



| Firm | | Strategy | |
|--|---------------------|--|---|
| Founded | 1972 | The objectives are to generate consistent excess returns and effectively manage risk. | Inception 12/31/07 |
| Headquarters | Bethesda, Maryland | The strategy employs a concentrated, low-turnover approach investing in predominantly small and mid-capitalization companies with proven records of increasing revenues, earnings, and cash flows on a consistent and sustainable basis. | Benchmark Russell 2500® Growth |
| Ownership | 100% Employee Owned | | Portfolio Managers Jeffrey Lent James Bailey, CFA |
| Firm Assets ¹ | \$697M | | Investment Committee James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA |
| Firm AUM | \$528M | | |
| Employees | 11 | | |
| ¹ Firm assets includes non-discretionary UMA assets under advisement. | | | |

Small/Mid Cap Growth Composite

For the quarter, the Small/Mid Cap Growth Composite lagged its primary benchmark, the Russell 2500 Growth Index, returning -2.04% gross (-2.18% net of fees) vs -0.12% for the Index, giving back some of the outperformance achieved over the past 12 months, -17.19% gross (-17.68% net of fees) vs. the Index's -29.39% return. Although small cap stocks have been especially volatile in the current high-stress environment, our integrated approach to risk management is designed to produce satisfactory relative returns over the long-term. We seek to own companies that are financially sound, profitable, and trade at reasonable valuations relative to their growth prospects.

Two new secular growth companies were added: Natera (NTRA) and Tradeweb Markets (TW). NTRA is a leader in personalized genetic testing. The company's tests improve clinical decision making in women's health, organ health, and cancer. The value of their technology is illustrated by the impressive and growing number of tests processed (now at 500 thousand a quarter, growing over 30% year over year). TW has developed a digital-trading platform for bonds and other fixed income securities. Unlike stocks, many bonds are hampered by slow and expensive human-to-human interaction. Through software and technology, TW helps solve this problem and has emerged as a leading marketplace for fixed income investors. Volatility over the past year allowed us to establish positions in both NTRA and TW at what we consider to be attractive valuations.

AMN Healthcare (AMN) was sold because emerging financial indicators reduced our confidence in the company's ability to deliver consistent growth in the future. The company is also losing its highly respected CEO who was an important part of our investment rationale.

Market

The third quarter of 2022 was challenging. Although stock indices in general declined modestly – the S&P 500 was only down 4.88% – macroeconomic indicators sharply deteriorated. The core of the problem is the conflicting direction of expansionary fiscal policy and tightening monetary policy. The Federal government is working against itself, using massive programs measured in trillions of dollars with long time lags to implement. The dangers, of course, are the potential outcomes on either side of these policies: tight monetary policy risks a recession, and easy fiscal policy continues to fuel inflation. These negatives reduce the positive impacts of improving supply and labor market durability, factors we were hoping would produce a 'soft landing' (reduced inflation without a recession). We are pushing out our forecast for a better economy in 2023, although we expect financial markets to recover before the economy.

In this volatile environment, the investment team is attempting to upgrade the portfolio by buying stocks of companies we believe are well positioned, funded by capital from selling companies in which we have lower conviction. Historically, bear markets increase the correlation of equity returns as fear displaces rational decision making, causing investors to react negatively and often without regard to fundamentals. We think this anomaly is exploitable by long-term investors with the discipline to act, like in 2001/02 and again in 2008. With this objective, we are reviewing the entire portfolio and prospects, asking the questions "to what degree has our investment thesis been impaired?" and "is the investment attractive relative to the available opportunity set?" As we answer these questions, portfolio activity has modestly increased compared to past levels. Our emphasis on attractive business models and risk management is unchanged.

Concentration

We purposefully construct portfolios that generally range between 20 to 30 companies, fewer positions than many of our peers. Our decades of experience have taught us the value of only investing in our highest conviction ideas while remaining focused on effectively managing risk by diversifying across themes and economic factors. A core part of our process is the use of correlation analysis of portfolio holdings to each other and to broader factors (we highlighted this process in the 1st quarter 2022 letter). This quantitative analysis supplements our bottom-up research, allowing us to construct concentrated, yet diversified portfolios more confidently. This also means we avoid investments we judge to be low-quality and high-risk. If we are doing our jobs correctly, we attempt to reduce the probability of incurring negative outcomes over time. As such and somewhat contrary to accepted theory, concentration – in our view – is an important risk management tool.

Firm News

Torrays appointed Bryan Leibrand, CIMA® to the newly created role of Director of Business Development in September 2022. Mr. Leibrand has over 23-years of experience in the investment management industry. You can reach Bryan at bleibrand@torrays.com or (301) 493-4600, ext. 225.

| Annualized Total Returns (%) | | | | | | | |
|------------------------------|------------------|------------------|--------|--------|--------|---------|-----|
| | MRQ ² | YTD ² | 1-Year | 3-Year | 5-Year | 10-Year | ITD |
| TSMID Comp. (gross) | -2.0 | -22.0 | -17.2 | 10.0 | 9.7 | 11.7 | 9.9 |
| TSMID Comp. (net) | -2.2 | -22.4 | -17.7 | 9.3 | 9.0 | 10.9 | 9.1 |
| Russell 2500 Growth | -0.1 | -29.5 | -29.4 | 4.8 | 6.3 | 10.3 | 8.2 |
| Russell 2500 | -2.8 | -24.0 | -21.1 | 5.4 | 5.5 | 9.6 | 7.7 |

² Most Recent Quarter (MRQ) and Year-to-Date (YTD) not annualized.
As of 09/30/22. Torray Small/Mid Cap Growth Inception: 12/31/07.

| Calendar Year Returns (%) | | | | | | | | | | |
|----------------------------|------|------|------|-------|------|------|------|------|------|------|
| Year End | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| TSMID Comp. (gross) | 11.8 | 41.4 | 30.4 | -7.2 | 24.6 | 9.2 | -4.1 | 5.0 | 42.1 | 14.2 |
| TSMID Comp. (net) | 11.1 | 40.5 | 29.7 | -7.8 | 23.7 | 8.4 | -4.8 | 4.0 | 40.9 | 13.2 |
| Russell 2500 Growth | 5.0 | 40.5 | 32.7 | -7.5 | 24.5 | 9.7 | -0.2 | 7.1 | 40.7 | 16.1 |
| Russell 2500 | 18.2 | 20.0 | 27.8 | -10.0 | 16.8 | 17.6 | -2.9 | 7.1 | 36.8 | 17.9 |

| Portfolio Characteristics | | | | | | | |
|---------------------------|-------------|---------------------|-------------------|-------------|-----------------------|-----------------------------|----------------|
| Portfolio Statistics | Portfolio | Russell 2500 Growth | Sector Allocation | % Portfolio | % Russell 2500 Growth | Top 10 Holdings | % of Portfolio |
| Holdings | 29 | 1355 | Info. Tech. | 33 | 24 | Ryan Specialty Group CI A | 5.0 |
| Avg. Mkt. Cap. \$B (wtd) | 10 | 5 | Health Care | 33 | 20 | RBC Bearings Inc. | 4.9 |
| ROE (1 yr) | 12% | 10% | Industrials | 14 | 17 | Jack Henry & Associates | 4.6 |
| Turnover | 20% | 19% | Financials | 8 | 8 | Myovant Sciences Ltd. | 4.6 |
| EPS Growth (est.) | 13% | 17% | Real Estate | 4 | 3 | Aspen Technology, Inc. | 4.5 |
| EPS Variability | 40% | 49% | Cons. Disc. | 4 | 12 | ICF International, Inc. | 4.3 |
| Standard Deviation | 19% | 23% | Cons. Stpls. | 2 | 4 | Verra Mobility Corp. CI A | 4.3 |
| Alpha | 4.3% | | Energy | 0 | 5 | SBA Communications CI A | 4.3 |
| Beta | 0.78 | | Materials | 0 | 5 | Halozyme Therapeutics, Inc. | 4.2 |
| Up Market Capture | 76% | | Comm. Services | 0 | 1 | Pool Corporation | 3.8 |
| Down Market Capture | 84% | | Utilities | 0 | 1 | Total | 44.5 |
| | | | Cash | 2 | 0 | | |

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. Investments in smaller companies typically exhibit higher volatility. **Past performance is not indicative of future results. See performance footnotes.** Source: FactSet and Torray, LLC.

The Torray Small/Mid Cap Growth Composite includes all discretionary fee paying portfolios over \$100 thousand managed under the Torray Small/Mid Cap strategy. For comparison purposes, the Composite is measured against the Russell 2500 Growth and the Russell 2500 indices. The Russell 2500 Index is the Composite's secondary benchmark. The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. 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 as defined by Russell's leading style methodology. You cannot invest directly in an index.

Performance presented between December 1, 2014 and October 31, 2016 was achieved while the portfolio management team was affiliated with TorrayResolute, LLC. Performance presented prior to July 1, 2010 was achieved while the portfolio management team was affiliated with Resolute Capital Management LLC.

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.

The Composite was created December 31, 2007 and has an inception date of January 1, 2008. Prior to January 1, 2022, the composite was known as the TorrayResolute Small/Mid Cap Growth 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 2007.

Contact

Business Development
Bryan Leibrand, CIMA® Director
bleibrand@torray.com

Client Relations & Marketing
Breck Scalise, Director
bscalise@torray.com

301.493.4600
855.753.8174 (toll free)
www.torray.com