



TORRAY LLC

Investment management since 1972

TorrRayResolute Concentrated Large Growth

Market Overview

In spite of escalating US-China trade tensions and signs of moderating economic growth, second quarter equity markets added to strong first quarter gains, producing some of the best first half returns in decades. Much of this can be attributed to the Federal Reserve's policy reversal, which transitioned from tightening last October, to a pause in January, and finally indicating a willingness to cut rates in the coming months following the May meeting. From this perspective, it remains a liquidity-driven market with momentum carrying markets to new highs.

Portfolio Commentary

During the second quarter, the TorrRayResolute Concentrated Large Growth composite moderately underperformed its benchmark, returning 3.30% (3.21% net of fees) compared to the Russell 1000 Growth Index's gain of 4.64%. Security selection and sector allocation were both modest detractors. Industrials, Health Care and Real Estate were the portfolio's best performing sectors; Financials, Materials, and Energy were the laggards. Relative to the benchmark, the portfolio's selection in Health Care and Industrial sectors made the largest contributions to returns, while selection in the Information Technology, Materials, and Financial sectors detracted from relative returns. At the security level, top contributors included Microsoft (MSFT), Visa (V), and Verisk (VRSK). Primary detractors were SS&C Technologies (SSNC), Albemarle (ALB), and Alphabet (GOOGL). For the trailing twelve months, the composite gained 13.19% (12.79% net of fees), outperforming the benchmark's gain of 11.56%.

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At the beginning of the second quarter, health care information technology provider Cerner Corporation (CERN) was sold. Purchased in July 2016, the investment thesis was based on strong secular demand for efficiencies within the health care delivery system. While demand for Cerner's products and services remains solid, the company's record of capitalizing on this has been inconsistent, particularly with respect to the execution of large contracts in a consistently profitable manner. Following management's disappointing margin guidance at the February analyst day, the stock was eliminated from the portfolio. There were no new purchases during the quarter.

At the close of the quarter, the composite held 28 positions, the top 10 constituting 44% of the portfolio with a cash position of 2%. The average cash position over the period was 4.2%. Information Technology and Health Care were the two largest sector weights at 34% and 23%, respectively. Compared to the benchmark, the largest sector overweights were Health Care and Materials; the largest underweights were Consumer Staples, Consumer Discretionary, and Communication Services.

Outlook

Market commentators question the sustainability of the outsized gains made in the first half of the year, but expanding the time horizon paints a more benign picture; the 21% gain of the Russell 1000 Growth Index in the first half of the year might give investors pause, but the second quarter's close was less than 1% above the index's prior October high and just 12% above the close one year ago. Given the benchmark's 6% decline in May and 16% decline in the fourth quarter of 2018, it is clear volatility has returned to the equity markets.

Recent economic data has been mixed. Job growth and consumer sentiment have remained positive, wages have been rising and inflation has remained tame, but consumer spending has been somewhat disappointing. After 3.1% growth in Q1'19 GDP, estimates have slipped below 2% for the balance of the year. As we look forward, we expect additional periods of volatility as trade talks progress and the Federal Reserve responds to late cycle dynamics. In this market environment, our focus remains on identifying compelling long-term opportunities and effectively managing risk.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

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Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Microsoft Corporation	Info Tech	4.4	+0.6
Visa Inc. Class A	Info Tech	4.5	+0.5
Verisk Analytics Inc	Industrials	4.7	+0.5
Cooper Companies, Inc.	Health Care	3.3	+0.4
Lonza Group AG Unsp. ADR	Health Care	3.9	+0.4
SS&C Technologies Hdgs, Inc.	Info Tech	3.7	-0.4
Alphabet Inc. Class A	Comm Svcs	3.5	-0.3
Albemarle Corporation	Materials	2.1	-0.3
Check Point Software Tech.	Info Tech	2.8	-0.3
Charles Schwab Corporation	Financials	3.6	-0.2

Top 10 Holdings

Security	% of Holdings
Verisk Analytics Inc.	4.8
Visa Inc. Class A	4.7
Microsoft Corporation	4.6
American Tower Corporation	4.6
Danaher Corporation	4.4
Roper Technologies, Inc.	4.2
Lonza Group AG Unsp. ADR	4.2
Fiserv, Inc.	4.2
Apple Inc.	4.1
Adobe Inc.	4.0
Percentage of total portfolio	43.7

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.

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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.