Torray LLC
Concentrated Large Growth

03.31.22

Firm

Founded	1972
Headquarters	Bethesda, Maryland
Ownership	100% Employee Owned
Firm Assets[1]	$859M
Firm AUM	$655M
Employees	10

[1] Firm assets includes non-discretionary UMA assets under advisement.

Strategy

The objectives are to generate consistent excess returns and effectively manage risk.

The strategy employs a concentrated, low-turnover approach investing in predominantly large capitalization companies with proven records of increasing revenues, earnings, and cash flows on a consistent and sustainable basis.

Inception	3/31/98
Benchmark	Russell 1000® Growth
Portfolio Managers	Jeffrey Lent James Bailey, CFA
Investment Commitee	James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA

Concentrated Large Growth Composite

For the quarter, the Large Cap Growth Composite returned -9.66% (-9.83% net of fees), underperforming its primary benchmark, the Russell 1000 Growth Index, which returned -9.04%. The Composite's return over the trailing twelve months is more encouraging, 16.31% (15.57% net of fees) vs 14.98% for the Russell 1000 Growth Index. The simple explanation for the quarter's underperformance is that the strategy had too many stocks negatively correlated to interest rates. Several quarters ago, we attempted to address interest rate risk by adding to the financial sector and trimming healthcare names. More on the interest rate correlation risk below. The strategy's underweight in the largest Index names, the so-called FAAMG group (Facebook, Apple, Amazon, Microsoft, Google) had a more modest but still significant negative impact. The Index has an extreme weight in the five stocks of the FAAMG group, 39% at quarter end, such that its utility as a benchmark is questionable, unless investors want to assume very large, concentrated positions. The strategy has significant exposure to this group, 26% at quarter end, but our 7% maximum position guideline and general management philosophy discourages us from chasing the benchmark's concentration.

The portfolio completely exited Meta Platforms (FB, the renamed Facebook). Sold due to increasing uncertainty, we no longer believe FB's strong profitability outweighs the combination of headline risks, poor governance, and major changes to the business. The capital generated by the sale was redeployed into four stocks whose prices, in our view, have been marked down by the same macro threat of higher interest rates. All these additions are to long-term holdings (most owned for over a decade). It is common for our strategy to sell stocks down from fundamental reasons and redeploy into those we believe are down from short-term market correlation.

Market

Often, the first quarter of a new calendar year is marked by volatility, as investors question old assumptions and rebalance portfolios. 2022 certainly started this way, with the COVID pandemic giving way to violence in Ukraine. Inflation, broadly impacting the entire global economy, threatens to force interest rates higher, slow demand and change public policy in unknown ways. As the quarter continued and war ground on, the market began to digest these factors, aided by a Federal Reserve road map that investors are seemingly able to live with. At the quarter's conclusion, this relief produced upward pressure on stock prices, especially those of beaten down aggressive growth companies. The S&P 500's quarterly return was -4.60%.

Looking ahead, our concern is that global central banks do not cooperatively act to reduce inflationary pressures. If the U.S. goes solo, it will likely leave the Dollar exposed and produce further unsatisfactory inflation. On the other hand, if central banks can coordinate policy, this will increase the probability of a "soft-landing" (reduced inflationary pressures without the associated recession) and the outlook for 2023 could be solid. The latter case is Torray's operating forecast right now.

Correlation

We attempt to build concentrated portfolios diversified to many risks, but sometimes capital markets get run over by macro events. Our work utilizes correlation coefficients, a by-product of linear regression, and like most quantitative methods, relies on historical data as inputs. As such, it suffers from the possibility that future outcomes may differ from the past. The analysis can also fail during strong negative markets, exactly when the value of diversification is most beneficial. Examples include the oil crash of 2015 and the inflation worries impacting financial markets in the quarter just finished. Despite these more short-term limitations, we maintain the tool is valuable over time. It helps us to construct portfolios with far fewer stocks than peers and benchmarks while still addressing the need to manage risk. This means we invest only in our highest conviction ideas, owning more of each, and avoid dilution by what we consider lower quality prospects. Our job as active analysts is to balance the elements of judgment, prudence and aggressiveness, striving to optimize this process and your risk-adjusted return.

Annualized Total Returns (%)

Rolling Returns	MRQ[2]	YTD[2]	1-Year	3-Year	5-Year	10-Year	ITD
TCLG Comp. (gross)	-9.7	-9.7	16.3	20.6	18.0	15.1	9.3
TCLG Comp. (net)	-9.8	-9.8	15.6	19.9	17.4	14.5	8.5
Russell 1000 Growth	-9.0	-9.0	15.0	23.6	20.9	17.0	8.5
S&P 500	-4.6	-4.6	15.6	18.9	16.0	14.6	8.1

[2] Most Recent Quarter (MRQ) not annualized.
As of 03/31/22. Torray Concentrated Large Growth Inception: 3/31/98.

Calendar Year Returns (%)

Year End	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
TCLG Comp. (gross)	27.5	32.6	33.9	-3.0	25.3	7.3	-0.9	10.5	33.3	21.1
TCLG Comp. (net)	26.7	31.8	33.4	-3.3	24.9	6.9	-1.2	9.8	32.3	20.2
Russell 1000 Growth	27.6	38.5	36.4	-1.5	30.2	7.1	5.7	13.1	33.5	15.3
S&P 500	28.7	18.4	31.5	-4.4	21.8	12.0	1.4	13.7	32.4	16.0

Portfolio Characteristics

Portfolio Statistics	Portfolio	Russell 1000 Growth
Holdings	**27**	499
Avg. Mkt. Cap. $B (wtd)	**654**	989
ROE (1 yr)	**32%**	34%
Turnover	**22%**	9%
EPS Growth	**25%**	28%
EPS Variability	**28%**	41%
Standard Deviation	**16%**	17%
Alpha	**0.0%**	
Beta	**0.86**	
Up Market Capture	**81%**	
Down Market Capture	**95%**	

Sector Allocation	% Portfolio	% Russell 1000 Growth
Info. Tech.	**41**	47
Health Care	**21**	9
Cons. Disc.	**13**	19
Comm. Services	**7**	10
Industrials	**6**	6
Real Estate	**4**	2
Financials	**4**	2
Materials	**3**	1
Cons. Stpls.	**0**	4
Utilities	**0**	0
Energy	**0**	0
Cash	**1**	0

Top 10 Holdings	% of Portfolio
Alphabet Inc. Class A	**6.6**
Apple Inc.	**6.5**
Microsoft Corporation	**6.4**
Amazon.com, Inc.	**6.3**
Visa Inc. Class A	**4.5**
O'Reilly Automotive, Inc.	**4.2**
American Tower Corp.	**3.9**
Fiserv, Inc.	**3.9**
Adobe Inc.	**3.8**
Charles Schwab	**3.6**
Total	**49.6**

Figures are dollar-weighted averages, unless noted. Shaded Portfolio Statistics are 5-yr averages. Strategy holdings and sector allocations are subject to change and should not be considered a recommendation to buy or to sell any security. **Past performance is not indicative of future results. See performance footnotes.** Source: FactSet and Torray, LLC.

The Torray Concentrated Large Growth Composite includes all discretionary fee paying portfolios over $100 thousand managed under the Torray large capitalization strategy. Prior to December 31, 2017, the composite account minimum was $250 thousand. For comparison purposes, the composite is measured against the S&P 500 and the Russell 1000® Growth indices. 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. The strategy focuses on equity investments in primarily large cap companies which Torray believes have sustainable growth profiles. Prior to July 1, 2010, this composite was known as the Concentrated Large Growth Composite and was managed by Resolute Capital Management LLC (Resolute). Resolute joined Torray when Torray purchased a majority share of Resolute on July 1, 2010.

Torray LLC is an independent registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The firm maintains a complete list and description of composites and broad distribution pooled funds, which is available upon request. To obtain a GIPS Report for the strategy presented, please contact the firm using the phone number listed below.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross or net of foreign withholding taxes on dividends, interest income, and capital gains depending on the custodian. Withholding taxes may vary according to the investor's domicile. Past performance is not indicative of future results. GIPS® is a registered trademark of the CFA Institute. The CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The management fee schedule is as follows: 1.00% on assets up to $5 million, 0.75% on next $20 million, 0.50% on next $175 million; 0.375% on next $100 million, and 0.25% on balance. Actual investment advisory fees incurred by clients may vary. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Composite was created June 1, 1999 and has an inception date of April 1, 1998. Prior to January 1, 2001, the minimum was applied on a per relationship basis, i.e. if a group of accounts held by the same person or family exceeded the minimum, as few as one account within the group could be included in the Composite.

On October 1, 2021, the portfolio manager responsible for managing the composite left the firm. The composite has subsequently been managed by co-portfolio managers who have been members of the strategy's investment committee, and involved in all portfolio research and investment decisions, since 1999. Prior to January 1, 2022, the composite was known as the TorrayResolute Concentrated Large Growth Composite.

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