management and as a Financial Consultant at Merrill Lynch. He is a graduate of Lehigh University (BS).



AL BESSE is a Founder, Managing Director and Portfolio Manager for Logan Capital Management, Inc., and serves as the firm's President. As a member of the investment team he is responsible for the firm's technical analysis effort. Prior to joining Logan Capital, he was a Vice President at First Fidelity Bank, serving as co-manager of the Charitable Equity Fund. During his decade at the bank, he played a key role in the formation and development of First Fidelity's \$2 billion Charitable Funds Management unit. In 1991 he was named as the bank's Institutional Investment Professional of the Year. Mr. Besse is a graduate of Haverford College (BA) and The Wharton School of the University of Pennsylvania (MBA).

(ZBQ500) TWST: Would you give us an overview of Logan Capital Management and the responsibilities that you have at the firm?

Mr. Lee: Logan Capital Management is an investment advisory company based just outside of Philadelphia in Ardmore, Pennsylvania. We have been in business since 1993, and we currently have a staff of about 25 people. Our clients are both high net worth individuals and institutions. Our institutional business is focused a lot on the mutual insurance industry, as well as charities and foundations. We manage just over \$1.1 billion in assets.

Logan Capital offers two distinct equity styles — a growth style, which we are discussing today, and a defensive income value

strategy. We also have fixed-income investments for our clients. We work with consultants throughout the country.

TWST: Would you tell us about your growth portfolios, investment philosophy and what your approach is?

Mr. Lee: Al Besse and I are two of the Portfolio Managers for the growth strategy. We are two of the four Founders, along with David Harrison and Dana Stewardson, and that team has been together since the inception of the firm. Since 1993, we have applied a strategy for our growth portfolio that involves three principal inputs. First, we analyze the overall macroeconomic conditions. Second, we use a more traditional fundamental analysis to get

consistent selection, in terms of the type of securities that we are using, based on their macroeconomic outlook. Third, we use technical analysis to confirm the timeliness of the security selection, as well as to generate some ideas. It's been our experience that the combination of those three characteristics yields a portfolio that should produce good returns over time, efficiency in terms of turnover — our turnover historically has been very low, about 30% — and strong risk management.

TWST: What is the outlook for investing in your type of growth strategy as we enter 2006? What is the investment climate like? Are you optimistic?

Lee: Once a position gets up to about 6%, we begin trimming. So, with Apple Computer, we had the good fortune of having to do that several times over the last year or year and a half. We're very, very committed to the company. We think they're on a roll in terms of product releases. We think the switch over to Intel will actually help them continue to increase their market share in terms of the desktop PC market.

Mr. Besse: From my perspective as the firm's technical analyst, I still see a bull market, although admittedly, one that's aging. By historical standards, this bull has followed almost a textbook script over the last several years, in terms of the magnitude of returns and how it has been playing out. I watch various indicators that gauge the health of the market, and right now, we see a bull market that is still intact. Sure, it warrants caution, and the returns aren't going to be as easy going forward in 2006 as they may have been in the past couple of years, but right now, the signs point to a continuation of the bull market. We don't see a bear market lurking in the woods tomorrow, next week or next month.

Using technical indicators over the past 20 plus years has taught me that bear markets don't materialize like a stroke of lightning. There are always indications to give you a warning. My big-picture role in the firm is to stay alert for those warnings, and right now, the red flags are not flying.

Mr. Lee: In addition to the broad technical outlook, our economic work indicates that profitability for companies is going to continue to be good. We think, however, that we will have a slightly more competitive business environment, so our strategy is one of active management. A key focus of the work we do is looking for fundamental earnings growth. We're looking for companies that are actually achieving earnings growth and expanding margins. And, in this type of investing environment, we think there will be a premium on that kind of active management versus a more broad-based indexed approach, especially on the growth side.

TWST: Would you tell us more about your investment decision-making process?

Mr. Lee: As I mentioned a bit earlier, there are three concurrent steps in our process. One is the macroeconomic analysis. The goal of that process is to find the types of companies and the trends in the economy that are driving the growth for various businesses, and to avoid the types of companies that may be facing some headwind. To give you an example, beginning about 18 months ago, one of the things we really focused on was that we still had an accommodative Federal Reserve, and we believed that the economy, as a whole, would do very well.

1-Year Daily Chart of Apple Computer



Chart provided by www.BigCharts.com

Along with that premise, we paid attention to overall capacity utilization, which is a measure of how much of a business' resources are being used to produce what's being produced in the economy. We saw that capacity utilization was relatively low. The roots of that really go back to 1999 and 2000, when a lot of capital investment was made to build up capacity in advance of demand, partly because of the Y2K issues and partly because there was a lot of optimism about the economy. Also, the unemployment rate was looking fairly good on an historical basis — especially tilted toward the higher income jobs, making those a little more secure.

So we started to focus on the types of companies whose customers were less business-oriented and more higher-end consumer-oriented. That got us to companies that offered affluent consumer-oriented goods, such as **Coach** (COH), **Starbucks** (SBUX) and, to a degree, **Apple Computer** (AAPL). It kept us tilted away from companies whose customers were businesses that weren't increasing their capital spending yet.

With this same type of macro analysis, we've started seeing capacity utilization coming up over the 80% level since the middle of last year, and we are now adding companies in the portfolio whose customers are businesses that benefit from capital spending. So that macroeconomic approach identifies characteristics of companies that we want to look for.

The next step in Logan Capital's process is our fundamental analysis, along with some basic screening to consistently rank our universe. First of all, we look for certain minimum market caps, depending whether it's our growth or our large cap growth portfolio. We want to see good profitability numbers and good future growth rates. We look at the ROEs and long-term future growth rates of our companies — we like to see those up above 15% and 12%. Then we look at valuation. Because we're growth managers, we tend to use the PEG ratio — the p/e to growth rate ratio — because we do have to factor in the price of the stock going forward. So out of that process, we get a universe of companies that are profitable, have sufficient market cap and liquidity, and are reasonably valued.

We then rank them or score them through our internal process. We look at the overall underlying earnings growth rate, and we find those companies that are accelerating their earnings growth rates. From there, we analyze the company — learning about management and the business model. We're seeking a company that is a category killer within its industry that has a sustainable competitive advantage over the long term, and that gets us to what we call the "great company" stage. These are all good companies that pass these screens. They're in target industries and are buyable companies.

The next step — and here we add a lot of value — is the technical analysis. That helps us determine whether or not it's a good stock that will appreciate.

Mr. Besse: As Stephen implied, there is a difference between a great company and a great stock. And what we feel our technical analysis does is help us identify the great companies whose stocks are going to perform well in terms of price appreciation. For long-only investors like Logan Capital (we don't do shorts), there are some pretty basic technical trends that we look for. First and foremost, as simple as it sounds, we want to have stocks that are in uptrends. Sometimes, the story about a stock sounds great, but if you take a quick look at the chart, you say, "Gee, that stock doesn't seem to be going in the right direction." So one of the key components that technical analysis does for us is help us identify a stock that is moving in the right direction and has the potential to move a meaningful amount with good downside

protection, whether it's in the way of trendline support or support level under the stock.

We look for good relative strength compared to the stock's peers, as well as to the market as a whole. We can make comparisons sector-to-sector and stock-to-stock. We are careful about not buying in on price frothiness, so to speak. If there has been news, we keep an eye on stochastics to make sure that we are not stepping into a stock that's been artificially or emotionally run up in the short term. Over the years, we've found that by waiting for the stochastics to pull back from overbought levels, generally, we can get a more favorable entry point for a stock. We think this is value added for the portfolio and that the technicals act to confirm the Logan growth team's fundamental research.

Admittedly, there are times when the technicals and fundamentals disagree, and often that causes us to dig deeper on the fundamental side or to sit back and be patient until the technicals on a stock that we like fundamentally turn favorable too. Now, I'll be the first to admit, as a technician, that technicals are not going to get you out at the top or in at the bottom. But technical analysis does identify potential new price trends and, more important, it often gives the clearest confirmation that a new price trend is in place. And while technical analysis may not get us in at the lowest possible price, it does get us in with higher confidence that the buy decision we are making is, in fact, a good one, and will pay off in the long run.

TWST: Do you have a benchmark against which you judge the performance in your portfolios?

Mr. Lee: Logan Capital's growth portfolios are benchmarked to the Russell 1000 growth.

TWST: How has the performance record been?

Mr. Lee: We have surpassed the benchmark quite well. We run two portfolios, so our growth portfolio was up about 8.57% gross of fees, and our large cap portfolio was up 11.79% versus the benchmark last year, which was up just over 5.25%.

Mr. Besse: The S&P was up about 4.9% for 2005.

Mr. Lee: We've also exceeded the benchmarks on a three- and five-year basis. So the strategy has come together and has performed quite well. If you compare us to the Russell 1000 Growth, you would see that we are in line on beta. So we have been able to achieve good performance without really producing undue volatility.

TWST: How many stocks generally do you like to have in the portfolio?

Mr. Besse: Currently, we have 35 names in the growth portfolio. The large cap growth, which is a more diversified portfolio, has 45 names. We feel that's the number of names that provides the safety of diversification, without getting so diversified that there are too many names to follow. If you have 100 names in the portfolio, and you get a really good name in there and make the right decision, one out of 100 really doesn't do you that much good. Admittedly, it can't hurt you that much, but we feel that this 35-45 range, depending on which portfolio you're in, is the appropriate number for Logan's methodology.

TWST: Would you give us a sampling of some of the stocks that represent the portfolio? Would you provide us with core holdings or stocks that you have bought over the last 12 months?

Mr. Lee: One of the five largest holdings in our large cap portfolio was **Express Scripts** (ESRX). We had very good success last year in our healthcare cost containment strategy. We wanted to have an allocation to health care, and the companies that really showed up best on our growth screens were the companies that were in healthcare cost containment. So we did very well with companies like **Express Scripts**, **WellPoint** (WLP) and **UnitedHealth Group** (UNH). Those actually represent three of the top holdings in the portfolio as of year-end.

Mr. Lee: Yes. The overall reason we think it's so well positioned is that there is a dramatic shift over to electronic trading, and investors overall are becoming much more conscious about managing risk and to do that, they are using derivatives. You have two things that are going on: you have the overall demand for derivative trading and hedging, so you have top-line growth there, and then you have significant profit expansion, which is a result of trading shifting from traditional trading methods over to electronic trading. So you have both margin expansion and demand, and if we can find companies that have those two dynamics, we are very happy to own them in the portfolio — and we think that trend will only continue.

Lee: One of the five largest holdings in our large cap portfolio was Express Scripts. We had very good success last year in our healthcare cost containment strategy. We wanted to have an allocation to health care, and the companies that really showed up best on our growth screens were the companies that were in healthcare cost containment. So we did very well with companies like Express Scripts.

In addition to that, **Apple Computer** did quite well. That was actually the second largest holding in the portfolio, along with **Chicago Mercantile Exchange** (CME). What they all have in common is very good earnings growth rates, and they hit our top-down overall outlook. So it was interesting. The best-performing sectors were health care, financial services and then technology, which was obviously dominated a bit by **Apple**. And interestingly enough, we had some good performance from some of the consumer discretionary as well.

So overall, going into 2006, we expect some of those holdings to stay fairly constant. As we discussed earlier, we are gradually adding more capital goods producers into the portfolio. Companies we own in that sector are **Rockwell Automation** (ROK), **MSC Industrial Direct** (MSM) and **Global Payments** (GPN), which is a financial company in the electronic payments business. We also own **American Express** (AXP). One of the things we are continuing to see and that we very much believe will continue is the growth in electronic payment as a medium of exchange, and **Global Payments**, **American Express** and the overall charge-card business both in the States and overseas should see that trend. So what we look for when we build a portfolio are companies that benefit from fundamental changes in the way things are being done.

TWST: You mentioned the **Chicago Mercantile Exchange**. Would you tell us about that? It's an unusual and fast-growing stock, isn't it?

1-Year Daily Chart of Express Scripts



Chart provided by www.BigCharts.com

TWST: Do you have any other companies that you found attractive for the portfolio?

Mr. Lee: We have two relatively recent purchases in the portfolio. One that is strong on productivity and capital spending is **Autodesk** (ADSK). As we mentioned earlier, we believe the business environment will become much more competitive. If you think about Corporate America, over the last two years, it has produced very good earnings, and that has put a lot of cash on companies' balance sheets. So companies have had the resources to invest for quite some

time now, and we think a slightly more challenging environment will stir the desire of business managements to invest in their businesses. We look for companies that are established in their markets and actually have enhanced productivity, and **Autodesk** has that.

I think there are a couple of factors that contribute to this. What their products have basically become is a medium or a collaborative workflow software set, so that you can do design work, for example, in the States, and do manufacturing overseas, and you can get those plans through the data networks very quickly. In addition, for construction, both commercial and residential, which obviously has been going well, it's important to be able to integrate all the design teams and pull a lot of the cost out of construction through sharing information. We think **Autodesk** has exposure to a lot of industries that are growing — and we have a bias in the portfolio here toward resurgence in manufacturing.

Mr. Besse: **Autodesk** is a good example of how the technicals came in and supported the fundamental interest in the stock. We bought the stock last April in the low-\$30s, and it's up about 35%

***Besse:** Autodesk is a good example of how the technicals came in and supported the fundamental interest in the stock. We bought the stock last April in the low-\$30s, and it's up about 35% since we bought it.*

since we bought it. When we first noticed the stock, it had already had a big run-up and, technically, looked overpriced. Then it had a pullback or retrenchment, and we asked ourselves, "Is this a blow-off and the start of a downturn?" But what we saw in the chart work — I use point and figure charts, as well as traditional bar charts — was a classic consolidation pattern, which can break out one way or the other. We watched the chart develop and as we saw this pattern break out to the positive side, that gave me the confidence to give it a technical thumbs-up. That breakout at \$33 — where we started buying it — was a positive move, that played out technically, just as I would have expected it to, and since then, it's up about 35%.

Mr. Lee: I'll give you another recent add to the portfolio. We just recently began buying **Starwood Hotels (HOT)**. Our reasons are similar to those we've already given you for our other purchases. We think that travel — especially business travel — is continuing to grow. Hotel room occupancies are very good. But what we particularly like about **Starwood** is that it's targeting the higher-end traveler, which is where a lot of new travel dollars are being spent. Overall, our observation is that a lot of the routine business travel is being replaced by electronic communications, be it teleconferencing, video conferencing, WebEx meetings. But, at the end of the day, when businesses need to conduct business and make deals face-to-face, they need to send the senior people. So that segment of higher-

end travel (and you are seeing it in some other areas) is continuing to grow, and we see an opportunity here to get a company that is really focusing on that segment. It's also a market leader, and you're seeing other chains emulate some of **Starwood's** practices. So we like their brand, and we think that company is poised to do well in the environment, going forward.

Mr. Besse: To give you the technical take on this particular stock, **Starwood** is a stock that spent most of 2005 consolidating and building a trading range of about \$55 to \$61. It moved sideways in that band from December 2004 to December 2005, only once penetrating to the upside above that \$61 resistance level. We saw it break out recently and hold the rising trend line. This new move up, along with the positive fundamentals, gave us confidence that this stock was finally moving higher out of its year-long consolidation range. We bought in the upper \$50s, and it's been up modestly since then. Once again, this is an example of where the technicals caused us to bide our time until we felt confident on both the fundamental and technical basis, and we added the stock to the portfolio in November.

1-Year Daily Chart of Autodesk



Chart provided by www.BigCharts.com

TWST: What is the sell process? How does the technical end help the sell process?

Mr. Besse: As you might expect, both fundamentals and technicals come into the sell decision. However, from my technician's point of view, I've learned over the 22 years that I've been doing this that often, the chart work gives a heads-up that something

is going on in the stock before the news hits the wire — you'll see weakness and support levels break down before you know why. Part of my daily work is to go through the charts of all the stocks that we own and look for suspicious chart action, meaningful breakdowns or confirmed trouble points. When I find something, we start casting around to see if there is any fundamental reason why we should be getting wary about a stock that might be showing some technical

inputs both on the fundamental and technical sides that let us really apply our expertise and make quality decisions. So we are constantly evaluating our stocks on those two parallel tracks, and that's how we monitor our decisions on the sell side.

As we mentioned earlier, at some point, we are going to start lightening up on some of our consumer stocks in favor of what may be a better opportunity on the capital goods side.

Besse: We owned Patterson Companies and the stock had a good run. It started having some downdrafts, but it was holding a trend line. They were branching out from human dental supplies into veterinary dental supplies, and I guess the investing marketplace wasn't really thrilled about this. At that point, we decided to move out of the stock at about \$41 a share. That turned out, in retrospect, to be a good decision.

weakness of some sort, whether it's a rolling over, a breakdown or a case where it's starting to lag its peer group or the market.

Now, sometimes it's just taking a breather and it's in a natural consolidation range. If the fundamentals, after we double-check them, turn out to still be very much in place, we'll have the confidence to hang in there. Once again, it depends on how badly the stock breaks down. A single technical breakdown does not trigger a sale. A confirmed breakdown puts a good warning on the stock. But it really is a combination of fundamental opinion, along with this technical heads-up, that would ultimately cause a decision to move the stock out of the portfolio.

Mr. Lee: One of the things the technicals help us with on the fundamental side is that we will often be looking at one of our holdings and just have a little bit of a concern on a fundamental basis. When that happens, the question goes inversely back to technicals to see how the stock is holding up. Often, when people hear "technicals," they would automatically assume it's a very high turnover portfolio — but, as I mentioned earlier, we have about a 30% turnover. And what the balancing of the fundamental and technical does, in terms of making a decision about whether or not to sell a stock is, often, if we see something on the fundamental side that just gives us pause — say, a modest disappointment on the execution of the business model — we can then go to AI as a technician and ask, "Is this a significant price dip or do you think we are okay holding on here to see if what management says does, in fact, play out?" So there's always a dialogue.

The play between the macros, fundamentals and technicals really creates a dialogue, and since this is very much a team-managed portfolio, we look to get a consensus opinion out of our team on our buy and sell decisions. It's really the interplay and having consistent

TWST: Steve, do you have a couple of examples of stocks that you have sold or lightened up on over the past year, to illustrate this discipline?

Mr. Lee: Once a position gets up to about 6%, we begin trimming. So, with **Apple Computer**, we had the good fortune of having to do that several times over the last year or year and a half. We're very, very committed to the company. We think they're on a roll in terms of product releases. We think the switch over to **Intel** (INTC) will actually help them continue to increase their market share in terms of the desktop PC market, and they seem to be one of the few media companies that actually has a clear vision of what they're doing, and they are executing it. So that's one company where our discipline in terms of risk management has come into play quite a few times over the year.

Mr. Besse: One example is **Patterson Companies** (PDCO). We owned it and the stock had a good run. It started having some downdrafts, but it was holding a trend line. We sent one of our analysts to New York to listen to the story on the company, and as I remember, they were branching out from human dental supplies into veterinary dental supplies, and I guess the investing marketplace wasn't really thrilled about this.

Now, that's all fundamental input, but from my point of view on the technical side, the stock had had a big run-up, had a pullback, had a bit of a bounce and then it started having breakdowns. The stock had a couple of breakdowns and then, most important, around the time we were hearing this questionable fundamental news, the stock cracked and confirmed a breakdown through a five-year supporting trend line, a trend line that had, almost without exception, held the stock up. At that point, we decided to move out of the stock at about \$41 a share. That turned out, in ret-

respect, to be a good decision. The stock continued to move down and be weak. It's down in the \$32 range now, four months later. Once again, this is where we were hearing news on both sides of the fence. It was the meeting of the technical and fundamental minds that caused us to move out.

TWST: How do you attempt to control risk in the portfolio? You mentioned the beta quotient earlier, but how does the technical help with the fundamentals, volatility and risk factors?

Mr. Besse: We monitor the price stochastics of our stocks on a daily basis. We prefer not to buy stocks that are in the overbought range stochastically; inversely, on the sell side, we try not to sell stocks that are oversold. Stocks prices tend to move in zig-zags, not straight lines, and a bit of patience will often allow you to get a more favorable price. A lot of our thought processes invert nicely, depending on whether you are looking at it as a buy decision or a sell decision. We also look for very strong support and resistance trend lines.

Technical analysis can also be used to generate potential upside targets, as well as to evaluate and quantify downside risk. For example, a stock may have a bullish potential reward-to-risk ratio of 4:1, meaning there is \$4 of upside reward for each \$1 value of downside risk. We like to have these very favorable ratios before we move into a stock.

Mr. Lee: On a fundamental basis, in terms of managing risk in our portfolio construction, we constantly run attribution reports on our portfolio. These reports give us the ability to see what stocks are contributing in a positive and a negative way to the overall performance of the portfolio. It leads us to see what positions have grown too large for the portfolio, and it also compares the performance of our sectors and weightings. And, importantly, it compares the weightings and the performance of our sectors versus the benchmark, so that we can see whether or not our stocks are performing in line with the sector. This helps us determine if we're lagging, and if so, why?

So one of the things that we do with the overall risk management is constantly monitor our portfolio to make sure we know what's going on with our stocks. We find that to be the most effective way to manage risks.

Mr. Besse: And, not forgetting our top-down approach, I watch the market's overall technical indicators and report on them regularly in our research meetings. I track the overbought/oversold condition of the market as a whole — the breadth of the market, how it's acting and how, historically, similar markets have behaved, along with the statistical odds of various possible outcomes, gleaned from history and from a number of research sources that we've come to respect and use over the years. So there are times when the big picture tells you to be a little more defensive and there are other times when the big picture says, "Go ahead, be assertive and try to take advantage of a positive market."

TWST: In what ways do you think that your investment strategy is differentiated from the growth strategy at other firms?

Mr. Lee: I think it's the combination of the different methodologies running in parallel. It's the combination of the multiple strategies, especially back when the market got to be a bit effervescent on the growth side. Having two distinct disciplines allows us to objectively look at stocks fundamentally (on valuation, underlying earnings and profitability) and technically (on the pricing trends, relative strength and stochastically), which really gives us good, consistent objectivity on looking at the stocks. I think very often, as a growth manager, it's very easy to get caught up in the promise of the future of different companies, and certainly as growth manager, we think that's important, but you want to make sure that you have something very objective in your equity selection process.

Very often there will be companies with a promising future, but in all candor, they are not producing the earnings now and the balance sheets aren't where we'd like them to be or they don't meet the technicals. But we will follow that company and keep an eye on it, and if, eventually, the earnings are within our screens, we will be there to participate. We get in there at a time when a lot of the risk has come out, because the promise has started to produce results.

Mr. Besse: The technical and fundamental styles are two totally independent ways of evaluating a stock, and when they come together, it often bodes well for a given selection that we are considering. If all the flags are waving in the same direction, you have a pretty good idea of which way the wind is blowing. So when the fundamentals and technicals all agree, and the big picture in the sector and the individual stock analysis all agree, then you have an ideal situation. Of course, that's a perfect world scenario, but if we use that as an ideal starting point and adjust as reality requires, we'll continue to make reliable investment choices, which have held up for us in the long run.

TWST: Who are your typical investors? Do you have a close relationship with them for their concerns or expectations?

Mr. Besse: Certainly. We have institutional, charitable, personal investors, tax exempt, taxable, etc. How well do we know them? One of the real joys about being in a firm this size — relatively small for this business — is that often, a client will call up and say, "I have a question about my account. Do you need my account number?" And the answer is, "No, I don't need your account number. I know who you are." That's just indicative of how well we know a lot of our direct clients. A lot of them have been with us for a long time. We talk to them regularly, and they are in it with us for more than just the performance — happily, the performance has been very good — but there is more to it than just providing them with good long-term investment performance. There's the service aspect as well.

TWST: What advice would you give to a new investor who comes to put his money into your growth strategy at this time?

Mr. Lee: I think one of the things, in terms of a client making any selection, is just making sure that you are setting the asset allocation up to meet the investment goal. We certainly have a lot of the tools and investment products to help you get there. But really, as an investor, you have to know what is it that you are trying to achieve.

Mr. Besse: You must have reasonable expectations and a long-term time horizon.

Mr. Lee: Understand your time horizon and your goals, and then we can build a portfolio to hopefully meet them.

Mr. Besse: Every investor, regardless of the style used, needs to understand that to get the full advantage of a given style, you should expect to be invested for the full business cycle. There is no get-rich-quick; there is get-rich-slowly, I suppose, but you have to have realistic time frames.

TWST: Is there anything that we should touch on, or any summary statement either of you would like to add?

Mr. Lee: I would like to mention that Logan Capital has been receiving national recognition for the performance of our large cap growth strategy. Thomson Nelson recently recognized Logan Capital as one of the “World’s Best Money Managers.” We were named 21 out of 229 for the three years ending September 30, 2005. I can’t put the cart before the horse, but our performance into the fourth quarter was even better than it had been all year. We’re pretty

proud of that. This information is on our Website at www.logancapital.com, if you want to look at it.

TWST: Thank you.

Note: Opinions and recommendations are as of 2/13/06.

STEPHEN S. LEE

AL BESSE

Logan Capital Management, Inc.

Six Coulter Avenue

Suite 2000

Ardmore, PA 19003

(610) 642-7000