



June 30, 2016

IN PARTNERSHIP WITH  Montage

TorrRayResolute Small/Mid Cap Growth

Market Overview

It would be an understatement to say that markets confounded most investors in the first half of the year. What worked for equity investors last year, namely momentum and growth, is out of favor. Investors have rotated into value, chased yield and the perceived security of Consumer Staples, Telecom and Utilities. Risk premiums are on the rise, driving U.S. Treasury yields to historic lows and 35%-40% of sovereign debt (Ex-U.S.) to negative yields. What has not changed is the persistent concern regarding global growth and the associated vulnerability of markets to unanticipated shocks such as the U.K.'s decision to leave the EU. Whether "Brexit" is a false alarm or a watershed moment remains to be seen.

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Portfolio Commentary

During the second quarter, the TorrRayResolute Small/Mid Cap Growth Composite gained 4.02% (3.84% net of fees), outperforming the benchmark Russell 2500 Growth Index's gain of 2.70%. Year to date, the Composite increased 6.00% (5.64% net of fees), substantially outperforming the benchmark's -0.03% decline. Allocation had a positive effect, with overweight positions in the recovering Energy sector and Telecommunications. An underweight allocation to the lagging Consumer Discretionary sector also had a positive effect. While security selection was neutral for the overall portfolio, selection in Health Care and Information Technology was very good, contributing more than 200 basis points of return. At the security level, top contributors included Medivation (MDVN), FEI (FEIC), and Copart (CPRT). Primary detractors included Natural Grocers (NGVC), Affiliated Managers Group (AMG) and Stericycle (SRCL). Given the tremendous volatility experienced in the first half of the year, and lack of gains generated by the benchmark, we are pleased with the Composite's absolute and relative progress.

Shares of Dunkin' Brands (DNKN) were purchased during the quarter. With system-wide revenues of \$10.2 billion and 19,400 locations worldwide (11,800 Dunkin' Donuts and 7,600 Baskin-Robins), Dunkin' is the second largest global beverage and snack chain (Starbucks, SBUX, is number one). As an asset-light, 100% franchised business built on the back of two strong brands, Dunkin' represents a compelling opportunity for both the investor and franchisee. Franchisees earn, on average, more than 20% cash-on-cash returns. Investors in the holding company enjoy a stable stream of royalty payments with little direct exposure to variable costs such as ingredient or labor inflation. While same store sales growth is modest (1%-3%) in this competitive consumer category, domestic and international unit growth opportunities of 4%-6% over the next decade are attractive. When you combine these attributes with a dividend yield of greater than 2%, we believe the investment is compelling from a total return perspective.



Shares of ITC (ITC) and Natural Grocers by Vitamin Cottage (NGVC) were sold during the quarter. ITC entered into an agreement to be acquired by Canadian utility Fortis for cash and stock. Natural Grocers was sold following a disappointing report in April which called into question management's ability to successfully navigate the increasingly-competitive natural and organic food category.

Outlook

While the U.S. economy remains stable, albeit unimpressive, market volatility is elevated. The economic consequences of the U.K.'s vote to leave the EU are unclear at this point, but a likely source of uncertainty for the balance of the year and beyond. Accounting for just 3.9% of global GDP, the U.K. poses little immediate economic risk. However, the broader EU's contribution to global GDP is roughly equivalent in size to that of the U.S. The share of S&P 500 revenues generated in the U.K. is small, approximately 3%, but exposure to the Continent as a whole, approximately 12%, is higher. The risks are isolated and manageable at the moment, but not to be ignored if additional referendums and dislocations follow.

During periods of high volatility and market pullbacks, we remind ourselves and our investors of what has worked in the past and is likely to do so in the future; to be patient, disciplined, and assume a long-term perspective while remaining opportunistic. Achieving this balance is at the core of our process and key to investment success.

As ever, we appreciate your interest and trust.

A handwritten signature in blue ink that reads "Nicholas Haffenreffer".

Nicholas C. Haffenreffer
July 18, 2016



Top Contributors & Detractors

Security	Sector	Contribution
Medivation	Health Care	+1.1
FEI Company	Info Tech	+0.9
Copart	Industrials	+0.7
Omniceil	Health Care	+0.6
Church & Dwight	Cons Stpls	+0.5
Natural Grocers	Cons Stpls	-0.9
Affiliated Managers Group	Financials	-0.5
Stericycle	Industrials	-0.5
Polaris	Cons Disc	-0.4
Hexcel	Industrials	-0.7

Top 10 Holdings

Security	% of Holdings
Jack Henry & Associates	4.9
FEI Company	4.6
Medivation	4.5
LKQ Corporation	4.5
SBA Communications	3.9
Church & Dwight	3.9
Copart	3.9
Omniceil	3.7
Quanta Services	3.7
Mettler-Toledo International	3.7
Percentage of total portfolio	41.4

Holdings are subject to change and are not recommendations to buy or sell a security

Disclosures

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The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher growth earning potential. You cannot invest directly in an index.

Investing involves risk; principal loss is possible. Past performance is not indicative of future results.