Torray LLC
Concentrated Large Growth

06.30.22

Firm

Founded	1972
Headquarters	Bethesda, Maryland
Ownership	100% Employee Owned
Firm Assets[1]	$757M
Firm AUM	$556M
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

The Large Cap Growth Composite outperformed its primary benchmark, the Russell 1000 Growth Index, over the quarter (-17.37% gross, -17.53% net of fees vs -20.92% for the Index) and the trailing twelve months (-14.97% gross, -15.55% net of fees vs -18.77% for the Index). Relative outperformance in down markets is important due to the mathematical challenge of how hard losses are to recoup.

Given lower prices, we have been increasing exposure to software companies. In general, software is an attractive business, enjoying high incremental profit margins and competitive barriers, while cost pressures and cyclical exposure are low. Additional capital we committed to software went into both existing holdings and a new investment, ServiceNow (NOW). NOW provides enterprise cloud computing solutions that improve efficiency. It has favorable risk-adjusted growth metrics thanks to high margins, recurring revenues, and client retention. With a growing target addressable market and a ‘land and expand’ business model, we believe NOW should continue to deliver high growth, attractive margins, and strong cash flow. NOW was funded by selling Roche (RHHBY), a large global pharmaceutical company. As a defensive holding, RHHBY was valuable during the market’s downturn, but its slow growth rate makes it less attractive now compared to faster growing stocks that have dropped significantly in price.

Market

What strikes us about the current situation is how much it reads like a textbook: (1) Policy makers respond to acute event (pandemic) with large, coordinated stimuli; (2) demand surges but supply does not, instead suffering through lockdowns, low investment, logistical bottlenecks, and war; (3) inflation is the predictable result, first in financial assets and then in real assets. The surprise has been the speed and depth of the deflation in financial prices. The S&P 500’s quarterly return is -16.10% and -10.62% over trailing year. Through 6/30, the S&P 500 lost a staggering $8 trillion of value in 2022. Behind the benchmarks, many individual stocks are down more than 50% and damage in higher risk assets like crypto currencies is worse. Bonds have not been safe havens either.

How bad will the resulting economy be? We believe a broad slowdown is moving rapidly, like it has already with financial assets; seemingly everyone acts in sync and quickly, as news does not ‘trickle out’ anymore. Weakness is already apparent. Our most important forecast is that inflation will moderate over the next six months or so, reducing the need for dangerously high interest rates. If so, we expect volatility will decline, and conditions should normalize with underlying demand and employment remaining solid if not strong.

In the meantime, we are busy evaluating our portfolios, using large price moves as opportunities to upgrade to what we consider to be better relative opportunities and/or reduce portfolio risk. It is important to remember that volatility is a normal and necessary part of owning long-term investments, and that good businesses tend to emerge from downturns in strong shape, sometimes better than the way they went in. We remain focused on investing in these types of outcomes.

Risk Adjusted Growth

We employ several quantitative tools in our fundamental research process. One of the more important tools we use is called Risk Adjusted Growth (RAG). RAG helps us identify companies offering consistent growth. In turn, we believe stocks of these companies potentially produce consistent returns over the long-term. The tool allows us to evaluate large numbers of stocks rapidly and repeatedly, over multiple time periods and using different financial metrics. Stocks with favorable profiles are then evaluated more extensively for introduction into any of the firm’s four strategies. While the past never guarantees future performance, our RAG process helps us focus analysis on the financial characteristics important to investment returns, especially in challenging moments like the present.

Annualized Total Returns (%)

	MRQ[2]	YTD[2]	1-Year	3-Year	5-Year	10-Year	ITD
TCLG Comp. (gross)	-17.4	-25.4	-15.0	12.0	12.6	13.5	8.4
TCLG Comp. (net)	-17.5	-25.6	-15.6	11.2	12.0	12.9	7.6
Russell 1000 Growth	-20.9	-28.1	-18.8	12.6	14.3	14.8	7.4
S&P 500	-16.1	-20.0	-10.6	10.6	11.3	13.0	7.2

[2] Most Recent Quarter (MRQ) and Yeat-to-Date (YTD) not annualized.
As of 06/30/22. 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**	520
Avg. Mkt. Cap. $B (wtd)	**486**	731
ROE (1 yr)	**32%**	34%
Turnover	**16%**	10%
EPS Growth (est.)	**14%**	17%
EPS Variability	**29%**	40%
Standard Deviation	**17%**	19%
Alpha	**0.2%**	
Beta	**0.86**	
Up Market Capture	**81%**	
Down Market Capture	**95%**	

Sector Allocation	**% Portfolio**	**% Russell 1000 Growth**
Info. Tech.	**44**	44
Health Care	**18**	12
Cons. Disc.	**12**	15
Comm. Services	**6**	8
Industrials	**6**	7
Real Estate	**5**	2
Financials	**3**	3
Materials	**3**	1
Cons. Stpls.	**0**	6
Energy	**0**	1
Utilities	**0**	0
Cash	**2**	0

Top 10 Holdings	**% of Portfolio**
Microsoft Corporation	**6.5**
Alphabet Inc. Class A	**6.2**
Apple Inc.	**6.1**
Amazon.com, Inc.	**5.0**
Visa Inc. Class A	**4.8**
American Tower Corp.	**4.8**
O'Reilly Automotive, Inc.	**4.7**
Royalty Pharma Plc Cl A	**4.2**
Adobe Inc.	**3.7**
Verisk Analytics Inc.	**3.4**
Total	**49.4**

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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