

# Portfolio Commentary

## Small Cap Growth

# Q1 | 2020

### MARKET REVIEW

The global COVID-19 pandemic and a sharp drop in oil prices, worsened by a price war between Saudi Arabia and Russia, prompted some of the largest U.S. stock market declines since the Great Depression. The pullback quickly and decisively ended the longest running U.S. bull market in history, with major benchmarks entering bear-market territory just less than a month after hitting all-time highs. As shelter-in-place mandates were instituted by governments around the world, economies ground to a halt, and the U.S. appeared to be headed inevitably toward recession.

Large-cap growth stocks generally suffered less than their small-cap and value-oriented counterparts throughout the downturn and subsequent late-quarter rebound. The Russell 2000® Growth Index fell 25.76% during the quarter, with losses across all sectors. Utilities (-8.39%) and healthcare (-18.48%) were the most defensive sectors, while the energy (-65.60%), consumer discretionary (-40.93%), and materials (-36.54%) sectors posted the largest declines.

### PERFORMANCE

For the quarter, the Silvant Small Cap Growth Strategy Composite outperformed the Russell 2000 Growth Index, returning -20.40%/-20.61% (gross/net) compared to -25.76% for the Index. Stock selection in the consumer discretionary, industrials, materials, healthcare, and information technology sectors added the most to performance, while stock selection in financials and an underweight position in utilities weighed the most on returns.

Five9 and Chemed were the strongest stock contributors to relative performance.

- Cloud-based contact center software specialist Five9 rose early in the period on strong earnings and enterprise revenue growth. The company also experienced a solid rebound after the broader market sell-off due to its attractive fundamentals and as the pandemic highlighted the value of call center flexibility. We continued to hold the stock in light of its upbeat outlook.
- Home healthcare provider Chemed's primary VITAS business, which offers hospice services, benefited from stronger operating margins and improved Medicare reimbursements. The company also operates a very stable second segment, Roto-Rooter, which provides plumbing services. We maintained our position, as the firm has delivered steady growth through its consistent business model and appears less exposed to the coronavirus economic fallout.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	4.39	2.38
Price-to-Earnings*	27.99x	17.30x
Price-to-Book	4.23x	2.99x
Price-to-Sales	3.08x	1.32x
Std. Dev. (3 yr) (%)	19.81	20.45
Alpha (3 yr) (%)	4.76	0.00
Beta (3 yr)	0.94	1.00
Std. Dev. (5 yr) (%)	18.01	18.98
Alpha (5 yr) (%)	2.45	0.00
Beta (5 yr)	0.92	1.00
Est. 3-5 Yr EPS Growth (%)	24.73	14.71
Operating Margin (%)	7.27	7.23

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

### TOP

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

	Average Weight	Relative Attribution
Five9, Inc.	2.38	0.87
Chemed Corp.	2.60	0.66
Everbridge, Inc.	1.65	0.62
Insulet Corp.	2.82	0.60
Cable One, Inc.	1.63	0.58
Teledyne Technologies, Inc.	3.36	0.48
Mercury Systems, Inc.	2.16	0.46
Balchem Corp.	2.09	0.45
Coupa Software, Inc.	1.90	0.45
LHC Group, Inc.	1.74	0.42

### TOP

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

	Average Weight	Relative Attribution
Viasat, Inc.	1.44	-0.49
Chart Industries, Inc.	1.01	-0.34
Cardlytics, Inc.	1.37	-0.32
Brink's Co.	1.41	-0.29
NMI Holdings, Inc. Class A	0.64	-0.29
W R Grace & Co.	0.86	-0.28
Aimmune Therapeutics, Inc.	0.70	-0.25
Five Below, Inc.	1.00	-0.23
ASGN, Inc.	0.96	-0.23
Boot Barn Holdings, Inc.	0.23	-0.22

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

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

Q2 Holdings, Inc.	3.68
Teledyne Technologies, Inc.	3.66
Insulet Corp.	3.19
Five9, Inc.	3.19
Chemed Corp.	3.16
Mercury Systems, Inc.	2.55
Balchem Corp.	2.51
Encompass Health Corp.	2.41
Reata Pharmaceuticals, Inc. Class A	2.31
Everbridge, Inc.	2.21

Source: FactSet. All data as of 3/31/2020.

<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.

Viasat and Chart Industries were the largest stock detractors from relative performance.

- Communications company Viasat lagged despite market share gains in its high-speed connectivity solutions for airlines and ships, as new installations faced potential delays from virus-related groundings. We took no action, as we believe the stock will recover from these temporary issues. The company is also planning the launch of its third satellite, which will further strengthen its offerings.
- Chart Industries, which manufactures engineered equipment for energy and industrial gas industries, fell on disappointing earnings and revenue, as a key customer delayed orders. It also faced pressure from likely softer demand for its liquefaction equipment. On the plus side, the company reported solid backlog growth. We held our position but are closely watching future results.

## PORTFOLIO CHANGES

During the quarter, we added Amedisys and Boston Beer to the portfolio, while exits included Inter Parfums, Cactus, and Boyd Gaming.

- We bought home healthcare services provider Amedisys, which continued to benefit from long-term trends favoring patient recovery at home versus outpatient centers.
- Brewer Boston Beer was a new holding based on the company's strong revenues and solid business resiliency.
- We sold fragrance company Inter Parfums on concerns about its large travel retail exposure, which we expect will be slow to recover from the pandemic shutdown.
- We exited wellhead and pressure control equipment manufacturer Cactus, due to an anticipated lengthy recovery in oil production and downward trend in fracking.
- We sold gambling and hospitality firm Boyd Gaming given the negative impact social distancing and rising unemployment may have on its businesses, as well as worries around expected slower recoveries for higher-leveraged companies.

## PERFORMANCE ATTRIBUTION (%) AS OF 3/31/2020

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	4.05	2.32	-0.04	0.15	0.10
Consumer Discretionary	8.54	9.56	0.38	1.54	1.91
Consumer Staples	3.37	3.38	0.12	0.10	0.21
Energy	0.00	0.28	0.15	-0.01	0.13
Financials	6.83	5.89	-0.01	-0.33	-0.35
Healthcare	33.40	33.92	-0.04	0.60	0.55
Industrials	19.83	17.51	-0.16	1.15	0.98
Information Technology	19.23	18.21	0.01	0.60	0.60
Materials	4.76	2.70	-0.26	0.75	0.48
Real Estate	0.00	4.36	0.26	0.00	0.26
Utilities	0.00	1.87	-0.31	0.00	-0.31
<b>Total</b>			<b>0.11</b>	<b>4.55</b>	<b>4.56</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

Our current base-case expectation is that the U.S. economy likely faces a recession in the next few quarters, which has largely been priced into the markets already. Once investors are able to digest the magnitude and duration of this slowdown, we expect a sluggish but steady grind back to more normalized revenue and earnings growth, which was starting to show signs of deceleration last year. History suggests that it can typically take two to three years, on average, for earnings to recover to similar pre-recession levels, but stock valuations can often move quickly to reflect what the actual trajectory looks like. In this type of environment, paying close attention to fundamentals can be instrumental to identifying the companies best positioned to exceed investor expectations. Of course, much of the macroeconomic picture will depend on how the COVID-19 pandemic plays out. However, the \$6 trillion in U.S. monetary and fiscal stimulus response has been quicker and larger than any in the country's history, offering a significant cushion of support.

## PERFORMANCE COMPARISON (%) AS OF 3/31/2020

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Growth Composite (Gross)	-20.40	-20.40	-11.08	4.92	4.13	9.61
Small Cap Growth Composite (Net)	-20.61	-20.61	-11.98	3.88	3.09	8.53
Russell 2000® Growth Index	-25.76	-25.76	-18.58	0.10	1.70	8.89
eVestment Alliance Small Cap Growth Median*	-23.83	-23.83	-15.72	3.75	3.93	10.53
# of Portfolios in Median Calculation	183	183	183	182	172	155

eVestment Alliance data capture date: 4/23/2020

**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. **Market Volatility:** Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund's assets as intended.

For information, contact:

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# Q1 | 2020 Small Cap Growth

SMALL CAP GROWTH COMPOSITE 1/1/01 – 3/31/2020

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		
2020 YTD	-20.40	-20.61	-25.76	Five or fewer	N/A	19.81	20.45	23	692
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 ("ADR's"). 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.