



Investment management since 1972

Torrrey Large Value

Investment Results

The Large Value Equity Composite returns for the third quarter and year-to-date are shown below, with comparisons to both the S&P 500 and the Russell 1000 Value Index:

	QTD	YTD
Large Value Equity Composite (gross)	4.65%	3.29%
Large Value Equity Composite (net)	4.56%	2.99%
S&P 500	7.71%	10.56%
Russell 1000 Value Index	5.70%	3.92%

Portfolio Activity

In the third quarter Bank of America was trimmed as it traded near portfolio position limits, and Boardwalk Pipeline was sold in response to an offer from Loews Corporation (its parent company) to purchase all outstanding shares not held by Loews. Residual cash during the quarter was used to increase positions in several holdings including General Motors, American International Group, Loews Corporation and IBM.

Market Comments

As this is being written, the equity market is reacting nervously to interest rates not seen since 2011, when rates were still declining after the recession of 2008-09. The Federal Reserve is following its plan to raise short term rates over the next year, and longer-term rates are responding. The 10-year US Treasury yield of 3.25%, for example, is up one percent from a year ago and over two percent from the last low in 2016. (It is interesting to note that the high 10-year yield in 2007 was around 5.25%, and arguably the economy is stronger today.) Rising interest rates would be expected to have a moderating influence on equity valuations, but at this point it would be premature to come to any firm conclusions about an end to this long business cycle. In our opinion, sectors such as financials, industrials and energy remain reasonably valued and should benefit from continued economic strength.

We thank you for your continued support.

Shawn Hendon
October 15, 2018

Jeff Lent

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The S&P 500 Index is a widely recognized unmanaged index of equity prices and is representative of a broader market and range of securities than is found in the composite. The Index returns do not reflect the deduction of expenses, which have been deducted from the composite's returns. The Index return assumes reinvestment of all distributions and does not reflect the deduction of taxes and fees.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Investing involves risk; principal loss is possible. Past performance is not indicative of future results.