

# Portfolio Commentary

## Large Cap Growth

# Q3 | 2022

### MARKET REVIEW

U.S. equity markets continued their decline in the third quarter, despite a strong rally early in the period. The Federal Reserve (Fed) continued its aggressive fight against inflation with additional interest rate hikes and signaled that monetary tightening would continue until inflation approaches 2%. The Fed's effort to slow the economy appeared to be working, with U.S. gross domestic product shrinking for a second consecutive quarter. Global economic weakness and elevated geopolitical risks added to the macro pressures, all of which were putting U.S. equities on track to deliver their worst year in decades. Robust labor and wage gains, though easing, remained the bright spot in the economy.

While growth equities were broadly down in the quarter, they tended to outperform the wider market. The Russell 1000® Growth Index fell 3.60%, with the largest sector losses in real estate (-11.47%), communication services (-11.18%), and consumer staples (-6.83%). Energy (+4.31%) and consumer discretionary (+6.12%) delivered the only sector gains.

### PERFORMANCE

The Silvant Large Cap Growth Strategy Composite returned -3.72% (gross)/-3.86% (net) in the third quarter, while the Russell 1000 Growth Index declined 3.60%. Stock selection and an overweight in communication services, as well as stock selection and an underweight in industrials weighed the most on performance. Stock selection in consumer discretionary and healthcare and an underweight in real estate added the most to returns.

O'Reilly Automotive and TJX Companies were among the strongest stock contributors to relative performance.

- Car parts retailer O'Reilly Automotive reported a solid quarter with same-store-sales above the category average and strength in its commercial business. Over the past few years, the company has benefited from car owners holding on to their current vehicles longer due to the constrained availability of new and used models amid pandemic supply chain challenges. We continued to hold stock due to its favorable risk/reward characteristics.
- Off-price retailer TJX Companies outperformed as investors continued to favor its businesses relative to other retailers. While the company reported mixed financial results, this was primarily due to a slowdown in its home category, which experienced strong growth throughout the pandemic. The company also lowered its forward earnings guidance to what appears to be a more realistic level in the current environment. We maintained the position but are closely watching inventory levels.

<sup>1</sup> See Holdings Disclosure on Page 3.

<sup>2</sup> The contributors/detractors listed do not represent all securities purchased or sold for our clients. To obtain a list showing the contribution of each holding that contributed to overall performance during the quarter and the calculation methodology, please call 404-845-7640.

<sup>3</sup> Contributors and detractors are based on gross returns, see net returns presented on performance comparison page.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	844.8	707.9
Price-to-Earnings*	24.3x	21.7x
Price-to-Book	7.6x	8.4x
Price-to-Sales	4.4x	3.6x
EPS Growth Rate (3-5 yr fwd est)(%)	15.8	17.3
Operating Margin (%)	26.2	24.0
Std Dev (3 yr)	22.48	22.81
Alpha (3 yr)	-0.94	0.00
Beta (3 yr)	0.98	1.00
Std Dev (5 yr)	20.41	20.21
Alpha (5 yr)	-0.43	0.00
Beta (5 yr)	1.00	1.00

\*P/E is calculated using forward 12-month earnings. Portfolio characteristics are based on gross returns where applicable. See net returns presented on performance comparison page with regulatory required time periods.

TOP CONTRIBUTORS <sup>1,2,3</sup> (%)	Average Weight	Relative Attribution
O'Reilly Automotive, Inc.	2.3	0.3
TJX Companies Inc	1.6	0.2
Chipotle Mexican Grill, Inc.	0.9	0.1
Amazon.com, Inc.	7.3	0.1
Avalara Inc	0.5	0.1
Apple Inc.	15.2	0.1
Paycom Software, Inc.	0.7	0.1
Autodesk, Inc.	1.2	0.1
DraftKings, Inc. Class A	0.4	0.1
Las Vegas Sands Corp.	0.7	0.1

TOP DETRACTORS <sup>1,2,3</sup> (%)	Average Weight	Relative Attribution
Tesla Inc	0.5	-0.6
NVIDIA Corporation	3.9	-0.3
Meta Platforms Inc. Class A	2.0	-0.2
Alphabet Inc. Class C	4.6	-0.2
Estee Lauder Companies Inc. Class A	1.5	-0.2
Visa Inc. Class A	3.9	-0.1
Microsoft Corporation	12.9	-0.1
Edwards Lifesciences Corporation	1.5	-0.1
Alphabet Inc. Class A	4.4	-0.1
Boeing Company	1.3	-0.1

Relative attribution: excess return relative to the benchmark, limited to stocks held in the portfolio.

### TOP 10 HOLDINGS<sup>1</sup> (% of portfolio)

Apple Inc.	15.0
Microsoft Corporation	12.7
Amazon.com, Inc.	7.3
Alphabet Inc. Class C	4.4
Alphabet Inc. Class A	4.3
Visa Inc. Class A	3.6
Eli Lilly and Company	3.4
NVIDIA Corporation	3.4
UnitedHealth Group Incorporated	3.0
O'Reilly Automotive, Inc.	2.6

Source: FactSet. All data as of 09/30/2022.

Tesla and NVIDIA were among the largest stock detractors from relative performance.

- Electric vehicle manufacturer Tesla lagged on production limitations due to COVID-related lockdowns in China. Overall, however, the company still expects to grow global production for the rest of the year. The stock is a new holding in the portfolio, and the business continues to offer favorable operating leverage and the enviable position as the absolute leader in electric vehicles, despite heavy competition.
- Shares of semiconductor maker NVIDIA underperformed again this quarter after reporting lower-than-expected earnings and revenue driven by slowdowns in its gaming and professional visualization segments. While the company’s data-center business is also experiencing softer gains, its automotive segment continues to grow north of 60% with a considerable backlog. We continued to hold the position as our longer-term outlook for the stock remains favorable.

**PORTFOLIO CHANGES**

Tesla (discussed above) was the only new addition to the portfolio. There were no exits.

**ATTRIBUTION (%) AS OF 09/30/2022**

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	10.9	7.6	-0.3	-0.2	-0.5
Consumer Discretionary	16.4	17.1	-0.2	0.4	0.2
Consumer Staples	4.3	5.7	0.1	0.0	0.0
Energy	0.0	1.6	-0.1	0.0	-0.1
Financials	3.9	3.0	0.0	0.0	0.0
Healthcare	14.2	12.2	0.0	0.2	0.2
Industrials	2.9	7.2	-0.1	-0.1	-0.2
Information Technology	46.4	42.7	0.0	-0.1	-0.2
Materials	1.0	1.4	0.0	0.1	0.1
Real Estate	0.0	1.6	0.1	0.0	0.1
Utilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>			<b>-0.5</b>	<b>0.2</b>	<b>-0.3</b>

Source: FactSet.

Attribution does not incorporate the effects of cash, unclassified securities or expenses and may change at any time without notice. The total impact may not equal the difference between Portfolio and Benchmark returns.

Attribution is based on gross returns, see net returns presented on performance comparison page.

**OUTLOOK**

We remain cautious in the current economic climate. Equity markets are likely to stay volatile as the Fed continues to tighten financial conditions. Although valuations based on trailing earnings have started to look more attractive amid the year-to-date decline in equities, the upcoming earnings season may result in lower forward-looking earnings guidance from companies. In our view, the market is pricing in more negative earnings sentiment. However, broadly speaking, companies’ outlooks have probably not yet come down enough, given how long the current economic headwinds could persist.

We believe the portfolio is well positioned despite the challenging environment. For example, while many of the companies that we own have started to experience generally lighter sales volumes, they have largely been able to offset any slowdown with notably better pricing. Our focus remains on holding growth businesses that are better at executing and competing than their peers. These are the types of stocks, in our view, that should be more resilient in the current cycle and also be well suited to outperform when the economic tide finally turns. The key at this point is to keep focusing on fundamentals while being patient.

## PERFORMANCE COMPARISON (%) AS OF 09/30/2022

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Large Cap Growth Composite (Gross)	-3.72	-30.66	-24.15	9.45	11.69	12.57
Large Cap Growth Composite (Net)	-3.86	-30.99	-24.62	8.72	10.91	11.76
Russell 1000® Growth Index	-3.60	-30.66	-22.59	10.67	12.17	13.70
eVestment Alliance Large Cap Growth Median*	-4.26	-31.88	-25.52	7.85	10.12	12.32
# of Portfolios in Median Calculation	518	515	514	506	481	414

eVestment Alliance data capture date: 10/21/2022.

**Past performance is not indicative of future results.** This presentation is solely for SUPPLEMENTAL INFORMATION purposes, intended for institutional investors, and may not be provided unless accompanied or preceded by the fully compliant GIPS Composite Presentation. The comparative performance contained herein reflects annualized returns for specific time period, is not indicative of actual annual returns, and may not be relied upon for investment decisions. Complete information regarding Silvant's returns is included on the GIPS presentation on page 4. The performance inception date for the composite is 4/1/2007.

Russell 1000® Growth Index offers investors access to the large-cap growth segment of the U.S. equity universe. The index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Investors cannot invest directly in an index.

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\*eVestment Alliance (eA) is a manager-reported database on hundreds of investment managers and thousands of investment products covering a full range of asset classes, investment styles, and geographic concentrations. Based on manager input, eA independently constructs universes using qualitative and quantitative factors. The investment products are organized into peer groups and assessed on an ongoing basis to ensure the consistency of a product's attributes within a designated style classification. In addition, eA utilizes style analysis tools, performance analytics, and the review of a product's investment strategy narrative in the construction of wide-ranging universes that are both pure in style and consistent over time.

The eVestment Number of Portfolios represents the number of investment products included in the calculation of the median return for the given eVestment universe for the given time period. Individual investment managers may have more than one investment product included in the universe, so the number of observations will likely be greater than the actual number of investment managers represented.

## HOLDINGS DISCLOSURE

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

## IMPORTANT RISK CONSIDERATIONS

**Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Growth Stocks:** Growth stocks are typically sensitive to market movements because their market prices tend to reflect future expectations. When it appears those expectations will not be met, the prices of growth stocks typically fall. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be short- or long-term. Local, regional, or global events such as war (e.g., Russia's invasion of Ukraine), acts of terrorism, the spread of infectious illness (e.g., COVID-19 pandemic) or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio's manager(s) to invest the portfolio's assets as intended.

For information, contact:

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# Q3 | 2022 Large Cap Growth

LARGE CAP GROWTH COMPOSITE 04/01/2007 – 09/30/2022

Year	Gross of Fee Return (%)	Net of Fee Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Dispersion (%)	3-Year Standard Deviation		Total Composite Assets at End of Period (US\$ Mil)	Total Firm Assets (US\$ Mil)
						Composite	Benchmark		
2022 YTD	-30.66	-30.99	-30.66	Five or fewer	N/A	22.48	22.81	188	1,739
2021	25.03	24.25	27.60	Five or fewer	N/A	18.14	18.17	284	874
2020	37.40	36.40	38.49	Five or fewer	N/A	19.98	19.64	300	855
2019	35.10	34.12	36.39	Five or fewer	N/A	14.14	13.07	308	821
2018	0.05	-0.69	-1.51	7	0.19	13.79	12.13	308	748
2017	28.03	27.09	30.21	12	0.14	11.78	10.54	730	1,138
2016	-2.34	-3.08	7.08	12	0.12	12.70	11.15	888	1,277
2015	8.78	7.98	5.67	13	0.22	11.81	10.70	912	1,382
2014	10.37	9.55	13.05	13	0.14	11.70	9.59	737	1,736
2013	35.92	34.93	33.48	13	0.32	14.61	12.18	736	2,233
2012	16.42	15.56	15.26	18	0.50	18.43	15.66	1,067	3,002

- 1. Compliance Statement.** Silvant Capital Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Silvant Capital Management LLC has been independently verified for the periods of March 31, 2008 (the date of the Firm's founding) through December 31, 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures 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.
- 2. Definition of the Firm.** Silvant Capital Management LLC ("Silvant") is an SEC-registered investment adviser and is a wholly owned subsidiary of Virtus Partners, Inc., a wholly owned subsidiary of Virtus Investment Partners, Inc. ("Virtus"). Registration of an investment adviser does not imply any level of skill or training. Silvant manages assets on behalf of institutional separate accounts, and pooled investment vehicles. Silvant became an affiliate of Virtus effective June 1, 2017, when Virtus acquired RidgeWorth Capital Management LLC and RidgeWorth Investments ("RidgeWorth"). Silvant was created March 31, 2008, when all the investment decision-makers associated with the growth equity investment strategies of RidgeWorth became employees of Silvant. The staff and decision-making process remained intact and independent within Silvant. For composite reporting purposes, the Firm is defined as all equity portfolios managed by Silvant. Composite performance results are linked to performance history generated at RidgeWorth.
- 3. Composite Description.** The Large Cap Growth Strategy composite includes fully discretionary accounts managed in accordance with the large cap growth style, with the objective of investing in stocks with a competitive advantage, strong profitability metrics, above average free cash flow, above average operating margins, and positive price trends. Under normal circumstances, Large Cap Growth Portfolios will have at least 80% of their assets invested in common stocks and other U.S. traded equity securities of large cap companies. U.S. traded equity securities may include American Depository Receipts ("ADR's"). Silvant considers large cap companies to be companies with market capitalizations similar to those of companies in the Russell 1000 Growth Index. Silvant will seek out securities it believes have strong business fundamentals, such as revenue growth, improving cash flows, increasing margins and positive earnings trends. Key material risks: Stock prices will decline, and the composite will underperform its benchmark. The minimum portfolio size for the Large Cap Growth Strategy composite is \$1,000,000.
- 4. Benchmark.** The benchmark for the Large Cap Growth Strategy composite is the Russell 1000 Growth Index, which measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Index returns do not reflect the deduction of any fees or expenses.
- 5. Returns and Fees.** Returns are calculated based on total return which (a) includes cash returns, realized and unrealized gains plus income, and reinvestment of dividends and other earnings; (b) utilizes trade date and accrual accounting; and (c) is after the deduction of actual trading fees and expenses. Portfolio returns are calculated utilizing daily valuation. Composite returns, calculated monthly, are the weighted average return of the underlying portfolios using beginning-of-period market values. Composite gross of fee returns do not reflect any deduction for investment advisory fees, custodial charges or other costs that a client might incur in connection with the management of an account. Investment advisory fees are described in Part 2 of the firm's Form ADV. Prior to September 1, 2015, the gross of fee return for the mutual fund was calculated by adding back the fund's published total operating expense ratio to the net of fee mutual fund performance; we now use the gross of fee return of the underlying portfolio. Effective 4/1/2021, composite net of fee performance is calculated assuming a fee of 0.60%, the highest fee for this type of investment account. Prior to 4/1/2021, composite net of fee performance is calculated assuming a fee of 0.75%, the highest fee for this type of investment account.
- 6. Fee Schedule.** The management fee schedule applicable to large cap growth equity accounts is as follows: 0.60% on the first \$10 million, 0.45% on the next \$40 million, and 0.25% on all over \$50 million. The minimum annual fee is \$10,000. Actual investment advisory fees incurred by clients may vary. For further information on investment management fees, please refer to Form ADV Part 2.
- 7. Ex Post Standard Deviation.** The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period. No three-year annualized standard deviations are reported for periods less than 3 years (shown as N/A).
- 8. Composite Dispersion.** The dispersion of annual or YTD returns is measured by the equal-weighted standard deviation of portfolio gross returns represented within the composite for the full year or period. No dispersion is reported for periods with five or fewer portfolios (shown as N/A).
- 9. Currency.** Valuations and returns are computed and stated in U.S. Dollars.
- 10. Composite Creation and Inception Date.** This composite was created March 31, 2008, the inception date of Silvant, and continues the investment strategy of a composite originally created in 2007. The composite has performance history with an inception date of April 1, 2007.
- 11. Significant Cash Flow Policy.** Beginning March 31, 2008, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 10% or greater of portfolio assets.
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