

# Portfolio Commentary

## Large Cap Core 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 stocks, as measured by the S&P 500® Index, rose 1.70% in the quarter, led by the utilities (+9.33%), real estate (+7.71%), and consumer staples (+6.11%) sectors and with losses in the energy (-6.30%), healthcare (-2.25%), and materials (-0.12%) 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 Core Growth Strategy Composite returned 1.80% (gross)/1.61% (net), outperforming the S&P 500 Index, which returned 1.70%. Stock selection in the information technology and financials sectors and an underweight position in the energy sector added the most to returns. Stock selection and an overweight position in the healthcare sector and an underweight position in the consumer staples sector were the largest detractors from performance.

Apple and Northrop Grumman were the strongest stock contributors to performance during the quarter.

- Technology company Apple reported strong earnings and revenue strength and better-than-expected performance in China. The company's wearables business, which primarily consists of its Apple Watch and AirPods products, also grew nicely. We maintained our position in view of the firm's strong fundamentals and upbeat outlook.
- Defense contractor Northrop Grumman was boosted by higher-than-expected earnings and a new defense contract win. The stock also benefited from a general market rotation into defense stocks. We continued to hold the stock as we see room for further upside.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	329.55	249.71
Price-to-Earnings*	21.33	18.32
Price-to-Book	4.06	3.18
Price-to-Sales	2.91	2.25
Std. Dev. (3 yr) (%)	12.19	12.01
Alpha (3 yr) (%)	1.20	0.00
Beta (3 yr)	0.99	1.00
Std. Dev. (5 yr) (%)	12.41	11.83
Alpha (5 yr) (%)	-0.28	0.00
Beta (5 yr)	1.02	1.00
Est. 3-5 Yr EPS Growth (%)	12.13	11.42
Operating Margin (%)	25.89	22.29

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

#### TOP

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

	Average Weight	Relative Attribution
Apple Inc.	6.14	0.28
Northrop Grumman Corp.	1.53	0.17
Medtronic Plc	2.23	0.17
CME Group Inc. Class A	2.48	0.16
Home Depot, Inc.	2.41	0.14
Texas Instruments Inc.	1.58	0.12
S&P Global, Inc.	2.35	0.12
CVS Health Corp.	1.14	0.11
Walmart Inc.	2.48	0.11
Fidelity National Information Services, Inc.	1.67	0.10

#### TOP

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

	Average Weight	Relative Attribution
Align Technology, Inc.	0.77	-0.33
Cooper Companies, Inc.	1.70	-0.23
Norfolk Southern Corp.	1.64	-0.19
Pfizer Inc.	1.78	-0.18
Domino's Pizza, Inc.	1.16	-0.17
Tradeweb Markets, Inc. Class A	0.34	-0.16
Corning Inc.	0.47	-0.14
Walt Disney Co.	2.55	-0.12
Pioneer Natural Resources Co.	0.56	-0.11
Roper Technologies, Inc.	2.77	-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.	6.82
Apple Inc.	6.60
Mastercard Inc. Class A	4.02
Amazon.com, Inc.	3.34
Thermo Fisher Scientific Inc.	3.26
Visa Inc. Class A	2.77
Roper Technologies, Inc.	2.72
JPMorgan Chase & Co.	2.61
Walmart Inc.	2.61
Home Depot, Inc.	2.57

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

<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 404-845-7640.

Align Technology and CooperCompanies were the largest stock detractors from performance in the quarter.

- Despite solid revenue and earnings, clear dental aligners manufacturer Align Technology also reported softening case shipments of its flagship Invisalign system due to lower sales in China and in its U.S. young adult segment. We maintained our position for now but are closely watching the stock in response to lower forward-looking guidance.
- CooperCompanies delivered mixed financial results, beating revenue expectations but slightly falling below on earnings. The medical device manufacturer also faced some fears around Brexit and inventory restocking in Europe. We continued to hold the position as we see any Brexit overhang as a temporary issue and expect the firm's higher-margin CooperVision daily contact lens business to continue to grow and capture additional market share.

## PORTFOLIO CHANGES

We added Tradeweb Markets to the portfolio during the quarter and exited Marathon Oil Corporation.

- We bought Tradeweb Markets, which builds and operates electronic over-the-counter marketplaces for companies that trade fixed income products and derivatives. The company has been actively expanding its product offerings, which we believe should help it capture additional growth and market share as its platform has remained underpenetrated in the market data segment compared to its peers.
- We sold Marathon Oil, a petroleum and natural gas exploration and production company, to help reduce the portfolio's energy holding. The current oversupply of global oil and continued general weak performance across the sector informed our decision.

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

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	9.26	10.36	-0.01	-0.02	-0.03
Consumer Discretionary	12.26	10.11	-0.02	0.01	-0.01
Consumer Staples	5.16	7.60	-0.11	0.09	-0.02
Energy	1.45	4.52	0.23	0.04	0.27
Financials	15.06	12.94	0.03	0.19	0.22
Healthcare	17.48	13.65	-0.16	-0.13	-0.29
Industrials	12.82	9.34	-0.04	0.03	-0.01
Information Technology	24.45	21.93	0.05	0.34	0.39
Materials	1.02	2.73	0.03	0.02	0.05
Real Estate	1.05	3.22	-0.18	0.01	-0.17
Utilities	0.00	3.59	-0.25	0.00	-0.25
<b>Total</b>			<b>-0.43</b>	<b>0.56</b>	<b>0.13</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

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 Core Growth Composite (Gross)	1.80	21.76	4.62	14.51	10.65	12.84
Large Cap Core Growth Composite (Net)	1.61	21.09	3.84	13.66	9.83	12.09
S&P 500® Index	1.70	20.55	4.25	13.39	10.84	13.24
eVestment Alliance Large Cap Core Median*	1.69	19.65	3.29	12.71	10.11	13.05
# of Portfolios in Median Calculation	352	352	352	336	314	244

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 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.

\*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 CORE GROWTH COMPOSITE 1/1/95 – 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	21.76	21.09	20.55	Five or fewer	N/A	12.19	12.01	118	775
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
2013	33.57	32.60	32.39	Five or fewer	N/A	14.21	11.94	273	2,233
2012	16.53	15.67	16.00	9	N/A	17.44	15.09	293	3,002
2011	-4.40	-5.12	2.11	13	0.45	18.81	18.71	359	3,686
2010	17.28	16.41	15.06	18	0.28	21.08	21.85	319	4,093
2009	25.76	25.01	26.46	18	0.50	18.03	19.63	274	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 Core Growth composite includes fully discretionary investment accounts and registered and unregistered mutual funds managed in accordance with the large cap core growth equity 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 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. 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. A complete description of the composite is available upon request.
- The Large Cap Core Growth 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: 1.2% as of December 31, 2008, and less than 1% as of December 31, 2009. Beginning January 1, 2010, all equity segments are managed with their own cash balance.
- 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.
- 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 policy was suspended effective November 1, 2015.
- 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. 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 standard 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 2001. The composite has performance history with an inception date of January 1, 1995.
- The minimum portfolio size for the Large Cap Core Growth composite is \$500,000. 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.