

# The Torray Fund

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## Letter to Shareholders

January 24, 2017

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Dear Fellow Shareholders,

We are pleased to report that The Torray Fund returned 14.3% for 2016, in spite of holding an average cash balance of 16% for the year. By comparison, the Standard & Poor's 500 Index rose 12%. Consistent with the Fund's history, our turnover for 2016 was a modest 9.5%. Since we last reported to you in July, there have been four sales and one purchase. Three of the sales were prompted by what we considered excess valuations, and a fourth, EMC Corp., was acquired by Dell Technologies, Inc. The Fund's gain on these sales was \$12.9 million. The buy increased our position in Gannett, one of our long-term holdings.

When the Fund opened in 1991, the S&P 500 stood at 330 – 13.9 times average 3-year earnings, plus a 3.7% dividend. Last year, the Index closed seven times higher, at 2239. Its price/earnings ratio was over 20 times average 3-year earnings, and the dividend yielded just 2.1%. While no one can guess where these numbers are headed, they are out of line with historic averages – the P/E ratio is too high, the earnings growth and dividend yield are too low. This suggests to us that our conservative approach is the best way to protect your investment from serious losses, yet still produce a rewarding long-term return.

Going forward, stock price valuations and business fundamentals remain our focus. As we've said many times, these are the only things that matter when it comes to investing. If the business analysis is sound, the passage of time will take care of the rest. We think the fact that our Fund (assuming reinvestment of capital gains and dividends) has returned 10.1%, net of all expenses for 26 years (slightly better than the S&P 500 Index) confirms the point.

We are disappointed to inform you that our outstanding investment partner, Fred Fialco, has decided after 20 years with the company to retire from the investment management business. He plans to enter graduate school in 2017 to pursue a degree in clinical mental health counseling. Fred has asked that we convey his appreciation to our shareholders. "It is with great confidence in the Fund, its managers and the supporting organization that I'm leaving my career in finance to return to school. It has been my honor to serve all of you. I am, and will continue to be, a shareholder and remain fully committed to our investment approach."

When Fred decided to depart, we reached out to our former partner Shawn M. Hendon, who went on his own about 4½ years ago. We entered into talks which resulted in Shawn returning at year end. We are very pleased to welcome him and appreciate his contribution to The Torray Fund which he previously co-managed with us. Shawn is an investment professional with 40 years in the business. He is a holder of a B.A., an M.B.A. and is a designated Chartered Financial Analyst.

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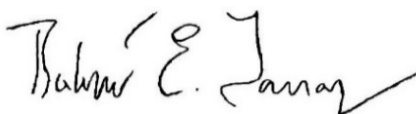
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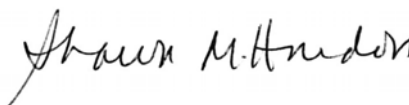
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In closing, we want to thank you again for your continued support and faith in our management. If you have any questions or would like to discuss our Fund with us, please feel free to call.

Sincerely,



Robert E. Torray



Shawn M. Hendon

As of December 31, 2016	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>	Since Inception <u>(12/31/90)</u>
The Torray Fund	14.29%	12.71%	5.18%	10.08%
S&P 500 Index	11.96%	14.66%	6.95%	9.90%

*The returns quoted represent past performance and do not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher. Returns current to the most recent month-end are available at [www.torray.com](http://www.torray.com). The returns shown do not reflect the deduction of taxes a shareholder would pay on the redemption of fund shares and distributions. The Fund's annual operating expense ratio, as stated in the current prospectus, is 1.08%. Returns on both The Torray Fund and the S&P 500 Index assume reinvestment of all dividends and distributions. The S&P 500 Index is an unmanaged index consisting of 500 U.S. large-cap stocks.*

*Mutual fund investing involves risk including the possible loss of principal value. At times, the Fund's portfolio may be more concentrated than that of a more diversified fund subjecting it to greater fluctuation and risk.*

*You should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Fund. For more information about The Torray Fund, including fees and expenses, or to receive a prospectus, please call us toll free at 855.753.8174.*

Shares of The Torray Fund are distributed by Foreside Funds Distributors LLC, Berwyn, PA.