

# Portfolio Commentary

## Large Cap Core Growth

# Q3 | 2020

### MARKET REVIEW

U.S. stocks delivered strong gains in the third quarter. The S&P 500® Index rose 8.93%, led by the consumer discretionary (+15.06%), materials (+13.31%), and industrials (+12.47%) sectors. Only the energy (-19.72%) sector posted a loss.

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 Large Cap Core Growth Strategy returned 10.44%/10.24% (gross/net), outperforming the 8.93% return of the S&P 500 Index. An underweight position in energy and stock selection in information technology and healthcare added the most to performance. Stock selection in industrials and an underweight position in materials weighed the most on returns.

Apple and Thermo Fisher Scientific were the strongest stock contributors to relative performance.

- Technology leader Apple outperformed on higher-than-expected earnings and revenue from strong sales across its iPhone, services, and wearables business lines, as well as recovering demand in China. Investors were also excited about the company's upcoming new product cycle announcements. We maintained our overweight position on the firm's strong fundamentals and upbeat outlook.
- Analytical laboratory instrument manufacturer Thermo Fisher Scientific rose on revenue and earnings strength. The company benefited from organic growth gains due to increased demand for its COVID-19 test supplies and solid performance in its non-COVID-related products. We maintained our position—a long-term holding in the portfolio—on its raised forward-looking guidance and additional upside potential.

### PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Wtd. Avg. Market Cap (\$b)	609.91	452.97
Price-to-Earnings*	29.19x	23.83x
Price-to-Book	4.98x	3.57x
Price-to-Sales	3.15x	2.43x
Std. Dev. (3 yr) (%)	17.27	17.49
Alpha (3 yr) (%)	4.89	0.00
Beta (3 yr)	0.97	1.00
Std. Dev. (5 yr) (%)	14.98	14.76
Alpha (5 yr) (%)	1.47	0.00
Beta (5 yr)	0.99	1.00
Est. 3-5 Yr EPS Growth (%)	12.75	12.06
Operating Margin (%)	25.62	21.84

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

TOP CONTRIBUTORS <sup>1,2</sup>	Average Weight	Relative Attribution
Apple Inc.	10.80	0.72
Thermo Fisher Scientific, Inc.	3.89	0.39
Target Corp.	1.17	0.18
Mastercard Inc. Class A	4.06	0.16
Norfolk Southern Corp.	1.38	0.14
Walmart Inc.	2.47	0.13
McDonald's Corp.	1.82	0.11
Domino's Pizza, Inc.	1.57	0.09
Align Technology, Inc.	0.95	0.08
Republic Services, Inc.	1.86	0.08

TOP DETRACTORS <sup>1,2</sup>	Average Weight	Relative Attribution
Gilead Sciences, Inc.	1.12	-0.23
CVS Health Corp.	1.28	-0.19
Apollo Global Management Inc. Class A	0.93	-0.18
Cigna Corp.	1.07	-0.17
Phillips 66	0.47	-0.16
Roper Technologies, Inc.	2.68	-0.15
Microsoft Corp.	8.71	-0.14
Berkshire Hathaway Inc. Class B	0.09	-0.14
Tradeweb Markets, Inc. Class A	0.95	-0.10
DexCom, Inc.	1.65	-0.09

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.	11.37
Microsoft Corp.	8.59
Amazon.com, Inc.	5.04
Mastercard Inc. Class A	4.17
Thermo Fisher Scientific, Inc.	4.12
S&P Global, Inc.	2.83
Facebook, Inc. Class A	2.72
Visa Inc. Class A	2.69
Walmart Inc.	2.56
Home Depot, Inc.	2.56

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

<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.

Gilead Sciences and CVS Health were the largest stock detractors from relative performance.

- Biopharmaceutical firm Gilead Sciences fell on disappointing revenue and earnings from higher spending and softer sales due to slower second quarter inventory restocking. We continued to hold the stock, given that the company raised its forward-looking guidance on optimism around its Remdesivir drug, which has been authorized as an emergency treatment for COVID-19.
- Despite reporting strong financial results, drugstore and healthcare benefits company CVS Health lagged on lower traffic and increased spending in its retail stores to account for COVID-19 training and other higher operating expenses. The company's insurance business has also benefited from lower healthcare utilization during stay-at-home mandates, and investors worried that costs may increase as demand begins to normalize. We maintained our position, as we see upside in the stock as the company continues to integrate its diversified business lines.

**PORTFOLIO CHANGES**

Akamai Technologies was a new addition to the portfolio in the quarter. We exited Berkshire Hathaway.

- We purchased Akamai Technologies, which owns one of the largest global content delivery networks and also provides web and internet security services. We believe the company is well positioned to benefit from the proliferation of online video content, e-commerce, virtual reality, and the increase in people working from home.
- We sold conglomerate holding company Berkshire Hathaway on its declining revenue due to the pandemic and weaker economy as we were finding more compelling risk/return opportunities.

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

	Quarter-end Sector Weights		Impact		
	Portfolio	Benchmark	Sector Weight	Stock Selection	Total
Communication Services	9.27	10.80	-0.01	-0.04	-0.05
Consumer Discretionary	14.64	11.55	0.19	-0.01	0.18
Consumer Staples	4.10	7.02	-0.03	0.23	0.20
Energy	0.69	2.06	0.50	-0.02	0.49
Financials	10.58	9.67	-0.07	-0.04	-0.11
Healthcare	15.58	14.23	-0.04	0.33	0.29
Industrials	10.53	8.29	0.08	-0.33	-0.25
Information Technology	32.46	28.15	0.13	0.43	0.56
Materials	0.87	2.62	-0.07	0.01	-0.05
Real Estate	1.28	2.64	0.10	0.09	0.19
Utilities	0.00	2.97	0.08	0.00	0.08
<b>Total</b>			<b>0.88</b>	<b>0.65</b>	<b>1.53</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**

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
Large Cap Core Growth Composite (Gross)	10.44	13.94	25.11	17.33	15.66	14.30
Large Cap Core Growth Composite (Net)	10.24	13.30	24.19	16.47	14.80	13.45
S&P 500® Index	8.93	5.57	15.15	12.28	14.15	13.74
eVestment Alliance Large Cap Core Median*	8.07	3.30	11.86	10.76	12.83	13.26
# of Portfolios in Median Calculation	355	355	355	347	315	243

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 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. **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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LARGE CAP CORE GROWTH COMPOSITE 1/1/95 – 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	13.94	13.30	5.57	Five or fewer	N/A	17.27	17.49	137	793
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, 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 Large Cap Core Growth composite includes fully discretionary investment accounts managed in accordance with the large cap core growth equity 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, 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 ("ADR's"). 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.