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Torrays Resolute Small/Mid Cap Growth

Market Overview

Equities continued to move higher in the third quarter following the lead of an economic recovery that continues to exceed expectations. The question at the top of most investors' minds concerns the disconnect between the market's performance and the state of the economy. To date, markets have proved to be reasonable discounting mechanisms. They have reflected a positive view of the future, a view largely supported by the unprecedented scale of fiscal stimulus delivered by Congress, and the Federal Reserve's aggressive monetary policy. While there is no shortage of risks for the market to wrestle with in the immediate future, what began as a "liquidity-driven" recovery has made good progress over the past six months and begun to show signs of a sustainability.

Portfolio Commentary

The Small/Mid Cap Growth Composite returned 5.37% (5.20% net) for the quarter and 22.40% (21.63% net) for the trailing 12 months. The benchmark Russell 2500 Growth Index gained 9.37% for the quarter and 23.37% for the trailing 12 months. While relative performance is an important measure of our value as active managers, we are pleased with these returns, particularly considering the current economic environment and extreme market volatility.

Strong returns from the portfolio's Consumer Discretionary and Information Technology holdings were top sector contributors for the quarter. The Industrials sector was the sole detractor for the period. At the security level, top contributors included Pool (POOL), Aspen Technology (AZPN) and Dunkin' Brands (DNKN). Stay-at-home and urban flight dynamics continued to create strong demand for Pool's products and services. Aspen delivered a strong quarterly report and outlook for its industrial automation software, and the benefits of an asset-light franchise model were demonstrated by Dunkin's strong relative returns. Primary detractors for the period were BioMarin Pharmaceuticals (BMRN), Myovant Sciences (MYOV) and Hexcel (HXL). BioMarin experienced a delay in the development of a key pipeline drug and Myovant failed to meet market expectations regarding a clinical trial. Aerospace weakness continued to weigh on demand for specialty materials manufacturer Hexcel. There were no new purchases or sales during the quarter. The portfolio concluded the period with 28 holdings and 5% cash.

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Outlook

Despite the market's impressive recovery, the economy is not out of the woods yet. The impact of Covid-19 is devastating, leaving sections of the U.S. and global economy severely, if not permanently, damaged. Unemployment remains high at just under 8% with payrolls more than 10 million below pre-pandemic levels. Additional fiscal stimulus is caught in political limbo and election uncertainty continues to weigh on investor and business confidence. There is a sense the easy work has been done. What remains unclear is how the pandemic will reshape industries in the future. These dislocations will certainly present risks and opportunities. As we consider the remainder of the year and beyond,

we continue to position the portfolio in what we believe is balanced exposure to “quarantine” or secular growth businesses, and “recovery” or more economically sensitive businesses.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

October 15, 2020

Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Pool Corporation	Cons Disc	4.7	+1.1
Aspen Technology	Info Tech	4.5	+0.9
Dunkin' Brands	Cons Disc	3.7	+0.9
Copart	Industrials	3.5	+0.8
Mettler-Toledo	Health Care	3,8	+0.7
BioMarin	Health Care	3.0	-1.2
Myovant Sciences	Health Care	2.6	-1.0
Hexcel	Industrials	2.7	-0.8
Jack Henry & Associates	Info Tech	3.5	-0.4
Qualys	Info Tech	5.2	-0.2

Top 10 Holdings

Security	% of Holdings
Aspen Technology	5.2
Qualys	4,8
Pool Corporation	4.8
Teladoc Health, Inc.	4.6
SBA Communications Corp.	4.6
ANSYS	4,4
Dunkin' Brands	4.2
Mettler-Toledo	4.0
Catalent	3.8
Copart	3.8
Percentage of total portfolio	44.4

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 bscales@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. 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.