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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 Small/Mid Cap Growth Portfolio

Nicholas Haffenreffer, Portfolio Manager

In sharp contrast to the bleak economic backdrop, equities delivered strong returns for the second quarter. The Small/Mid-Cap Growth Composite gained 24.56% (24.39% net of fees) for the period versus 32.87% for the Russell 2500 Growth Index and 26.56% for the Russell 2500. For the trailing twelve months, the Composite gained 14.72% (14.01% net of fees) versus 9.21% for the Russell 2500 Growth Index and -4.70% for the Russell 2500. If markets are reliable, forward-looking indicators, the message is clearly a positive one. Allocation was neutral for the quarter with the positive effects of being overweight Information Technology and underweight Industrials being offset by an average cash position of 4.60% in a particularly strong market. Selection was the primary source of relative underperformance for the period as the portfolio's Information Technology and Health Care holdings failed to keep pace with strong benchmark sector returns. At the security level, top portfolio contributors were Catalent (CTLT), Pool Corp (POOL) and Halozyme Therapeutics (HALO). Primary detractors included AMN Healthcare (AMN), ICF International (ICFI) and Cooper (COO). The Composite closed the quarter with 28 positions, 42% in the top 10, and 5.9% cash.

During the quarter we purchased shares of San Francisco-based Myovant Sciences (MYOV), a clinical-stage biopharmaceutical company with a market capitalization of \$1.6 billion. Founded in 2016, Myovant's primary focus is on the treatment of three common conditions, two associated with women's health and one with oncology - these include endometriosis, uterine fibroids, and prostate cancer. Our investment thesis is based on four key points, our belief the transition to commercial operations is imminent following a series of successful Phase 3 studies for its lead drug Relugolix, multiple large addressable markets, an experienced management team and low economic sensitivity.

Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Catalent Inc.	Health Care	5.0	+2.2
Pool Corporation	Cons Disc	4.4	+1.6
Halozyme Therapeutics, Inc.	Health Care	3.4	+1.6
Rocket Pharmaceuticals, Inc.	Health Care	3.1	+1.5
Monolithic Power Systems, Inc.	Info Tech	3.7	+1.4
AMN Healthcare Services, Inc.	Health Care	2.3	-0.7
ICF International, Inc.	Industrials	2.9	-0.2
Cooper Companies, Inc.	Health Care	2.9	+0.2
Omniceil, Inc.	Health Care	2.7	+0.3
Aspen Technology, Inc.	Info Tech	3.9	+0.3

Top 10 Holdings

Security	% of Holdings
Qualys, Inc.	5.4
Pool Corporation	4.8
SBA Communications Corp. Cl. A	4.5
Teladoc Health, Inc.	4.2
ANSYS, Inc.	4.2
Jack Henry & Associates, Inc.	3.9
Monolithic Power Systems, Inc.	3.8
PRA Group Inc.	3.7
Aspen Technology, Inc.	3.7
Dunkin' Brands Group, Inc.	3.6
Percentage of total portfolio	41.8

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 bsalisse@torray.com.

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The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher growth earning potential. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. You cannot invest directly in an index.

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.