

# Portfolio Commentary

## Large Cap Core 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 S&P 500® Index climbed 9.07% in the quarter, capping off a 31.49% gain for the year. The benchmark rose across all sectors except real estate (-0.54%), with the strongest returns in information technology (+14.40%), healthcare (+14.37%), and financials (+10.47%).

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

The Silvant Large Cap Core Growth Strategy Composite returned 9.81% (gross)/9.61% (net) for the quarter, outperforming the S&P 500 Index, which returned 9.07%. An underweight position in the utilities sector and stock selection in the information technology and communication services sectors added the most to returns. Stock selection in the consumer discretionary and industrials sectors weighed the most on performance.

Apple and Align Technology were the largest stock contributors to relative performance in the quarter.

- Shares of technology leader Apple posted a remarkable 30%-plus gain on earnings and revenue strength. Better-than-expected performance in China and strong performance in the company's smaller business lines, such as its wearables segment, which primarily consists of Apple Watch and AirPods products, helped to offset slowing iPhone growth. We maintained our overweight position, given the firm's strong fundamentals and upbeat outlook.
- Clear orthodontics aligners manufacturer Align Technology rebounded on higher-than-expected revenue and earnings. The company benefited from accelerating case shipments of its flagship Invisalign system, particularly in China and in its U.S. young adult segment. We continued to hold the stock on the firm's strong fundamentals and additional upside potential.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	392.95	291.32
Price-to-Earnings*	23.01	19.99
Price-to-Book	4.31	3.46
Price-to-Sales	3.11	2.42
Std. Dev. (3 yr) (%)	11.96	11.93
Alpha (3 yr) (%)	1.94	0.00
Beta (3 yr)	0.98	1.00
Std. Dev. (5 yr) (%)	12.49	11.88
Alpha (5 yr) (%)	-0.46	0.00
Beta (5 yr)	1.02	1.00
Est. 3-5 Yr EPS Growth (%)	11.61	10.74
Operating Margin (%)	25.66	22.24

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

### TOP

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

	Average Weight	Relative Attribution
Apple Inc.	7.26	0.59
Align Technology, Inc.	0.88	0.28
DexCom, Inc.	0.85	0.25
Cigna Corp.	1.25	0.21
Bank of America Corp.	2.67	0.18
Domino's Pizza, Inc.	1.23	0.13
Microsoft Corp.	6.90	0.12
JPMorgan Chase & Company	2.72	0.11
Tradeweb Markets, Inc. Class A	0.65	0.10
CVS Health Corp.	1.30	0.08

### TOP

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

	Average Weight	Relative Attribution
Dollar Tree, Inc.	1.14	-0.30
McDonald's Corp.	2.08	-0.27
CME Group Inc. Class A	2.33	-0.26
Roper Technologies, Inc.	2.53	-0.24
Northrop Grumman Corp.	1.46	-0.23
Home Depot, Inc.	2.40	-0.21
Walmart Inc.	2.51	-0.15
Intercontinental Exchange, Inc.	1.67	-0.12
Texas Instruments Inc.	1.52	-0.11
Republic Services, Inc.	2.07	-0.10

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

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

Apple Inc.	7.91
Microsoft Corp.	7.07
Mastercard Inc. Class A	4.04
Thermo Fisher Scientific Inc.	3.33
Amazon.com, Inc.	3.25
JPMorgan Chase & Company	2.83
Bank of America Corp.	2.78
Visa Inc. Class A	2.77
Roper Technologies, Inc.	2.47
Walt Disney Company	2.44

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

<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.

Dollar Tree and McDonald's were the largest stock detractors from relative performance in the quarter.

- Discount store Dollar Tree's shares announced disappointing earnings and downbeat forward-looking guidance. Although comparable store sales and traffic were solid, margins were below estimates. We maintained our position, as we believe some of the investments the company has continued to make that have recently pressured profits should be completed within the next few quarters.
- Fast food company McDonald's reported slightly light earnings and revenue due to weaker margins, despite strong system-wide sales. We continued to hold the stock, as it has outperformed for most of the year. Same-store sales have also remained strong, and we expect margins to recover.

## PORTFOLIO CHANGES

We added Target to the portfolio and exited General Mills during the quarter.

- We purchased Target, given its attractive revenue and earnings and expanding gross margins. Same-store sales and traffic have both been strong, and the retailer's digital sales have also generated significant momentum. Overall, Target is a good example of a traditional store that has been able to adapt and perform well in the changing retail segment at a time when mall retailers have continued to come under increasing pressures.
- General Mills' stock struggled for much of 2019. While the consumer foods manufacturer reported strong earnings, revenue was disappointing due to organic sales declines. The company has tried acquisitions, shuffling product lines, and bringing new products to market, but sales have remained lackluster. We decided to sell the position.

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

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	9.42	10.39	0.00	0.24	0.23
Consumer Discretionary	12.07	9.75	-0.12	-0.35	-0.46
Consumer Staples	3.79	7.20	0.16	-0.16	0.00
Energy	1.50	4.35	0.11	0.13	0.23
Financials	15.14	12.95	0.04	0.02	0.05
Healthcare	18.14	14.20	0.20	-0.07	0.12
Industrials	12.13	9.05	-0.10	-0.22	-0.33
Information Technology	25.76	23.20	0.12	0.27	0.39
Materials	1.05	2.65	0.04	0.07	0.11
Real Estate	1.00	2.93	0.20	0.07	0.27
Utilities	0.00	3.32	0.30	0.00	0.30
<b>Total</b>			<b>0.94</b>	<b>-0.02</b>	<b>0.92</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

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
Large Cap Core Growth Composite (Gross)	9.81	33.70	33.70	17.06	11.36	13.20
Large Cap Core Growth Composite (Net)	9.61	32.73	32.73	16.19	10.53	12.36
S&P 500® Index	9.07	31.49	31.49	15.27	11.70	13.56
eVestment Alliance Large Cap Core Median*	8.22	29.55	29.55	14.29	10.86	13.30
# of Portfolios in Median Calculation	357	357	357	341	317	249

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 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.

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LARGE CAP CORE GROWTH COMPOSITE 1/1/95 – 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	33.70	32.73	31.49	Five or fewer	N/A	11.96	11.93	128	821
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

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 ("ADRs"). 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.