



TORRAY LLC

Investment management since 1972

## TorrRayResolute Concentrated Large Growth

### Market Overview

As the fourth quarter's sharp correction demonstrated, it's hard for stocks to go up when economic growth is moderating, liquidity is contracting and geopolitical uncertainty is high. It's tempting to assign proximate cause to a single or primary source of the market's decline, but in this case, it was more the aggregate weight and persistence of these headwinds that caused investors to reprice risk and sell stocks. While late cycle forecasts and associated caution are the consensus view, there are few signs of a looming recession. As we begin the New Year, the disconnect between sound economic fundamentals and the market's decline remain a source of uncertainty.

### Portfolio Commentary

During the fourth quarter, the Large Growth Composite fared better than its benchmark, but was not immune to the market's weakness; the portfolio declined 13.86% (13.96% net of fees) compared to the Russell 1000 Growth Index's decline of 15.89%. Security selection and sector allocation were both positive. On an absolute basis, Real Estate was the portfolio's best performing sector, Energy its worst. At the security level, top contributors included American Tower (AMT), Roche Holdings (RHHBY) and BlackRock (BLK). Primary detractors were Apple (AAPL), Lonza Group (LZAGY) and Centene (CNC).

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It was an active period as we sought to capitalize on market volatility and manage risk. New investments were made in three companies; SS&C Technologies (SSNC), Amazon.com (AMZN) and Roper Technologies (ROP). These businesses share a common attribute of durable secular growth, a characteristic we believe is particularly important at this stage of the business cycle. SSNC's mission critical software enjoys 95% contractually recurring revenues and 96% client retention rates. AMZN is the dominant operator in two fast-growing industries with large addressable markets; e-commerce and cloud computing. ROP, a diversified industrial technology company, generates half of its operating income from high-growth software as a service (SaaS) businesses. BlackRock (BLK), Enbridge (ENB), and United Technologies (UTX) were sold, in part, based on economic and capital market sensitivity.

At the close of the quarter, the portfolio held 29 positions, the top ten constituting 43% of the portfolio with a cash position of 2%. Information Technology and Health Care were the two largest sector weights at 32% and 26%,

respectively. Relative to the benchmark, the largest sector overweights were Health Care and Materials, the largest underweights were Communication Services and Consumer Staples.

## Outlook

We expect the current transition from a liquidity-driven market to a fundamentally-driven market will continue to be a source of volatility as investors adapt to evolving risk and pricing paradigms. We also believe our focus on stable growth businesses, effective diversification and valuation discipline will continue to position the portfolio appropriately for this environment where risk management is an increasingly important part of generating satisfactory returns.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

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### Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
American Tower Corp.	Real Estate	4.1	+0.3
Roche Holding Ltd Sp. ADR	Health Care	2.8	+0.1
BlackRock, Inc.	Financials	0.1	0.0
O'Reilly Automotive, Inc.	Cons Disc	4.3	0.0
Enbridge Inc.	Energy	0.4	0.0
Apple Inc.	Info Tech	4.4	-1.4
Lonza Group AG Unsp. ADR	Health Care	4.0	-1.1
Centene Corporation	Health Care	3.8	-0.8
EOG Resources, Inc.	Energy	2.2	-0.8
LKQ Corporation	Cons Disc	3.1	-0.8

### Top 10 Holdings

Security	% of Holdings
O'Reilly Automotive, Inc.	4.8
Danaher Corporation	4.6
Fiserv, Inc.	4.4
Cooper Companies, Inc.	4.4
American Tower Corp.	4.3
Visa Inc. Class A	4.3
Verisk Analytics Inc.	4.2
Microsoft Corporation	4.1
Charles Schwab Corp.	4.0
Apple Inc.	3.9
<b>Percentage of total portfolio</b>	<b>43.0</b>

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](mailto: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](mailto: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](http://www.adviserinfo.sec.gov)).

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.**

Source: FactSet and Torray LLC.