



TORRAY LLC

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TorrRayResolute Small/Mid Cap Growth

Market Overview

U.S. equity markets delivered strong returns for the third quarter, in spite of facing a number of challenges including rising interest rates, higher oil prices and continuing trade conflicts. Offsetting these concerns were strong earnings growth, a healthy employment picture, high consumer confidence and modest inflation. As investors marked the tenth anniversary of the start of the financial crisis, and the Federal Reserve continued to step away from its long-held accommodative policy position, the message of the market appeared to be that the economy is prepared to stand on its own.

Portfolio Commentary

The Small/Mid Cap Growth Composite gained 2.68% (2.52% net of fees) for the quarter, falling short of the Russell 2500 Growth Index's advance of 7.17%. Consumer Staples and Health Care were the portfolio's best performing sectors, while Energy and Financials were the worst performing sectors. At the security level, top contributors were Omnicell (OMCL), Aspen Technology (AZPN), and Jack Henry & Associates (JKHY). Primary detractors were IPG Photonics (IPGP), MKS Instruments (MKS), and Dycom Industries (DY).

Market breadth has improved as we appear to be transitioning from a liquidity-driven market to a fundamentally-driven market.

Shares of Computer Modelling Group (CMDXF) were sold following a series of disappointing financial reports indicating poor strategic positioning. Demand for the company's core products, software used to optimize heavy oil production, has lagged in comparison to demand for unconventional shale drilling services, an area where Computer Modelling is not a leader. There were no new purchases during the quarter.

At the close of the quarter, the portfolio held 28 positions, the top ten constituting 45% of the portfolio with a cash position of 4%. Health Care and Information Technology were the two largest sector weights at 25% and 21%, respectively. Relative to the benchmark, the portfolio's largest sector overweights were Financials, Industrials and Health Care. The largest underweights were Materials and Information Technology.

Outlook

While economic fundamentals in the U.S. remain favorable, the global picture is mixed. Market risks are elevated due to extended valuations, rising interest rates, emerging inflation and ongoing trade disputes. On a positive note, market

breadth has improved as we appear to be transitioning from a liquidity-driven market to a fundamentally-driven market. As always, we remain focused on risk management and view the recent return of volatility as an opportunity to invest in best-in-class businesses at attractive valuations.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

October 15, 2018

Top Contributors & Detractors

Security	Sector	% Weight	% Contribution
Omniceil. Inc.	Health Care	4.3	+1.3
Aspen Technology, Inc.	Info Tech	3.8	+0.9
Jack Henry & Associates, Inc.	Info Tech	4.4	+0.9
Cooper Companies, Inc.	Health Care	4.3	+0.7
Pool Corporation	Cons Disc	3.8	+0.4
IPG Photonics Corp.	Info Tech	2.9	-0.8
MKS Instruments, Inc.	Info Tech	2.5	-0.4
Dycom Industries, Inc.	Industrials	3.8	-0.4
Webster Financial Corp.	Financials	2.6	-0.3
Core Laboratories NV	Energy	3.6	-0.3

Top 10 Holdings

Security	% of Holdings
Hexcel Corporation	5.2
Cooper Companies, Inc.	4.8
Omniceil, Inc.	4.7
Webster Financial Corporation	4.6
Aspen Technology, Inc.	4.4
BioMarin Pharmaceutical Inc.	4.4
Qualys, Inc.	4.3
Jack Henry & Associates, Inc.	4.3
Dunkin' Brands Group, Inc.	4.0
Pool Corporation	3.9
Percentage of total portfolio	44.5

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 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.