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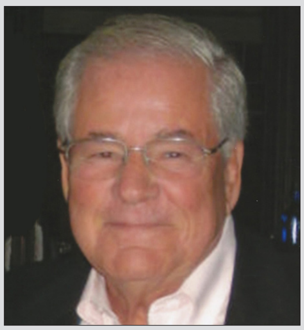
THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

A Focus on Long-Term Company Fundamentals



ROBERT E. TORRAY founded Torray LLC in 1972. He manages the assets of The Torray Fund, The Torray Institutional Fund and Torray LLC's separate institutional account business. Mr. Torray has utilized a long-term, value-oriented investment strategy. Before 1972, he was a Vice President and Manager of the Pension Fund Management Division of Eastman, Dillon, Union Securities & Co. He is a former Director of Sub Sea International Corporation, The Liberty Bank of Oklahoma, Charter Federal Savings Bank, The U.S. Satellite Broadcasting Company, CarrAmerica Realty Corporation and LaBranche & Co Inc. Mr. Torray entered the investment management industry after graduating from Duke University in 1959.

SECTOR — GENERAL INVESTING

TWST: Please tell us what motivated you to establish Torray LLC.

Mr. Torray: It's kind of hard to say, but I guess I'm just wired up to do things my own way. In the late 1960s, I was running the institutional investment management operation for Eastman, Dillon, Union Securities in New York. We had a lot of great clients, and after a few years, some of them said they'd go with me if I went on my own. So I did. Hard to believe that was 40 years ago.

TWST: What are the products the firm currently offers?

Mr. Torray: I don't believe in products. They're mostly marketing gimmicks. Our focus is strictly on long-term company fundamentals. We don't care about market dynamics, what stocks are doing day to day; personally, I'm thinking five to 10 years down the road.

TWST: So would you define your philosophy as identifying strong companies, buying them and holding them?

Mr. Torray: Yes. We invest in businesses based on their historic economic performance and our evaluation of their long-term outlook. For the most part, they fall in the category of stable, moderate growth, dividend payers. Our objective is to make about 10% long term through a combination of growth and income. The companies are not what you'd call exciting, which is fine — I don't like excitement when it comes to investing. Over the last 39 and a quarter years, we've averaged 12.1% compounded compared to 9.8% for the S&P 500. One dollar became $88 while the index turned $1 into $39. Our Torray Fund, which started in January 1991, has returned less, about 10%, which reflects the challenges of the last decade. But that's over, and we think the future looks good.

TWST: You said you select companies you like. What defines what you like?

Mr. Torray: A long history of profitable operations, strong competitive position, earnings and dividend growth, high return on equity, significant free cash flow and proven management. With the exception of management these are all relatively easy to evaluate.

TWST: Are there a certain number of stocks you like to have in the portfolio at any one time?

Mr. Torray: We generally invest between 2% and 4% in each position, which pretty much dictates we hold about 30 companies most of the time. The number's 32 now. We're definitely not in the stock-picking game, in other words, looking for big winners to load up on. The objective is to earn a reasonable, low-risk return from the group result, and so far, it's worked out well.

TWST: You said you buy and hold. Do you listen to the market talk that goes on constantly?

Mr. Torray: No. We don't pay attention to any of it, especially the experts on TV. No one can know the future, but these people keep pretending like they do. And even though owning solid companies has paid off over time, a lot of today's market activity centers around seconds, minutes and days. According to the exchange, daily volume averaged 4.4 billion listed shares last year — 1.1 trillion for the year. That's 2.6 times the 415 billion outstanding. In dollar terms, $32 trillion changed hands, twice the size of the economy. If you didn't know better, you'd think it was a joke. After fees, commissions and taxes, investors lost money.

By comparison, look at the founders of some of America's most successful businesses, particularly those that still own a controlling interest or all of their company's stock. I can't imagine any of them obsessing about their net worth every quarter, or selling out because earnings missed expectations and the economy was heading down. For today's investor, it's just the opposite. I've watched this for decades and it never changes. It's human nature, the way people are wired up, and it's why so many do poorly.

TWST: What makes you sell?

Mr. Torray: Deteriorating long-term fundamentals or significant overvaluation. But these factors don't come into play much with the kinds of companies we own.

TWST: Does the extreme volatility we have experienced over the past couple of years impact your investment?

Mr. Torray: No. It goes with the territory. Again, I can't imagine today's multibillionaire corporate founders dumping their stocks because of what the market's doing. Another point is that volatility can produce opportunity if you have money. Unfortunately, when things collapse, most people don't. They're usually up to their eyeballs in stocks bought at inflated prices during a mania like the dot-com bubble, a lot of them on margin. When the market bottomed a few years ago, I can't tell you how many people said to me, "You must be finding a lot of great buys." I said, "Sure, but we already own them, and don't have much cash to buy more. They're down just like everything else and we're not about to sell any of them to buy something else." The whole thing's crazy.

TWST: What are some of the major trends right now?

Mr. Torray: The biggest one seems to be the economy is improving, which is a big plus for investors in quality companies like the ones we own. Hopefully it continues. If it doesn't, we're sticking with our game plan anyway. As I said, trends don't interest us. You either have confidence in the future and what you're doing or you don't. If you do, the outlook doesn't mean anything. Probably 90% of the players in today's market are guessing what's going to happen next and trading to profit from it. They're wasting their time. If our system falters, we think the alternatives to owning large quality companies will do even worse. Government bonds, gold and silver are bets something's going to go wrong — and maybe it will. Our position is the opposite.

TWST: Do sectors play at all in your analysis?

Mr. Torray: Not particularly. Our view is investors should analyze businesses on a case-by-case basis and buy those with proven long-term records regardless of the market sectors they're in. Sector analysis is just another approach to figuring out what's going up the most and when.

Highlights

Robert E. Torray discusses the investment philosophy of Torray LLC and its focus on long-term company fundamentals, not market dynamics. He says for the most part, the companies in his funds fall in the category of stable, moderate growth, dividend payers. Mr. Torray says the objective of his firm is to earn a reasonable, low-risk return from the group result.

TWST: Is there any type of investor your philosophy doesn't work for?

Mr. Torray: Certainly it's not for people focused on short-term gains. Beyond that, I think it's suitable for just about anyone. Obviously, as people get older, there are a lot of issues to consider. In most cases, though, I believe quality stocks should still play a role in almost any portfolio. Unfortunately, though, the overriding message today is that stocks are risky and people have a hard time getting around it. The fact is stocks are just pieces of paper that reflect what investors are thinking at a given point in time, which very often is far removed from reality.

Most investors just can't see the difference between stocks and business fundamentals. If there's risk, and there always is in any investment, it's in the business, and business analysis is what investors should focus on, not what the stock market's doing. Anyone serious about improving returns has to start thinking like an owner instead of an observer. That means focusing on company fundamentals and ignoring the background noise. If they can't do it or get help from a recognized professional with a proven record, and I mean proven, I think the best approach is to buy an index fund.

TWST: Thank you. (LMR)

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The TORRAY FUND

Total Returns *(as of December 31, 2012)*	1 Year	5 Years	10 Years	Since Inception (12/31/90)
The Torray Fund	8.38%	-0.09%	4.37%	9.42%
S&P 500 Index	16.00%	1.66%	7.10%	9.11%

Top Ten Holdings
(as of December 31, 2012)

1.	Wells Fargo & Co.	3.92%	6.	Chubb Corporation	3.67%
2.	IBM Corporation	3.84%	7.	Tupperware Brands Corp.	3.62%
3.	General Electric Co.	3.73%	8.	Eaton Corporation	3.60%
4.	Marsh & McLennan Cos., Inc.	3.73%	9.	Baxter International Inc.	3.49%
5.	Sysco Corporation	3.68%	10.	Johnson & Johnson	3.45%

The returns quoted represent past performance and do not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher. Returns current to the most recent month-end are available by calling 800.443.3036. The returns shown do not reflect the deduction of taxes a shareholder would pay on the redemption of fund shares and distributions. The Fund's gross annual operating expense ratio, as stated in the current prospectus, is 1.17%. Returns on both The Torray Fund and the S&P 500 Index assume reinvestment of all dividends and distributions. The S&P 500 Index is an unmanaged index consisting of 500 U.S. large-cap stocks.

You should consider the investment objectives, risks, charges and expenses of The Torray Funds carefully before investing. A prospectus with this and other information may be obtained at 800.443.3036 or by downloading one from www.torray.com. The prospectus should be read carefully before investing.

The securities mentioned in the article do not represent an offer or recommendation to buy or sell any securities.

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