

Portfolio Commentary

Small Cap Growth

Q2 | 2022

MARKET REVIEW

After a difficult first quarter, U.S. stocks continued to accelerate their losses during the period, broadly falling into bear market terrain and delivering the worst first-half year returns since 1970. Growth stocks were hit particularly hard, with the Russell 2000® Growth Index falling -19.25% in the second quarter. The benchmark's largest sector losses were in communication services (-25.98%), real estate (-24.48%), information technology (-23.12%), and consumer discretionary (-21.13%). The smallest were in utilities (-8.57%) and consumer staples (-2.23%).

Intensifying fears about surging inflation and slowing economic growth kept markets on edge as investors tried to figure out whether the U.S. was falling into recession or not. While first-quarter gross domestic product (GDP) shrank, second-quarter consensus estimates remained positive, though revised down. The Federal Reserve (Fed) also entered full tightening mode with two sizable rate increases. Starting signs of demand destruction began to emerge in some of the larger sectors of the economy in reaction. Fortunately, the job market remained strong, offering some hope that the Fed may be able to navigate a somewhat soft economic landing as it tries to bring runaway inflation under control.

PERFORMANCE

The Silvant Small Cap Growth Strategy Composite returned -19.95% (gross)/-20.09% (net) for the quarter versus the Russell 2000 Growth Index's return of -19.25%. An underweight in energy and consumer staples and stock selection in industrials and consumer discretionary weighed the most on performance. Materials and communication services stock selection added the most to returns.

Balchem and Chemed were among the strongest stock contributors to relative performance.

- Nutrition and health supplement maker Balchem outperformed on higher-than-expected revenue and earnings. Investors were also attracted to its stable earnings drivers in the volatile quarter. Although the company's margins faced some compression from higher raw materials costs, it was able to institute price increases that should help it catch up with these inflationary pressures. We maintained our position, given the stock's solid fundamental outlook.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	5.3	2.9
Price-to-Earnings*	18.0x	13.2x
Price-to-Book	3.9x	3.6x
Price-to-Sales	2.5x	1.5x
EPS Growth Rate (3-5 yr fwd est)(%)	24.2	19.8
Operating Margin (%)	8.7	9.3
Std Dev (3 yr)	23.33	24.40
Alpha (3 yr)	-1.81	0.00
Beta (3 yr)	0.91	1.00
Std Dev (5 yr)	21.87	22.46
Alpha (5 yr)	1.31	0.00
Beta (5 yr)	0.93	1.00

*P/E is calculated using forward 12-month earnings.

TOP CONTRIBUTORS^{1,2}

	Average Weight	Relative Attribution
Balchem Corporation	3.2	0.4
Chemed Corporation	3.6	0.4
WD-40 Company	1.6	0.4
RLI Corp.	1.6	0.3
Chart Industries, Inc.	2.1	0.2
FormFactor, Inc.	2.2	0.2
Sarepta Therapeutics, Inc.	1.5	0.2
Simpson Manufacturing Co., Inc.	2.2	0.2
WideOpenWest, Inc.	1.1	0.2
Shockwave Medical, Inc.	1.0	0.2

TOP DETRACTORS^{1,2}

	Average Weight	Relative Attribution
Tandem Diabetes Care, Inc.	2.4	-0.9
Herc Holdings, Inc.	2.2	-0.6
Bill.com Holdings, Inc.	0.9	-0.4
Q2 Holdings, Inc.	1.7	-0.3
Outset Medical, Inc.	0.5	-0.3
Penumbra, Inc.	0.8	-0.3
Wingstop, Inc.	1.5	-0.3
Customers Bancorp, Inc.	1.2	-0.2
Varonis Systems, Inc.	1.3	-0.2
Goosehead Insurance, Inc. Class A	0.7	-0.2

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

TOP 10 HOLDINGS¹ (% of portfolio)

Teledyne Technologies Incorporated	5.2
Chemed Corporation	3.9
Casella Waste Systems, Inc. Class A	3.8
Balchem Corporation	3.7
Five9, Inc.	3.7
FormFactor, Inc.	2.5
Saia, Inc.	2.4
Simpson Manufacturing Co., Inc.	2.4
Inspire Medical Systems, Inc.	2.3
Chart Industries, Inc.	2.2

Source: FactSet. All data as of 06/30/2022.

¹ See Holdings Disclosure on Page 3.

² 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.

- Chemed outperformed on earnings strength. The company operates in two segments, hospice provider VITAS and plumbing company Roto-Rooter, the latter of which continued to deliver impressive organic growth gains. While hospice admissions and related revenues were a bit softer due to the recent COVID-19 resurgence, we expect these to recover. The hospice segment is also less contract-labor sensitive compared to other health care providers. We held steady with the stock, as we see room for additional gains.

Tandem Diabetes and Herc Holdings were among the largest stock detractors from relative performance.

- Despite reporting strong earnings and revenue, insulin infusion therapy manufacturer Tandem Diabetes lagged on the rumor that competitor insulin pump maker Insulet might be acquired by DexCom. We held the stock, as DexCom denied the buyout talks and Tandem remains well positioned to outperform looking ahead.
- Equipment rental company Herc Holdings also reported a strong quarter. However, its shares underperformed on investor concerns around its exposure to the cyclical construction segment amid the slowing macroeconomic environment. We maintained our position, as the company has yet to experience any real business softness and continues to perform well.

PORTFOLIO CHANGES

We initiated a new position in U.S. Physical Therapy. Notable exits included CarParts.com and The Children’s Place.

- We took a small starter position in U.S. Physical Therapy, which operates outpatient physical therapy clinics. The business has had strong same-store revenue growth and has been expanding through acquisitions.
- We sold online auto parts retailer CarParts.com due to supply chain and economic slowdown concerns, given the highly competitive nature of the segment.
- We exited specialty apparel retailer The Children’s Place after it reported disappointing revenue. The company has a relatively small store footprint that could be quickly hurt by a slowdown in consumer discretionary spending as financial conditions tighten.

PERFORMANCE ATTRIBUTION (%) AS OF 06/30/2022

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	1.4	2.4	0.1	0.3	0.3
Consumer Discretionary	13.6	10.4	0.0	-0.3	-0.3
Consumer Staples	3.1	4.7	-0.3	0.1	-0.2
Energy	2.9	6.1	-0.5	0.1	-0.4
Financials	8.0	5.9	0.0	-0.2	-0.2
Healthcare	23.4	22.7	0.1	-0.2	-0.2
Industrials	18.4	17.3	0.0	-0.4	-0.4
Information Technology	24.4	21.4	-0.1	0.0	-0.1
Materials	4.4	4.4	0.0	0.3	0.3
Real Estate	0.5	2.9	0.1	0.0	0.1
Utilities	0.0	1.8	-0.1	0.0	-0.1
Total			-0.7	-0.5	-1.2

Source: FactSet.

Performance 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.

OUTLOOK

We continue to be cautious in the current market climate. The economy has clearly slowed, and a recession has grown more probable but far from guaranteed. Much depends on inflation (and the Fed’s ability to tame it) and employment. If inflation starts to ease, the job front remains strong, and consumers can continue to spend, then the economy may navigate the current slowdown relatively well. If the consumer cracks, which typically happens when job destruction occurs, it will present a much bigger problem. While the cooling economy can pose a greater challenge for stock picking, our focus on bottom-up, fundamentals continues to lead us to companies that appear well positioned to exceed investor expectations and grow faster than peers, even with today’s challenging headwinds. The key is to focus on the longer term, an approach that has paid off time and time again.

PERFORMANCE COMPARISON (%) AS OF 06/30/2022

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Growth Composite (Gross)	-19.95	-30.86	-33.88	-0.56	5.80	8.80
Small Cap Growth Composite (Net)	-20.09	-31.10	-34.33	-1.40	4.84	7.77
Russell 2000® Growth Index	-19.25	-29.45	-33.43	1.40	4.80	9.30
eVestment Alliance Small Cap Growth Median*	-19.39	-29.85	-30.22	5.54	9.76	12.22
# of Portfolios in Median Calculation	168	168	168	165	160	140

eVestment Alliance data capture date: 7/24/2022

Past performance is not indicative of future results. This presentation is solely for SUPPLEMENTAL INFORMATION purposes, intended for institutional investor, 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 Silviant's returns is included on the GIPS presentation on page 4. The performance inception date for the composite is 1/1/2001.

Russell 2000® Growth Index is composed of the securities found in the Russell 2000® Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios. Investors cannot invest directly in an index.

Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

This information and general market-related projections are based on information available at the time, are subject to change without notice, are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm, and may not be relied upon for individual investing purposes. Information provided is general and educational in nature, provided as general guidance on the subject covered, and is not intended to be authoritative. All information contained herein is believed to be correct, but accuracy cannot be guaranteed. This information may coincide or conflict with activities of the portfolio managers. It is not intended to be, and should not be construed as investment, legal, estate planning, or tax advice. Silviant Capital Management does not provide legal, estate planning, or tax advice. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions. Portfolio characteristics, sector analysis, and holdings exclude cash and may change at any time.

*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. **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, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the portfolio's assets as intended.

For information, contact:

Silvant Capital Management | 404-845-7640 | www.silvantcapital.com

Q2 | 2022 Small Cap Growth

SMALL CAP GROWTH COMPOSITE 01/01/2001 – 06/30/2022

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	-30.86	-31.10	-29.45	Five or fewer	N/A	23.33	24.40	19	675
2021	-3.07	-3.79	2.83	Five or fewer	N/A	22.51	23.07	29	874
2020	40.67	39.31	34.63	Five or fewer	N/A	23.67	25.10	38	855
2019	37.52	36.19	28.48	Five or fewer	N/A	16.58	16.37	30	821
2018	-5.55	-6.49	-9.31	Five or fewer	N/A	15.53	16.46	24	748
2017	15.88	14.74	22.17	Five or fewer	N/A	13.54	14.59	30	1,138
2016	10.60	9.50	11.32	Five or fewer	N/A	15.92	16.67	45	1,277
2015	-2.30	-3.27	-1.38	Five or fewer	N/A	14.62	14.95	70	1,382
2014	-3.35	-4.32	5.60	Five or fewer	N/A	14.00	13.82	246	1,736
2013	46.31	44.90	43.30	Five or fewer	N/A	17.18	17.27	301	2,233
2012	16.16	15.02	14.59	Five or fewer	N/A	21.34	20.72	353	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 of 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 Small Cap Growth Strategy composite includes fully discretionary accounts managed in accordance with the small 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, Small Cap Growth Portfolios will have at least 80% of their assets invested in common stocks and other U.S. traded equity securities of small cap companies. U.S. traded equity securities may include American Depository Receipts ("ADR's"). Silvant considers small cap companies to be companies with market capitalizations similar to those of companies in the Russell 2000 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. Small Cap equity prices can be more volatile than larger-cap stocks and carry more risk. The minimum portfolio size for the Small Cap Growth Strategy composite is \$1,000,000.
- 4. Benchmark.** The benchmark for the Small Cap Growth Strategy composite is the Russell 2000 Growth Index, which is composed of the securities found in the Russell 2000 Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios. The index is calculated on a total-return basis with dividends reinvested. 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; (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 composite net of fee performance is calculated assuming a fee of 0.65%, 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 1.00%, the highest fee for this type of investment account.
- 6. Fee Schedule.** The standard management fee schedule applicable to small cap growth equity accounts is as follows: 0.65% on the first \$10 million, 0.58% on the next \$40 million, and 0.45% 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 2001. The composite has performance history with an inception date of January 1, 2001.
- 11. Significant Cash Flow Policy.** Beginning March 31, 2008, composite policy required the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 10% or greater of portfolio assets. This policy was discontinued effective January 1, 2013.
- 12. Availability of Information.** Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. A list of all composite investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy.
- 13. Disclaimer.** Past performance is not indicative of future results and no investment is guaranteed for return of principal and/or return on investments. Results will vary among accounts. All information provided and used in calculations is believed to be correct, but accuracy cannot be guaranteed. Please consult with a financial professional before investing.
- 14. Trademark.** GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.