

Portfolio Commentary

Small Cap Growth

Q2 | 2020

MARKET REVIEW

Growth stocks led U.S. markets higher in the second quarter, rallying on an aggressive momentum rebound that marked the strongest broad quarterly returns in more than 20 years. Investors cheered massive government stimulus actions in response to the COVID-19 crisis, incremental improvements in economic conditions, and the start of phased state reopenings. There were also encouraging signs in virus treatments and potential vaccine developments. As the quarter wound down, however, the initial enthusiasm for risk assets was replaced by a more sobering tone as new virus cases and hospitalizations began to accelerate in southern and western states, pulling back on some of the equity gains.

The Russell 2000® Growth Index rose 30.58% in the quarter, with all sectors posting positive returns. The largest gains were in the consumer discretionary (+54.27%), energy (+48.78%), and healthcare (+32.18%) sectors, while the smallest gains were in the utilities (+0.09%), financials (+17.88%), and real estate (+18.92%) sectors.

PERFORMANCE

For the quarter, the Silvant Small Cap Growth Strategy Composite returned 28.09%/27.80% (gross/net), underperforming the Russell 2000 Growth Index, which returned 30.58%. Stock selection in the healthcare, industrials, and consumer discretionary sectors weighed the most on performance. Stock selection in the information technology and communication services sectors, combined with an underweight position in utilities, added the most to returns.

Coupa Software and Cardlytics were the strongest stock contributors to relative performance.

- Business spend management technology platform Coupa Software benefited as companies looked for new ways to streamline their procurement processes and reduce expenses. The firm's shares rose after the company reported revenue, billings, and margins that were ahead of consensus estimates, albeit with somewhat more muted gains than those in recent prior quarters. We trimmed our position, which still remains quite large, on profit-taking as the stock's price had appreciated a considerable amount during the quarter.
- Cardlytics, which provides software that analyzes credit card transactions for marketing and advertising solutions, outperformed on strong billings, gross profit, and monthly active user gains. We held onto the stock given its attractive fundamentals. The company's platform sees one of every two card swipes in the U.S., and it appears well positioned to capture additional gains as the COVID-19-related slowdown in advertising spending continues to recover.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	4.95	2.48
Price-to-Earnings*	35.24x	25.74x
Price-to-Book	5.09x	4.29x
Price-to-Sales	3.16x	1.91x
Std. Dev. (3 yr) (%)	22.05	22.65
Alpha (3 yr) (%)	4.96	0.00
Beta (3 yr)	0.94	1.00
Std. Dev. (5 yr) (%)	19.53	20.38
Alpha (5 yr) (%)	2.48	0.00
Beta (5 yr)	0.93	1.00
Est. 3-5 Yr EPS Growth (%)	22.92	10.69
Operating Margin (%)	6.30	4.91

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

TOP

CONTRIBUTORS^{1,2}

	Average Weight	Relative Attribution
Coupa Software, Inc.	2.24	0.97
Cardlytics, Inc.	1.36	0.56
Sarepta Therapeutics, Inc.	2.29	0.55
Ollie's Bargain Outlet Holdings Inc.	1.08	0.51
Q2 Holdings, Inc.	4.02	0.49
Wingstop, Inc.	2.01	0.49
Tandem Diabetes Care, Inc.	2.25	0.39
Natera, Inc.	1.46	0.32
Five9, Inc.	3.42	0.32
ASGN Inc.	0.94	0.27

TOP

DETRACTORS^{1,2}

	Average Weight	Relative Attribution
Teledyne Technologies Inc.	3.44	-0.77
Chemed Corp.	2.78	-0.71
Encompass Health Corp.	2.17	-0.65
Balchem Corp.	2.03	-0.65
Reata Pharmaceuticals, Inc. Class A	2.07	-0.44
WD-40 Co.	1.32	-0.43
RLI Corp.	1.19	-0.38
Insulet Corp.	2.88	-0.37
Brink's Co.	0.98	-0.37
NovoCure Ltd.	1.43	-0.35

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

TOP 10 HOLDINGS¹ (% of portfolio)

Q2 Holdings, Inc.	4.19
Five9, Inc.	3.62
Teledyne Technologies Inc.	3.00
Tandem Diabetes Care, Inc.	2.60
Chemed Corp.	2.58
Sarepta Therapeutics, Inc.	2.53
Coupa Software, Inc.	2.34
Mercury Systems, Inc.	2.20
LHC Group, Inc.	2.14
Casella Waste Systems, Inc. Class A	2.07

Source: FactSet. All data as of 6/30/2020.

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.

Teledyne Technologies and Chemed Corporation were the largest stock detractors from relative performance.

- Despite higher-than-expected revenue and earnings growth, industrial conglomerate Teledyne Technologies underperformed largely due to the company’s solid defensive characteristics, which can make it sometimes lag in market upswings. The stock performed relatively well during the first quarter’s broad sell-off, however, investors preferred more discounted names in the second quarter in an effort to better participate in the momentum rally. We maintained our position based on the firm’s healthy sales and long-term contracts.
- Home healthcare provider Chemed Corporation lagged on concerns that the demand for hospice services might be negatively affected by the COVID-19 crisis. The defensive nature of the stock also weighed on returns as investors generally favored higher risk-reward securities in the quarter. We continued to hold our position. While there were some initial signs of a hospice slowdown, volumes have already begun to rebound.

PORTFOLIO CHANGES

During the quarter, KB Home was a new addition to the portfolio, and we exited Barnes Group.

- We started a position in homebuilder KB Home. Shares were trading at attractive valuations, and we expect low mortgage rates and increasing demand for entry-level homes will drive attractive growth potential for the stock.
- We sold industrials and aerospace company Barnes Group due to revenue declines and continued expected weakness in its major end markets, and because there are more compelling investment ideas elsewhere.

PERFORMANCE ATTRIBUTION (%) AS OF 6/30/2020

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	2.73	2.63	-0.11	0.69	0.57
Consumer Discretionary	13.27	12.66	0.10	-0.60	-0.51
Consumer Staples	2.35	3.18	0.01	-0.33	-0.32
Energy	0.00	0.17	-0.07	0.00	-0.07
Financials	6.36	4.29	-0.01	-0.08	-0.10
Healthcare	31.78	34.39	-0.02	-2.04	-2.07
Industrials	18.77	13.04	0.04	-0.90	-0.87
Information Technology	19.94	21.21	-0.01	1.50	1.49
Materials	3.75	2.66	-0.03	-0.48	-0.52
Real Estate	1.05	3.84	0.43	-0.23	0.20
Utilities	0.00	1.93	0.47	0.00	0.47
Total			0.81	-2.46	-1.73

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

We expect volatility will continue to be the norm for the rest of the year. Overall, fundamentals remain challenged as the U.S. faces recession and significant levels of unemployment, though it is currently unclear how many of these job losses may be permanent and how many businesses may fail. The future course of the pandemic is also far from certain at this point, and the U.S. is entering a highly contentious election season. Yet from an equity perspective, it appears that markets have discounted quite a bit around these types of concerns, and we think investors should be somewhat cautious about getting ahead of themselves, as well as prepared for moments of market dislocation. This uncertain environment calls for careful stock selection and bottom-up analysis. We continue to find solid investment opportunities, and while volatility may be painful short term, we believe our portfolio remains well positioned to continue to reward investors over the long term.

PERFORMANCE COMPARISON (%) AS OF 6/30/2020

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Growth Composite (Gross)	28.09	1.96	6.35	12.76	9.07	13.74
Small Cap Growth Composite (Net)	27.80	1.45	5.29	11.64	7.98	12.62
Russell 2000® Growth Index	30.58	-3.06	3.48	7.86	6.86	12.92
eVestment Alliance Small Cap Growth Median*	25.25	-14.45	-8.21	1.79	4.47	11.07
# of Portfolios in Median Calculation	584	584	584	573	548	479

eVestment Alliance data capture date: 7/21/2020

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 issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.

For information, contact:

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SMALL CAP GROWTH COMPOSITE 1/1/01 – 6/30/2020

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	1.96	1.45	-3.06	Five or fewer	N/A	22.05	22.65	28	802
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	44.90	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, 2019. 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 registered 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.