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TorraysResolute Equity Income

Market Overview

Equities continued to move higher in the third quarter following the lead of an economic recovery that continues to exceed expectations. The question at the top of most investors' minds concerns the disconnect between the market's performance and the state of the economy. To date, markets have proved to be reasonable discounting mechanisms. They have reflected a positive view of the future, a view largely supported by the unprecedented scale of fiscal stimulus delivered by Congress, and the Federal Reserve's aggressive monetary policy. While there is no shortage of risks for the market to wrestle with in the immediate future, what began as a "liquidity-driven" recovery has made good progress over the past six months and begun to show signs of a sustainability.

Portfolio Commentary

For the third quarter of 2020, the Equity Income composite gained 2.46% (2.33% net of fees) which trailed the Russell 1000 Value Index gain of 5.59% and the S&P 500 which added 8.93%. For the trailing 12 months, the composite returned -1.52% (-2.04% net of fees), outperforming the Russell 1000 Value Index which fell -5.03% but trailing the S&P 500 which gained 15.15%. Growth investing has been the dominant style in 2020, as ultralow interest rates have made future cash flows more valuable today and a deep economic recession has emphasized those companies that can grow their business despite a challenging environment.

There is a sense the easy work has been done. What remains unclear is how the pandemic will reshape industries in the future.

During the quarter, we purchased shares of Comcast Corporation (CMCSA). Comcast is a broadband service provider and owner of the NBC networks and Universal Studios. Recent management commentary indicates that Comcast expects to have a very strong quarter for broadband net subscriber additions. We believe that there are three key factors that are, and will continue to drive robust growth in broadband service over the next several years as new (and existing) households demand: 1) faster and more capable residential Internet (to stream more content); 2) latency sensitive and uplink intensive applications (connections to work); and 3) connection for more devices (the kids are home, too).

The world is being repriced. Everything is going to seek a new value: real estate, stocks, commodities, food, medical costs, college costs, government, entertainment, sporting events, clothes, everything. Some price adjustments will be minor and others very large. While many may be deflationary, we expect some markets and items to see significant price increases. "Inflation" in the traditional sense might be very difficult to calculate and even more difficult to understand. Your personal inflation rate will depend on what you buy. For these reasons, we believe it is more important than ever to own businesses capable and willing to increase their annual payout to shareholders.

Dividend changes during the quarter were as follows:

Company	Ticker	Dividend Δ
Lockheed Martin	LMT	Increased
McDonalds	MCD	Increased
SLM pref. B	SLMBP	Decreased

Outlook

Despite the market's impressive recovery, the economy is not out of the woods yet. The impact of Covid-19 is devastating, leaving sections of the U.S. and global economy severely, if not permanently, damaged. Unemployment remains high at just under 8% with payrolls more than 10 million below pre-pandemic levels. Additional fiscal stimulus is caught in political limbo and election uncertainty continues to weigh on investor and business confidence. There is a sense the easy work has been done. What remains unclear is how the pandemic will reshape industries in the future. These dislocations will certainly present risks and opportunities. As we consider the remainder of the year and beyond, we continue to position the portfolio in what we believe is balanced exposure to "quarantine" or secular growth businesses, and "recovery" or more economically sensitive businesses.

As ever, we appreciate your interest and trust.



Jeffrey Lent

October 15, 2020

Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Qualcomm	Info Tech	5.0	+1.2
Cummins	Industrials	4.7	+1.0
McDonald's	Cons Disc	4.2	+0.8
Broadcom Pfd	Info Tech	4.4	+0.6
Home Depot	Cons Disc	4.7	+0.5
Phillips 66	Energy	3.5	-1.1
Cisco Systems	Info Tech	3.8	-0.6
Gilead Sciences	Health Care	2.9	-0.5
AbbVie	Health Care	4.1	-0.4
CVS Health	Health Care	3.7	-0.4

Top 10 Holdings

Security	% of Holdings
Home Depot	4.9
Broadcom Pfd	4.6
McDonald's	4.5
Qualcomm	4.5
Cummins	4.3
Prudential Financial	4.2
Comcast	4.2
Crown Castle	4.1
JPMorgan Chase	4.0
3M Company	3.9
Percentage of total portfolio	43.2

Holdings are subject to change and are not recommendations to buy or sell a security. To obtain information about the calculation methodology used to select the largest contributors to and detractors from performance or to obtain a list showing every holding's contribution to performance during the measurement period, contact bscalise@torray.com.

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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. 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. Total returns include the reinvestment of dividends and other earnings.

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Source: FactSet and Torray LLC.