

Portfolio Commentary

Concentrated Large Cap Growth

Q1 | 2019

MARKET REVIEW

Growth stocks led U.S. markets higher during the first quarter, with small-cap growth securities broadly delivering the largest gains. The Russell 1000® Growth Index climbed 16.10%, rising across all sectors except for utilities (+0.00%). Information technology (+21.36%), real estate (+18.86%), communication services (+16.69%), and industrials (+16.31%) were the strongest sector performers.

The sharp rebound from the fourth quarter's steep losses was driven by marked improvement in investor sentiment. Fears of possible global recession gave way to enthusiasm around the Federal Reserve's (Fed) more accommodative monetary policy outlook, emerging indications of a potential U.S.-China trade deal, and continued signs that U.S. consumer financial health remained strong. Balance sheets improved, unemployment remained low, and inflation stayed in check. Still, the quarter's rally, much like the prior quarter's sell-off, was not the result of any real change in stock fundamentals, despite continued signs of late-cycle softening.

PERFORMANCE

For the quarter, the Silvant Concentrated Large Cap Growth Strategy Composite's return of +15.99% (gross)/+15.78% (net) underperformed the Russell 1000 Growth Index's return of +16.10%. Information technology stock selection and an overweight healthcare position were the largest detractors from performance. Consumer staples, healthcare, and industrials stock selection and an overweight information technology position were the largest positive contributors to returns.

Estée Lauder and Alexion Pharmaceuticals were among the strongest stock contributors.

- Cosmetics firm Estée Lauder delivered higher-than-expected earnings and sales and raised its forward-looking guidance. Sales growth in Asia also remained strong, alleviating investor concerns about the potential effects of U.S.-China trade tariffs. We continued to hold the stock given its attractive fundamentals and upbeat outlook.
- Drug company Alexion Pharmaceuticals' stock rose on earnings strength. The firm's new treatment for paroxysmal nocturnal hemoglobinuria, Ultomiris—the next generation of its successful Soliris product—has started to gain traction quicker than expected. Ultomiris is also showing promise as a potential treatment for patients with generalized myasthenia gravis. We maintained our position given the firm's healthy financial performance and positive forward-looking guidance.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	405.73	290.61
Price-to-Earnings*	25.77	21.26
Price-to-Book	5.96	6.79
Price-to-Sales	4.24	3.10
Std. Dev. (3 yr) (%)	13.96	12.02
Alpha (3 yr) (%)	-0.30	0.00
Beta (3 yr)	1.12	1.00
Std. Dev. (5 yr) (%)	13.88	12.17
Alpha (5 yr) (%)	-0.28	0.00
Beta (5 yr)	1.10	1.00
Est. 3-5 Yr EPS Growth (%)	17.64	14.74
Operating Margin (%)	23.21	23.21

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

TOP

CONTRIBUTORS^{1,2}

	Average Weight	Relative Attribution
Estée Lauder Companies Inc. Class A	4.07	0.37
Alexion Pharmaceuticals, Inc.	2.06	0.35
Netflix, Inc.	3.28	0.32
Edwards Lifesciences Corp.	3.47	0.23
Visa Inc. Class A	8.79	0.16
Devon Energy Corp.	0.66	0.13
Amazon.com, Inc.	10.40	0.13
Knight-Swift Transportation Holdings Inc. Class A	1.51	0.13
Analog Devices, Inc.	2.08	0.12
Autodesk, Inc.	2.47	0.11

TOP

DETRACTORS^{1,2}

	Average Weight	Relative Attribution
Biogen Inc.	2.03	-0.64
UnitedHealth Group Inc.	5.16	-0.52
Booking Holdings Inc.	1.36	-0.19
NVIDIA Corp.	0.61	-0.16
Corning Inc.	2.12	-0.12
EOG Resources, Inc.	1.79	-0.10
Becton, Dickinson and Co.	1.72	-0.08
Alphabet Inc. Class A	4.75	-0.06
Alphabet Inc. Class C	4.69	-0.05
Emerson Electric Co.	2.79	-0.02

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

TOP 10 HOLDINGS¹ (% of portfolio)

Amazon.com, Inc.	10.80
Microsoft Corp.	10.29
Visa Inc. Class A	9.49
Apple Inc.	7.05
UnitedHealth Group Inc.	4.96
Alphabet Inc. Class A	4.90
Alphabet Inc. Class C	4.86
Estée Lauder Companies Inc. Class A	4.58
Edwards Lifesciences Corp.	3.48
Adobe Inc.	3.45

Source: FactSet. All data as of 3/31/2019.

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.

Biogen and UnitedHealth Group were the largest stock detractors.

- Biotechnology company Biogen’s stock fell on the surprise announcement it would halt Phase 3 trials of aducanumab, an investigational drug for the treatment of Alzheimer’s disease. We sold the stock, as this should severely challenge the firm’s current growth prospects.
- Managed healthcare company UnitedHealth Group lagged on broad sector weakness from increased headline risk. Shares were weighed down by growing political rhetoric around drug prices, the current pharmacy benefit manager model, Medicare-for-All, and other potential regulatory changes. We maintained our position based on the firm’s strong fundamentals as it remains unclear at this point whether any of these proposed reforms might start to gain real traction.

PORTFOLIO CHANGES

We added one new position in the quarter: Becton, Dickinson and Company. In addition to exiting Biogen as discussed, we also sold Charles Schwab, Booking Holdings, and NVIDIA.

- We bought Becton, Dickinson, a high-quality medical supply company with a proven ability to generate attractive free cash flows and capture consistently solid organic growth rates that tend to hold up better than its competitors in slowing environments.
- We sold financial services firm Charles Schwab on anticipated net-interest margin pressures from the Fed’s more neutral interest-rate stance.
- We exited online travel fare aggregator Booking Holdings due to stalled growth and increased spending, and semiconductor firm NVIDIA on negative preannouncements from both its graphics and data center businesses.

PERFORMANCE ATTRIBUTION (%) AS OF 3/31/2019

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	13.13	12.06	-0.01	0.11	0.10
Consumer Discretionary	13.64	15.08	-0.04	0.16	0.12
Consumer Staples	4.58	5.75	0.14	0.57	0.71
Energy	2.52	0.74	-0.02	0.05	0.03
Financials	0.00	4.27	0.11	0.00	0.11
Health Care	14.89	13.18	-0.27	0.36	0.09
Industrials	7.08	11.76	-0.04	0.19	0.15
Information Technology	42.20	32.96	0.38	-1.15	-0.78
Materials	1.95	1.81	0.00	0.08	0.07
Real Estate	0.00	2.39	-0.05	0.00	-0.05
Utilities	0.00	0.00	0.00	0.00	0.00
Total			0.19	0.37	0.54

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 remain cautiously optimistic in our outlook. Overall market signals continue to be slightly mixed, though without any major fundamental issues. Growth is clearly slowing, but a lower expansion rate makes sense ten years into the cycle. While manufacturing data has been softer, continued low interest rates and generally optimistic consumers (albeit still without any real wage gain momentum) should both offer solid tailwinds.

At this point, we expect current earnings to decelerate a bit, putting company guidance for the second half of the year in an even more critical light. Stocks should continue to offer decent growth potential, but we believe it will be increasingly important to focus in on companies that are best positioned to buck the broader slowing growth trend.

PERFORMANCE COMPARISON (%) AS OF 3/31/2019

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Concentrated Large Cap Growth Composite (Gross)	15.99	15.99	13.28	14.29	10.93	14.13
Concentrated Large Cap Growth Composite (Net)	15.78	15.78	12.44	13.45	10.11	13.13
Russell 1000® Growth Index	16.10	16.10	12.75	16.53	13.50	17.52
eVestment Alliance Large Cap Growth Median*	16.10	16.10	12.11	16.40	12.78	16.89
# of Portfolios in Median Calculation	299	299	299	289	281	246

eVestment Alliance data capture date: 4/17/19

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.

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CONCENTRATED LARGE CAP GROWTH COMPOSITE 10/1/1999 – 3/31/2019

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		
2019 YTD	15.99	15.78	16.10	Five or fewer	N/A	13.96	12.02	4	818
2018	2.57	1.81	-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
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

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, 2018. 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 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. This policy was discontinued effective February 1, 2017.
- 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.