



Firm		Strategy		
Founded	1972	The objectives are to earn a high and growing dividend yield while balancing capital preservation with growth of capital.	Inception	4/01/05
Headquarters	Bethesda, Maryland		Benchmark	Russell 1000® Value
Ownership	100% Employee Owned	The strategy employs a concentrated portfolio and invests across the capital structure in predominately large capitalization companies with records of stable and growing revenues, earnings, cash flows and dividends.	Portfolio Manager	Jeffrey Lent
Firm Assets ¹	\$859M		Investment Committee	James Bailey, CFA
Firm AUM	\$655M			Shawn Hendon, CFA
Employees	10			Jeffrey Lent
				Brian Zaczynski, CFA

¹ Firm assets includes non-discretionary UMA assets under advisement.

Equity Income Composite

The Equity Income Composite's first quarter 2022 return was .05% (-0.09% net of fees), modestly outperforming the benchmark Russell 1000 Value Index's -0.74%. We are more encouraged with the relative returns over the past twelve months: 17.67% (17.04% net of fees) for the Composite vs the benchmark's 11.67%.

During the quarter, we sold two positions, Cummins Engine (CMI) and Comcast (CMCSA) and added T. Rowe Price Group (TROW) in their place. Cummins, facing supply constraints and other rising cost inputs (labor, freight, etc.) announced much lower profit margin expectations. Coupled with shifting corporate capital toward product R&D, we felt dividend growth would be more robust elsewhere. Comcast, a recent new holding, was sold not for company specific reasons, but to fund the opportunity presented by a sharp sell-off in TROW. As investors discounted the economic growth impact of central bank tightening, capital markets reacted sharply lower. The selling was heaviest in growth stocks which carried over into the growth stock manager, TROW. We believe this is "guilt by association" and unwarranted. T. Rowe Price Group is a financial service holding company with \$1.6 trillion in assets under management. The company has strong brands, competitive proprietary mutual funds and a long history of conservative financial management. The dividend has been raised for 35 consecutive years, including 15% annually compounded over the past five years.

Loyal readers have long endured my calls for higher interest rates. It only took 15 ish years, but here they are. We remain defensive, opportunistic, and seeking stable, growing cash flows into the portfolio.

Market

Often, the first quarter of a new calendar year is marked by volatility, as investors question old assumptions and rebalance portfolios. 2022 certainly started this way, with the COVID pandemic giving way to violence in Ukraine. Inflation, broadly impacting the entire global economy, threatens to force interest rates higher, slow demand and change public policy in unknown ways. As the quarter continued and war ground on, the market began to digest these factors, aided by a Federal Reserve road map that investors are seemingly able to live with. At the quarter's conclusion, this relief produced upward pressure on stock prices, especially those of beaten down aggressive growth companies. The S&P 500's quarterly return was -4.60%.

Looking ahead, our concern is that global central banks do not cooperatively act to reduce inflationary pressures. If the U.S. goes solo, it will likely leave the Dollar exposed and produce further unsatisfactory inflation. On the other hand, if central banks can coordinate policy, this will increase the probability of a "soft-landing" (reduced inflationary pressures without the associated recession) and the outlook for 2023 could be solid. The latter case is Torrays's operating forecast right now.

Correlation

We attempt to build concentrated portfolios diversified to many risks, but sometimes capital markets get run over by macro events. Our work utilizes correlation coefficients, a by-product of linear regression, and like most quantitative methods, relies on historical data as inputs. As such, it suffers from the possibility that future outcomes may differ from the past. The analysis can also fail during strong negative markets, exactly when the value of diversification is most beneficial. Examples include the oil crash of 2015 and the inflation worries impacting financial markets in the quarter just finished. Despite these more short-term limitations, we maintain the tool is valuable over time. It helps us to construct portfolios with far fewer stocks than peers and benchmarks while still addressing the need to manage risk. This means we invest only in our highest conviction ideas, owning more of each, and avoid dilution by what we consider lower quality prospects. Our job as active analysts is to balance the elements of judgment, prudence and aggressiveness, striving to optimize this process and your risk-adjusted return.

Annualized Total Returns (%)							
Rolling Returns	MRQ ²	YTD ²	1-Year	3-Year	5-Year	10-Year	ITD
TEI Comp. (gross)	0.1	0.1	17.7	15.6	13.1	11.9	11.3
TEI Comp. (net)	-0.1	-0.1	17.0	15.0	12.5	11.2	10.5
Russell 1000 Value	-0.7	-0.7	11.7	13.0	10.3	11.7	8.2
S&P 500	-4.6	-4.6	15.6	18.9	16.0	14.6	10.4

² Most Recent Quarter (MRQ) and Year-to-date (YTD) not annualized.
As of 03/31/22. Torray Equity Income Inception: 4/1/05.

Calendar Year Returns (%)										
Year End	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
TEI Comp. (gross)	30.6	3.5	28.1	-6.6	21.2	24.5	-10.0	11.9	15.4	13.1
TEI Comp. (net)	29.9	2.9	27.4	-7.1	20.5	23.8	-10.5	11.2	14.5	12.2
Russell 1000 Value	25.2	2.8	26.5	-8.3	13.7	17.3	-3.8	13.5	32.5	17.5
S&P 500	28.7	18.4	31.5	-4.4	21.8	12.0	1.4	13.7	32.4	16.0

Portfolio Characteristics							
Portfolio Statistics	Portfolio	Russell 1000 Value	Sector Allocation	% Portfolio	Russell 1000 Value	Top 10 Holdings	% Portfolio
Holdings	23	848	Info Tech	20	10	Amgen Inc.	5.7
Avg. Mkt. Cap. \$B (wtd)	112	169	Financials	20	21	LyondellBasell Industries NV	5.3
ROE (1 yr)	40%	18%	Health Care	14	18	Broadcom Inc. Pfd Series A	4.9
Dividend Yield	3.2%	1.9%	Cons. Disc.	12	5	Phillips 66	4.7
Turnover	47%	10%	Energy	9	7	Home Depot, Inc.	4.6
EPS Growth	8%	13%	Industrials	8	11	Prudential Financial, Inc.	4.3
EPS Variability	46%	53%	Materials	5	4	Crown Castle International Corp	4.2
Standard Deviation	16%	16%	Real Estate	4	5	Enbridge Inc.	4.1
Alpha	3.3%		Cons. Staples	4	7	Lockheed Martin Corp	4.1
Beta	0.92		Comm. Services	0	7	T. Rowe Price Group	4.1
Up Market Capture	101%		Utilities	0	5	Total	46.0
Down Market Capture	90%		Cash	4	0		

Figures are dollar-weighted averages, unless noted. Shaded Portfolio Statistics are 5-yr averages. Strategy holdings and sector allocations are subject to change and should not be considered a recommendation to buy or to sell any security. **Past performance and dividend yield are no guarantee of future results. See performance footnotes.** Source: FactSet and Torray, LLC.

Torray Equity Income Composite includes all discretionary fee-paying portfolios over \$150 thousand managed under the Torray equity income strategy. The strategy focuses on companies that pay stable and rising cash distributions to shareholders and investments may vary across the capital structure, including common and preferred stock, and convertible debt. For comparison purposes, the composite is measured against the Russell 1000® Value and the S&P 500 indices. The primary benchmark is the Russell 1000® Value. 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. Prior to 1/1/2020, the S&P 500 Index was the Composite's primary benchmark and was replaced with the Russell 1000® Value because it is more relevant. This decision was made based on an analysis and comparison of characteristics data and review of other similar products. Effective 1/1/2020, the S&P 500 Index is the Composite's secondary benchmark. The S&P 500 measures the value of stocks off the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite. In 2018, the Morningstar® Dividend Composite Index was removed as the Composite's secondary benchmark due to the difficulty in obtaining and consistently updating the benchmark's performance statistics and risk characteristics. Prior to July 1, 2010, this composite was managed by Resolute Capital Management LLC (Resolute). Resolute joined Torray when Torray purchased a majority share of Resolute on July 1, 2010.

Torray LLC is an independent registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The firm maintains a complete list and description of composites and broad distribution pooled funds, which is available upon request. To obtain a GIPS Report for the strategy presented, please contact the firm using the phone number listed below.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross or net of foreign withholding taxes on dividends, interest income, and capital gains depending on the custodian. Withholding taxes may vary according to the investor's domicile. Past performance is not indicative of future results. GIPS® is a registered trademark of the CFA Institute. The CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The management fee schedule is as follows: 1.00% on assets up to \$5 million, 0.75% on next \$20 million, 0.50% on next \$175 million, 0.375% on next \$100 million, and 0.25% on balance. Actual investment advisory fees incurred by clients may vary. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Composite was created July 1, 2010 and has an inception date of April 1, 2005. Prior to January 1, 2022, the composite was known as the Torray/Resolute Equity Income Composite.

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