



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)	8.10	25.71
Large Value Equity Composite (net)	8.01	25.27
S&P 500	9.07	31.49
Russell 1000 Value Index	7.41	26.54

\*Not annualized.

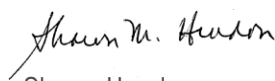
### Portfolio Activity

During the quarter we took partial profits in several holdings which exceeded our position limit of 5%. Additionally, Western Union (WU) and Corteva (CTVA) were sold, as we concluded future reinvestment opportunities were limited. Proceeds were used to add to DuPont (DD) and initiate a new position in Kraft Heinz (KHC). KHC is undergoing management and operational changes focused on re-building sustainable growth and profitability. Its shares trade at 11x forward earnings estimates with a dividend yield of 5.1%. Health Care and Information Technology were among the top contributors to fourth quarter returns, while Energy, Materials and Financials were detractors. It is our view that companies with more business cyclicalty have been overly discounted by the market in favor of companies deemed to offer more stability. The top 10 holdings represent 44.5% of the portfolio, and cash reserves were 6.0%.

### Market Comments

Recovering from the 13.5% decline in the last quarter of 2018, as measured by the Standard & Poor's 500 ("S&P 500"), the market's strong advance in 2019 was due primarily to multiple expansion, i.e., investors' willingness to pay more for a dollar of earnings. Corporate earnings increased only modestly, but the S&P 500 trailing twelve-month price earnings ratio bounced from roughly 17.6x to 22.9x. This can be explained in part by the 10-year US Treasury note yield, which fell from 2.7% to 1.9%, briefly touching 1.5% for the third time since 2012. Nonetheless, with an S&P 500 dividend yield of approximately 1.7% and a forward twelve-month price earnings ratio of 18.5x - which remains above the 10-year average - market returns from here will likely depend on the trend of corporate earnings. In this environment, we are quite comfortable with total return prospects for the value portfolio, which we feel is already priced for modest expectations. The portfolio trades at 13.8x forward earnings (equivalent to an earnings yield of 7.2%) with a 2.4% dividend yield.

We thank you for your continued support.



Shawn Hendon

January 23, 2020



Jeff Lent



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](http://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.

Total returns include the reinvestment of dividends and other earnings. **Investing involves risk; principal loss is possible. Past performance is not indicative of future results.**