

# Concentrated Large Growth Strategy (CLG)

## Quarterly Review and Commentary

The fourth quarter marked a solid end to the year with double-digit gains across all major equity market indices—a much-needed comeback in performance after a painful 2022. The CLG strategy returned 13.1%, net of fees, for the fourth quarter compared to 14.2% for the Russell 1000® Growth Index. Interestingly, 2023 was the first time three sectors were up over 30 percent (Technology, Communication Services, and Consumer Discretionary), while three were down at least 2 percent (Utilities, Energy, and Consumer Staples). During the quarter and for the trailing 12 months, CLG was underweight the three best-performing sectors (a negative) and had no exposure to the three worst-performing sectors (a modest positive).

Heading into 2024, there is plenty of uncertainty. Investors are focused on the Federal Reserve's ability to engineer a soft landing, determining if inflation stays on its moderating path, and if the economy will avoid a recession. Not to mention a host of other risks, including global security, geopolitical unrest, and the U.S. Presidential election. Aiming for accurate predictions around risk is a futile exercise. The perception of risk can greatly affect market sentiment, often creating opportunities. We believe our focus on discerning this noise from fact and understanding both sides of the risk/reward coin puts us in a position to lean into uncertainty and uncover attractive long-term opportunities.

## Evaluating Management Teams - Stewards of Our Investments

Financial performance and shareholder value creation are heavily influenced by the decisions and execution of a company's management team. Therefore, the judgment and integrity of the management teams with whom we entrust client capital are as important as the quality of the business and its ability to sustain profitable growth. Because we seek companies that generate abundant cash internally, understanding how and why management deploys excess capital through reinvestment, debt repayment, share buybacks, M&A, or dividends is a key criterion when performing our diligence on a potential investment.

Our assessment of management, the superiority of the business model, and its risk/reward profile determine if a company is considered a strong fit with our "TIP-Quality" criterion. We go beyond the traditional indicators of management alignment, such as incentives, share ownership, and track record, and dig deep to uncover evidence of a thought-out long-term strategic plan for the business. Historical capital allocation results and judging the aggressiveness of past forecasts are important. However, we believe it is equally important to assess the talent base, and the uniqueness of the culture management is promoting. We seek to generate insights that reveal management teams with differentiated and adaptable mindsets anchored in long-term value creation—on a per-share basis. These insights combined with our bottom-up, fundamental research further increase conviction and can reduce perceived risks associated with the future direction of execution. We would rather pass on an otherwise good opportunity than invest with a management team we don't feel would be a good steward of shareholder capital.

## Portfolio Activity

### PURCHASES

**Vertex (VRTX)** is the world's leading provider of therapies for the treatment of cystic fibrosis (CF), a rare genetic disease with high morbidity and mortality. We purchased Vertex during the quarter because of its dominant CF franchise, in-house R&D effort, and extensive preclinical and clinical pipeline—arguably the company's most important asset. We believe the core CF business has a long growth runway that will allow management to continue investing in new therapies in areas of unmet need. We expect to see positive data readouts for multiple pipeline indications being considered for regulatory approval worldwide later this year. If successful, many of these therapies will take a step closer to expanding Vertex's commercial product line up, further diversifying and sustaining its growth profile.

### SALES

**CooperCompanies (COO)** is a global medical devices company that operates two business units: CooperVision, a trusted leader in the contact lens industry, and CooperSurgical, which provides fertility and women's health solutions. CooperVision has experienced unfavorable foreign exchange rates and some pricing pressure. Additionally, the end market for contact lenses does not offer much secular growth, which could have an outsized impact on the company's long-term fundamentals if cyclical conditions weaken.

## Portfolio Activity cont...

**IDEXX (IDXX)** is a global leader in developing, manufacturing, and distributing products and services for the evolving veterinary medicine and pet healthcare world. Our research indicates that the company will continue to face growing headwinds from rising competitive risks from clinic consolidation, staffing shortages, M&A at peer companies, and a softer pricing environment. At the same time, the valuation of IDEXX's stock reached levels we consider stretched. While we do not believe the long-term investment case is broken, we sold the company to fund higher conviction ideas with more attractive risk and reward profiles during the quarter. We will continue to actively monitor the overall impact these headwinds have on company and industry.

## Best and Worst Performers in the Quarter

### Top Contributors

Microsoft  
Amazon  
ServiceNow  
American Tower  
KLA Corporation

### Top Detractors

Genmab  
Veeva Systems  
Lonza Group AG  
IDEXX Laboratories  
Veralto

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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