



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	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.	Benchmark Russell 1000® Value
Ownership	100% Employee Owned		Portfolio Manager Jeffrey Lent
Firm Assets ¹	\$757M		Investment Committee James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA
Firm AUM	\$556M		
Employees	10		

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

Equity Income Composite

The Equity Income Composite outperformed its primary benchmark, the Russell 1000 Value Index over the quarter (-8.86% gross, -8.99% net of fees vs -12.21% for the Index) and the trailing twelve months (0.77% gross, 0.22% net vs -6.82% for the Index). We view the strong outperformance as indicative of the quality underlying businesses in the portfolio. While economic cycles (recessions) are inevitable and necessary, a profitable well-run company operating in a growing and relevant industry can be expected to navigate such difficulties with a higher probability positive outcome. This is even more pronounced when that company consistently earns, pays, and grows its cash dividend payout to shareholders.

Market

What strikes us about the current situation is how much it reads like a textbook: (1) Policy makers respond to acute event (pandemic) with large, coordinated stimuli; (2) demand surges but supply does not, instead suffering through lockdowns, low investment, logistical bottlenecks, and war; (3) inflation is the predictable result, first in financial assets and then in real assets. The surprise has been the speed and depth of the deflation in financial prices. The S&P 500's quarterly return is -16.10% and -10.62% over trailing year. Through 6/30, the S&P 500 lost a staggering \$8 trillion of value in 2022. Behind the benchmarks, many individual stocks are down more than 50% and damage in higher risk assets like crypto currencies is worse. Bonds have not been safe havens either.

How bad will the resulting economy be? We believe a broad slowdown is moving rapidly, like it has already with financial assets; seemingly everyone acts in sync and quickly, as news does not 'trickle out' anymore. Weakness is already apparent. Our most important forecast is that inflation will moderate over the next six months or so, reducing the need for dangerously high interest rates. If so, we expect volatility will decline, and conditions should normalize with underlying demand and employment remaining solid if not strong.

In the meantime, we are busy evaluating our portfolios, using large price moves as opportunities to upgrade to what we consider to be better relative opportunities and/or reduce portfolio risk. It is important to remember that volatility is a normal and necessary part of owning long-term investments, and that good businesses tend to emerge from downturns in strong shape, sometimes better than the way they went in. We remain focused on investing in these types of outcomes.

Risk Adjusted Growth

We employ several quantitative tools in our fundamental research process. One of the more important tools we use is called Risk Adjusted Growth (RAG). RAG helps us identify companies offering consistent growth. In turn, we believe stocks of these companies potentially produce consistent returns over the long-term. The tool allows us to evaluate large numbers of stocks rapidly and repeatedly, over multiple time periods and using different financial metrics. Stocks with favorable profiles are then evaluated more extensively for introduction into any of the firm's four strategies. While the past never guarantees future performance, our RAG process helps us focus analysis on the financial characteristics important to investment returns, especially in challenging moments like the present.

Annualized Total Returns (%)							
	MRQ ²	YTD ²	1-Year	3-Year	5-Year	10-Year	ITD
TEI Comp. (gross)	-8.9	-8.8	0.8	10.7	10.3	10.6	10.5
TEI Comp. (net)	-9.0	-9.1	0.2	10.1	9.7	9.9	9.8
Russell 1000 Value	-12.2	-12.9	-6.8	6.9	7.2	10.5	7.3
S&P 500	-16.1	-20.0	-10.6	10.6	11.3	13.0	9.2

² Most Recent Quarter (MRQ) and Year-to-date (YTD) not annualized.
As of 06/30/22. 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	859	Info Tech	20	10	Amgen Inc.	5.4
Avg. Mkt. Cap. \$B (wtd)	100	145	Financials	20	19	Qualcomm Incorporated	5.2
ROE (1 yr)	41%	18%	Health Care	14	17	LyondellBasell Industries NV	5.0
Dividend Yield	3.7%	2.2%	Cons. Disc.	13	6	Gilead Sciences, Inc.	4.6
Turnover	28%	11%	Industrials	8	10	Home Depot, Inc.	4.6
EPS Growth (est.)	9%	9%	Energy	8	7	Genuine Parts Company	4.5
EPS Variability	46%	53%	Materials	5	4	SLM Corp Pfd Shs Series B	4.4
Standard Deviation	16%	17%	Real Estate	4	5	AbbVie, Inc.	4.3
Alpha	3.5%		Cons. Staples	3	7	Crown Castle International Corp	4.3
Beta	0.93		Comm. Services	0	8	Enbridge Inc.	4.3
Up Market Capture	103%		Utilities	0	6	Total	46.6
Down Market Capture	92%		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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