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## Torrays Resolute Concentrated Large Growth

### Market Overview

The first anniversary of the pandemic ushered in the second phase of the Covid economic cycle. Widespread vaccine availability, additional fiscal stimulus, a persistently dovish Fed, and a rapidly improving economic backdrop produced a distinct change in market leadership. The yield curve steepened, market breadth improved, and value outperformed growth by a wide margin. Closing the first quarter 17% above the 2020 pre-pandemic high and 78% above the pandemic-low, the S&P 500, and equities in general, have demonstrated remarkable resilience and continue to reflect optimism as we emerge from one of the worst health crises and sharpest economic contractions in the last century.

### Portfolio Commentary

The Large Growth Composite declined 0.99% (1.16% net) for the quarter but gained 47.64% (46.69% net) for the trailing twelve months. The benchmark Russell 1000 Growth Index gained 0.94% for the quarter and 62.74% for the trailing twelve months. The Composite's modest underperformance for the quarter was primarily the result of poor performance by select Health Care and Industrial holdings. Concerns regarding drug pricing reform was the main source of pressure on the Health Care sector. Top sector contributors included Communication Services and Information Technology. These sectors continued to benefit from positive secular trends that accelerated through the pandemic. At the security level, top contributors included Alphabet (GOOGL), O'Reilly Automotive (ORLY) and Microsoft (MSFT). The largest detractors were Genmab (GMAB), Lonza (LZAGY) and Copart (CPRT). The composite ended the quarter with 27 holdings and 1.3% cash.

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It was an active period as we looked to better position the portfolio for the recovery and take advantage of market volatility with three purchases and two sales. Purchases included Tyler Technologies (TYL), Constellation Software (CNSWF) and Charles Schwab (SCHW). With almost 7 trillion in client assets and 30 million active brokerage accounts, Schwab is not only a clear interest rate play, but also enjoys the competitive advantages of scale and strong brand recognition. Tyler and Constellation are both niche market software companies that enjoy strong market positions and high returns on invested capital. Tyler is the largest provider of Enterprise Resource Planning (ERP) software to the U.S. public sector – think court management, property tax assessment and various other services for cities, counties, schools, and other government entities. With 2020 sales of \$1.1 billion and an addressable market of approximately \$18 billion that can be characterized by low competition and early in an upgrade cycle, we think Tyler's prospects for stable, long-term growth are good. Having purchased more than 200 software companies while maintaining returns on invested capital of over 25%, we view Constellation as a very effective allocator of capital. Structured like a publicly traded private equity fund, minus the high fees, we feel the Toronto-based company's track record speaks for itself.

Our sales of Centene (CNC) and BioMarin Pharmaceuticals (BMRN) were made, in part, to provide capital for our acquisitions. Centene, a large managed care organization with a leading position in government-sponsored plans was

sold with the view that future profitability may be impacted by a series of large acquisitions and negative rate decisions by various state governments. BioMarin, a commercial stage biotech company that focuses on rare diseases and the use of gene therapies, was sold following trial delays that raised concern about the intermediate-term outlook and path to sustainable profitability.

## Outlook

The second phase of this cycle is sure to present investors with new challenges as the recovery is unlikely to follow a typical post-recession path. The tug of war we are witnessing between higher interest rates, inflation, and a brighter, post-covid economic outlook is likely to produce additional volatility. We marvel at the scientific achievements that brought effective vaccines to market in such a timely manner, but we are realistic about the persistent nature of the virus, its variants, and its dampening effect on the world economy. The breathtaking amount of fiscal and monetary stimulus flooding global economies is clearly supporting a recovery, but we are mindful of the limitations of these programs and the challenges they pose to long-term growth. In this context, we remain balanced in our strategy and continue to emphasize quality, pricing power, positive economic leverage, and rate correlation.

As ever, we appreciate your interest and trust.

*Nicholas Haffenreffer*

Nicholas C. Haffenreffer

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### Q1 2021 Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Alphabet	Comm Services	5.8	+0.9
O'Reilly Automotive	Cons Disc	3.5	+0.4
Microsoft	Info Tech	5.3	+0.3
American Tower	Real Estate	4.0	+0.3
Motorola Solutions	Info Tech	2.7	+0.3
Genmab Sponsored ADR	Health Care	3.3	-0.7
Lonza Group Un-sponsored ADR	Health Care	4.5	-0.6
Copart	Industrials	3.7	-0.6
Verisk Analytics	Industrials	3.6	-0.6
Apple	Info Tech	6.3	-0.5

### Q1 2021 Top 10 Holdings

Security	% of Holdings
Apple	6.0
Amazon.com	6.0
Alphabet Cl A	5.9
Microsoft	5.4
American Tower	4.4
Adobe	4.2
Danaher	4.1
Visa Cl A	4.0
Fiserv	4.0
O'Reilly Automotive	3.9
<b>Percentage of total portfolio</b>	<b>47.9</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 bscaise@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. 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.