



TORRAY LLC

Investment management since 1972

TorraysResolute Concentrated Growth

Market Overview

As the third quarter came to a close, there was a distinct change in investor sentiment. Market confidence in global economic growth was weakened by persistent geopolitical conflicts, the threat of a pandemic, and negative trends in leading economic indicators such as commodity prices, interest rates and small cap stock performance. After an extended period of relative calm, volatility returned to capital markets.

Portfolio Commentary

The TorraysResolute Concentrated Large Growth Composite declined 0.76% for the quarter (0.84% net-of-fees), underperforming the benchmark Russell 1000 Growth Index's gain of 1.5%. The principal source of underperformance was security selection in economically-sensitive sectors such as Industrials and Materials, as well as on an overweight allocation to Energy, the worst-performing sector for the period (-10.3%). General concerns regarding global growth, particularly in Europe, and a 15% correction in the price of crude oil, were reflected in portfolio holdings. In contrast, Consumer Discretionary and Health Care holdings performed particularly well.

Short-term challenges should not overshadow long-term opportunities, which include low energy costs, high productivity, declining unemployment and low inflation.

Three purchases and two sales were made over the course of the quarter. We invested in contact lens manufacturer Cooper Companies (COO) following the acquisition of competitor Sauflon, a deal we believe improves Cooper's market position. Cooper is the third-largest global manufacturer of contact lenses, serving an industry with attractive secular growth characteristics such as emerging market demand, new materials and positive demographic trends. Additionally, Cooper will enjoy healthy margin expansion as royalty expenses expire over the next two years.

We sold shares of asset manager Franklin Templeton (BEN) and purchased competitor BlackRock (BLK), a change we believe reduces risk at the security level due to BlackRock's superior product diversification and profit margins. With \$4.5 trillion under management, BlackRock is the world's largest asset manager with dominant market share in popular Exchange Traded Funds (ETFs).

Shares of MICROS Systems (MCRS) were sold following Oracle's (ORCL) offer to acquire the company. And, finally, we purchased shares of Verisk Analytics (VRSK), a leading provider of risk analytics to the Insurance, Health Care and Financial Services industries. We believe the company's core business serving the Insurance industry will remain strong, and that new business segments will continue to grow profitably as demand for risk analytics increase. Both Verisk's core and new business segments are characterized by high recurring revenues and cash flows.

Outlook

In the face of uncertainty, perspective is critical to successful investing. U.S. equities have exhibited a remarkable degree of resilience despite numerous geopolitical and other risks over the last two years. Recent events have caused some to question this resilience and cast an element of risk aversion over global capital markets. What has changed in the economy since the S&P 500 reached a high on September 18th? Our answer is "not much," and the basic message remains the same: a gradually improving global economy led by a strong U.S. economy. Short-term challenges should not overshadow long-term opportunities, which include low energy costs, high productivity, declining unemployment and low inflation. Importantly, we continue to see many long-term growth trends fueled by innovation and outstanding companies. Our objective is to stay invested in these trends and the businesses that benefit from them.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer
October 22nd, 2014

A fully compliant GIPS® disclosure presentation is available upon request.

Torray LLC is an independent registered investment adviser. To receive a list of composite descriptions of Torray LLC and/or a compliant presentation, please contact Hugh Tawney at 800.443.3034 or email Tawney@Torray.com.

Torray LLC claims compliance with the Global Investment Performance Standards (GIPS®).