

Portfolio Commentary

Small Cap Growth

Q4 | 2019

MARKET REVIEW

U.S. stocks regained their footing during the fourth quarter, broadly delivering impressive returns. Growth securities led markets higher, with small caps outperforming. The Russell 2000® Growth Index climbed 11.39 in the quarter, capping off a 28.48% gain for the year. The benchmark rose across all sectors except utilities (-1.54%), with healthcare (+23.00%), materials (+9.32%), and consumer discretionary (+9.28%) producing the strongest returns.

Investors cheered greater clarity around two major market overhangs. The U.S. and China agreed on an initial trade deal, and a Conservative Party election win in the U.K. helped to fade fears of a further delayed or no-deal Brexit. Although details remained to be determined on both issues, at least there was positive movement forward. Otherwise, the macro backdrop was largely the same, as the U.S. economy continued its late-cycle, slow-grind growth. Employment remained strong, wages started to rise, inflation stayed low, and consumers continued to spend, serving to more than offset concerns about manufacturing and capital expenditure weakness.

PERFORMANCE

For the quarter, the Silvant Small Cap Growth Strategy Composite returned 8.81% (gross)/8.55% (net), compared to the Russell 2000 Growth Index, which returned 11.39%. Stock selection in the healthcare, consumer discretionary, information technology, and industrials sectors weighed the most on performance. Stock selection in the communication services sector and an underweight position in the real estate sector were the most additive to returns.

Reata Pharmaceuticals and Sarepta Therapeutics were the strongest stock contributors to relative performance in the quarter.

- Drug development company Reata Pharmaceuticals rose on positive clinical data involving omaveloxolone, its treatment of neurodegenerative disease Friedreich's ataxia, and bardoxolone methyl, which the firm is testing as a therapy for a variety of kidney and vascular system diseases. We continued to hold the stock, given the positive outlooks on these drugs.
- Gene therapy company Sarepta Therapeutics was a large performance detractor last quarter on the disappointing news that the FDA declined to approve its newest treatment for Duchenne muscular dystrophy. This quarter, shares rebounded in a surprise reversal when the FDA approved the product. We maintained our position, as we see additional upside in the stock as the company brings the treatment to market.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	4.90	2.74
Price-to-Earnings*	31.71	22.32
Price-to-Book	4.92	4.17
Price-to-Sales	3.88	1.81
Std. Dev. (3 yr) (%)	16.58	16.37
Alpha (3 yr) (%)	2.29	0.00
Beta (3 yr)	0.97	1.00
Std. Dev. (5 yr) (%)	16.33	16.76
Alpha (5 yr) (%)	1.33	0.00
Beta (5 yr)	0.94	1.00
Est. 3-5 Yr EPS Growth (%)	21.65	17.02
Operating Margin (%)	7.57	7.60

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

TOP

CONTRIBUTORS^{1,2}

	Average Weight	Relative Attribution
Reata Pharmaceuticals, Inc. Class A	2.23	1.31
Sarepta Therapeutics, Inc.	1.56	0.70
Roku, Inc. Class A	2.17	0.34
Cardlytics, Inc.	0.54	0.23
HealthEquity Inc.	1.46	0.17
Planet Fitness, Inc. Class A	1.12	0.17
Five9, Inc.	1.96	0.16
Penumbra, Inc.	1.55	0.15
Cable One, Inc.	1.96	0.15
Everbridge, Inc.	1.23	0.13

TOP

DETRACTORS^{1,2}

	Average Weight	Relative Attribution
Mercury Systems, Inc.	1.99	-0.46
Merit Medical Systems, Inc.	0.27	-0.30
Q2 Holdings, Inc.	3.69	-0.30
Etsy, Inc.	0.70	-0.27
ViaSat, Inc.	1.74	-0.26
Proofpoint, Inc.	1.02	-0.24
II-VI Inc.	1.39	-0.21
Insulet Corp.	2.47	-0.19
Interxion Holding N.V.	2.13	-0.18
GW Pharmaceuticals PLC Sponsored ADR	0.83	-0.17

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

TOP 10 HOLDINGS¹ (% of portfolio)

Q2 Holdings, Inc.	3.77
Teledyne Technologies Inc.	3.19
Insulet Corp.	2.46
Reata Pharmaceuticals, Inc. Class A	2.44
Chemed Corp.	2.39
Roku, Inc. Class A	2.06
Five9, Inc.	2.04
Encompass Health Corp.	1.95
Sarepta Therapeutics, Inc.	1.94
Balchem Corp.	1.93

Source: FactSet. All data as of 12/31/2019.

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 404-845-7640.

Mercury Systems and Merit Medical Systems were among the largest stock detractors from relative performance in the quarter.

- Aerospace and defense company Mercury Systems lagged despite higher-than-expected earnings and revenue. The stock had enjoyed rapid price appreciation earlier in the year, and investors appeared to be taking a pause to absorb these gains. There was also a general market rotation away from defense securities into more cyclical industry names. We continued to hold the stock based on strong fundamentals and an upbeat outlook.
- Disposable medical device and surgical kit manufacturer Merit Medical Systems was impacted by weaker-than-expected earnings and lowered forward-looking guidance. The company missed sales estimates and also saw its margins drop. We sold the stock, given that this was the second quarter of disappointing reporting.

PORTFOLIO CHANGES

We added two new holdings during the quarter, Cardlytics and Aimmune Therapeutics. In addition to selling Merit Medical Systems (discussed above), we also sold our position in American Eagle Outfitters.

- Cardlytics is a purchase intelligence platform provider that enables marketers to reach consumers through online and mobile banking apps with its proprietary software, which utilizes analytics to collect spending data. The company has grown rapidly through its alliances, and we see additional room for upside.
- Biotechnology company Aimmune Therapeutics has developed a promising peanut allergy treatment that has completed its clinical trials and been filed with the FDA. We expect the therapy to receive U.S. approval early in 2020, with European approval following later in the year.
- Clothing retailer American Eagle Outfitters has struggled with declining mall traffic. We felt it was time to sell the stock.

PERFORMANCE ATTRIBUTION (%) AS OF 12/31/2019

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	4.84	2.38	-0.11	0.94	0.82
Consumer Discretionary	10.31	12.00	0.02	-0.75	-0.73
Consumer Staples	4.02	3.32	-0.04	-0.08	-0.12
Energy	0.51	0.63	0.00	0.03	0.02
Financials	6.88	5.67	-0.05	0.14	0.09
Healthcare	28.90	30.55	-0.07	-1.37	-1.44
Industrials	20.48	18.88	-0.05	-0.38	-0.43
Information Technology	19.02	17.33	-0.14	-0.56	-0.71
Materials	5.03	3.13	-0.04	-0.31	-0.36
Real Estate	0.00	4.59	0.35	0.00	0.35
Utilities	0.00	1.51	0.20	0.00	0.20
Total			0.06	-2.34	-2.33

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

Our overall outlook for growth stocks continues to be positive. The economy remains generally solid, without any real signs of recession risk, even this late into the cycle. Monetary policy remains extremely accommodative (though further easing this year seems unlikely), and investors appear to have grown accustomed to dealing with the stream of uncertainties that seem to be constantly overhanging the market. At this juncture, our biggest concerns remain around trade and earnings growth. Looking ahead, we expect companies will continue to be able to capture some positive earnings momentum, though it may be later in the year. This in turn should be able to drive attractive, if more normalized, stock returns. Still, the unpredictable nature of some of the market's macro risks could introduce new outside shocks that have the potential to escalate short-term volatility.

PERFORMANCE COMPARISON (%) AS OF 12/31/2019

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Growth Composite (Gross)	8.81	37.52	37.52	14.60	10.22	12.97
Small Cap Growth Composite (Net)	8.55	36.19	36.19	13.47	9.13	11.85
Russell 2000® Growth Index	11.39	28.48	28.48	12.49	9.34	13.01
eVestment Alliance Small Cap Growth Median*	9.73	29.12	29.12	15.98	11.42	14.53
# of Portfolios in Median Calculation	174	174	174	171	162	147

eVestment Alliance data capture date: 1/27/2020

Past performance is not indicative of future results. This presentation is solely for SUPPLEMENTAL INFORMATION purposes, intended for institutional investor, 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 1/1/2001.

Russell 2000® Growth Index is composed of the securities found in the Russell 2000® Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios. 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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SMALL CAP GROWTH COMPOSITE 1/1/01 – 12/31/2019

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	37.52	36.19	28.48	Five or fewer	N/A	16.58	16.37	30	821
2018	-5.55	-6.49	-9.31	Five or fewer	N/A	15.53	16.46	24	748
2017	15.88	14.74	22.17	Five or fewer	N/A	13.54	14.59	30	1,138
2016	10.60	9.50	11.32	Five or fewer	N/A	15.92	16.67	45	1,277
2015	-2.30	-3.27	-1.38	Five or fewer	N/A	14.62	14.95	70	1,382
2014	-3.35	-4.32	5.60	Five or fewer	N/A	14.00	13.82	246	1,736
2013	46.31	44.9	43.30	Five or fewer	N/A	17.18	17.27	301	2,233
2012	16.16	15.02	14.59	Five or fewer	N/A	21.34	20.72	353	3,002
2011	1.05	0.04	-2.91	Five or fewer	N/A	23.39	24.31	427	3,686
2010	25.34	24.14	29.09	6	0.32	26.35	27.70	537	4,093

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 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 Small Cap Growth Strategy composite includes fully discretionary separately managed investment accounts and registered and unregistered mutual funds managed in accordance with the small 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, Small Cap Growth Portfolios will have at least 80% of their assets invested in common stocks and other U.S. traded equity securities of small cap companies. U.S. traded equity securities may include American Depository Receipts ("ADRs"). Silvant considers small cap companies to be companies with market capitalizations similar to those of companies in the Russell 2000® 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 benchmark for the Small Cap Growth Strategy composite is the Russell 2000® Growth Index, which is composed of the securities found in the Russell 2000® Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios. 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.
- Beginning March 31, 2008, composite policy required 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 January 1, 2013.
- 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 1.00%, the highest fee for this type of investment account.
- The standard management fee schedule applicable to small cap growth equity accounts is as follows: 1.00% on the first \$10 million, 0.80% on the next \$40 million, and 0.60% 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 2001. The composite has performance history with an inception date of January 1, 2001.
- The minimum portfolio size for the Small Cap Growth Strategy composite is \$1 million. For further information on 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.