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Torrays Resolute Small/Mid Cap 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 Small/Mid Cap Growth Composite generated solid returns for the quarter, gaining 6.19% (6.01% net) for the period and 38.48% (37.61% net) for the trailing twelve months. By comparison, the benchmark Russell 2500 Growth Index gained 6.04% for the quarter and 49.63% for the trailing twelve months. Health Care and Consumer Discretionary holdings were the largest sector contributors, Consumer Staples the sole sector detractor. Top individual contributors included Pool Corp. (POOL), AMN Healthcare Services (AMN) and Copart (CPRT). The largest detractors were Sapiens International (SPNS), Teladoc Health (TDOC) and Blueprint Medicines (BPMC). The portfolio ended the period with 30 holdings and 3.51% cash.

During the quarter, we purchased shares of Dynatrace (DT) and sold CyberArk Software (CYBR). With approximately \$700 million in sales over the last fiscal year, Massachusetts-based Dynatrace is an enterprise software company helping businesses manage their technology assets with automation and artificial intelligence tools. As workloads move to the cloud, demand for these services has produced rapid top line growth at Dynatrace. We expect this growth to accelerate over the next several years as cloud integration proliferates across many industries. With approximately 95% recurring revenues, we also expect margin and profit growth to exceed topline growth in coming years. Shares of Israel-based identity management software provider CyberArk were sold as the business failed to demonstrate the operating leverage we expect from software companies.

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 |
|-------------------------|-------------|---------------|----------------|
| Pool | Cons Disc | 4.4 | +1.3 |
| AMN Healthcare Services | Health Care | 3.3 | +1.0 |
| Copart | Industrials | 3.5 | +0.7 |
| Mettler-Toledo | Health Care | 3.6 | +0.7 |
| SBA Communications | Real Estate | 4.0 | +0.6 |
| Sapiens International | Info Tech | 3.4 | -0.6 |
| Teladoc Health | Health Care | 3.3 | -0.3 |
| Blueprint Medicines | Health Care | 2.2 | -0.2 |
| Aspen Technology | Info Tech | 4.2 | -0.1 |
| MKS Instruments | Info Tech | 3.5 | -0.1 |

Q2 2021 Top 10 Holdings

| Security | % of Holdings |
|--------------------------------------|---------------|
| Pool | 4.6 |
| Halozyme Therapeutics | 4.4 |
| Zebra Technologies | 4.3 |
| SBA Communications | 4.3 |
| Aspen Technology | 3.8 |
| Copart | 3.8 |
| ANSYS | 3.7 |
| Omniceil | 3.7 |
| Verra Mobility | 3.7 |
| AMN Healthcare Services | 3.6 |
| Percentage of total portfolio | 39.8 |

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 bscalise@torray.com.

Disclosures: This commentary is for informational purposes only and should not be viewed as a recommendation to buy or sell any security. There is no guarantee that the views expressed will come to pass. Torray LLC is an independent registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. For additional information about Torray LLC, including fees and services, please contact us or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov).

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. Investments in smaller companies typically exhibit higher volatility. Past performance is not indicative of future results.**

Source: FactSet and Torray LLC.