

Firm		Objective	
Founded	1972	The objectives are to generate consistent excess returns and effectively manage risk.	Inception 12/31/07
Headquarters	Bethesda, Maryland		Benchmark Russell 2500® Growth
Ownership	100% Employee Owned	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.	Portfolio Managers Jeffrey Lent James Bailey, CFA
Firm Assets ¹	\$746M		Investment Committee James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA
Firm AUM	\$581M		
Employees	11		

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

Small/Mid Cap Growth (SMID) Composite

In the quarter, the SMID Composite struggled relative to its benchmark, the Russell 2500 Growth Index, but still managed an absolute return of 1.9% gross (1.7% net of fees) vs. 4.7% for the Index. For 2022, the Composite's -20.6% gross (-21.1% net of fees) return outperformed the Index's -26.2% return. The relative underperformance in the quarter is attributed to several uncorrelated earnings reports from holdings that each produced poor returns. We reviewed these holdings in-depth, which resulted in several investment actions. Additionally, we realized losses to offset gains for clients when we saw a clear rationale.

As such, there was more activity than usual this quarter. We exited four positions and purchased two new ones. We sold Catalent (CTLT), MKS Instruments (MKS), Myovant Sciences (MYOV) and Omnicell (OMCL), and purchased Entegris (ENTG) and Lantheus (LNTH). CTLT and OMCL, both healthcare service companies, were sold after uncovering evidence that their investment cases are no longer intact. We believe it is important to acknowledge and act when mistakes are made. MKS was sold to purchase a related investment, Entegris (ENTG). Both share correlated exposure to semiconductor markets, but we believe ENTG has a more stable and recurring revenue stream. The LNTH purchase highlights our preference for owning lower-risk profile investments in businesses enjoying strong demand. LNTH sells nuclear medicine products and recently in-licensed an exciting new therapy for prostate cancer. We have a history of identifying what we believe to be promising prostate cancer treatments, most recently with MYOV, which was sold this quarter after the company received a purchase offer from a strategic buyer.

Market

Promising signs of economic healing helped the S&P 500 gain 7.6% in the fourth quarter. However, the S&P 500 closed the year in negative territory (-18.1%), making 2022 the worst stock market since 2008. This decline is not a disaster when viewed with a long-term orientation. Instead, it reflects necessary corrections in excess risk-taking across a few areas of financial markets. Part of the 'deal' of long-term equity ownership is that periods of success tend to stoke investor greed, which must be 'cleared' through periodic market correction to help prevent it from becoming a bigger problem (e.g., the 2008 Global Financial Crisis and the 2001/02 Internet Bust). Encouragingly, lots of greed was cleared in 2022 and so far, contagion into broader financial markets and the real economy has been limited. Cryptocurrencies and the FTX collapse have not locked up currency markets, nor has the dramatic pullback in demand for highly speculative stocks had much impact beyond the talking heads and internet pundits. Investors and capital users are still accessing the financial system to accomplish objectives, including earning a fair return and funding innovation and expansion.

As 2023 starts, global markets and economies still face significant challenges, including inflation, security threats and perhaps most significantly, an unclear free trade outlook, especially around China's long-term future. Despite these conditions, we are increasingly positive on equity markets. It's likely we are already in, or soon will be in, a recession, but we do not believe it will be deep. Central banks are seemingly close to moderating rate hikes. Regarding fiscal policy, it remains expansive with large deficits for the foreseeable future, but this is a factor against a deep recession. Most importantly, we continue to find many companies profitably innovating and increasing productivity. With the markdown in the prices of their stocks, we think select investments offer attractive return potential for long-term investors.

Creativity: an underappreciated aspect of our process

Every investment is subject to many risks, some affecting all or most investments and others only impacting the specific company. How can a portfolio of investments be constructed to improve the probability of achieving a desired return with the least risk possible? We have built and use quantitative tools to assist our process, but, like all models based on historical inputs, the future is rarely a perfect copy of the past. A degree of 'art' is also required. We think these challenges require creative problem solving fueled by intellectual curiosity.

Creativity in investment management entails a willingness to think differently than peers and the confidence to express our views through a portfolio of differentiated holdings. We believe hard work is the starting point for this process. Analysis must go beyond the one or two companies competing for capital to include researching the industry's structure, competitors, suppliers, and customers. Thinking creatively can enhance this research, which, in our view, may lead to better outcomes. For example, a measure of creativity in our process has allowed us to: uncover underappreciated insight about a larger company's subsidiary and apply that knowledge by investing in a smaller company; mitigate potential negative outcomes by swapping a holding for a similar one with a more attractive business model; purposefully buy an investment to offset another's risk. However, we will pass on potential opportunities when we cannot find acceptable solutions to effectively diversify particular risks. While market volatility cannot be eliminated and unknown risks occasionally surface, we believe our ability to think creatively is essential to successfully managing long-term portfolios.

New Name: a reflection of our heritage and purpose

We have a new name! Torray LLC is now Torray Investment Partners (TIP). The new name reflects our heritage (50 years in the business of managing client assets), what we do (concentrated investing with a long-term perspective), and how we strive to conduct business (as partners to those who value integrity, consistency, and client service excellence). We look forward to sharing more about this exciting evolution in the future.

Annualized Total Returns (%)							
	MRQ ²	YTD	1-Year	3-Year	5-Year	10-Year	ITD
SMID Composite (gross)	1.9	-20.6	-20.6	7.9	8.7	11.4	9.9
SMID Composite (net)	1.7	-21.1	-21.1	7.2	8.1	10.7	9.1
Russell 2500 Growth	4.7	-26.2	-26.2	2.9	6.0	10.6	8.4
Russell 2500	7.4	-18.4	-18.4	5.0	5.9	10.0	8.1

² Most Recent Quarter (MRQ) not annualized.
As of 12/31/22. SMID Composite Inception: 12/31/07.

Calendar Year Returns (%)										
Year End	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
SMID Composite (gross)	-20.6	11.8	41.4	30.4	-7.2	24.6	9.2	-4.1	5.0	42.1
SMID Composite (net)	-21.1	11.1	40.5	29.7	-7.8	23.7	8.4	-4.8	4.0	40.9
Russell 2500 Growth	-26.2	5.0	40.5	32.7	-7.5	24.5	9.7	-0.2	7.1	40.7
Russell 2500	-18.4	18.2	20.0	27.8	-10.0	16.8	17.6	-2.9	7.1	36.8

Portfolio Characteristics							
Portfolio Statistics	Portfolio		Sector			Top 10 Holdings	
	Portfolio	Index	Allocation	% Portfolio	Index		% Portfolio
Holdings	28	1340	Info. Tech.	33	23	Halozyme Therapeutics, Inc.	5.9
Avg. Mkt. Cap. \$B (wtd)	12	6	Health Care	30	19	Ryan Specialty Holdings, CI A	5.1
ROE (1 yr)	9%	12%	Industrials	14	18	RBC Bearings Inc.	4.8
Turnover	31%	19%	Financials	9	8	Jack Henry & Associates	4.4
EPS Growth (est.)	17%	18%	Real Estate	4	3	Mettler-Toledo International	4.3
EPS Variability	36%	45%	Cons. Disc.	4	12	Tradeweb Markets, Inc. CI A	4.2
Standard Deviation	19%	23%	Cons. Stpls.	3	4	SBA Communications CI A	4.2
Alpha	3.7%		Comm. Svcs.	0	1	ANSYS, Inc.	4.2
Beta	0.78		Energy	0	5	Pool Corporation	3.9
Up Market Capture	73%		Materials	0	5	ICF International, Inc.	3.9
Down Market Capture	85%		Utilities	0	2	Total	44.9
			Cash	3	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. **Past performance is not indicative of future results. See performance footnotes.** Source: FactSet and Torray Investment Partners.

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 Investment Partners 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.

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