

# Large Value Equity Strategy (LVE)

## Quarterly Review and Commentary

The fourth quarter marked a solid end to the year with double-digit gains across all major equity market indices—a much-needed comeback in performance after a painful 2022. The LVE strategy returned 8.6%, net of fees, for the fourth quarter compared to 9.5% for the Russell 1000® Value Index. Stock selection in Energy and Consumer Discretionary were the largest contributors to results, while holdings in Financials were the largest drag on performance during the quarter. For the trailing twelve months, LVE advanced 11.8%, net of fees, edging out the index by 30 basis points. Stock selection in Energy led the way, while holdings in the Consumer Discretionary sector were a drag on performance.

Heading into 2024, there is plenty of uncertainty. Investors are focused on the Federal Reserve's ability to engineer a soft landing, determining if inflation stays on its moderating path and if the economy will avoid a recession. Not to mention a host of other risks, including global security, geopolitical unrest, and the U.S. Presidential election. Aiming for accurate predictions around risk is a futile exercise. The perception of risk can greatly affect market sentiment, often creating opportunities. We believe our focus on discerning this noise from fact and understanding both sides of the risk/reward coin puts us in a position to lean into uncertainty and uncover attractive long-term opportunities.

## Evaluating Management Teams - the Stewards of Our Investments

Financial performance and shareholder value creation are heavily influenced by the decisions and execution of a company's management team. Therefore, the judgment and integrity of the management teams with whom we entrust client capital are as important as the quality of the business and its ability to sustain profitable growth. Because we seek companies that generate abundant cash internally, understanding how and why management deploys excess capital through reinvestment, debt repayment, share buybacks, M&A, or dividends is a key criterion when performing our diligence on a potential investment.

Our assessment of management, the superiority of the business model, and its risk/reward profile determine if a company is considered a strong fit with our "TIP-Quality" criterion. We go beyond the traditional indicators of management alignment, such as incentives, share ownership, and track record, and dig deep to uncover evidence of a thought-out long-term strategic plan for the business. Historical capital allocation results and judging the aggressiveness of past forecasts are important. However, we believe it is equally important to assess the talent base, and the uniqueness of the culture management is promoting. We seek to generate insights that reveal management teams with differentiated and adaptable mindsets anchored in long-term value creation—on a per-share basis. These insights combined with our bottom-up, fundamental research further increase conviction and can reduce perceived risks associated with the future direction of execution. We would rather pass on an otherwise good opportunity than invest with a management team we don't feel would be a good steward of shareholder capital.

## Portfolio Activity

### PURCHASES

NONE

### SALES

**General Motors (GM)** is a multinational automotive manufacturing company most known for the Buick, Cadillac, Chevrolet, and GMC brands. The 115-year-old company is dedicated to making the transition to an all-electric future, as evidenced by the investment in Cruise, the fully autonomous—no steering wheel or driver needed—ride-sharing platform, and the significant investments in Ultium, a leading-edge battery technology platform. A decade from now, these may become the most valuable pieces of the business. We believe management is taking constructive steps to increase cash flow and profitability, but the environment remains challenging. With the higher wage dynamics driven by the recent UAW negotiations and the competitive landscape and uncertainty surrounding the EV transition, we sold the stock in the quarter to allocate funds to businesses where we have much more confidence in the long-term outlook.

## Best and Worst Performers in the Quarter

### Top Contributors

Lennar Corporation  
Qualcomm  
American Express  
Eaton Corp.  
General Dynamics

### Top Detractors

Schlumberger N.V.  
General Motors  
EOG Resources  
Altria Group  
Johnson & Johnson

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.

## Portfolio Activity

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## Disclosures

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