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Torrays Resolute Concentrated Large Growth

Market Overview

Equity markets demonstrated extraordinary resilience in 2020 with the S&P 500 gaining 18.4% for the year despite a devastating global health care crisis, one of the sharpest economic downturns on record and a U.S. presidential election that leaves the country divided. Two words help explain the market's response to these events: innovation and liquidity. The medical community's development of effective vaccines for Covid-19 in less than one year is nothing short of miraculous. This innovation, accompanied by enormous fiscal and monetary stimulus provided the foundation for markets to stabilize and recover. While the shape and durability of the recovery remain unclear, markets and investors remain optimistic.

Portfolio Commentary

The Large Growth Composite returned 8.76% (8.58% net) for the quarter and 32.62% (31.77% net) for the year. The benchmark Russell 1000 Growth Index outperformed the Composite, gaining 11.39% for the quarter and 38.49% for the year. The Composite's underperformance for the quarter was primarily the result of relative stock selection in economically sensitive sectors such as Consumer Discretionary and Information Technology where positive portfolio gains trailed those of the benchmark. On an absolute basis, top sector contributors were Information Technology and Health Care. Real Estate was the only sector detractor. At the security level, top contributors included Alphabet (GOOGL), Apple (AAPL) and IDEXX Labs (IDXX). The largest detractors were American Tower (AMT), O'Reilly Automotive (ORLY) and Roche (RHHBY). The Composite ended the quarter with 26 holdings and 3.1% cash. There were no new purchases or sales.

The most immediate challenge to a sustainable recovery remains the timely distribution of vaccines.

Outlook

It is natural to begin a new year with a sense of optimism. Considering the events of the past twelve months, this year is certainly no exception. It's clear markets are forward-looking. While the economy, employment and corporate profits remain below pre-pandemic levels, we believe real progress is being made. GDP grew 2.3% in 2019, plummeted 31.4% in the second quarter of 2020, snapped back 33.4% in the third quarter, and is expected to decline 3-4% for the full year. Current consensus for 2021 is an increase of 4.2%, modestly above the long-term range of 2-3%. Unemployment began the year at 3.5%, spiked to 14.7% in April, and partially recovered to 6.7% by December. Current consensus for 2021 is 5.9%, at the high end of the long-term range of 4-6%, but remaining on a positive track. S&P 500 earnings per share were a record \$160 in 2019, are expected to decline 15% to \$136 in 2020, but regain new highs of \$167 in 2021.

With respect to portfolio positioning, we continue to maintain what we consider to be a balance between pandemic and recovery plays. In the short term, we expect overwhelming fiscal and monetary stimulus will continue to support the recovery. The most immediate challenge to a sustainable recovery remains the timely distribution of vaccines. In the intermediate and long term, our focus is on the uncertainty associated with the policies of the incoming administration and effects of stimulus on interest rates and inflation.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

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Q4 2020 Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Alphabet	Comm Svcs	5.3	+1.0
Apple	Info Tech	6.1	+0.9
IDEXX	Health Care	3.1	+0.8
Copart	Industrials	3.6	+0.7
Amphenol	Info Tech	2.9	+0.6
American Tower	Real Estate	3.7	-0.3
O'Reilly Auto	Cons Disc	3.4	-0.1
Roche	Health Care	2.6	+0.1
Adobe	Info Tech	4.9	+0.1
Facebook Cl A	Comm Svcs	2.8	+0.1

Q4 2020 Top 10 Holdings

Security	% of Holdings
Apple	6.5
Amazon.com	6.2
Alphabet Cl A	5.3
Microsoft	5.0
Adobe	4.8
Lonza	4.6
Visa	4.1
Danaher	4.0
Verisk	4.0
Fiserv	3.8
Percentage of total portfolio	48.1

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. 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.