



TORRAY LLC

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TorrRayResolute Equity Income Commentary

Market Overview

U.S. equity markets delivered strong returns for the third quarter, in spite of facing a number of challenges including rising interest rates, higher oil prices and continuing trade conflicts. Offsetting these concerns were strong earnings growth, a healthy employment picture, high consumer confidence and modest inflation. As investors marked the tenth anniversary of the start of the financial crisis, and the Federal Reserve continued to step away from its long-held accommodative policy position, the message of the market appeared to be that the economy is prepared to stand on its own.

Portfolio Commentary

The Equity Income Composite returned 5.30% (5.18% net of fees), versus the S&P 500's gain of 7.71% for the third quarter. As interest rates continue their rise from historic lows, income producing investments will continue to reprice. The investments that are able to grow their payouts to shareholders in similar fashion should outperform (reprice higher) over time. We have long expected this move in interest rates and feel that we have the portfolio well positioned for it.

Market breadth has improved as we appear to be transitioning from a liquidity-driven market to a fundamentally-driven market.

During the quarter we sold our position in Old Republic Insurance (ORI) and purchased shares of Cummins Inc. (CMI). Cummins is the largest independent designer, manufacturer, and service provider for diesel and natural gas engines. They also produce and service related components including emission solution systems, turbochargers, filters, fuel systems, and electrical power generation systems. The company's engines are used in heavy, medium and light duty trucking, as well as other industrial applications including commercial marine, agriculture, power generation, mining, and energy. Cummins has maintained (and even modestly grown) its market share in traditional engines while continuing to innovate for a multi-fuel future (including electric). We expect the truck equipment markets to be stronger for longer due to robust freight rates.

Dividend changes during the quarter were as follows:

| Company | Ticker | Dividend Δ |
|-----------------------|--------|-------------------|
| Lockheed Martin | LMT | Increased |
| MGM Growth Properties | MGP | Increased |
| Cummins | CMI | Increased |
| SLM Corp Pfd B | SLMBP | Increased |

Outlook

While economic fundamentals in the U.S. remain favorable, the global picture is mixed. Market risks are elevated due to extended valuations, rising interest rates, emerging inflation and ongoing trade disputes. On a positive note, market breadth has improved as we appear to be transitioning from a liquidity-driven market to a fundamentally-driven market. As always, we remain focused on risk management and view the recent return of volatility as an opportunity to invest in best-in-class businesses at attractive valuations.

As ever, we appreciate your interest and trust.



Jeffrey Lent

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The S&P 500 measures the value of stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite.

The Morningstar Dividend Composite Index captures the performance of all stocks in the US Market Index that have a consistent record of dividend payment and have the ability to sustain their dividend payment.

Dividend changes represent past activity and there is no guarantee dividends will continue to be paid.

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