

Portfolio Commentary

Concentrated Large Cap Growth

Q3 | 2020

MARKET REVIEW

U.S. growth stocks delivered strong gains in the third quarter. The Russell 1000® Growth Index rose 13.22%, led by the consumer discretionary (+20.65%), materials (+15.05%), and information technology (+14.98%) sectors. Only the energy (-4.03%) and utilities (-4.75%) sectors experienced losses.

Economic fundamentals added support, continuing to improve off the relatively low base set earlier in the year, albeit with a general slowing in the recovery as the quarter progressed. Labor force participation improved, and unemployment fell to 8.4% in August, much better than forecasts. Both industrial production and retail sales also rose, if at a softening pace. Further, this all occurred against the backdrop of the Federal Reserve's seemingly unlimited market-supportive stance. The largely constructive climate drove multiple expansion for much of the period, with the market peaking in early September followed by a slight pullback before resuming its climb.

PERFORMANCE

For the quarter, the Silvant Concentrated Large Cap Growth Strategy returned 10.04%/9.84% (gross/net), compared to the 13.22% return of the Russell 1000 Growth Index. Stock selection in the information technology, industrials, consumer discretionary, and communication services sectors weighed the most on performance. Stock selection in the healthcare sector and an underweight position in the real estate sector added the most to returns.

Salesforce and Intuitive Surgical were the strongest stock contributors to relative performance.

- Shares of relationship management software company Salesforce jumped after it reported strong earnings with upbeat forward-looking guidance. Gains were driven by solid upside across all metrics, in particular operating margins that were up almost 600 basis points. We maintained our position given the company's strong fundamentals and attractive outlook.
- Medical robotics manufacturer Intuitive Surgical rose on higher-than-expected revenue and earnings. While several of the company's key metrics, such as procedures, have continued to contract, they have done so at a much lower deceleration than investors have broadly expected, which has helped to deliver upside reporting surprises in its financial results. We held onto the stock, as the company generally has been recovering faster than anticipated and has continued to execute well.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	834.24	662.88
Price-to-Earnings*	38.24x	33.35x
Price-to-Book	8.47x	11.25x
Price-to-Sales	5.32x	4.95x
Std. Dev. (3 yr) (%)	19.80	18.78
Alpha (3 yr) (%)	-0.52	0.00
Beta (3 yr)	1.04	1.00
Std. Dev. (5 yr) (%)	17.32	15.87
Alpha (5 yr) (%)	-3.72	0.00
Beta (5 yr)	1.06	1.00
Est. 3-5 Yr EPS Growth (%)	19.68	17.83
Operating Margin (%)	22.50	21.27

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

TOP

CONTRIBUTORS^{1,2}

	Average Weight	Relative Attribution
Salesforce.com, Inc.	3.09	0.34
Intuitive Surgical, Inc.	2.09	0.14
Royal Caribbean Group	1.36	0.14
QUALCOMM Inc.	1.53	0.11
Amazon.com, Inc.	13.85	0.07
Apple Inc.	11.59	0.07
Estee Lauder Cos. Inc. Class A	4.09	0.07
Vulcan Materials Co.	1.49	0.04
Edwards Lifesciences Corp.	3.06	0.02
Workday, Inc. Class A	1.49	0.01

TOP

DETRACTORS^{1,2}

	Average Weight	Relative Attribution
Visa Inc. Class A	8.73	-0.68
Boeing Co.	2.37	-0.61
Autodesk, Inc.	2.71	-0.41
Analog Devices, Inc.	1.75	-0.32
Microsoft Corp.	13.17	-0.30
Knight-Swift Transportation Holdings Inc. Class A	1.60	-0.24
Alphabet Inc. Class A	4.66	-0.24
Fair Isaac Corp.	1.96	-0.22
Alphabet Inc. Class C	4.62	-0.22
UnitedHealth Group Inc.	4.44	-0.22

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

TOP 10 HOLDINGS¹ (% of portfolio)

Amazon.com, Inc.	13.63
Microsoft Corp.	12.95
Apple Inc.	12.15
Visa Inc. Class A	8.58
UnitedHealth Group Inc.	4.42
Alphabet Inc. Class A	4.41
Alphabet Inc. Class C	4.38
Estee Lauder Cos. Inc. Class A	4.26
Salesforce.com, Inc.	3.50
Netflix, Inc.	3.36

Source: FactSet. All data as of 9/30/2020.

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.

Visa and Boeing were the largest stock detractors from relative performance.

- Despite reporting largely solid financial results, credit card company Visa underperformed. A fall in international travel caused the company’s cross-border business to disappoint given the continued closure of many countries’ borders due to the COVID-19 pandemic. We held our position, as our long-term outlook for digital payments remains favorable. The company continues to offer very efficient, transparent modeling and an attractive oligopolistic position. Payments outside of its cross-border business have also notably improved, driven by strong internet sales and market share gains, without any real problems in payment collections.
- Aerospace company Boeing fell on disappointing earnings and revenue, as well as a lower-than-expected commercial aircraft backlog. We continued to hold our small position, as we think expectations for the company have been decimated and offer opportunity for surprise on the upside. There are signs that air travel volumes are slowly rising and other key metrics have not worsened, which can often be a positive first sign in a cyclical stock. We are also interested to see how the 737 MAX aircraft ramp-up evolves, for both production and guidance.

PORTFOLIO CHANGES

There were no new portfolio additions or exits during the quarter.

PERFORMANCE ATTRIBUTION (%) AS OF 9/30/2020

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	12.15	10.86	-0.04	-0.62	-0.66
Consumer Discretionary	15.49	16.47	-0.06	-0.74	-0.80
Consumer Staples	4.26	4.77	0.00	0.13	0.13
Energy	0.00	0.07	0.00	0.00	0.00
Financials	0.00	1.97	0.13	0.00	0.13
Healthcare	14.29	14.04	-0.01	0.38	0.36
Industrials	5.57	4.63	-0.01	-0.84	-0.85
Information Technology	46.66	44.52	0.04	-1.73	-1.69
Materials	1.58	0.83	-0.01	0.02	0.02
Real Estate	0.00	1.83	0.23	0.00	0.23
Utilities	0.00	0.02	-0.01	0.00	-0.01
Total			0.27	-3.39	-3.12

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

It may be surprising to read that we were reassured by the late-quarter pullback. When growth stocks have been on a tear, as they have since rebounding after the first quarter selloff, a normalized pause can help indicate a healthier market with stronger support for shares starting to rise again. On the plus side, fundamentals remain solid and continue to improve, though we do not expect a linear recovery, even if the general trajectory appears to be slowly but surely getting better.

Markets are also trying to gauge the odds and timing of a COVID-19 vaccine, as well as the potential U.S. election outcome. For the latter, we do not spend a lot of energy trying to predict who might win and instead focus on how opportunities may shift under different scenarios. However, it does appear that the market has grown more comfortable with a potential Biden presidency. In terms of a vaccine, there are a number of solid global programs moving ahead, and we expect investors to watch closely at how well these proceed through phase trials and FDA approval. The expectation for now seems to be that, regardless of the election outcome, we will eventually be able to solve the problem of the virus and return to a more normalized economy.

PERFORMANCE COMPARISON (%) AS OF 9/30/2020

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Concentrated Large Cap Growth Composite (Gross)	10.04	21.92	36.47	21.81	16.86	14.19
Concentrated Large Cap Growth Composite (Net)	9.84	21.25	35.47	20.91	15.99	13.35
Russell 1000® Growth Index	13.22	24.33	37.53	21.67	20.10	17.25
eVestment Alliance Large Cap Growth Median*	11.31	21.92	33.51	20.02	18.29	16.26
# of Portfolios in Median Calculation	303	303	303	295	280	250

eVestment Alliance data capture date: 10/19/2020

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 10/1/1999.

Russell 1000® Growth Index offers investors access to the large-cap growth segment of the U.S. equity universe. The index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. 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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CONCENTRATED LARGE CAP GROWTH COMPOSITE 10/1/1999 – 9/30/2020

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	21.92	21.25	24.33	Five or fewer	N/A	19.80	18.78	4	793
2019	33.79	32.81	36.39	Five or fewer	N/A	14.66	13.07	3	821
2018	2.57	1.81	-1.51	Five or fewer	N/A	14.62	12.13	3	748
2017	28.09	27.16	30.21	Five or fewer	N/A	12.42	10.54	4	1,138
2016	-6.65	-7.35	7.08	Five or fewer	N/A	13.00	11.15	15	1,277
2015	9.40	8.59	5.67	6	N/A	11.76	10.70	46	1,382
2014	7.18	6.38	13.05	11	0.13	11.55	9.59	388	1,736
2013	32.55	31.58	33.48	13	0.51	15.03	12.18	893	2,233
2012	12.15	11.32	15.26	16	0.49	18.25	15.66	1,218	3,002
2011	-3.56	-4.28	2.64	16	0.19	18.95	17.76	1,902	3,686
2010	15.98	15.01	16.71	21	0.14	21.46	22.11	2,089	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, 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 Concentrated Large Cap Growth Strategy composite includes fully discretionary separately managed investment accounts managed in accordance with the concentrated portfolio, growth investment style, with the objective of investing 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, Concentrated Large Cap Growth Portfolios will have at least 80% of their assets invested in common stocks and other U.S. traded equity securities of 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 Russell 1000 Growth Index. Silvant will seek out companies with strong current earnings, growth in revenue, improving profitability, strong balance sheet, strong current and projected business fundamentals and reasonable valuation. Generally, a Concentrated Large Cap Growth portfolio will hold 40 securities or less. 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. Prior to July, 2015, the Concentrated Large Cap Growth Strategy composite was named the Select Large Cap Growth Strategy composite. A complete description of the composite is available on request.
- The Concentrated Large Cap Growth Strategy 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 less than 1% of the total market value of the composite as of December 31, 2008, and December 31, 2009. Beginning January 1, 2010, all equity segments are managed with their own cash balance.
- The benchmark for the Concentrated Large Cap Growth Strategy composite is the Russell 1000® Growth Index, which measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. 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. This policy was discontinued effective February 1, 2017.
- 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 0.75%, the highest fee for this type of investment account.
- The 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 2006. The composite has performance history with an inception date of October 1, 1999.
- The minimum portfolio size for the Concentrated Large Cap Growth Strategy composite is \$1,000,000. 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.