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TorrRayResolute Equity Income Commentary

Market Overview

In spite of escalating US-China trade tensions and signs of moderating economic growth, second quarter equity markets added to strong first quarter gains, producing some of the best first half returns in decades. Much of this can be attributed to the Federal Reserve's policy reversal, which transitioned from tightening last October, to a pause in January, and finally indicating a willingness to cut rates in the coming months following the May meeting. From this perspective, it remains a liquidity-driven market with momentum carrying markets to new highs.

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Portfolio Commentary

During the second quarter, our Equity Income composite gained 3.97% (3.84% net of fees), slightly underperforming the benchmark S&P 500 Index's increase of 4.30%. Information Technology, Industrials and Financials were sources of strength while Health Care and Energy were relative laggards.

During the quarter we purchased shares of Morgan Stanley Preferred A (MS.prA) while removing our position in Aspen Insurance Holdings Preferred A (AHL.prC). With the takeover of Aspen Insurance by private equity firm Apollo Group we feel that the likelihood of a premature call on the preferred shares has risen. The Morgan Stanley preferred is an adjustable rate issue trading at a wide discount to original par value. As such, this fits nicely into our objective of defensive income with some equity participation.

Dividend changes during the quarter were as follows:

Company	Ticker	Dividend Δ
Int'l Business Machines	IBM	Increased
LyondellBasell Industries	LYB	Increased
Phillips 66	PSX	Increased
SLM Corp Pfd B	SLMBP	Increased

Outlook

While global central banks, and now the US Federal Reserve, continue to tout their ability to manage (prolong) the economic recovery, the 10 Year U.S. Treasury yield continues to struggle to rise above 2.5% – in fact dropping to 2% recently. Who really believes 10-year bonds yielding 2% are good value? There seems to be policy groupthink: zero interest rates and as much monetary expansion as necessary, seemingly forever. We maintain, however, that rising

global debt burdens will engender higher interest rates at some point. We remain defensively minded and positioned for higher interest rates.

As ever, we appreciate your interest and trust.



Jeffrey Lent
July 15, 2019

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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.

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.

Source: Factset and Torray LLC.