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TorrRay Resolute Concentrated Large Growth

Market Overview

During the second quarter, a more balanced view of the economic recovery, interest rates and inflation helped lift equities to record levels. The S&P 500 achieved its fifth consecutive quarterly advance, closing the period 27% above the pre-pandemic highs of February 2020, and 92% above the March 2020 lows. If there ever was a case against market timing, the past 18 months may be among the best. While there is almost nothing typical about the Covid market cycle and it is far too early to conclude that its impact is behind us, it is clear we are on a path where the fundamental building blocks of corporate profits, interest rates and valuation are returning to center stage. With a continued earnings recovery and moderate interest rates, we expect equity investors will be rewarded for their patience and discipline.

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Portfolio Commentary

The Large Growth Composite generated strong returns for the quarter, gaining 13.03% (12.86% net) for the period and 32.64% (31.78% net) for the trailing twelve months. By comparison, the benchmark Russell 1000 Growth Index gained 11.93% for the quarter and 42.50% for the trailing twelve months. Outperformance for the quarter was largely the result of a strong showing by the portfolio's Health Care holdings. Top contributors included Alphabet (GOOGL), Lonza (LZAGY) and Adobe (ADBE). The largest detractors were Fiserv (FISV), Verisk (VRSK) and Motorola Solutions (MSI). The portfolio ended the period with 27 holdings and 1.14% cash.

During the quarter, we purchased shares of KLA Corp ("KLA") and sold Motorola Solutions. Pandemic-related supply chain disruptions and escalating geopolitical tensions reveal certain vulnerabilities of critical industries such as semiconductor manufacturing. Here, capacity has become increasingly concentrated from a geographic perspective, principally in Taiwan and South Korea, where approximately half the world's semiconductors are made. In response to this issue, chip manufacturers and designers are making large capital commitments to diversify capacity around the world. Among the likely beneficiaries of this are the companies that manufacture and service the machines that make the chips. Here, KLA operates as the world's leading semiconductor process control company. Its products and services ensure that semiconductors work as designed. With approximately \$6.5 billion in revenues, California-based KLA enjoys dominant market share in excess of 50%, approximately four times its closest competitor. Benefitting from low capital intensity, KLA is more profitable than its peers, generates high returns on invested capital and generous cash flows. While the semiconductor capital equipment industry has a history of cyclicity, it is our view that secular demand factors such as cloud computing, 5G, increasing chip content and geographic diversification are laying the foundation for a longer, more robust, and more investable cycle. Trading at a discount to the broad market, we believe KLA is a compelling way to gain exposure to positive cyclical and secular trends driving the semiconductor industry.

The purchase of KLA was funded with the sale of Motorola Solutions (MSI). MSI is a leading provider of wireless communications hardware and software serving emergency first responders, schools, hospitals and commercial businesses. With 75% of its revenues coming from government agencies, MSI has historically shown little economic sensitivity. However,

the pace and severity of the pandemic put unusual pressure on municipal budgets, making the near and intermediate-term outlook uncertain. By comparison, we believe KLA will display superior growth and consistency over the long run.

Outlook

With perspective in short supply due to the unique nature of the pandemic and unprecedented central bank actions, markets remain fickle, frequently changing course from one narrative to the next. Rotations between growth and value, large cap and small, domestic and international, occur far more frequently than underlying fundamentals. Beyond the noise, we believe the backdrop remains positive, perhaps even routine. During the first half of the year, the S&P 500 mirrored the rise in earnings estimates, both advancing approximately 15%. Interest rates remained range-bound, the employment picture improved and the Fed's notion that elevated inflation will be temporary remained somewhat of a defensible view. Our strategy remains consistent in maintaining a focus on durable growth, reasonable valuations and effective diversification rather than attempting to time short-term market cycles.

Finally, with heartfelt sadness, we note the passing of our firm's founder and our friend, Robert E. Torray, on May 10th at 84 years old. He was an extraordinarily generous man whose passion and humor brought a smile to all he met. It was a privilege to work with him and he will be greatly missed.

As ever, we appreciate your interest and trust.



Nicholas C. Haffenreffer

July 21, 2021

Q2 2021 Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Alphabet	Comm Services	6.2	+1.1
Lonza Unsp ADR	Health Care	4.2	+1.0
Adobe	Info Tech	4.2	+1.0
Microsoft	Info Tech	5.4	+0.8
Copart	Industrials	4.0	+0.8
Fiserv	Info Tech	3.7	-0.4
Verisk Analytics	Industrials	3.2	-0.0
Motorola Solutions	Info Tech	1.0	-0.0
Cooper	Health Care	2.8	+0.1
KLA Corporation	Info Tech	1.3	+0.1

Q2 2021 Top 10 Holdings

Security	% Holdings
Alphabet Cl A	6.1
Apple	5.9
Amazon.com	5.9
Microsoft	5.5
Adobe	4.6
Lonza Group Unsp. ADR	4.4
American Tower	4.3
Danaher	4.3
Copart	4.1
Visa Cl A	4.0
Percentage of total portfolio	49.1

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 bsca@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.