

# Portfolio Commentary

## Concentrated Large Cap Growth

# Q2 | 2019

### MARKET REVIEW

U.S. growth stocks in general continued to march higher during the quarter, outperforming their value peers, led by large-cap securities. The Russell 1000® Growth Index climbed 4.64%. All sectors in the Index delivered positive performance except energy (-3.32%), and the strongest gains were in financials (+8.86%), materials (+7.96%), and information technology (+6.61%).

Stocks broadly continued to trade on fundamentals, which remained largely positive. Continued low inflation and a strong job market also helped to prop up stock valuations, despite moderately weaker broad economic data. Growing expectations for the Federal Reserve to ease U.S. interest rates helped investors shrug off trade tariff tensions and slowing global manufacturing data. While most major economies around the world appeared to be either flat or slightly contracting, the U.S. was still clearly in expansionary mode, without any major signs of imminent recession, although this growth has come off recent peaks and continues to exhibit classic signs of late-cycle softening.

### PERFORMANCE

For the quarter, the Silvant Concentrated Large Cap Growth Strategy Composite's returned 3.92% (gross)/3.72% (net), compared to the Russell 1000 Growth Index, which returned 4.64%. Stock selection in the communication services and healthcare sectors and an underweight position in financials detracted the most from performance. Stock selection in information technology and consumer staples and an overweight position in information technology made the largest positive contributions to returns.

Visa and Microsoft were the strongest stock contributors to performance.

- Credit card company Visa benefited from strong payment volumes and investor enthusiasm for more stable businesses as overall global economic growth continued to slow. We maintained the position—the largest relative overweight holding in the portfolio—given the firm's solid fundamentals and a management team that has been exceptionally good at successful execution.
- Computer technology company Microsoft generated higher-than-expected earnings and revenue, driven by solid margin gains and continued impressive growth in its Azure cloud computing platform. We continue to hold the stock, which was the largest position in the portfolio at quarter-end. Although 2020 is likely to be an investment year for Microsoft, based on indications of a modest ramp-up in spending, we expect this well-managed company to be able to continue to beat analyst expectations with steady acceleration across key metrics.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	423.87	308.32
Price-to-Earnings*	26.57	22.22
Price-to-Book	6.04	6.78
Price-to-Sales	4.24	3.21
Std. Dev. (3 yr) (%)	14.77	13.21
Alpha (3 yr) (%)	-1.86	0.00
Beta (3 yr)	1.09	1.00
Std. Dev. (5 yr) (%)	14.55	12.92
Alpha (5 yr) (%)	-3.11	0.00
Beta (5 yr)	1.09	1.00
Est. 3-5 Yr EPS Growth (%)	18.91	14.97
Operating Margin (%)	23.54	23.33

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

#### TOP

#### CONTRIBUTORS<sup>1,2</sup>

	Average Weight	Relative Attribution
Visa Inc. Class A	9.64	0.47
Microsoft Corp.	10.73	0.35
Estee Lauder Cos. Inc. Class A	4.58	0.27
Vulcan Materials Co.	2.04	0.21
Adobe Inc.	3.49	0.14
Honeywell International Inc.	2.62	0.11
Amazon.com, Inc.	10.95	0.08
Analog Devices, Inc.	2.17	0.07
Royal Caribbean Cruises Ltd.	2.93	0.04
Workday, Inc. Class A	2.06	0.03

#### TOP

#### DETRACTORS<sup>1,2</sup>

	Average Weight	Relative Attribution
Alphabet Inc. Class A	4.69	-0.28
Alphabet Inc. Class C	4.64	-0.27
Edwards Lifesciences Corp.	3.19	-0.25
Intuitive Surgical, Inc.	2.15	-0.24
UnitedHealth Group Inc.	4.67	-0.19
Salesforce.com, Inc.	3.00	-0.19
Alexion Pharmaceuticals, Inc.	2.06	-0.16
Emerson Electric Co.	2.74	-0.16
QUALCOMM Inc.	1.22	-0.13
EOG Resources, Inc.	1.68	-0.11

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

#### TOP 10 HOLDINGS<sup>1</sup> (% of portfolio)

Microsoft Corp.	11.06
Amazon.com, Inc.	10.89
Visa Inc. Class A	9.99
Apple Inc.	6.96
Estee Lauder Cos. Inc. Class A	4.80
UnitedHealth Group Inc.	4.64
Alphabet Inc. Class A	4.28
Alphabet Inc. Class C	4.25
Adobe Inc.	3.62
Netflix, Inc.	3.29

Source: FactSet. All data as of 6/30/2019.

<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 1-404-845-7640.

Alphabet and Edwards Lifesciences were the largest stock detractors.

- Alphabet, the parent company of Google, saw its revenue growth dip below 20% for the first time in three years. The deceleration appeared to be partly related to some product and algorithm changes the company made to help optimize its platform, which can sometimes disrupt advertising growth on a sequential basis. We maintained our position as the company still holds a behemoth share of all online advertising revenue spending.
- Despite strong earnings and revenue, medical device company Edwards Lifesciences lagged on disappointing growth gains in its transcatheter aortic valve replacement (TAVR) treatment, as a competitor introduced a less expensive offering in international markets. We continued to hold the stock on the company's upbeat forward-looking guidance and expectations that the current slowdown will be short-lived once it introduces its next-generation TAVR procedures.

## PORTFOLIO CHANGES

During the quarter, we purchased Qualcomm. There were no notable exits.

- We bought semiconductor and telecommunications equipment company Qualcomm on the announcement that it had settled its ongoing lawsuits with Apple. The company is one of the dominant players in the 5G segment and seems likely to also benefit from Intel Corporation's plans to exit the 5G smartphone modem business.

## PERFORMANCE ATTRIBUTION (%) AS OF 6/30/2019

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	11.82	11.99	0.02	-1.13	-1.11
Consumer Discretionary	13.74	15.22	-0.01	0.08	0.07
Consumer Staples	4.80	5.74	-0.01	0.29	0.28
Energy	2.29	0.69	-0.13	-0.03	-0.15
Financials	0.00	4.45	-0.18	0.00	-0.18
Health Care	13.70	12.62	-0.10	-0.43	-0.53
Industrials	6.88	11.52	0.08	0.05	0.14
Information Technology	44.62	33.55	0.21	0.53	0.74
Materials	2.15	1.86	0.01	0.14	0.16
Real Estate	0.00	2.35	0.02	0.00	0.02
Utilities	0.00	0.00	0.00	0.00	0.00
<b>Total</b>			<b>-0.07</b>	<b>-0.49</b>	<b>-0.56</b>

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 largely positive in our outlook. Earnings continue to decelerate, which may begin to weigh on investor sentiment. However, overall stock fundamentals and the primary tenets of continued U.S. economic expansion, although slowing, remain largely in place. This environment should continue to offer relatively attractive, though perhaps somewhat blander, return potential for growth stocks. To be sure, areas of caution remain. It continues to get harder for companies to beat their earnings expectations, especially after a decade of steady gains. It also remains difficult to assess how the most recent trade war rhetoric might ultimately play out given the unpredictable nature of the Trump administration. Corporate capital spending also remains light, and this will probably remain the case until there is some clarity that trade tariff concerns are behind us. Even with these overhangs though, we do not currently see a material risk of recession and continue to find solid investment potential in carefully selected growth securities.

## PERFORMANCE COMPARISON (%) AS OF 6/30/2019

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Concentrated Large Cap Growth Composite (Gross)	3.92	20.53	9.36	17.46	10.95	13.19
Concentrated Large Cap Growth Composite (Net)	3.72	20.09	8.55	16.59	10.12	12.44
Russell 1000® Growth Index	4.64	21.49	11.56	18.07	13.39	16.28
eVestment Alliance Large Cap Growth Median*	5.09	21.70	11.58	17.93	12.75	15.80
# of Portfolios in Median Calculation	302	302	302	291	282	252

eVestment Alliance data capture date: 7/19/19

**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.

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. 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.

\*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:

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

# Q2 | 2019 Concentrated Large Cap Growth

CONCENTRATED LARGE CAP GROWTH COMPOSITE 10/1/1999 – 6/30/2019

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	20.53	20.09	21.49	Five or fewer	N/A	14.77	13.21	4	822
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.