



TORRAY LLC

Investment management since 1972

Torrrey Large Value

Investment Results

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

	QTD*	1 YR
Large Value Equity Composite (gross)	4.60	6.67
Large Value Equity Composite (net)	4.51	6.28
S&P 500	4.30	10.42
Russell 1000 Value Index	3.84	8.46

*Not annualized.

Portfolio Activity

During the second quarter, positions in Wells Fargo (WFC) and Laboratory Corporation of America (LH) were sold to fund a new purchase of JP Morgan Chase (JPM). WFC remains under regulatory scrutiny and has yet to name a new CEO, while JPM shares had weakened in the second quarter over concerns related to the flattening yield curve. This provided an opportunity to replace WFC with a high-quality money center bank at less than 11x estimated earnings with a 3% current yield. LH shares were sold as it likely faces continued pricing pressure brought on by changing market and regulatory dynamics. In June, DowDuPont (DWD) completed its separation into three companies, Dow (DOW), Dupont (DD) and Corteva (CTVA). We believe each will benefit from improved capital allocation policies as independent businesses. Additional shares of Dow and DowDuPont were purchased prior to the final separation.

At the close of the quarter, the portfolio held 30 positions, the top ten representing 45.6% of the portfolio with cash reserves at 6%.

Market Comments

While year-to-date total returns of the Russell Value 1000 and the SP500 are 16.2% and 18.5%, respectively, it should be noted that corresponding returns since the October 2018 highs are a more modest 2.6% and 2.5%. Volatility has clearly returned, with markets hanging on to every Federal Reserve press release.

With an estimated forward price earnings ratio of 17x, the SP500 earnings yield - estimated earnings divided by price - is roughly 5.9%. This compares favorably to the recent 10-year U.S. Treasury yield of 2.1%, which remains only .50% above the thirty-year lows reached in 2012 and 2016 (but more than 1% below the October/November 2018 level). However, the current U.S. expansion is now the longest on record, and we remain open to the possibility that interest rates may one day more accurately reflect underlying economic activity, as well as the risk adjusted cost of capital. We are particularly comfortable in this environment with the portfolio's modest price earnings ratio of 13x (and above average earnings yield of 7.7%) and believe this will serve our investors well.

We thank you for your continued support.

Shawn Hendon
July 15, 2019

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Brian Zaczynski

Please see page 2 for Disclosures.

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. For additional information about Torray LLC, including fees and services, please contact us or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov). Source: Factset and Torray LLC.

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.