



Investment management since 1972

Torrays Resolute Small/Mid Cap Growth

Market Overview

U.S. equity markets posted solid gains in the second quarter as continued economic momentum overshadowed uncertainty regarding trade, monetary policy and other matters. In spite of these concerns, the economic backdrop remains positive; corporate earnings are increasing at an attractive rate and interest rates remain accommodative. What will define the economy and the market's performance in the next few years will be the nature of the handoff between monetary policy and the stimulative effects of fiscal policy, which include tax cuts, deregulation and capital investment. Given the strategy's focus on earnings quality and risk management, we believe the portfolio is well-positioned for this transition.

Portfolio Commentary

The Small/Mid Cap Growth Composite gained 3.06% (2.88% net of fees) for the quarter versus the benchmark Russell 2500 Growth Index's advance of 5.53%. Energy and Information Technology were the portfolio's best performing sectors, reflecting a sharp rise in oil prices and robust demand for technology-based goods and services. Real Estate and Financials underperformed as interest rates remained largely unchanged and the yield curve flattened. At the security level, top contributors included ICF International (ICFI), Omnicell (OMCL), and Aspen Technology (AZPN). Primary detractors included Genmab (GMXAY), Affiliated Managers Group (AMG), and LKQ Corporation (LKQ).

Until trade or rate hikes cause a sustained disruption, we believe investors should stay the course in a disciplined manner.

Portfolio activity over the quarter included the purchase of MKS Instruments (MKSI) and sale of Middleby Corporation (MIDD). Founded in 1961 and based in Andover, Massachusetts, MKS Instruments is a technology-based manufacturer of process controls serving the semiconductor capital equipment and industrial laser industries. While the semiconductor industry, which accounts for approximately 55% of MKSI's revenues, is notoriously cyclical, we believe the rapid growth of data generation, processing and storage will help mute future cycles. The laser business, added through the 2016 acquisition of Newport, is also experiencing strong secular demand as industrial cutting applications transition from blades and drills to lasers. This division serves a diverse customer base in general industrial, life sciences, research and defense applications. Given the company's strong operating record and increasing diversification, we believe MKSI's growth potential is underappreciated at its current, modest valuation.

Middleby had been a core portfolio holding for nearly a decade. Founded in 1880 as a manufacturer of portable baking ovens, the company has evolved into a dominant global manufacturer of commercial and residential food service equipment. Growth of the fast food industry and a successful record of consolidating a highly fragmented market formed the rationale for our initial investment in the business. Recently, Middleby has experienced challenges on both of these fronts; investment spending from restaurant chains has been tepid due to modest foot traffic trends and rising

labor costs, and the complexity of integrating acquisitions has increased with the scale of Middleby's operations. Given the lack of clarity with regard to the duration and magnitude of these headwinds, we thought it prudent to move to the sidelines and sell the stock.

Outlook

We recognize it is an uncertain time for investors with many mixed signals in the market. On the positive side, profits and earnings are robust, consumer confidence is high, inflation remains contained in spite of a strong labor market, and interest rates have remained stable. On the negative side, market leadership is incredibly narrow, valuations are high, trade policy is unclear and the yield curve is flat; the 2-10 spread is at an 11-year low, which if inverted, has historically been a reliable indicator of a looming recession. All in, the data paints a relatively balanced picture. We assume Trump, China and the Fed do not have an interest in slowing the economy. Until trade or rate hikes cause a sustained disruption, we believe investors should stay the course in a disciplined manner. Our investment decisions will continue to be driven by long-term, company-specific fundamentals. As we review each holding and the structure of the portfolio, we remain positive with the view that narrow, volatile markets like the one we have today, present disciplined investors with compelling investment opportunities.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

July 13, 2018

Top Contributors & Detractors

Security	Sector	% Contribution
ICF International, Inc.	Industrials	+0.7
Omniceil, Inc.	Health Care	+0.7
Aspen Technology, Inc.	Info Tech	+0.7
Qualys, Inc.	Info Tech	+0.7
BioMarin Pharmaceutical Inc.	Health Care	+0.6
Genmab A/S Sponsored ADR	Health Care	-1.3
Affiliated Managers Grp.	Financials	-0.8
LKQ Corporation	Cons Disc	-0.6
Dycom Industries, Inc.	Industrials	-0.5
Halozyme Therapeutics, Inc.	Health Care	-0.4

Top 10 Holdings

Security	% of Holdings
Copart, Inc.	4.8
Jack Henry & Associates, Inc.	4.5
Hexcel Corporation	4.5
Aspen Technology, Inc.	4.4
Webster Financial Corporation	4.3
BioMarin Pharmaceutical Inc.	4.3
Qualys, Inc.	4.1
ICF International, Inc.	4.1
Cooper Companies, Inc.	4.0
Omniceil, Inc.	4.0
Percentage of total portfolio	43.0

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.

Disclosures: This commentary is for informational purposes only and should not be viewed as a recommendation to buy or sell any security. There is no guarantee that the views expressed will come to pass. Torray LLC is an independent registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Torray LLC claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions of Torray LLC and/or a GIPS® compliant presentation, please contact Hugh Tawney or Breck Scalise at 855.753.8174 or email tawney@torray.com. For additional information about Torray LLC, including fees and services, please contact us or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov).

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.