

# Small/Mid Cap Growth Strategy (SMID)

## Quarterly Commentary

### Portfolio Update

---

After a busy 4th quarter of 2022 (four exits and two purchases), we did not put client capital to work in any new ideas this quarter. We continuously 'value' potential new holdings versus existing holdings and believe this process helps keep the bar for inclusion in the portfolio high. It is common for us to wait patiently when we do not find new opportunities with attractive risk-return profiles. Importantly, we have been encouraged by news flow and earnings results from portfolio holdings, especially in context of challenging economic conditions; this suggests our investment cases are tracking according to expectations. As market volatility continues, we will remain alert for opportunities to add "TIP-Quality" businesses in our effort to continuously upgrade the portfolio's overall risk and reward profile.

### 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.

#### Broadly, we seek three requirements:

---

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<sup>1</sup> 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.

<sup>1</sup> The S&P 500® Index measures the value of stocks of 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

Lantheus Holdings  
 ANSYS  
 Monolithic Power Systems  
 Tradeweb Markets  
 Natera

### Top Detractors

Halozyme Therapeutics  
 Jack Henry & Associates  
 Rocket Pharmaceuticals  
 Vicor Corporation  
 SBA Communications

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 Small/Mid-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.

### Contact

#### Business Development

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

#### Client Relations & Marketing

Breck Scalise, Director  
 bscalise@torray.com

#### General

301.493.4600  
 855.753.8174 (toll free)

## Disclosures

This commentary is for informational purposes only and should not be viewed as a recommendation to buy or sell any security. There is no guarantee that the views expressed will come to pass. Torray Investment Partners LLC is an independent registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Past performance is not indicative of future results. For additional information about Torray Investment Partners LLC, including fees and services, please contact us or refer to the Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).