



Firm		Strategy		
Founded	1972	The objectives is to build wealth over time by investing in a limited number of large-capitalization companies, using a value-oriented approach to security selection.	Inception	12/31/72
Headquarters	Bethesda, Maryland		Benchmark	Russell 1000® Value
Ownership	100% Employee Owned	The strategy focuses on companies with demonstrated records of profitability, conservative financial structures and shareholder-oriented management.	Portfolio Manager	Shawn Hendon Jeffrey Lent
Firm Assets <sup>1</sup>	\$757M		Investment Committee	James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA
Firm AUM	\$556M			
Employees	10			

<sup>1</sup> Firm assets includes non-discretionary UMA assets under advisement.

### Large Value Composite

The Large Value Equity Composite second quarter return was -11.70% (-11.95% net of fees) compared to -12.21% for the Russell 1000 Value Index and -16.10% for the S&P500. Over the past twelve months the Composite return was -5.04% (-6.00% net of fees) versus -6.82% for the Russell 1000 Value Index and -10.62% for the S&P500. After many years of massive monetary and fiscal stimulus, a different reality has been facing markets in 2022. Inflation is high and the Federal Reserve is raising rates to dampen demand. This is having the predictable impact on stock valuations, as the forward twelve-month price/earnings ratio for the Standard & Poor's 500 has fallen from 21.5x at year end 2021 to 15.9x at the end of the second quarter.

The Value portfolio consists of growing businesses whose shares we consider to be modestly valued, and as a group these holdings have been relatively defensive this year. The "real world" has returned, including a return to the pricing of risk, and we believe portfolio companies have the characteristics to compete, grow and provide satisfactory results.

VMware, Inc. (VMW) was sold in response to an announced takeover by Broadcom Inc., and Comcast (CMCSA) was eliminated due to our assessment of increased competition in its primary businesses.

### 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 (%)							
Rolling Returns	MRQ <sup>2</sup>	YTD <sup>2</sup>	1-Year	3-Year	5-Year	10-Year	ITD
<b>TLCV Comp. (gross)</b>	-11.7	-9.5	-5.0	6.4	6.8	10.2	11.5
<b>TLCV Comp. (net)</b>	-12.0	-10.0	-6.0	5.5	6.0	9.4	10.5
<b>Russell 1000 Value</b>	-12.2	-12.9	-6.8	6.9	7.2	10.5	N/A
<b>S&amp;P 500</b>	-16.1	-20.0	-10.6	10.6	11.3	13.0	9.2

<sup>2</sup> Most Recent Quarter (MRQ) and Year-to-date (YTD) not annualized.  
As of 06/30/22. Torray Large Value Inception: 12/31/72.

Calendar Year Returns (%)										
Year End	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>TLCV Comp. (gross)</b>	22.1	1.3	25.7	-9.9	16.7	15.9	-0.5	12.6	32.4	9.2
<b>TLCV Comp. (net)</b>	22.0	1.1	25.3	-10.2	16.2	15.1	-0.9	12.0	31.7	8.6
<b>Russell 1000 Value</b>	25.2	2.8	26.5	-8.3	13.7	17.3	-3.8	13.5	32.5	17.5
<b>S&amp;P 500</b>	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	<b>27</b>	859	Financials	<b>29</b>	19	Berkshire Hathaway Inc. Cl B	<b>5.5</b>
Avg. Mkt. Cap. \$B (wtd)	<b>205</b>	145	Health Care	<b>13</b>	17	General Dynamics Corp.	<b>5.1</b>
ROE (1 yr)	<b>21%</b>	18%	Industrials	<b>11</b>	10	Marsh & McLennan Cos., Inc.	<b>4.9</b>
Dividend Yield	<b>2.1%</b>	2.2%	Info. Tech.	<b>9</b>	10	UnitedHealth Group Inc.	<b>4.3</b>
Turnover	<b>18%</b>	11%	Cons. Staples	<b>8</b>	7	Johnson & Johnson	<b>4.2</b>
EPS Growth (est.)	<b>25%</b>	9%	Energy	<b>8</b>	7	Bristol-Myers Squibb	<b>4.2</b>
EPS Variability	<b>48%</b>	53%	Cons. Disc.	<b>7</b>	6	Kraft Heinz Company	<b>3.9</b>
Standard Deviation	<b>16%</b>	17%	Comm. Services	<b>6</b>	8	Altria Group Inc.	<b>3.7</b>
Alpha	<b>-11.0</b>		Materials	<b>3</b>	4	Fiserv, Inc.	<b>3.4</b>
Beta	<b>0.98</b>		Real Estate	<b>0</b>	5	JPMorgan Chase & Co.	<b>3.4</b>
Up Market Capture	<b>99%</b>		Utilities	<b>0</b>	6	<b>Total</b>	<b>42.7</b>
Down Market Capture	<b>100%</b>		Cash	<b>8</b>	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 is not indicative of future results. See performance footnotes.** Source: FactSet and Torray, LLC.

The Large Value Equity Composite includes all discretionary portfolios managed under the Torray large cap value strategy. 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 June 30, 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 June 30, 2020, the S&P 500 Index is the Composite's secondary benchmark. 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. Prior to January 1, 2019, the name of the composite was Equity Composite. Torray LLC claims compliance with the Global Investment Performance Standards (GIPS®).

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. 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 with the exception of ITD performance that was calculated using the maximum management fee. Net of fee performance was calculated using actual management fees since 2015. The management fee schedule is as follows: 1.00% on 1st \$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.

The Large Value Equity Composite was created on December 31, 1997 and has an inception date of December 31, 1972. Performance presented prior to October 1, 2005 occurred while the Portfolio Management Team was affiliated with Robert E. Torray & Co. Inc. and the Portfolio Management Team members were the only individuals responsible for selecting the securities to buy and sell. An independent verification firm performed an examination of this track record; an Independent Verifier's Report is available upon request.

## Contact

### Client Relations & Marketing

Breck Scalise, *Director*

[bscalise@torray.com](mailto:bscalise@torray.com)

### Investment Operations

Janet Gallagher, *Director*

[operations@torray.com](mailto:operations@torray.com)

301.493.4600

855.753.8174 (toll free)

[www.torray.com](http://www.torray.com)