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## Market Overview

The ultimate human and economic toll of the coronavirus pandemic remains unknown, but the market's message is clear; the crisis is manageable. Despite more than half a million fatalities across the globe, one hundred and thirty thousand in the United States alone, and twenty million Americans unemployed, equities staged a powerful rally in the second quarter with the S&P 500 gaining 20.54%, the best quarter in more than two decades. Coming on the heels of the first quarter's loss of 19.60%, the recovery was met with a great deal of relief, if not some skepticism. The speed and magnitude of the government's monetary and fiscal actions, approximately six trillion dollars to date, go a long way toward explaining the market's response, as does a better understanding of the virus's transmission, treatment and improving economic data. While Covid-19 continues to be a devastating and historic challenge on many fronts, a path forward is becoming increasingly clear. For the time being, less bad is good enough.

## Outlook

The global economic lockdown has been characterized as the pause that accelerated the future due to the way in which it magnified the advantages of the digital economy compared to the physical. Categories such as e-commerce, telecommuting, mobile banking, and telehealth graduated from conveniences to necessities almost overnight. This dynamic is clearly illustrated by the composition and return characteristics of the Russell 1000 Growth Index, where the top three companies by market capitalization, Microsoft (MSFT), Apple (AAPL) and Amazon.com (AMZN), accounted for 23% of the Index and generated 76% of the return for the first half of the year. What is not fully reflected in these healthy returns are the economic dislocations that have occurred, not least of which is a devastating June unemployment rate of 11%. With the consumer representing two-thirds of gross domestic product, the rate at which these jobs are reabsorbed into the economy is key to a continuing recovery. For the balance of the year, we expect three issues to dominate the markets: the pandemic, the presidential election, and the economy. Despite the stubborn nature of the coronavirus, we are optimistic about the medical community's increasing ability to treat the disease over time. The election is a wildcard that promises to be hard-fought and divisive. To date, the economic recovery has surprised to the upside, but we suspect the pace of improvement will be difficult to maintain and a full recovery may take longer than expected. With this in mind, we continue to position portfolios in a balanced manner with investments representing both secular growth and a cyclical recovery.

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As ever, we appreciate your interest and trust.

Handwritten signature of Nicholas C. Haffenreffer.

Nicholas C. Haffenreffer  
Chief Investment Officer

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Shawn M. Hendon  
President

Handwritten signature of Jeffrey D. Lent.

Jeffrey D. Lent  
Principal

July 13, 2020

## TorrayResolute Large Growth Portfolio

Nicholas Haffenreffer, Portfolio Manager

In sharp contrast to the bleak economic backdrop, equities delivered strong returns for the second quarter. The Large Growth Composite gained 25.82% (25.63% net of fees) for the period versus 27.84% for the Russell 1000 Growth Index and 20.54% for the S&P 500. For the trailing twelve months, the Composite gained 24.43% (23.70% net of fees) versus 23.28% for the Russell 1000 Growth Index and 7.51% for the S&P 500. If markets are reliable, forward-looking indicators, the message is clearly a positive one. Security selection was neutral for the quarter, with strength in Health Care offset by weakness in Information Technology. Allocation was modestly negative due to an overweight allocation to Health Care, which underperformed the broader benchmark. Consumer Discretion was the portfolio's standout sector performer. At the security level, top portfolio contributors were Amazon.com (AMZN), Apple (AAPL) and Genmab (GMAB). Primary detractors included Motorola Solutions (MSI), Fiserv (FISV) and Cooper Companies (COO). The Composite closed the quarter with 26 positions, 49% in the top 10, 2.4% cash and no new purchases or sales. Trading activity for the quarter focused on reducing risk where valuation or concentration was high and executing wash sales where appropriate.

### Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Amazon.com, Inc.	Cons Disc	6.1	+2.3
Apple Inc.	Info Tech	4.8	+1.9
Genmab A/S Sponsored ADR	Health Care	3.5	+1.8
Adobe Inc.	Info Tech	4.6	+1.5
Microsoft Corporation	Info Tech	5.3	+1.5
Motorola Solutions, Inc.	Info Tech	1.8	+0.1
Fiserv, Inc.	Info Tech	4.3	+0.2
Cooper Companies, Inc.	Health Care	3.0	+0.2
Roche Holding Ltd Sponsored ADR	Health Care	3.2	+0.3
Centene Corporation	Health Care	3.7	+0.4

### Top 10 Holdings

Security	% of Holdings
Amazon.com, Inc.	6.4
Microsoft Corporation	5.5
Apple Inc.	5.3
Lonza Group AG Unsp. ADR	5.0
Adobe Inc.	5.0
Alphabet Inc. Class A	4.8
American Tower Corporation	4.6
Danaher Corporation	4.3
Visa Inc. Class A	4.1
Roper Technologies, Inc.	3.8
<b>Percentage of total portfolio</b>	<b>48.7</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. The S&P 500 measures the value of stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite.

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.