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TorrRayResolute Equity Income

Market Overview

During the second quarter, a more balanced view of the economic recovery, interest rates and inflation helped lift equities to record levels. The S&P 500 achieved its fifth consecutive quarterly advance, closing the period 27% above the pre-pandemic highs of February 2020, and 92% above the March 2020 lows. If there ever was a case against market timing, the past 18 months may be among the best. While there is almost nothing typical about the Covid market cycle and it is far too early to conclude that its impact is behind us, it is clear we are on a path where the fundamental building blocks of corporate profits, interest rates and valuation are returning to center stage. With a continued earnings recovery and moderate interest rates, we expect equity investors will be rewarded for their patience and discipline.

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Portfolio Commentary

For the second quarter of 2021, the Equity Income Composite gained 6.43% (6.29% net) which outperformed the Russell 1000 Value Index gain of 5.21% for the quarter. For the trailing twelve-month period the Equity Income Composite gained 37.09% (36.36% net), which trailed the Russell 1000 Value Index gain of 43.68%.

There were four dividend increases announced during the period. No positions were initiated or eliminated from the portfolio.

Increases in the Federal Reserve balance sheet are driving down bond yields and driving up stock prices at the same time, both stimulating the economy. Just 15 months from the pandemic lows, investors face early-cycle timing, mid-cycle conditions and late-cycle valuations. Price fluctuations reflect this across asset classes but are most noticeable in the 10-year treasury yield. Recent price action notwithstanding, we remain defensive and positioned for higher interest rates.

Outlook

With perspective in short supply due to the unique nature of the pandemic and unprecedented central bank actions, markets remain fickle, frequently changing course from one narrative to the next. Rotations between growth and value, large cap and small, domestic and international, occur far more frequently than underlying fundamentals. Beyond the noise, we believe the backdrop remains positive, perhaps even routine. During the first half of the year, the S&P 500 mirrored the rise in earnings estimates, both advancing approximately 15%. Interest rates remained range-bound, the employment picture improved and the Fed's notion that elevated inflation will be temporary remained somewhat of a defensible view. Our strategy remains consistent in maintaining a focus on durable growth, reasonable valuations and effective diversification rather than attempting to time short-term market cycles.

Finally, with heartfelt sadness, we note the passing of our firm's founder and our friend, Robert E. Torray, on May 10th at 84 years old. He was an extraordinarily generous man whose passion and humor brought a smile to all he met. It was a privilege to work with him and he will be greatly missed.

As ever, we appreciate your interest and trust.



Jeffrey Lent

July 21, 2021

Q2 2021 Top Contributors & Detractors

Security	Sector	% Avg. Weight	% Contribution
Blackstone Group	Financials	4.3	+1.3
Prudential Financial	Financials	4.2	+0.6
CoreSite Realty	Real Estate	4.1	+0.5
SLM Corp Pfd B	Financials	4.5	+0.5
Crown Castle	Comm Services	3.6	+0.5
Cummins	Industrials	3.9	-0.2
Altria Group	Cons Staples	3.6	-0.2
KLA Corporation	Info Tech	3.7	-0.1
Amgen	Health Care	3.7	-0.1
LyondellBasell Industries	Materials	3.7	0.0

Q2 2021 Top 10 Holdings

Security	% Holdings
SLM Corp Pfd B	4.7
CoreSite Realty	4.3
Blackstone Group	4.3
Paychex	4.3
Broadcom Pfd A	4.2
Genuine Parts	4.2
Prudential Financial	4.1
Lockheed Martin	4.1
Amgen	4.0
Phillips 66	4.0
Percentage of total portfolio	42.2

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 bsccal@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. You cannot invest directly in an index.

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

Source: FactSet and Torray LLC.