

Firm		Objective	
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	The strategy focuses on companies with demonstrated records of profitability, conservative financial structures and shareholder-oriented management.	Benchmark Russell 1000® Value
Ownership	100% Employee Owned		Portfolio Manager Shawn Hendon Jeffrey Lent
Firm Assets <sup>1</sup>	\$746M		Investment Committee James Bailey, CFA Shawn Hendon, CFA Jeffrey Lent Brian Zaczynski, CFA
Firm AUM	\$581M		
Employees	11		

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

## Large Value Equity (LVE) Composite

The LVE Composite rose 13.7% gross (13.4% net of fees) in the quarter, surpassing the Russell 1000 Value Index which rose 12.4%. For the year, the composite returned -0.2% gross (-1.2% net of fees), compared to -7.5% for the Index. Largest sector contributors for the quarter included Financials, Energy, and Industrials, while the largest detractor was Communication Services.

During the quarter, we eliminated one holding and initiated three new positions. While we continue to like industry fundamentals supporting automotive aftermarket retail, we sold Genuine Parts Company (GPC) to take advantage of its recent price strength and redeployed proceeds into Advance Auto Parts, Inc. (AAP), whose shares have lagged a strong group (including GPC). AAP has suffered from inconsistent business results, largely in supply chain and distribution challenges. We believe corporate management is implementing a reasonable plan to resolve the issues and achieve operational metrics closer to peers. As interest rates rose throughout the year, shares of home building and construction companies weakened, providing the opportunity to purchase Home Depot, Inc. (HD) and Lennar Corporation Class B (LEN.B). In our opinion, both are leaders in their respective industries and should benefit from favorable housing demographics in the coming years. Following wash sale activity in the third quarter, we re-established positions in Applied Materials, Inc. (AMAT) and Fiserv, Inc. (FISV).

## Market

Promising signs of economic healing helped the S&P 500 gain 7.6% in the fourth quarter. However, the S&P 500 closed the year in negative territory (-18.1%), making 2022 the worst stock market since 2008. This decline is not a disaster when viewed with a long-term orientation. Instead, it reflects necessary corrections in excess risk-taking across a few areas of financial markets. Part of the 'deal' of long-term equity ownership is that periods of success tend to stoke investor greed, which must be 'cleared' through periodic market correction to help prevent it from becoming a bigger problem (e.g., the 2008 Global Financial Crisis and the 2001/02 Internet Bust). Encouragingly, lots of greed was cleared in 2022 and so far, contagion into broader financial markets and the real economy has been limited. Cryptocurrencies and the FTX collapse have not locked up currency markets, nor has the dramatic pullback in demand for highly speculative stocks had much impact beyond the talking heads and internet pundits. Investors and capital users are still accessing the financial system to accomplish objectives, including earning a fair return and funding innovation and expansion.

As 2023 starts, global markets and economies still face significant challenges, including inflation, security threats and perhaps most significantly, an unclear free trade outlook, especially around China's long-term future. Despite these conditions, we are increasingly positive on equity markets. It's likely we are already in, or soon will be in, a recession, but we do not believe it will be deep. Central banks are seemingly close to moderating rate hikes. Regarding fiscal policy, it remains expansive with large deficits for the foreseeable future, but this is a factor against a deep recession. Most importantly, we continue to find many companies profitably innovating and increasing productivity. With the markdown in the prices of their stocks, we think select investments offer attractive return potential for long-term investors.

## Creativity: an underappreciated aspect of our process

Every investment is subject to many risks, some affecting all or most investments and others only impacting the specific company. How can a portfolio of investments be constructed to improve the probability of achieving a desired return with the least risk possible? We have built and use quantitative tools to assist our process, but, like all models based on historical inputs, the future is rarely a perfect copy of the past. A degree of 'art' is also required. We think these challenges require creative problem solving fueled by intellectual curiosity.

Creativity in investment management entails a willingness to think differently than peers and the confidence to express our views through a portfolio of differentiated holdings. We believe hard work is the starting point for this process. Analysis must go beyond the one or two companies competing for capital to include researching the industry's structure, competitors, suppliers, and customers. Thinking creatively can enhance this research, which, in our view, may lead to better outcomes. For example, a measure of creativity in our process has allowed us to: uncover underappreciated insight about a larger company's subsidiary and apply that knowledge by investing in a smaller company; mitigate potential negative outcomes by swapping a holding for a similar one with a more attractive business model; purposefully buy an investment to offset another's risk. However, we will pass on potential opportunities when we cannot find acceptable solutions to effectively diversify particular risks. While market volatility cannot be eliminated and unknown risks occasionally surface, we believe our ability to think creatively is essential to successfully managing long-term portfolios.

## New Name: a reflection of our heritage and purpose

We have a new name! Torray LLC is now Torray Investment Partners (TIP). The new name reflects our heritage (50 years in the business of managing client assets), what we do (concentrated investing with a long-term perspective), and how we strive to conduct business (as partners to those who value integrity, consistency, and client service excellence). We look forward to sharing more about this exciting evolution in the future.

Annualized Total Returns (%)							
	MRQ <sup>2</sup>	YTD	1-Year	3-Year	5-Year	10-Year	ITD
<b>LVE Composite (gross)</b>	<b>13.7</b>	<b>-0.2</b>	<b>-0.2</b>	<b>7.3</b>	<b>6.9</b>	<b>10.9</b>	<b>11.6</b>
<b>LVE Composite (net)</b>	<b>13.4</b>	<b>-1.2</b>	<b>-1.2</b>	<b>6.2</b>	<b>6.1</b>	<b>10.0</b>	<b>10.6</b>
Russell 1000 Value	12.4	-7.5	-7.5	6.0	6.7	10.3	N/A
S&P 500	7.6	-18.1	-18.1	7.7	9.4	12.6	10.3

<sup>2</sup> Most Recent Quarter (MRQ) not annualized.  
As of 12/31/22. LVE Composite Inception: 12/31/72.

Calendar Year Returns (%)										
Year End	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>LVE Composite (gross)</b>	<b>-0.2</b>	<b>22.1</b>	<b>1.3</b>	<b>25.7</b>	<b>-9.9</b>	<b>16.7</b>	<b>15.9</b>	<b>-0.5</b>	<b>12.6</b>	<b>32.4</b>
<b>LVE Composite (net)</b>	<b>-1.2</b>	<b>22.0</b>	<b>1.1</b>	<b>25.3</b>	<b>-10.2</b>	<b>16.2</b>	<b>15.1</b>	<b>-0.9</b>	<b>12.0</b>	<b>31.7</b>
Russell 1000 Value	-7.5	25.2	2.8	26.5	-8.3	13.7	17.3	-3.8	13.5	32.5
S&P 500	-18.1	28.7	18.4	31.5	-4.4	21.8	12.0	1.4	13.7	32.4

Portfolio Characteristics							
Portfolio Statistics	Portfolio		Sector			Top 10 Holdings	
	Portfolio	Index	Allocation	% Portfolio	% Index		% Portfolio
Holdings	<b>30</b>	852	Financials	<b>26</b>	20	Berkshire Hathaway Cl. B	<b>5.7</b>
Avg. Mkt. Cap. \$B (wtd)	<b>206</b>	151	Industrials	<b>12</b>	10	General Dynamics Corp.	<b>4.2</b>
ROE (1 yr)	<b>24%</b>	18%	Health Care	<b>11</b>	17	Marsh & McLennan Cos., Inc.	<b>4.2</b>
Turnover	<b>24%</b>	11%	Cons. Disc.	<b>11</b>	6	UnitedHealth Group Inc.	<b>4.0</b>
EPS Growth (est.)	<b>10%</b>	9%	Info Tech	<b>11</b>	9	Eaton Corp. Plc	<b>3.9</b>
EPS Variability	<b>37%</b>	43%	Energy	<b>9</b>	8	Johnson & Johnson	<b>3.8</b>
Standard Deviation	<b>19%</b>	19%	Cons. Stpls.	<b>7</b>	7	Kraft Heinz Company	<b>3.8</b>
Alpha	<b>0.4%</b>		Comm. Svcs.	<b>6</b>	7	Altria Group Inc.	<b>3.7</b>
Beta	<b>0.99</b>		Materials	<b>2</b>	4	Bristol-Myers Squibb	<b>3.5</b>
Up Market Capture	<b>101%</b>		Utilities	<b>0</b>	6	Honeywell International	<b>3.4</b>
Down Market Capture	<b>100%</b>		Real Estate	<b>0</b>	5	<b>Total</b>	<b>40.2</b>
			Cash	<b>5</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 Investment Partners.

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 Investment Partners 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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