

Portfolio Commentary

Large Cap Growth

Q3 | 2019

MARKET REVIEW

U.S. growth stocks experienced a volatile quarter, set off by mounting signs of late-cycle global economic deceleration and an escalation in the U.S.-China trade conflict. In this risk-off environment, the large-cap segment broadly delivered positive, if more subdued, returns, significantly outperforming the general market losses of their small-cap peers. Large-cap growth stocks rose 1.49%, as measured by the Russell 1000® Growth Index, led by the real estate (+7.50%), consumer staples (+5.98%), and materials (+5.96%) sectors and with losses in the energy (-7.73%), healthcare (-2.56%), and consumer discretionary (-0.48%) sectors.

There continued to be indications that global economic growth is slowing on a fundamental basis. Manufacturing declined into recession, business confidence fell further, and U.S. gross domestic product forecasts were generally revised down. Still, not all the news was dire. Employment and wages remained solid, and consumers kept spending. The uncertain climate sparked an abrupt market rotation near quarter-end that saw many of the strongest year-to-date performers hit hardest and prior laggards suddenly outperforming.

PERFORMANCE

For the quarter, the Silvant Large Cap Growth Strategy Composite returned -0.44% (gross)/-0.63% (net) compared to the Russell 1000 Growth Index, which returned 1.49%. Stock selection within the information technology, healthcare, industrials, and consumer discretionary sectors weighed the most on returns. An underweight healthcare position and stock selection within the consumer staples and real estate sectors added the most to performance.

Edwards Lifesciences and Facebook were the strongest stock contributors to relative performance in the quarter.

- Medical device company Edwards Lifesciences got a boost from earnings and revenue gains driven by its strong performing transcatheter aortic valve replacement (TAVR) business. The treatment offers a less-invasive heart surgery option, and investors welcomed FDA approval of its usage in low-risk patients. We continued to hold the stock given the potential upside as TAVR availability continues to expand.
- Social media firm Facebook lagged the broader market due to the general malaise that weighed on many high-flying growth stocks during the quarter. This helped the portfolio's relative returns given our underweighting to the stock compared to the Index. We maintained our position. Earnings and revenue beat estimates, and although new user rates continued to slow, average revenue per user slightly increased.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	373.94	329.71
Price-to-Earnings*	26.21	23.51
Price-to-Book	6.25	7.53
Price-to-Sales	3.82	3.59
Std. Dev. (3 yr) (%)	14.22	13.11
Alpha (3 yr) (%)	-2.09	0.00
Beta (3 yr)	1.07	1.00
Std. Dev. (5 yr) (%)	13.98	12.77
Alpha (5 yr) (%)	-2.28	0.00
Beta (5 yr)	1.07	1.00
Est. 3-5 Yr EPS Growth (%)	17.19	15.00
Operating Margin (%)	22.03	22.90

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

TOP

CONTRIBUTORS^{1,2}

	Average Weight	Relative Attribution
Edwards Lifesciences Corp.	1.79	0.22
Facebook, Inc. Class A	1.45	0.16
Home Depot, Inc.	2.31	0.14
Costco Wholesale Corp.	2.26	0.10
Estée Lauder Cos. Inc. Class A	1.59	0.10
O'Reilly Automotive, Inc.	1.77	0.10
Equinix, Inc.	1.06	0.09
Knight-Swift Transportation Holdings Inc. Class A	1.10	0.09
Applied Materials, Inc.	1.19	0.09
Vulcan Materials Co.	1.16	0.09

TOP

DETRACTORS^{1,2}

	Average Weight	Relative Attribution
Netflix, Inc.	1.96	-0.33
Corning Inc	1.34	-0.31
Exact Sciences Corp.	1.22	-0.29
Workday, Inc. Class A	1.57	-0.27
Amazon.com, Inc.	7.70	-0.22
Alexion Pharmaceuticals, Inc.	0.82	-0.21
Autodesk, Inc.	1.85	-0.18
Mettler-Toledo International Inc.	1.04	-0.18
Apple Inc.	5.30	-0.17
Walt Disney Co.	2.04	-0.16

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

TOP 10 HOLDINGS¹ (% of portfolio)

Microsoft Corp.	9.82
Amazon.com, Inc.	7.35
Apple Inc.	5.80
Visa Inc. Class A	5.36
Alphabet Inc. Class C	3.58
Alphabet Inc. Class A	3.50
Adobe Inc.	2.77
Mastercard Inc. Class A	2.68
Home Depot, Inc.	2.50
Honeywell International Inc.	2.48

Source: FactSet. All data as of 9/30/2019.

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 404-845-7640.

Netflix and Corning were the largest stock detractors from relative performance in the quarter.

- Media-services and production company Netflix shares were down on disappointing subscriber growth in the recent quarter. Concerns about increased streaming services competition from Apple and Walt Disney also weighed on the stock. We view this situation as temporary and continued to hold the company as we expect stabilization in user volumes moving forward.
- Specialty materials and technology company Corning declined on lower-than-expected earnings and weak performance in its optical communications and display technology businesses. We exited the stock when the firm negatively preannounced for the quarter.

PORTFOLIO CHANGES

In addition to selling our position in Corning, we also closed our positions in Agilent Technologies and A. O. Smith Corporation. We added new positions in Fair Isaac Corporation and Insulet Corporation.

- Agilent Technologies is an analytical laboratory instrument manufacturer. Much of the company's growth expectations were based on expansion into China, which has notably slowed in the midst of the current trade war.
- Also related in part to the China slowdown, we sold water heater manufacturer A. O. Smith. In addition, the company showed initial signs of U.S. business weakness.
- We bought data analytics company Fair Isaac Corporation, which is well recognized for its consumer credit scoring business. Its FICO scoring service continues to benefit from expanded usage and price increases, with solid potential for further growth.
- We purchased medical device company Insulet on the market share growth of its Omnipod tubeless pump system, which makes it easier for diabetes patients to manage their insulin levels. The firm is also developing innovative, continuous glucose-monitoring systems.

PERFORMANCE ATTRIBUTION (%) AS OF 9/30/2019

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	14.02	11.41	-0.03	-0.07	-0.10
Consumer Discretionary	15.95	14.43	-0.02	-0.28	-0.30
Consumer Staples	4.99	4.93	0.00	0.09	0.09
Energy	0.84	0.27	-0.06	-0.12	-0.18
Financials	1.72	3.16	0.01	-0.06	-0.05
Healthcare	11.33	14.23	0.13	-0.42	-0.30
Industrials	12.14	9.97	0.02	-0.30	-0.29
Information Technology	35.98	37.58	-0.02	-0.86	-0.88
Materials	1.86	1.45	0.01	0.00	0.02
Real Estate	1.16	2.58	-0.08	0.07	-0.01
Utilities	0.00	0.00	0.00	0.00	0.00
Total			-0.05	-1.93	-2.00

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

Looking ahead, we believe growth stocks have the potential to continue to generate attractive returns, particularly on a relative basis compared to other investment options. Earnings have broadly become slightly more muted, a trend we expect to continue, along with likely lower revenues and more earnings management across the next few quarters. In our view, growth stocks can still deliver as long as consumers continue to spend and borrow, which they have for now. However, at this late stage of the market cycle, we remain highly cognizant of potential cracks that could weigh on investor sentiment and keep volatility high for the foreseeable future. Trade tensions have accelerated the global growth slowdown, corporate capital expenditures remain on pause, and extreme political uncertainty continues to be the norm. Amid these persistent market overhangs, we remain focused on fundamentals as we seek to identify and invest in growth businesses that are best positioned to navigate the current uncertain climate.

PERFORMANCE COMPARISON (%) AS OF 9/30/2019

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Large Cap Growth Composite (Gross)	-0.44	22.75	2.42	15.64	11.72	14.34
Large Cap Growth Composite (Net)	-0.63	22.07	1.65	14.78	10.89	13.59
Russell 1000® Growth Index	1.49	23.30	3.71	16.89	13.39	14.94
eVestment Alliance Large Cap Growth Median*	0.44	22.01	3.41	16.09	12.59	14.34
# of Portfolios in Median Calculation	308	308	308	297	289	256

eVestment Alliance data capture date: 10/22/19

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 4/1/2007.

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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LARGE CAP GROWTH COMPOSITE 4/1/07 – 9/30/2019

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	22.75	22.07	23.30	Five or fewer	N/A	14.22	13.11	286	775
2018	0.05	-0.69	-1.51	7	0.19	13.79	12.13	308	748
2017	28.03	27.09	30.21	12	0.14	11.78	10.54	730	1,138
2016	-2.34	-3.08	7.08	12	0.12	12.70	11.15	888	1,277
2015	8.78	7.98	5.67	13	0.22	11.81	10.70	912	1,382
2014	10.37	9.55	13.05	13	0.14	11.70	9.59	737	1,736
2013	35.92	34.93	33.48	13	0.32	14.61	12.18	736	2,233
2012	16.42	15.56	15.26	18	0.50	18.43	15.66	1,067	3,002
2011	1.67	0.91	2.64	20	0.53	19.42	17.76	899	3,686
2010	21.25	20.36	16.71	22	2.50	22.84	22.11	1,038	4,093
2009	33.93	33.18	37.21	30	0.83	N/A	19.73	965	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 Large Cap Growth Strategy composite includes fully discretionary separately managed investment accounts and registered and unregistered mutual funds managed in accordance with the large cap growth style, with the objective of investing in 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 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 securities it believes have strong business fundamentals, such as revenue growth, improving cash flows, increasing margins and positive earnings trends. 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. A complete description of the composite is available on request.
- The 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 the following percentages of the total market value of the composite: 5.8% on December 31, 2008, and less than 1% on December 31, 2009. Beginning January 1, 2010, all equity segments are managed with their own cash balance.
- The benchmark for the 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. 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. The statistic was not calculated for the composite for December 31, 2008, and December 31, 2009, because 36 monthly returns are not available.
- 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.
- The significant increase in the dispersion statistic for calendar year 2010 was attributable to significant outperformance in one of our comingled funds due to the receipt of proceeds from a class action lawsuit. Excluding this portfolio would reduce dispersion from 2.4 to 0.6 and would have no significant impact on composite performance.
- 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. The 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 2007. The composite has performance history with an inception date of April 1, 2007.
- The minimum portfolio size for the Large Cap Growth Strategy composite is \$1,000,000. For further information investment management fees, 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.