



TORRAY LLC

Investment management since 1972

TorrRayResolute Concentrated Large Growth

Market Overview

The third quarter delivered another fantastic period for equity investors. A compelling combination of economic progress in the U.S. and around the world, modest inflation and low interest rates lifted markets to record highs. In spite of acts of terrorism in Europe, threats of nuclear attacks from North Korea, gridlock in Washington, and a series of devastating hurricanes that struck the U.S. and several Caribbean nations, markets remained firmly rooted in positive fundamentals. Eight years into the market's impressive recovery, there were few signs of it wavering.

Portfolio Commentary

For the third quarter, the Large Growth Composite gained 5.15% (5.06% net of fees) versus the Russell 1000 Growth Index's return of 5.90%. Year-to-date, the Composite gained 19.49% (19.18% net of fees) compared to the benchmark's return of 20.72%. Leadership for the quarter came from the Technology, Materials and Energy sectors, reflecting investor's positive economic outlook. Conversely, the underperformance of defensive sectors, such as Consumer Staples and Real Estate indicated an absence of caution and an expectation that interest rates will continue to rise as the Federal Reserve proceeds cautiously down the path of normalization. Top portfolio contributors included Albemarle (ALB), Facebook (FB) and Lonza Group (LZAGY). The largest detractors included NIKE (NKE), Incyte (INCY) and United Technologies (UTX).

It would, however, be a mistake to confuse our optimism with complacency.

Portfolio activity for the period was modest, with a single purchase and no sales. We initiated a position in Lonza Group (LZAGY), a 120-year old Swiss specialty chemical supplier to the life-sciences industries. As a manufacturer of custom compounds to a diversified customer base, Lonza exhibits many of the financial characteristics we look for: sustainable growth, high barriers to entry and durable pricing power. Secular trends benefiting the company include the increasing complexity of drugs, a demanding regulatory environment and outsourced manufacturing by pharmaceutical companies. Additionally, Lonza has an expertise in microbicides, which have broad industrial and consumer applications, and healthy demand, particularly from emerging markets. Primary risks to this investment include currency exposure, healthcare pricing, and competition from India and China where manufacturing standards are on the rise.

Outlook

As we enter the fourth quarter, the backdrop remains positive. We are encouraged by the recent breadth the market has demonstrated across sectors, geographies, investment styles and capitalization ranges; there is more to this bull market than large cap tech. While we don't believe economic or market cycles have been repealed, it's difficult to

single out a primary or likely source of vulnerability. It would, however, be a mistake to confuse our optimism with complacency. Risk management is at the core of our process. The primary risks we are focused on include valuation, trade policies and protectionism, the lack of wage inflation, the potential of a strengthening dollar, and increased correlation among market leaders. With this framework in mind, we continue to monitor markets in the normal course of our investment process and look for opportunities as they present themselves.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

October 16, 2017

Top Contributors & Detractors

Security	Sector	% Contribution
Albemarle Corporation	Materials	+0.8
Facebook, Inc.	Info Tech	+0.5
Lonza Group AV	Health Care	+0.5
Visa Inc.	Info Tech	+0.5
Amphenol Corporation	Info Tech	+0.4
Nike, Inc.	Cons Disc	-0.3
Incyte Corporation	Health Care	-0.2
United Technologies	Industrials	-0.2
Verisk Analytics	Industrials	-0.0
Colgate-Palmolive	Cons Stpls	-0.0

Top 10 Holdings

Security	% of Holdings
Alphabet Inc.	5.0
Visa Inc.	4.4
Charles Schwab	4.1
Fiserv, Inc.	4.1
Cerner Corporation	4.0
Facebook, Inc.	4.0
American Tower	4.0
Apple Inc.	3.8
BioMarin Pharmaceutical	3.6
Lonza Group AG	3.5
Percentage of total portfolio	40.4

Holdings are subject to change and are not recommendations to buy or sell a security. To obtain information about the calculation methodology used to select the largest contributors to and detractors from performance or to obtain a list showing every holding's contribution to performance during the measurement period, contact tawney@torray.com.

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The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

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