

Portfolio Commentary

Concentrated Large Cap Growth

Q3 | 2018

MARKET REVIEW

Large-cap growth stocks led markets higher in the quarter, driven by solid U.S. economic growth and strong earnings gains boosted by recent corporate tax cuts. The Russell 1000® Growth Index rose 9.17%, with the largest sector returns coming from information technology (+13.80%), healthcare (+12.82%), industrials (+10.66%), and consumer discretionary (+10.26%), while the weakest sectors were energy (-4.63%), communication services (-1.07%), and materials (-0.08%).

The U.S. economy's slow and steady expansion continued to offer a constructive backdrop for stocks. While trade tariffs were an overhang for some companies, overall fundamentals remained strong and earnings expectations quite high. Job growth was solid, wages were rising, and consumer confidence hit a new high, though housing and car purchases appeared to be stalling. However, we are also certainly closer to the end of this growth cycle than the beginning, with increasing late-stage signals, particularly in cyclicals. Inflation has also finally begun to emerge, especially in segments of the Producer Price Index, which is not necessarily a bad thing at current levels but does suggest that the Federal Reserve will continue on its path to normalizing interest rates.

PERFORMANCE

The Concentrated Large Cap Growth Composite's return of 10.13% (gross)/9.93% (net) outperformed the 9.17% return of the Russell 1000 Growth Index. Stock selection in the consumer discretionary, information technology, and healthcare sectors contributed to outperformance. An overweight position in information technology and an underweight position in real estate were also additive. Stock selection in the financials and materials sectors and an overweight position in energy detracted from returns.

Royal Caribbean Cruises and Amazon.com were among the strongest stock contributors.

- Cruise operator Royal Caribbean rebounded from a challenging second quarter on solid earnings and better-than-expected forward-looking guidance. The company has seen rising demand in bookings after coming off a challenging hurricane season in 2017 and has been able to capture solid gains in both pricing and revenue yield per customer.
- Online retailer Amazon.com was once again a portfolio top performer. The company posted another strong quarter, with massively higher-than-expected earnings and very upbeat forward-looking guidance for third quarter operating income of \$1.4 to \$2.4 billion, significantly higher than the previously anticipated \$1.2 billion. Its Amazon Web Services cloud computing business, in particular, continued to deliver spectacular growth results, up 49% in sales with very attractive gross margins.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	407.25	320.12
Price-to-Earnings*	28.98	23.11
Price-to-Book	6.53	7.30
Price-to-Sales	5.70	3.60
Std. Dev. (3 yr) (%)	12.40	10.02
Alpha (3 yr) (%)	-5.32	0.00
Beta (3 yr)	1.16	1.00
Std. Dev. (5 yr) (%)	12.18	10.25
Alpha (5 yr) (%)	-3.67	0.00
Beta (5 yr)	1.12	1.00
Est. 3-5 Yr EPS Growth (%)	21.26	17.35
Operating Margin (%)	22.81	22.05

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

BIGGEST CONTRIBUTORS^{1,2}

	Avg. Wgt.	Rel. Cont.
Amazon.com, Inc.	10.32	1.73
Apple Inc.	6.23	1.31
Microsoft Corp.	8.41	1.30
Visa Inc. Class A	7.13	0.95
Edwards Lifesciences Corp.	2.87	0.57
Royal Caribbean Cruises Ltd.	2.34	0.57
salesforce.com, Inc.	3.48	0.56
Adobe Inc.	4.70	0.53
NVIDIA Corp.	2.53	0.46
Workday, Inc. Class A	2.15	0.41

BIGGEST DETRACTORS^{1,2}

	Avg. Wgt.	Rel. Cont.
Facebook, Inc. Class A	3.43	-0.69
Vulcan Materials Co.	1.55	-0.24
Charles Schwab Corp.	4.34	-0.17
Microchip Technology Inc.	1.17	-0.13
Knight-Swift Transportation Holdings Inc. Class A	0.96	-0.10
Devon Energy Corp.	0.81	-0.08
Booking Holdings Inc.	1.77	-0.04
Analog Devices, Inc.	2.38	-0.04
EOG Resources, Inc.	1.83	0.04
Cummins Inc.	0.52	0.06

Rel. Cont. = contribution to return relative to benchmark

TOP 10 HOLDINGS¹ (% of portfolio)

Amazon.com, Inc.	10.93
Microsoft Corp.	8.80
Visa Inc. Class A	7.28
Apple Inc.	6.70
UnitedHealth Group Inc.	4.27
Charles Schwab Corp.	4.14
Alphabet Inc. Class A	4.06
Alphabet Inc. Class C	3.96
salesforce.com, inc.	3.70
Edwards Lifesciences Corp.	3.38

Source: FactSet. All data as of 9/30/2018.

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 1-404-845-7640.

Charles Schwab and Vulcan Materials were among the largest stock detractors.

- Despite stronger-than-expected earnings and solid gains in core revenue, online brokerage firm Charles Schwab lagged on investor disappointment that its operating leverage from higher net interest margins resulting from rising interest rates has not been stronger. Falling asset management fees also raised concerns. We continued to hold the stock but are closely monitoring it.
- Construction materials distributor Vulcan Materials declined on disappointing earnings, despite stronger revenue. The firm’s margins have been pressured by rising raw material costs that largely have yet to be reflected in the firm’s pricing due to existing order contracts. We are carefully watching the stock but maintained our position.

PORTFOLIO CHANGES

We initiated a position in Netflix and exited Cummins.

- We took advantage of a slight price pullback in the quarter to purchase online entertainment firm Netflix. The company has been a market leader in redefining the on-demand digital content space and continues consistently to gain market share and add subscribers both in the U.S. and abroad.
- We sold truck engine company Cummins on growing signs the trucking cycle has peaked.

PERFORMANCE ATTRIBUTION (%) AS OF 9/30/2018

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	12.92	12.01	-0.13	0.08	-0.05
Consumer Discretionary	15.29	15.39	0.01	0.80	0.81
Consumer Staples	3.21	5.43	0.07	-0.13	-0.06
Energy	2.66	0.90	-0.25	0.10	-0.14
Financials	4.14	4.18	0.00	-0.31	-0.31
Health Care	13.47	13.79	-0.03	0.29	0.26
Industrials	5.64	12.00	-0.05	-0.09	-0.15
Information Technology	41.20	32.65	0.44	0.39	0.83
Materials	1.47	1.65	0.02	-0.24	-0.22
Real Estate	0.00	1.99	0.19	0.00	0.19
Utilities	0.00	0.00	0.00	0.00	0.00
Total			0.26	0.90	1.17

Overweight or Positive, Neutral, Underweight or Negative

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

While we remain positive in our outlook for growth stocks, we also recognize there is a lot of optimism priced into current valuations, and it has become increasingly harder to surprise investors on the upside. The fundamentals of the economy and general stock market are broadly quite good, but trade tensions, higher production costs, rising bond yields, and slowing global growth are also elevating general market nervousness. Against this backdrop, we are paying even closer attention to risk exposure, constantly reevaluating and reconfirming our thesis for each stock and ensuring we have the right position size for current market dynamics.

PERFORMANCE COMPARISON (%) AS OF 9/30/2018

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Concentrated Large Cap Growth Composite (Gross)	10.13	24.50	34.49	17.48	14.33	11.60
Concentrated Large Cap Growth Composite (Net)	9.93	23.82	33.51	16.61	13.48	10.85
Russell 1000® Growth Index	9.17	17.09	26.30	20.55	16.58	14.31
eVestment Alliance Large Cap Growth Median*	8.08	16.72	24.53	19.04	15.68	13.68
# of Portfolios in Median Calculation	307	307	307	298	288	257

eVestment Alliance data capture date: 10/22/18

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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*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.

For information, contact:

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CONCENTRATED LARGE CAP GROWTH COMPOSITE 10/1/1999 – 9/30/2018

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		
2018 YTD	24.50	23.82	17.09	Five or fewer	N/A	12.40	10.02	4	1,127
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
2013	32.55	31.58	33.48	13	0.51	15.03	12.18	893	2,233
2012	12.15	11.32	15.26	16	0.49	18.25	15.66	1,218	3,002
2011	-3.56	-4.28	2.64	16	0.19	18.95	17.76	1,902	3,686
2010	15.98	15.01	16.71	21	0.14	21.46	22.11	2,089	4,093
2009	31.99	31.25	37.21	18	0.18	18.52	19.73	1,929	3,818
2008	-37.74	-38.50	-38.44	17	0.70	15.94	16.40	1,521	3,847

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 has been independently verified for the period March 31, 2008 (the date of the Firm's founding) through December 31, 2017. A copy of the verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

- 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 and retail separate accounts and mutual funds. 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.
- The Concentrated Large Cap Growth Strategy composite includes fully discretionary separately managed investment accounts and registered mutual funds 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, Concentrated 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 Concentrated Large Cap Growth portfolio will hold 40 securities or less. The gross of fee return for the mutual funds is calculated by adding back the fund's published total operating expense ratio to the net of fee mutual fund performance. Prior to July, 2015, the Concentrated Large Cap Growth Strategy composite was named the Select Large Cap Growth Strategy composite. A complete description of the composite is available on request.
- The registered and unregistered mutual funds were added to the composite effective April 1, 2008, immediately after the creation of Silvant Capital Management. Prior to that date the composite consisted of only separately managed accounts.
- The Concentrated Large Cap Growth Strategy composite includes the performance of the equity portion of balanced accounts. Cash returns have been allocated using a predetermined cash allocation mix approach. Such "carve-outs" represent less than 1% of the total market value of the composite as of December 31, 2008, and December 31, 2009. Beginning January 1, 2010, all equity segments are managed with their own cash balance.
- The benchmark for the Concentrated 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. The index is calculated on a total-return basis with dividends reinvested. Index returns do not reflect the deduction of any fees or expenses.
- The three-year annualized standard deviations for the composite and the benchmark index are calculated using monthly returns.
- Valuations and returns are computed and stated in U.S. Dollars.
- 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 dispersion of annual returns is measured by the equal-weighted standard deviation of portfolio returns represented within the composite for the full year. Partial year dispersion is measured by the equal-weighted standard deviation of portfolio returns represented in the composite for the partial year period specified. No dispersion is reported for periods with five or fewer portfolios (shown as N/A).
- 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. Composite net of fee performance is calculated assuming a fee of 0.75%, the highest fee for this type of investment account.
- The management fee schedule applicable to large cap growth equity accounts is as follows: 0.75% on the first \$10 million, 0.45% on the next \$40 million, and 0.25% on all over \$50 million. Minimum annual fee is \$10,000. Actual investment advisory fees incurred by clients may vary.
- 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.
- The minimum portfolio size for the Concentrated Large Cap Growth Strategy composite is \$1,000,000. For further information, please refer to Form ADV Part 2.
- Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- A complete list and description of firm composites and performance results is available upon request.
- 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.