



TORRAY LLC

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## Torrays Resolute Concentrated Large Growth

### Market Overview

First quarter equity returns were among the best in a decade, delivering a welcome recovery from the prior quarter's sharp correction. A key source of the market's rebound was an unusual policy reversal from the Federal Reserve in which the Board indicated it would return to a data dependent stance rather than continue to raise rates in a programmatic manner. While economic growth remained moderate and geopolitical uncertainty high, investors celebrated the policy reversal, recovering most of the prior quarter's losses. Late cycle forecasts and caution remain the consensus view, but there are few signs a recession is imminent.

### Portfolio Commentary

During the first quarter the Large Growth Composite outperformed its benchmark, returning 16.60% (16.50% net of fees) compared to the Russell 1000 Growth Index's increase of 16.10%. Security selection was positive for the quarter while allocation was modestly negative. Industrials, Real Estate and Information Technology were the portfolio's best performing sectors; Financials, Materials and Energy were the laggards. Relative to the benchmark, the portfolio's selections in the Health Care and Industrial sectors made the largest contributions to returns, while an overweight allocation to the Health Care sector and an average cash position of 3.94% detracted from relative returns. At the security level, top contributors included SS&C Technologies (SSNC), Danaher (DHR), and American Tower (AMT). Primary detractors were Centene (CNC), Albemarle (ALB), and Genmab (GMXAY).

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During the quarter we purchased shares of Genmab (GMXAY) and sold LKQ Corporation (LKQ). Genmab is a \$10 billion profitable Danish biotech company with two approved cancer drugs generating approximately \$500 million in annual sales. Our investment thesis is based on the belief the company will sustain strong revenue growth in excess of 25% annually over the next three to five years as Genmab's drugs are used earlier and longer in the treatment of several forms of cancer. The company's lack of economic sensitivity and the stock's low correlation to current portfolio holdings are attractive attributes. LKQ Corporation, a leading supplier of replacement and aftermarket auto parts was sold based on operational challenges overseas and diminishing economic returns associated with domestic consolidation opportunities.

At the close of the quarter, the portfolio held 29 positions, the top 10 constituting 42% of the portfolio with a cash position of 2.4%. Information Technology and Health Care were the two largest sector weights at 33% and 26%, respectively. Compared to the benchmark, the largest sector overweights were Health Care and Materials; the largest underweights were Communication Services and Consumer Discretionary.

## 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
SS&C Technologies Holdings, Inc.	Info Tech	3.5	+1.3
Danaher Corporation	Health Care	4.6	+1.2
American Tower Corporation	Real Estate	4.3	+1.0
Roper Technologies, Inc.	Industrials	3.4	+0.9
Verisk Analytics Inc	Industrials	4.2	+0.9
Centene Corporation	Health Care	3.4	-0.2
Albemarle Corporation	Materials	2.2	+0.1
Genmab A/S Sponsored ADR	Health Care	0.8	+0.1
Charles Schwab Corporation	Financials	3.9	+0.2
EOG Resources, Inc.	Energy	2.0	+0.2

## Top 10 Holdings

Security	% of Holdings
Danaher Corporation	4.9
American Tower Corporation	4.5
Verisk Analytics Inc	4.4
Cooper Companies, Inc.	4.3
Visa Inc. Class A	4.3
Microsoft Corporation	4.1
Apple Inc.	4.0
Fiserv, Inc.	4.0
Roper Technologies, Inc.	3.9
SS&C Technologies Hldgs, Inc.	3.9
<b>Percentage of total portfolio</b>	<b>42.4</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 [bscalise@torray.com](mailto:bscalise@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.**

Source: FactSet and Torray LLC.