

Large Value Equity Strategy (LVE)

Quarterly Commentary

Portfolio Update

After more than a decade of aggressive monetary easing and fiscal stimulus, financial markets have been adjusting to the fastest pace of interest rate hikes in 40 years. Along with the predictable tightening of credit conditions in such sectors as autos and housing, there have been several surprises including the closure/bankruptcies of several regional banks and cryptocurrency firms. With equity valuations still above long-term averages, markets could be vulnerable to further disappointments. While the Composite will not be immune to market declines, we believe portfolio companies are well-positioned to navigate, and even benefit from, business challenges that may arise.

The only portfolio activity was the sale of DuPont de Nemours (DD) and the reallocation of proceeds among several existing holdings.

Defining A “TIP-Quality” Business

Today’s 24/7 information cycle requires analysts to process an abundance of information, but, importantly, to ignore frequent distractions. A clear definition of the investment characteristics we seek helps us navigate through this maze. Broadly, we look for three specific characteristics: (1) high quality business offering outstanding products/services, (2) attractive risk profile, and (3) trusted management team. We call qualifying investments “TIP-Quality Businesses” (TIP is the abbreviation of Torray Investment Partners).

We favor businesses that produce consistent growth derived from recurring revenue, noncyclical products, and durable profit margins. On risk, we look for investments that offer a diversified profile, based on analysis of correlation, valuation and company-specific factors. Management earns our approval with a proven track record of successfully allocating capital to shareholder benefit. We continually reevaluate holdings to ensure they meet our expectations.

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1. Outstanding business offering outstanding products/services,
2. Attractive risk profiles,
3. Trusted management teams.

Market Commentary and Outlook

Historically, Federal Reserve interest rate hikes are associated with financial crises. Excesses built up in good times do not work at higher interest rates; necessary adjustments often happen quickly, at unfavorable terms. Damage occurs when unhealthy actors infect the healthy ones. Until early March 2023, the current cycle enjoyed a limited amount of this contagion. Cryptocurrencies generated negative headlines, but not much economic impact. This changed with the failure of Silicon Valley Bank (SIVB), a mid-sized regional bank with \$200 billion in assets serving venture capital and private equity clients. Regulators and other banks stoked fears that the actual situation is worse than perception. The market is now in a waiting game: will new financial instability surface or will conditions calm behind a generally solid economic situation?

Given this backdrop, broad equity markets performed quite well. The S&P 500® Index¹ returned 7.5 percent for the quarter, driven by reduced interest rate pressure and earnings results that suggest company fundamentals remain healthy. For positive returns to continue, inflation must continue to moderate. In the short term, we believe this is likely. However, we remain concerned by powerful longer-term factors: enormous deficit spending by the Federal government, breakdowns in free trade mechanisms, and threats to global security. Risk management is a top priority as we consider investments decisions.

¹ The S&P 500® Index measures the value of stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite. Past performance is not indicative of future results.

Best and Worst Performers in the Quarter

Top Contributors

Applied Materials
 Alphabet
 Lennar
 Texas Instruments
 Walt Disney

Top Detractors

Bank of America
 Advance Auto Parts
 Johnson & Johnson
 Chubb Limited
 UnitedHealth Group

Reflects the top five holdings that contributed to and detracted from composite performance listed in descending order. Specific securities identified do not represent all the securities purchased, sold, or recommended for the strategy. A contribution analysis list of all holdings and calculation methodology information are available upon request. Do not assume any securities identified were or will be profitable. Past performance is not indicative of future results.

Why Consider Torray Investment Partners as Your Large-Cap Value Solution?

A Singularly Focused Investment Firm

OUR CULTURE



Independent, Stable and Client Centric

Broad-based active equity ownership bound by a partnership mentality drive tight alignment with our client's long-term interests.

OUR APPROACH



Risk-Managed, Concentrated Investing

For more than 50 years, we've built active portfolios based on our research-driven conviction in the relatively few businesses able to create economic value for shareholders.

OUR STRUCTURE



Institutional-Quality Boutique

Unburdened by bureaucracy, we are more creative and agile in efforts to deliver exceptional client service and consistent long-term risk-adjusted performance.

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