

# PORTFOLIO COMMENTARY

## Focused Large Cap Growth



FIRST QUARTER 2024

### MARKET REVIEW

U.S. large-cap growth stocks pushed higher in the first quarter, lifted by continued fundamental and earnings strength, resilient economic growth, and interest-rate-cut expectations. The Russell 1000® Growth Index rose 11.41% in the period, with all but one of its sectors delivering positive performance, more than half in the double digits. The largest gains were in utilities (+24.11%), communication services (+17.34%), and materials (+13.56%). Real estate (-1.97%) was the only detracting sector.

Investors largely shrugged off still-sticky inflation readings to push the market to a series of new highs, as recession risks increasingly faded and the economy continued to surprise on the upside despite the Federal Reserve's restrictive monetary policy. The rally saw broader participation compared to last year's dominance by a handful of mega-cap technology names and continued to widen in breadth throughout the quarter—a healthy move for markets. High yield spreads also narrowed, a generally positive signal of the stock market's solid fundamental backdrop.

### PERFORMANCE

The Silvant Focused Large Cap Growth Strategy Composite gained 15.20% (gross)/14.83% (net) for the quarter, outperforming the Russell 1000 Growth Index's rise of 11.41%. Information technology, healthcare, and consumer discretionary stock selection added the most to performance. Industrials stock selection detracted the most from returns.

NVIDIA and Eli Lilly were among the top stock contributors to relative performance.

- Semiconductor industry leader NVIDIA again delivered impressive gains on earnings and outlook strength driven by the artificial intelligence boom. The company has benefited from incredible demand with little competition and appears well positioned for what is likely to be a large and long runway for this major change in technology. We trimmed the position for risk control but maintained a large overweight.
- Pharmaceutical firm Eli Lilly outperformed due to growth and enthusiasm for its diabetes and weight-loss GLP-1 drugs, Mounjaro and Zepbound, including their potential applications for other treatments. The company beat earnings and revenue expectations and raised forward-looking guidance on the soaring demand. We trimmed the position but continued to hold the stock given its upbeat outlook.

<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.

See GIPS Composite Report on Page 4.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg Market Cap (\$b)	1430.8	1215.4
Price-to-Earnings*	31.7x	28.9x
Price-to-Book	11.8x	11.7x
Price-to-Sales	6.6x	4.8x
EPS Growth Rate (3-5 yr fwd est)	20.2	17.2
Operating Margin (%)	31.4	28.0
Std Dev (3 yr)	22.03	20.76
Beta (3 yr)	1.05	1.00
Std Dev (5 yr)	21.39	20.49
Beta (5 yr)	1.03	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
NVIDIA Corporation	11.7	2.6
Eli Lilly and Company	5.2	0.6
Tesla, Inc.	1.2	0.5
Meta Platforms Inc Class A	5.7	0.4
Edwards Lifesciences Corporation	2.1	0.3
Applied Materials, Inc.	2.0	0.2
General Electric Company	0.8	0.2
ASML Holding NV ADR	1.1	0.2
Vulcan Materials Company	1.9	0.2
Amazon.com, Inc.	7.7	0.1

TOP DETRACTORS <sup>1,2,3</sup> (%)	Average Weight	Relative Attribution
Boeing Company	1.8	-0.9
UnitedHealth Group Incorporated	3.1	-0.3
Apple Inc.	11.6	-0.3
Honeywell International Inc.	1.5	-0.2
Workday, Inc. Class A	1.4	-0.2
Fair Isaac Corporation	3.7	-0.1
Visa Inc. Class A	4.5	-0.1
Royal Caribbean Group	2.5	-0.1
Las Vegas Sands Corp.	1.4	-0.1
Autodesk, Inc.	1.8	-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)

Microsoft Corporation	13.9
NVIDIA Corporation	12.5
Apple Inc.	9.9
Amazon.com, Inc.	8.0
Eli Lilly and Company	5.0
Meta Platforms Inc Class A	5.0
Visa Inc. Class A	4.4
Alphabet Inc. Class A	3.6
Fair Isaac Corporation	3.6
Alphabet Inc. Class C	3.3

Source: FactSet. All data as of 03/31/2024.

Boeing and UnitedHealth Group were among the largest stock detractors from relative performance.

- Despite strong financial results, aerospace company Boeing underperformed amid increased scrutiny from the Federal Aviation Administration and lower production volumes after a series of high-profile safety incidents. We continued to hold the stock as the company announced an overhaul in its leadership to help address the persistent challenges in its jetliner business and we still believe it should be able to work through its issues, though it is taking longer than expected.
- Health insurer UnitedHealth Group reported solid earnings and revenue but continued to lag on its higher-than-expected medical loss ratio due to higher costs. Shares were also pressured by news that it faced a Department of Justice antitrust probe and suffered a disruptive cyberattack. We held steady with the stock as we expect these are largely temporary headwinds that should clear.

## PORTFOLIO CHANGES

We added Arm Holdings to the portfolio. There were no exits.

- We bought semiconductor intellectual property firm Arm Holdings for its attractive royalty and licensing businesses and strong AI potential.

## OUTLOOK

The recent broadening in market leadership has offered a favorable environment for our distinctive approach to growth investing. We view growth as a condition, not a category, based on a recognition that all types of companies can potentially exhibit the conditions to grow faster than peers and exceed investor expectations. The key is to focus on fundamentals, and the overall fundamental growth of the market continues to look good.

The labor market continues to show signs of strength, and CEO surveys are still suggesting additional hiring. Leading indicators in industrial production have picked up, and purchasing manager data have gone into expansionary territory, indicating a stronger set of growth going forward, particularly in cyclical growth stocks. Bank credit and loan surveys have shown signs of improvement. General market volatility also has been relatively subdued, mostly only spiking and quickly recovering in reaction to the hotter-than-expected inflation data in the quarter.

## ATTRIBUTION (%) AS OF 03/31/2024

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	11.9	12.0	0.0	0.3	0.4
Consumer Discretionary	13.0	14.9	0.1	0.5	0.6
Consumer Staples	0.0	4.1	0.1	0.0	0.1
Energy	0.0	0.5	0.0	0.0	0.0
Financials	4.4	6.4	0.0	-0.2	-0.2
Healthcare	14.6	10.6	0.0	0.9	0.9
Industrials	4.6	5.8	0.0	-0.9	-0.9
Information Technology	49.5	44.0	0.1	2.9	3.0
Materials	2.0	0.7	0.0	0.1	0.2
Real Estate	0.0	0.8	0.1	0.0	0.1
Utilities	0.0	0.1	0.0	0.0	0.0
<b>Total</b>			<b>0.5</b>	<b>3.6</b>	<b>4.1</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.

There are, however, reasons for caution. Inflation remains more persistent than expected, and investors are resetting expectations around the timing and magnitude for the Federal Reserve to begin winding down its current tightening cycle. Rate cuts appear to be far from guaranteed any time soon and maybe not even this year. Geopolitical risks also remain elevated, and the U.S. is entering a likely very contentious election cycle.

Still, the general investment landscape remains relatively positive. Against this backdrop, large-cap growth markets appear solidly positioned to continue offering attractive, if slightly more selective, investment potential in the current environment.

**PERFORMANCE COMPARISON (%) AS OF 03/31/2024**

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Focused Large Cap Growth Composite (Gross)	15.20	15.20	50.91	17.98	21.19	15.95
Focused Large Cap Growth Composite (Net)	14.83	14.83	48.95	16.63	20.00	14.93
Russell 1000® Growth Index	11.41	11.41	39.00	12.50	18.52	15.98

**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 10/1/1999.

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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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, medium, or large-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. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio’s manager(s) to invest its assets as intended.

FOR INFORMATION, CONTACT:

**Silvant Capital Management | 404-845-7640 | [www.silvantcapital.com](http://www.silvantcapital.com)**

# Focused Large Cap Growth

## FOCUSED LARGE CAP GROWTH COMPOSITE 10/01/1999 – 03/31/2024

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		
2023	54.79	52.79	42.68	Five or fewer	N/A	21.75	20.51	1,122	2,173
2022	-29.05	-30.03	-29.14	Five or fewer	N/A	23.80	23.47	776	1,693
2021	31.45	30.63	27.60	Five or fewer	N/A	18.80	18.17	5	874
2020	36.27	35.28	38.49	Five or fewer	N/A	20.54	19.64	4	855
2019	33.79	32.81	36.39	Five or fewer	N/A	14.66	13.07	3	821
2018	2.57	1.70*	-1.51	Five or fewer	N/A	14.62	12.13	3	748
2017	28.09	27.16	30.21	Five or fewer	N/A	12.42	10.54	4	1,138
2016	-6.65	-7.35	7.08	Five or fewer	N/A	13.00	11.15	15	1,277
2015	9.40	8.59	5.67	6	N/A	11.76	10.70	46	1,382
2014	7.18	6.38	13.05	11	0.13	11.55	9.59	388	1,736

\*Net return is calculated using the actual effective fee of 0.87% paid from the only account in the composite.

- 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, 2022. 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 ("Sivant") 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 for segregated 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 Focused Large Cap Growth composite includes fully discretionary accounts managed in accordance with the concentrated portfolio, growth investment 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, Focused 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 companies with strong current earnings, growth in revenue, improving profitability, strong balance sheet, strong current and projected business fundamentals and reasonable valuation. Generally, a Focused Large Cap Growth portfolio will hold 40 securities or less. Key material risks: Stock prices will decline, and the composite will underperform its benchmark. Prior to August 2022, the Focused Large Cap Growth Composite was named the Concentrated Large Cap Growth Strategy Composite. Prior to July 2015, the composite was named the Select Large Cap Growth Strategy composite. The minimum portfolio size for the Focused Large Cap Growth composite is \$1,000,000.
- 4. Benchmark.** The benchmark for the Focused Large Cap Growth 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. 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, 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 portfolios. Effective 1/1/2022, composite net of fee performance is calculated assuming an annual fee of 1.35%, the highest fee that can be charged to any account in the composite. Prior to 1/1/2022, composite net of fee performance is calculated assuming an annual 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 an annual fee of 0.75%, the highest fee for this type of investment account. A performance fee-paying account is included in the composite for the periods shown. A higher fee was applied in 2018 as the actual fee charged exceeded the model fee due to the performance fee-paying account. See the note below the performance table.
- 6. Fee Schedule.** The standard management fee schedule applicable to focused 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 2006. The composite has performance history with an inception date of October 1, 1999.
- 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. This policy was discontinued effective February 1, 2017.
- 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.
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