



TORRAY LLC

Investment management since 1972

TorrRayResolute Concentrated Large Growth

Market Overview

Equities managed to generate modest gains during the third quarter despite a challenging backdrop characterized by slowing economic growth and rising geopolitical risks. Consistent with the environment, investors favored defensive plays; the yield on the 10-Year Treasury declined 33 basis points to 1.68% and large cap equities generally outperformed small caps. Utilities, REITs and Consumer Staples were the best performing sectors, while economically sensitive sectors such as Energy and Materials lagged the broader market. Given the persistent flow of negative headlines during the quarter - the escalating trade dispute with China, an inversion of the yield curve, increasing fear of recession, monetary policy uncertainty, Brexit, the bombing of oil refineries in Saudi Arabia and the threatened impeachment of the president, the market displayed remarkable resilience.

Portfolio Commentary

During the third quarter, the large growth composite returned 0.42% (0.33% net of fees) compared to the Russell 1000 Growth Index's gain of 1.49%. Security selection and sector allocation were modest detractors. Materials and Real Estate were the composite's best performing sectors; Energy and Health Care were the laggards. Relative to the benchmark, the composite's selection in Consumer Discretionary and overweight allocation to Materials made the largest contributions to returns, while selection in the Health Care and Information Technology sectors were the primary detractors from relative returns. At the security level, top contributors included Sherwin-Williams (SHW), Fiserv (FISV), and Apple (AAPL). Primary detractors were SS&C Technologies (SSNC), BioMarin Pharmaceutical (BMRN), and Centene (CNC). For the trailing twelve months, the composite gained 4.17% (3.80% net of fees) compared to the benchmark's return of 3.71%.

Over the long term, it is core economic and corporate fundamentals that drive stock returns, not headlines.

Two positions were eliminated during the quarter; these included SS&C Technologies (SSNC) and Albemarle (ALB). While financial services software provider SS&C Technologies has demonstrated an impressive record of consistent growth and profits through a combination of high recurring revenues, pricing power and well-executed M&A, the company stumbled over the past two quarters, missing estimates and lowering guidance for the balance of the year. The primary cause of these shortfalls was reduced spending by asset managers on back-office technologies. Recognizing that heightened market uncertainty may continue to impact capital spending for an extended period, the position was sold. The investment thesis on Albemarle, the world's largest miner of lithium, was based on the proliferation of lithium battery-powered vehicles, tight lithium supply and demand dynamics, and Albemarle's position as the low-cost provider of the metal. While demand for lithium remains strong, easing quota restrictions and excess

production from the industry's marginal miners caused supply to outpace demand and the price of lithium to decline. Viewing management's recent decision to delay or cancel 35% of planned capacity expansion as an indication this imbalance may persist, the stock was sold.

At the close of the quarter, the composite held 26 positions, the top 10 constituting 45.5% of the portfolio with a cash position of 4.8%. The average cash position over the period was 4.4%. Information Technology and Health Care were the two largest sector weights at 31.6% and 22.8%, respectively. Compared to the benchmark, the largest sector overweights were Health Care and Real Estate; the largest underweights were Information Technology and Consumer Staples.

Outlook

With the Federal Reserve and other key central banks committed to accommodative monetary policies, we view the dominant swing factor in the market as trade and its impact on an extended and somewhat fragile business cycle. While economic fundamentals in the U.S. remain sound with strong consumer spending and unemployment at a 50-year low of 3.5%, it is clear the ongoing trade dispute between the U.S. and China is negatively impacting business confidence and capital investment. Given the broad fundamental nature of the trade negotiations, we believe it is unreasonable to expect a quick resolution, and very likely that the dispute remains a source of market volatility for some time. However, we also note markets always face uncertainties and that negative headlines frequently have a disproportionate effect on stock prices. Over the long term, it is core economic and corporate fundamentals that drive stock returns, not headlines. Given this view, we remain disciplined, not complacent, focused on managing risk and differentiating short-term concerns from long-term opportunities.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

October 15, 2019

Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Sherwin-Williams Company	Materials	3.5	+0.6
Fiserv, Inc.	Info Tech	4.5	+0.5
Apple Inc.	Info Tech	4.3	+0.5
Alphabet Inc. Class A	Comm Srvcs	4.2	+0.5
American Tower Corporation	Real Estate	5.0	+0.4
SS&C Technologies Hdgs, Inc.	Info Tech	1.3	-0.8
BioMarin Pharmaceutical, Inc.	Health Care	2.8	-0.7
Centene Corporation	Health Care	2.9	-0.6
Cooper Companies, Inc.	Health Care	3.3	-0.4
EOG Resources, Inc.	Energy	1.6	-0.4

Top 10 Holdings

Security	% of Holdings
American Tower Corporation	5.1
Microsoft Corporation	4.9
Apple Inc.	4.6
Fiserv, Inc.	4.6
Visa Inc. Class A	4.5
Danaher Corporation	4.5
Alphabet Inc. Class A	4.4
Verisk Analytics Inc.	4.3
Lonza Group AG Unsp. ADR	4.3
Roper Technologies, Inc.	4.2
Percentage of total portfolio	45.5

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 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.

Total returns include the reinvestment of dividends and other earnings. **Investing involves risk; principal loss is possible. Past performance is not indicative of future results.**

Source: FactSet and Torray LLC.