Concentrated Large Growth Strategy (CLG)

Quarterly Commentary

Portfolio Update

During the quarter, we exited two holdings and bought two new holdings. We sold long-term holding Nike (NKE), the world's largest athletic apparel company, because of concerns about their reliance on China for both supply and demand. The relationship between China and western businesses faces serious uncertainty. Financial firm Charles Schwab (SCHW) was also sold, based on threats to its future profitability. SCHW faces challenges maintaining low-cost deposits and potential regulatory changes to the financial treatment of balance sheet losses. We believe both sales reduce macro exposure to long-term challenges and illustrate our active approach to risk management.

These sales helped fund two new holdings: Veeva Systems (VEEV) and Arthur J. Gallagher (AJG). VEEV is a software provider to bio-pharmaceutical companies that has delivered consistent profitability. Their products are designed to improve clients' customer relationship management and research and development workflows, competences that are central to healthcare productivity. AJG helps customers solve problems in a different end market: insurance. They match insurance companies with parties seeking coverage, but, as a broker, AJG does not take the risks on either side of these contracts. AJG recently completed a transformative acquisition that improves their competitive position, and our appreciation of this deal influenced our decision to invest.

Defining A "TIP-Quality" Business

Today's 24/7 information cycle requires analysts to process an abundance of information, but, importantly, to ignore frequent distractions. A clear definition of the investment characteristics we seek helps us navigate through this maze. Broadly, we look for three specific characteristics: (1) high quality business offering outstanding products/services, (2) attractive risk profile, and (3) trusted management team. We call qualifying investments "TIP-Quality Businesses" (TIP is the abbreviation of Torray Investment Partners).

We favor businesses that produce consistent growth derived from recurring revenue, noncyclical products, and durable profit margins. On risk, we look for investments that offer a diversified profile, based on analysis of correlation, valuation and company-specific factors. Management earns our approval with a proven track record of successfully allocating capital to shareholder benefit. We continually reevaluate holdings to ensure they meet our expectations.

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1. Outstanding business offering outstanding products/services,
2. Attractive risk profiles,
3. Trusted management teams.

Market Commentary and Outlook

Historically, Federal Reserve interest rate hikes are associated with financial crises. Excesses built up in good times do not work at higher interest rates; necessary adjustments often happen quickly, at unfavorable terms. Damage occurs when unhealthy actors infect the healthy ones. Until early March 2023, the current cycle enjoyed a limited amount of this contagion. Cryptocurrencies generated negative headlines, but not much economic impact. This changed with the failure of Silicon Valley Bank (SIVB), a mid-sized regional bank with $200 billion in assets serving venture capital and private equity clients. Regulators and other banks stoked fears that the actual situation is worse than perception. The market is now in a waiting game: will new financial instability surface or will conditions calm behind a generally solid economic situation?

Given this backdrop, broad equity markets performed quite well. The S&P 500® Index[1] returned 7.5 percent for the quarter, driven by reduced interest rate pressure and earnings results that suggest company fundamentals remain healthy. For positive returns to continue, inflation must continue to moderate. In the short term, we believe this is likely. However, we remain concerned by powerful longer-term factors: enormous deficit spending by the Federal government, breakdowns in free trade mechanisms, and threats to global security. Risk management is a top priority as we consider investments decisions.

[1] The S&P 500® Index measures the value of stocks off the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite. Past performance is not indicative of future results.

Best and Worst Performers in the Quarter

Top Contributors	Top Detractors
Apple	Charles Schwab
Microsoft	Genmab A/S ADR
Amazon.com	Royalty Pharma Plc
Alphabet	Danaher
Copart	Sherwin-Williams

Reflects the top five holdings that contributed to and detracted from composite performance listed in descending order. Specific securities identified do not represent all the securities purchased, sold, or recommended for the strategy. A contribution analysis list of all holdings and calculation methodology information are available upon request. Do not assume any securities identified were or will be profitable. Past performance is not indicative of future results.

Why Consider Torray Investment Partners as Your Large-Cap Growth Solution?

A Singularly Focused Investment Firm

OUR CULTURE

Independent, Stable and Client Centric

Broad-based active equity ownership bound by a partnership mentality drive tight alignment with our client's long-term interests.

OUR APPROACH

Risk-Managed, Concentrated Investing

For more than 50 years, we've built active portfolios based on our research-driven conviction in the relatively few businesses able to create economic value for shareholders.

OUR STRUCTURE

Institutional-Quality Boutique

Unburdened by bureaucracy, we are more creative and agile in efforts to deliver exceptional client service and consistent long-term risk-adjusted performance.

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