

# PORTFOLIO COMMENTARY

## Large Cap Core Growth

FIRST QUARTER 2024



### MARKET REVIEW

U.S. large-cap stocks pushed higher in the first quarter, lifted by continued fundamental and earnings strength, resilient economic growth, and interest-rate-cut expectations. The S&P 500® Index rose 10.56% in the period, with the largest gains in communication services (+15.82%), energy (+13.69%), and information technology (+12.69%). Real estate (-0.55%) was the only index sector to decline.

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 Large Cap Core Growth Strategy Composite gained 9.63% (gross)/9.52% (net) for the quarter compared with the S&P 500 Index's rise of 10.56%. Information technology stock selection and an underweight and stock selection in communication services weighed the most on performance. Healthcare and consumer staples stock selection added the most to returns.

Eaton and Trane Technologies were among the top stock contributors to relative performance.

- Power management company Eaton rose on earnings and revenue strength and raised forward-looking guidance, benefiting from electric grid hardening and increased data center power demand. It also reported a robust backlog that has almost tripled from its pre-COVID levels. We held steady with the stock given its upbeat outlook.
- Heating and air conditioning manufacturer Trane Technologies, a new holding last quarter, outperformed on strong growth, margin expansion, and increased bookings and backlog. We added to the position on the company's positive business momentum.

<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)        | 1124.2    | 803.9     |
| Price-to-Earnings*               | 25.1x     | 22.0x     |
| Price-to-Book                    | 6.3x      | 4.5x      |
| Price-to-Sales                   | 2.8x      | 2.9x      |
| EPS Growth Rate (3-5 yr fwd est) | 14.1      | 13.8      |
| Operating Margin (%)             | 25.8      | 24.5      |
| Std Dev (3 yr)                   | 18.13     | 17.35     |
| Beta (3 yr)                      | 1.03      | 1.00      |
| Std Dev (5 yr)                   | 18.40     | 18.21     |
| Beta (5 yr)                      | 0.99      | 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 |
|---------------------------------------|----------------|----------------------|
| Eaton Corp. Plc                       | 1.4            | 0.2                  |
| Trane Technologies Plc                | 1.5            | 0.2                  |
| Apollo Global Management Inc.         | 1.6            | 0.2                  |
| Cigna Group                           | 1.6            | 0.1                  |
| Progressive Corporation               | 1.1            | 0.1                  |
| Republic Services, Inc.               | 2.4            | 0.1                  |
| JPMorgan Chase & Co.                  | 2.7            | 0.1                  |
| HCA Healthcare Inc                    | 1.1            | 0.1                  |
| UnitedHealth Group Incorporated       | 0.6            | 0.1                  |
| McKesson Corporation                  | 2.1            | 0.1                  |

| TOP DETRACTORS <sup>1,2,3</sup> (%) | Average Weight | Relative Attribution |
|-------------------------------------|----------------|----------------------|
| Apple Inc.                          | 13.4           | -1.6                 |
| S&P Global, Inc.                    | 2.4            | -0.3                 |
| McDonald's Corporation              | 1.9            | -0.2                 |
| Roper Technologies, Inc.            | 2.5            | -0.2                 |
| CVS Health Corporation              | 0.4            | -0.2                 |
| Tesla, Inc.                         | 1.6            | -0.1                 |
| Honeywell International Inc.        | 1.2            | -0.1                 |
| Prologis, Inc.                      | 1.3            | -0.1                 |
| Illinois Tool Works Inc.            | 1.3            | -0.1                 |
| PPG Industries, Inc.                | 0.8            | -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           | 12.9 |
| Apple Inc.                      | 11.6 |
| NVIDIA Corporation              | 5.3  |
| Amazon.com, Inc.                | 4.5  |
| Alphabet Inc. Class A           | 3.7  |
| JPMorgan Chase & Co.            | 2.9  |
| McKesson Corporation            | 2.6  |
| Republic Services, Inc.         | 2.5  |
| Mastercard Incorporated Class A | 2.5  |
| Costco Wholesale Corporation    | 2.5  |

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

Apple and S&P Global were among the largest stock detractors from relative performance.

- Despite strong financial results, technology leader Apple lagged on lowered forward-looking guidance and weakness in China sales. The company also has yet to announce its artificial intelligence plans. We trimmed the position but continued to hold an overweight.
- Financial data and analytics firm S&P Global, which delivered strong stock gains last year, pulled back on investor profit-taking after reporting slightly lower-than-expected earnings. We maintained the position as profit and revenue growth were still solid and the company remains fundamentally strong.

### PORTFOLIO CHANGES

New positions included Netflix and GE HealthCare Technologies. Exits included CVS Health and Northrop Grumman.

- We bought streaming service Netflix on its revenue and subscriber growth, positive pricing changes, and crackdown on password sharing.
- We purchased medical technology firm GE HealthCare Technologies, spun off last year from General Electric, which appears poised to continue benefiting from robust order growth, a strong book-to-bill, and margin gains.
- We sold healthcare company CVS Health due to its lowered earnings guidance from higher costs and increased utilization.
- After trimming defense contractor Northrop Grumman for some time, we finally exited the position on continued program cost overruns and an increasingly uncertain earnings outlook.

### 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.

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

|                        | Quarter-end Sector Weights |           | Impact        |                 |              |
|------------------------|----------------------------|-----------|---------------|-----------------|--------------|
|                        | Portfolio                  | Benchmark | Sector Weight | Stock Selection | Total        |
| Communication Services | 5.3                        | 9.0       | -0.20         | -0.38           | -0.58        |
| Consumer Discretionary | 11.7                       | 10.3      | -0.08         | -0.11           | -0.19        |
| Consumer Staples       | 4.7                        | 6.0       | 0.05          | 0.25            | 0.30         |
| Energy                 | 0.9                        | 3.9       | -0.09         | 0.01            | -0.09        |
| Financials             | 14.5                       | 13.2      | 0.03          | 0.11            | 0.13         |
| Healthcare             | 11.6                       | 12.4      | -0.01         | 0.59            | 0.58         |
| Industrials            | 10.7                       | 8.8       | 0.01          | 0.02            | 0.03         |
| Information Technology | 37.6                       | 29.6      | 0.22          | -1.41           | -1.19        |
| Materials              | 1.5                        | 2.4       | 0.02          | -0.03           | -0.01        |
| Real Estate            | 1.3                        | 2.3       | 0.12          | -0.01           | 0.11         |
| Utilities              | 0.0                        | 2.2       | 0.14          | 0.00            | 0.14         |
| <b>Total</b>           |                            |           | <b>0.20</b>   | <b>-0.96</b>    | <b>-0.77</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.

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.

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 |
|---|-------|-------|--------|--------|--------|---------|
| Large Cap Core Growth Composite (Gross) | 9.63  | 9.63  | 30.41  | 10.36  | 15.95  | 12.97   |
| Large Cap Core Growth Composite (Net)   | 9.52  | 9.52  | 29.90  | 9.93   | 15.33  | 12.25   |
| S&P 500® Index                          | 10.56 | 10.56 | 29.88  | 11.49  | 15.05  | 12.96   |

**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 1/1/1995.

Standard & Poor’s 500® Index is an unmanaged index of 500 selected common large capitalization stocks (most of which are listed on the New York Stock Exchange) that is often used as a measure of the U.S. stock market. Investors cannot invest directly in an index.

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. Silvant 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.

**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, 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)**

## Large Cap Core Growth

## LARGE CAP CORE GROWTH COMPOSITE 01/01/1995 – 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 | 27.97                   | 27.46                 | 26.29                | Five or fewer        | N/A                      | 18.04                     | 17.29     | 136  | 2,173                        |
| 2022 | -23.59                  | -23.90                | -18.11               | Five or fewer        | N/A                      | 21.46                     | 20.87     | 113  | 1,693                        |
| 2021 | 29.76                   | 29.14                 | 28.71                | Five or fewer        | N/A                      | 16.63                     | 17.17     | 165  | 874                          |
| 2020 | 25.54                   | 24.62                 | 18.40                | Five or fewer        | N/A                      | 18.22                     | 18.53     | 149  | 855                          |
| 2019 | 33.70                   | 32.73                 | 31.49                | Five or fewer        | N/A                      | 11.96                     | 11.93     | 128  | 821                          |
| 2018 | -1.96                   | -2.69                 | -4.38                | Five or fewer        | N/A                      | 11.99                     | 10.80     | 100  | 748                          |
| 2017 | 22.37                   | 21.47                 | 21.83                | Five or fewer        | N/A                      | 11.09                     | 9.92      | 284  | 1,138                        |
| 2016 | 6.02                    | 5.23                  | 11.96                | Five or fewer        | N/A                      | 11.89                     | 10.59     | 282  | 1,277                        |
| 2015 | 0.67                    | -0.08                 | 1.38                 | Five or fewer        | N/A                      | 11.54                     | 10.47     | 308  | 1,382                        |
| 2014 | 15.63                   | 14.78                 | 13.69                | Five or fewer        | N/A                      | 10.43                     | 8.97      | 319  | 1,736                        |

- 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 ("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 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 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 Core Growth composite includes fully discretionary accounts managed in accordance with the large cap core growth equity 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 Core Growth Portfolios will have at least 80% of their assets invested in common stocks and other U.S. traded equity securities of Mid to 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 S&P 500 Index and 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 Core Growth Strategy composite is \$500,000.
- 4. Benchmark.** The benchmark for the Large Cap Core Growth composite is the S&P 500 Index, an unmanaged index of 500 selected common large capitalization stocks (most of which are listed on the New York Stock Exchange) that is often used as a measure of the U.S. stock market. 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 portfolio. Effective 4/1/2021, composite net of fee performance is calculated assuming an annual fee of 0.40%, 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.
- 6. Fee Schedule.** The standard management fee schedule applicable to large cap core growth equity accounts is as follows: 0.40% on the first \$10 million, 0.30% on the next \$40 million, and 0.20% 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, 1995.
- 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. The policy was suspended effective November 1, 2015.
- 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.