



Firm

Founded	1972
Headquarters	Bethesda, Maryland
Ownership	100% Employee Owned
Firm Assets <sup>1</sup>	\$697M
Firm AUM	\$528M
Employees	11

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

Strategy

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.

The strategy focuses on companies with demonstrated records of profitability, conservative financial structures and shareholder-oriented management.

Inception	12/31/72
Benchmark	Russell 1000® Value
Portfolio Manager	Shawn Hendon Jeffrey Lent
Investment Committee	James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA

Large Value Composite

For the quarter, the Large Cap Value Composite outperformed its benchmark, the Russell 1000 Value Index, returning -3.08% gross (-3.33% net of fees), vs. -5.62% for the Index. Over the past twelve months the Composite's return of -7.25% gross (-8.19% net of fees) also exceeded the Index's -11.36% return. As interest rates rise with inflation and pressure equity multiples, we believe the Composite's strong relative returns are the result of our focus on investing in a diversified portfolio of profitable companies at modest valuations.

During the quarter, we acted to reduce year-to-date gains in client portfolios, including the sale of Applied Materials (AMAT), Renaissance Re (RNR) and Fiserv (FISV). These positions may be reestablished in the fourth quarter. The only new investment was Qualcomm (QCOM), the global leader in the licensing and development of wireless technology and chips for smartphones. We anticipate growth from the increasing chip content across many applications, including automotive (e.g. Advanced Driver Assistance Systems (ADAS)) and autonomous vehicles and intelligence.

Market

The third quarter of 2022 was challenging. Although stock indices in general declined modestly – the S&P 500 was only down 4.88% – macroeconomic indicators sharply deteriorated. The core of the problem is the conflicting direction of expansionary fiscal policy and tightening monetary policy. The Federal government is working against itself, using massive programs measured in trillions of dollars with long time lags to implement. The dangers, of course, are the potential outcomes on either side of these policies: tight monetary policy risks a recession, and easy fiscal policy continues to fuel inflation. These negatives reduce the positive impacts of improving supply and labor market durability, factors we were hoping would produce a 'soft landing' (reduced inflation without a recession). We are pushing out our forecast for a better economy in 2023, although we expect financial markets to recover before the economy.

In this volatile environment, the investment team is attempting to upgrade the portfolio by buying stocks of companies we believe are well positioned, funded by capital from selling companies in which we have lower conviction. Historically, bear markets increase the correlation of equity returns as fear displaces rational decision making, causing investors to react negatively and often without regard to fundamentals. We think this anomaly is exploitable by long-term investors with the discipline to act, like in 2001/02 and again in 2008. With this objective, we are reviewing the entire portfolio and prospects, asking the questions "to what degree has our investment thesis been impaired?" and "is the investment attractive relative to the available opportunity set?" As we answer these questions, portfolio activity has modestly increased compared to past levels. Our emphasis on attractive business models and risk management is unchanged.

Concentration

We purposefully construct portfolios that generally range between 20 to 30 companies, fewer positions than many of our peers. Our decades of experience have taught us the value of only investing in our highest conviction ideas while remaining focused on effectively managing risk by diversifying across themes and economic factors. A core part of our process is the use of correlation analysis of portfolio holdings to each other and to broader factors (we highlighted this process in the 1st quarter 2022 letter). This quantitative analysis supplements our bottom-up research, allowing us to construct concentrated, yet diversified portfolios more confidently. This also means we avoid investments we judge to be low-quality and high-risk. If we are doing our jobs correctly, we attempt to reduce the probability of incurring negative outcomes over time. As such and somewhat contrary to accepted theory, concentration – in our view – is an important risk management tool.

Firm News

Torrays appointed Bryan Leibrand, CIMA® to the newly created role of Director of Business Development in September 2022. Mr. Leibrand has over 23-years of experience in the investment management industry. You can reach Bryan at bleibrand@torrays.com or (301) 493-4600, ext. 225.

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>	-3.1	-12.2	-7.3	5.5	5.4	9.4	11.4
<b>TLCV Comp. (net)</b>	-3.3	-12.9	-8.2	4.5	4.6	8.5	10.4
<b>Russell 1000 Value</b>	-5.6	-17.8	-11.4	4.4	5.3	9.2	N/A
<b>S&amp;P 500</b>	-4.9	-23.9	-15.5	8.2	9.2	11.7	10.2

<sup>2</sup> Most Recent Quarter (MRQ) and Year-to-date (YTD) not annualized.  
As of 09/30/22. 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>25</b>	855	Financials	<b>28</b>	20	Berkshire Hathaway Inc. Cl B	<b>5.6</b>
Avg. Mkt. Cap. \$B (wtd)	<b>212</b>	135	Health Care	<b>12</b>	17	General Dynamics Corp.	<b>5.1</b>
ROE (1 yr)	<b>23%</b>	18%	Industrials	<b>12</b>	10	T. Rowe Price Group	<b>4.9</b>
Dividend Yield	<b>2.4%</b>	2.4%	Energy	<b>9</b>	8	Marsh & McLennan Cos., Inc.	<b>4.8</b>
Turnover	<b>17%</b>	11%	Cons. Disc.	<b>8</b>	6	Alphabet Inc. Class A	<b>4.7</b>
EPS Growth (est.)	<b>11%</b>	9%	Comm. Services	<b>8</b>	8	General Motors Company	<b>4.4</b>
EPS Variability	<b>46%</b>	53%	Cons. Staples	<b>7</b>	7	UnitedHealth Group Inc.	<b>4.3</b>
Standard Deviation	<b>18%</b>	18%	Info Tech	<b>6</b>	9	Eaton Corp. Plc	<b>4.1</b>
Alpha	<b>0.3%</b>		Materials	<b>3</b>	4	Johnson & Johnson	<b>4.0</b>
Beta	<b>0.97</b>		Real Estate	<b>0</b>	5	Bristol-Myers Squibb Company	<b>3.9</b>
Up Market Capture	<b>99%</b>		Utilities	<b>0</b>	6	<b>Total</b>	<b>45.9</b>
Down Market Capture	<b>99%</b>		Cash	<b>6</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.

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