

## The Torray Institutional Fund

---

### Letter to Shareholders

July 14, 2008

---

Dear Fellow Shareholders,

The Torray Institutional Fund depreciated 14.8% during the first half of 2008, compared to a loss of 11.9% for the Standard & Poor's 500 Index. We are disappointed with this result and know you are too. Although shareholder redemptions have reduced the Fund's assets substantially, they have not had the slightest impact on the quality or potential of the companies in the portfolio. Our optimism about their long-term prospects is undiminished. Please be assured that regardless of the Fund's size, we remain strongly committed to maintaining it, using the same philosophy and strategy we've employed all along. Your management now owns nearly 50% of the shares outstanding.

The upbeat view we expressed in last year's annual report was based on what seemed at the time to be a sound economy with low unemployment and interest rates, as well as historically moderate stock valuations. Normally one would expect a favorable return in this setting.

Regrettably, the situation has turned out to be anything but normal. A combination of sharply rising gasoline and food prices, the sub-prime mortgage meltdown and collapse in housing has seriously clouded the economic outlook, discouraging investors and undermining consumer confidence. Bank balance sheets have been impaired by write-downs and losses on a range of loans and investments that we discussed in our last two shareholder letters. In response, banks have been forced to beef up capital ratios, selling billions of dollars in equity and preferred stock to domestic and foreign investors. Fortunately, despite the enormous sums involved, the recapitalization efforts so far have been successful. Bank stocks, nevertheless, remain very weak and lending has turned negative, putting pressure on the economy and a wide range of corporate and individual borrowers.

All in all, with the exception of a few sectors — especially commodities — stocks have dropped sharply over the last nine months. The good news is that the bad news seems priced into a wide range of stocks that should make them attractive to investors with a long-term perspective; in saying this, we underscore *long-term*.

Stocks have gone nowhere for almost 10 years. This has not happened since the 1965-74 period which was even worse. On top of that, markets are now dominated by hedge funds and other speculators, increasing volatility and adding to investors' frustration and fears. It's gotten to a point where many people are probably questioning whether they want to own stocks at all. On the other hand, bond yields are low, which creates a conundrum. Quality five-year corporate

## The Torray Institutional Fund

---

### Letter to Shareholders (continued)

July 14, 2008

---

bonds and U.S. Treasuries yield only 4.3% and 3.1%, respectively, and tax-free municipals, 3%. These poor alternatives leave today's bond buyer with a negative return after taxes and inflation — the latter now running at about 4%. Some, understandably, will say that a small loss on bonds is better than a big one on stocks. This is true only in the short run. Over the 70 years since 1938, bonds, net of inflation, returned only 1.6%, while stocks made 7%. At those rates it would take 45 years to double money in bonds, but only 10 years in stocks.

Among other things, this certainly shows how far off base people were in the '90s thinking they could make 15% or 20% a year trading stocks and buying companies with no earnings and, in some cases, no sales, at astronomical valuations. When that bubble burst, the S&P Index dropped 50%, the NASDAQ, 80%. Even today the latter is still 60% below its March 2000 level. As we've written before, stocks measured over time cannot outrun economic fundamentals, but they certainly do outrun bonds.

Many investors are at an age where a decades-long outlook is not important, a point politely made to us by a number of our shareholder friends. We are sympathetic. What's to be done? Unfortunately, there is no easy answer. For those waking up every night worrying, the best course may be to cut back on stocks and put the money in a bank, despite low interest rates. Having said that, our confidence in the future of the American economy and the historic record of stocks relative to the alternatives has not diminished. Although many stocks in The Torray Institutional Fund continue under pressure, they have reached levels that we believe are extraordinarily low. We have witnessed this situation many times over more than four-and-a-half decades, and in each case when the dust settled, stocks that had underperformed the most did the best.

On a different subject, it seems clear to us that financial markets have been turned into a virtual gambling emporium. The current focus is on what stocks will do today, tomorrow or next quarter, instead of long-term business prospects. We have always seen things the other way around. The surge of speculation has made share prices highly volatile, sometimes rising or falling 10% to 20% in a day on trivial news or suspect rumors. The SEC has just announced a broad-scale investigation into the latter. Many of these swings are in response to earnings releases that miss Wall Street estimates by pennies per share. For example, General Electric, one of our largest holdings, had originally forecast earnings of \$2.42 per share for 2008. On April 11, the company reduced that estimate to \$2.20-\$2.30. The stock, which sold for \$38 a week or so earlier, dropped to \$32 after the announcement, for a loss of \$60 billion in market value. Though

## The Torray Institutional Fund

---

### Letter to Shareholders (continued)

July 14, 2008

---

the company had nothing further to say on the subject, the stock continued to decline, hitting a low of \$26.15 on June 27. By then, GE's 10 billion shares had lost a staggering \$120 billion — 60 to 100 times the reduction in estimated earnings.

These meaningless ups and downs combined with generally falling prices and gloomy media coverage have heightened the public's fear that something worse is in store. Meanwhile, the New York Stock Exchange is hostage to complex and opaque strategies that, in just minutes, cause wild swings in the market based on nothing substantive. On a recent day, our Fund's price was up five cents at seven minutes to four, but closed down 49 cents, or seven-tenths of one percent. We are aware of no changes whatsoever in the business fundamentals of any of our companies during those seven minutes. This level of volatility distorts the system and scares investors.

Short sellers (speculators that borrow shares to sell, hoping to buy them back later at cheaper prices, pocketing the difference) are another destabilizing factor in the market. The same thing happened in the 1930s when bands of Wall Street veterans combined to pull "bear raids" on crippled stocks, piling on those already in a downturn, driving them lower. The practice caused such a howl from bruised shareholders that in 1938 the SEC promulgated what became known as the "uptick rule." Designed to restrain short selling in a falling market, it required that a stock could only be shorted at a price higher than its last sale. This effectively stopped the "bear raids." A year ago, short selling proponents guilefully persuaded the SEC to lift the rule claiming that investors would somehow be better off. They aren't. The short interest has nearly tripled this year to a record 18.7 billion shares, with a heavy concentration in the market's weakest sectors.

According to a July 2 article by Deborah Brewster of the *Financial Times* reporting from New York, Wachtell, Lipton, Rosen and Katz, a prominent New York law firm and big advisor on mergers and acquisitions, recently sent a memo to clients saying that the SEC had filed the uptick rule based on a pilot program conducted during a period of rising stock prices and low volatility (a hostile environment for short selling). The limitations of that pilot had become "painfully clear," the firm said. "Today, many of the same conditions that led to the adoption of the rule in 1938 are reappearing." Wachtell went on to say that rumor mongering and "bear raids" by traders may have played a role in the demise of Bear Stearns. On July 8, Jamie Dimon, Chairman of JPMorgan Chase, echoed the point at the FDIC conference in Arlington, Virginia. He suggested the SEC subpoena telephone records, emails and correspondence of traders in Bear Stearns stock prior to its collapse to determine whether those heavily involved had engaged in illegal activity. Today, as we write, the SEC has done just that.

## The Torray Institutional Fund

---

### Letter to Shareholders (continued)

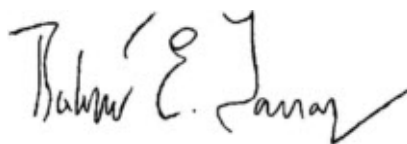
July 14, 2008

---

Now that the market has fallen more than 20% from its peak last October, Wall Street and the media have declared a bear market. The truth is, we've been in a bad (if not bear) market since the spring of 2000. At the highs back then, the S&P Index reached 1527, while last Friday, July 11, it closed at 1242 for a loss of 18.7%. Needless to say, this is a terrible outcome. The result is traceable to twin speculative bubbles: the first one in stocks, the second in houses. As far as we know, this has never happened in America before. Right at the top, in early 2000, the public couldn't get enough stocks, and then, five years later, after prices had doubled, they were scrambling for houses. Now investors want neither. This highlights a defect in human wiring that invariably leads to disappointment: investors buy more when prices are inflated and sell when they fall — the opposite approach they take to everything else.

While these are uncertain times, and no one can know the future, stocks, from a historical perspective, are certainly a far better value now than they were eight years ago. Earnings on the S&P Index have risen from about \$57 in 2000 to an expected \$88 this year, and, as noted, the market has declined. Although the timing is unpredictable, we are confident that today's fundamentals will ultimately be reflected in share prices, rewarding investors for their patience. Despite the many challenges our country has faced, things have always worked out in the end, and we believe this case will prove no different.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Torray". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert E. Torray  
President

# The Torray Institutional Fund

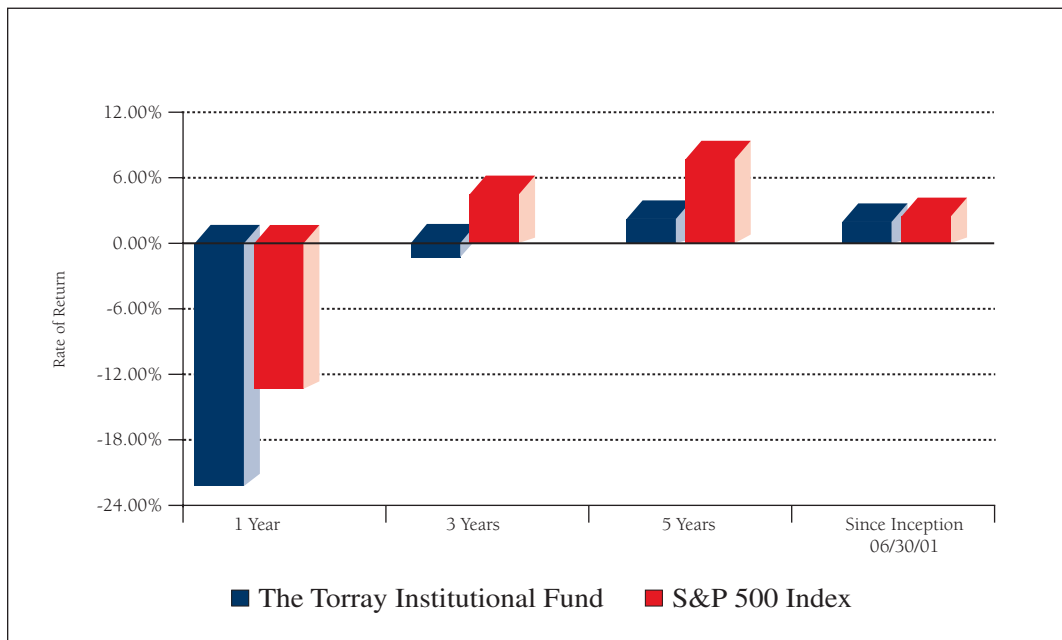
## PERFORMANCE DATA

As of June 30, 2008 (unaudited)

### Average Annual Returns on an Investment in The Torray Institutional Fund vs. the S&P 500 Index

For the periods ended June 30, 2008:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Since Inception 06/30/01</u>
The Torray Institutional Fund	(21.97%)	(1.27%)	2.19%	1.91%
S&P 500 Index	(13.12%)	4.41%	7.59%	2.45%



### Cumulative Returns for the 7 years ended June 30, 2008

The Torray Institutional Fund	14.14%
S&P 500 Index	18.50%

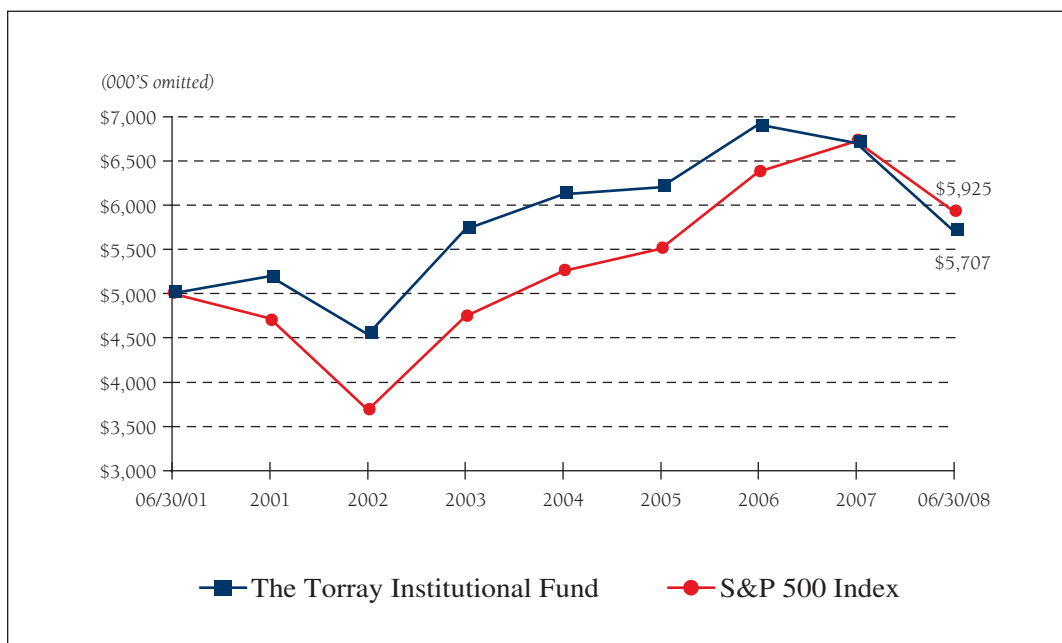
## The Torray Institutional Fund

### PERFORMANCE DATA (continued)

As of June 30, 2008 (unaudited)

#### Change in Value of \$5,000,000 Invested on June 30, 2001 (commencement of operations) to:

	<u>12/31/02</u>	<u>12/31/04</u>	<u>12/31/06</u>	<u>06/30/08</u>
The Torray Institutional Fund	\$4,537,500	\$6,123,000	\$6,908,000	\$5,707,000
S&P 500 Index	\$3,682,500	\$5,255,500	\$6,373,000	\$5,925,000



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 gross annual operating expense ratio, as stated in the current prospectus, is 0.85%. Returns on both The Torray Institutional 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.

# The Torray Institutional Fund

---

## FUND PROFILE

As of June 30, 2008 (unaudited)

---

### DIVERSIFICATION (% of net assets)

Financials	20.49%
Information Technology	19.97
Industrials	16.80
Consumer Discretionary	11.99
Health Care	10.31
Consumer Staples	6.16
Energy	2.52
Materials	2.49
Short-Term Investments	9.36
Other Liabilities Less Assets	<u>(0.09)</u>
	100.00%

### TOP TEN EQUITY HOLDINGS

1.	Electronic Data Systems Corp.
2.	LaBranche & Co., Inc.
3.	Johnson & Johnson
4.	International Business Machines Corp.
5.	Kraft Foods, Inc., Class A
6.	Walt Disney Co. (The)
7.	Procter & Gamble Co.
8.	McGraw-Hill Cos., Inc. (The)
9.	Marsh & McLennan Cos., Inc.
10.	General Electric Co.

### PORTFOLIO CHARACTERISTICS

Net Assets (million)		\$29
Number of Holdings		41
Portfolio Turnover		21.83%
P/E Multiple (forward)		12.6x
Portfolio Yield		2.44%
Market Capitalization	Average	47.0 B
	Median	24.5 B

# The Torray Institutional Fund

---

## SCHEDULE OF INVESTMENTS

As of June 30, 2008 (unaudited)

---

<u>Shares</u>		<u>Market Value</u>
<b>COMMON STOCK</b>	<b>90.73%</b>	
<b>20.49% FINANCIALS</b>		
163,000	LaBranche & Co., Inc. *	\$ 1,154,040
30,817	Marsh & McLennan Cos., Inc.	818,191
15,300	Loews Corp.	717,570
1,600	Markel Corp. *	587,200
16,200	American International Group, Inc.	428,652
16,700	Bank of America Corp.	398,629
30,200	Fidelity National Financial, Inc., Class A	380,520
21,000	Citigroup, Inc.	351,960
30,500	CapitalSource, Inc. REIT	337,940
8,523	American Express Co.	321,062
33,465	DCT Industrial Trust, Inc. REIT	277,090
16,100	Allied Capital Corp.	<u>223,629</u>
		5,996,483
<b>19.97% INFORMATION TECHNOLOGY</b>		
48,516	Electronic Data Systems Corp.	1,195,434
7,800	International Business Machines Corp.	924,534
19,216	Automatic Data Processing, Inc.	805,150
54,442	EMC Corp. *	799,753
34,300	Cisco Systems, Inc. *	797,818
37,193	Applied Materials, Inc.	710,014
28,456	Intel Corp.	<u>611,235</u>
		5,843,938

See notes to the financial statements.

## The Torray Institutional Fund

---

### SCHEDULE OF INVESTMENTS (continued)

As of June 30, 2008 (unaudited)

---

<u>Shares</u>		<u>Market Value</u>
<b>16.80% INDUSTRIALS</b>		
30,419	General Electric Co.	\$ 811,883
10,600	3M Co.	737,654
26,792	Cintas Corp.	710,256
14,000	Illinois Tool Works, Inc.	665,140
8,600	Danaher Corp.	664,780
17,967	USG Corp. *	531,284
17,918	Owens Corning, Inc. *	407,635
7,846	Emerson Electric Co.	<u>387,985</u>
		4,916,617
<b>11.99% CONSUMER DISCRETIONARY</b>		
28,810	Walt Disney Co. (The)	898,872
21,200	McGraw-Hill Cos., Inc. (The)	850,544
27,525	O'Reilly Automotive, Inc. *	615,184
38,600	CarMax, Inc. *	547,734
18,600	Gannett Co., Inc.	403,062
28,612	McClatchy Co., Class A	<u>193,989</u>
		3,509,385
<b>10.31% HEALTH CARE</b>		
16,964	Johnson & Johnson	1,091,464
14,600	WellPoint, Inc. *	695,836
11,800	Abbott Laboratories	625,046
23,100	UnitedHealth Group, Inc.	<u>606,375</u>
		3,018,721

See notes to the financial statements.

## The Torray Institutional Fund

---

### SCHEDULE OF INVESTMENTS (continued)

As of June 30, 2008 (unaudited)

---

<u>Shares</u>		<u>Market Value</u>
<b>6.16% CONSUMER STAPLES</b>		
31,900	Kraft Foods, Inc., Class A	\$ 907,555
14,700	Procter & Gamble Co.	<u>893,907</u>
		1,801,462
<b>2.52% ENERGY</b>		
121,293	USEC, Inc. *	737,462
<b>2.49% MATERIALS</b>		
30,995	W.R. Grace & Co. *	<u>728,073</u>
<b>TOTAL COMMON STOCK 90.73%</b>		26,552,141
(cost \$29,753,318)		
<u>Principal</u>		
<u>Amount (\$)</u>		
<b>SHORT-TERM INVESTMENTS 9.36%</b>		
2,737,979	PNC Bank Money Market Account, 1.49%	2,737,979
(cost \$2,737,979)		<u>2,737,979</u>
<b>TOTAL INVESTMENTS 100.09%</b>		29,290,120
(cost \$32,491,297)		
<b>OTHER LIABILITIES LESS ASSETS (0.09%)</b>		<u>(27,008)</u>
<b>NET ASSETS 100.00%</b>		<u><u>\$29,263,112</u></u>

\* Non-income producing securities

See notes to the financial statements.

## The Torray Institutional Fund

---

### STATEMENT OF ASSETS AND LIABILITIES

As of June 30, 2008 (unaudited)

---

#### ASSETS

Investments in securities at value (amortized cost \$32,491,297)	\$29,290,120
Interest and dividends receivable	<u>50,951</u>
<b>TOTAL ASSETS</b>	<u><b>29,341,071</b></u>

#### LIABILITIES

Payable for fund shares redeemed	40,552
Payable to advisor	<u>37,407</u>
<b>TOTAL LIABILITIES</b>	<u><b>77,959</b></u>

#### NET ASSETS

	<u><b>\$29,263,112</b></u>
Shares of beneficial interest (\$1 stated value, 439,940 shares outstanding, unlimited shares authorized)	\$ 439,940
Paid-in-capital in excess of par	31,941,169
Accumulated undistributed net investment income	172
Accumulated net realized gain on investments	83,008
Net unrealized depreciation of investments	<u>(3,201,177)</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$29,263,112</b></u>
<b>Net Asset Value, Offering and Redemption Price Per Share</b>	<u><b>\$ 66.52</b></u>

See notes to the financial statements.

## The Torray Institutional Fund

---

### STATEMENT OF OPERATIONS

For the six months ended June 30, 2008 (unaudited)

---

<b>INVESTMENT INCOME</b>	
Dividend income	\$ 342,375
Interest income	<u>41,092</u>
Total income	<u>383,467</u>
<b>EXPENSES</b>	
Management fees	<u>174,813</u>
Total expenses	<u>174,813</u>
<b>NET INVESTMENT INCOME</b>	<u>208,654</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	
Net realized gain on investments	585,821
Net change in unrealized appreciation (depreciation) on investments	<u>(6,795,297)</u>
Net realized and unrealized loss on investments	<u>(6,209,476)</u>
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS</b>	<u><u>\$(6,000,822)</u></u>

See notes to the financial statements.

## The Torray Institutional Fund

---

### STATEMENTS OF CHANGES IN NET ASSETS

For the periods indicated:

---

	Six months ended 06/30/08 (unaudited)	Year ended 12/31/07
<b>Decrease in Net Assets from Operations:</b>		
Net investment income	\$ 208,654	\$ 1,023,599
Net realized gain on investments	585,821	30,615,499
Net change in unrealized appreciation (depreciation) on investments	<u>(6,795,297)</u>	<u>(32,380,205)</u>
Net decrease in net assets from operations	<u>(6,000,822)</u>	<u>(741,107)</u>
<b>Distributions to Shareholders from:</b>		
Net investment income (\$0.440 and \$0.716 per share, respectively)	(210,306)	(919,415)
Net realized gains (\$1.889 and \$23.946 per share, respectively)	<u>(806,861)</u>	<u>(19,038,918)</u>
Total distributions	<u>(1,017,167)</u>	<u>(19,958,333)</u>
<b>Shares of Beneficial Interest</b>		
Decrease from share transactions	<u>(10,407,423)</u>	<u>(138,463,291)</u>
Total decrease	<u>(17,425,412)</u>	<u>(159,162,731)</u>
<b>Net Assets — Beginning of Period</b>	<u>46,688,524</u>	<u>205,851,255</u>
<b>Net Assets — End of Period</b>	<u>\$ 29,263,112</u>	<u>\$ 46,688,524</u>
<b>Accumulated Undistributed Net Investment Income</b>	<u>\$ 172</u>	<u>\$ 1,824</u>

See notes to the financial statements.

# The Torray Institutional Fund

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period presented:

### PER SHARE DATA

	Six months ended 06/30/08 (unaudited)	Years ended December 31:				
		2007	2006	2005	2004	2003
<b>Net Asset Value,</b>						
<b>Beginning of Period</b>	\$ 80.800	\$108.640	\$111.920	\$116.290	\$ 110.520	\$ 89.490
Income from investment operations:						
Net investment income	0.376 <sup>(3)</sup>	0.896	0.720	0.616	0.588	0.671
Net gains (losses) on securities (both realized and unrealized)	(12.327)	(4.074)	11.587	0.748 <sup>(2)</sup>	7.025	22.586
Total from investment operations	(11.951)	(3.178)	12.307	1.364	7.613	23.257
Less: distributions						
Dividends (from net investment income)	(0.440)	(0.716)	(0.790)	(0.616)	(0.588)	(0.671)
Distributions (from capital gains)	(1.889)	(23.946)	(14.797)	(5.118)	(1.255)	(1.556)
Total distributions	(2.329)	(24.662)	(15.587)	(5.734)	(1.843)	(2.227)
<b>Net Asset Value,</b>						
<b>End of Period</b>	\$ 66.520	\$ 80.800	\$108.640	\$111.920	\$ 116.290	\$110.520
<b>TOTAL RETURN<sup>(1)</sup></b>	(14.83%)**	(3.01%)	11.40%	1.28%	6.96%	26.16%

### RATIOS/SUPPLEMENTAL DATA

Net assets, end of period (000's omitted)	\$ 29,263	\$ 46,689	\$205,851	\$400,665	\$1,012,566	\$598,183
Ratios of expenses to average net assets	0.85%*	0.85%	0.85%	0.85%	0.85%	0.85%
Ratios of net investment income to average net assets	1.01%*	0.66%	0.60%	0.59%	0.56%	0.80%
Portfolio turnover rate	21.83%**	44.32%	24.26%	53.66%	16.12%	22.20%

\* Annualized

\*\* Not Annualized

(1) Past performance is not predictive of future performance.

(2) The amount shown for the year ended December 31, 2005 for a share outstanding throughout the year does not accord with the aggregate net losses on investments reported in the statement of operations for the year because of the timing of sales and repurchases of Fund shares in relation to fluctuating market value of the investments of the Fund.

(3) Calculated based on the average amount of shares outstanding during the period.

See notes to the financial statements.

# The Torray Institutional Fund

---

## NOTES TO FINANCIAL STATEMENTS

As of June 30, 2008 (unaudited)

---

### NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Torray Institutional Fund (“Fund”) is a separate series of The Torray Fund (“Trust”). The Trust is registered under the Investment Company Act of 1940 as a no-load, diversified, open-end management investment company. The Trust was organized as a business trust under Massachusetts law and the Fund commenced operations on June 30, 2001. The Fund’s primary investment objective is to provide long-term total return. The Fund seeks to meet its objective by investing its assets in a diversified portfolio of common stocks. In order to accomplish these goals, the Fund intends to hold stocks for the long term, as opposed to actively buying and selling. There can be no assurances that the Fund’s investment objectives will be achieved.

The following is a summary of accounting policies followed by the Fund in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America.

**Securities Valuation** Portfolio securities for which market quotations are readily available are valued at market value, which is determined by using the last reported sale price, or, if no sales are reported, the last reported bid price. For NASDAQ traded securities, market value is determined on the basis of the NASDAQ official closing price instead of the last reported sales price. Other assets and securities for which no quotations are readily available or for which Torray LLC (the “Advisor”) believes do not reflect market value are valued at fair value as determined in good faith by the Advisor under the supervision of the Board of Trustees in accordance with the Fund’s Valuation Procedures. Short-term obligations having remaining maturities of 60 days or less are valued at amortized cost, which approximates market value.

**Adoption of Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (“FAS 157”)** In September 2006, the Financial Accounting Standards Board issued FAS 157 effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The Fund has adopted FAS 157 as of January 1, 2008. The three levels of the fair value hierarchy under FAS 157 are described below:

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

## The Torray Institutional Fund

---

### NOTES TO FINANCIAL STATEMENTS (continued)

As of June 30, 2008 (unaudited)

---

The summary of inputs used to value the Fund's net assets as of June 30, 2008 is as follows:

#### Valuation Inputs

Level 1 — Quoted Prices	\$29,290,120
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
<b>Total Market Value of Investments</b>	<u>\$29,290,120</u>

**Securities Transactions and Investment Income** Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the specific identification basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income, including amortization of discount on short-term investments, and expenses are recorded on the accrual basis. Premium and discount are amortized using the effective yield to maturity method.

**Federal Income Taxes** The Fund intends to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including any net realized gain on investments to its shareholders. Therefore, no federal income tax provision is required.

The Fund adopted the provisions of FASB Interpretation No. 48 ("FIN48"), *Accounting for Uncertainty in Income Taxes*, on June 29, 2007. The implementation of FIN48 resulted in no material liability for unrecognized tax benefits and no material change to the beginning net asset value of the Fund. As of and during the period ended June 30, 2008, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Fund did not incur any interest or penalties.

**Net Asset Value** The net asset value per share of the Fund is determined daily as of the close of trading on the New York Stock Exchange by dividing the value of the Fund's net assets by the number of shares outstanding.

**Interest Expense** When cash balances are overdrawn in the Fund's custody account, the Fund is charged an overdraft fee equal to 1.25% above the Federal Funds Rate. Such overdraft fees are paid by the Advisor under the comprehensive management fee arrangement described in Note 4. In addition, in December 2006, the Trust entered into a line of credit facility with PNC Bank. Under the terms of the line of credit, the separate series of the Trust (including the Fund) may borrow up to \$20,000,000 on a short-term basis with interest accruing at the Federal Funds Rate plus 0.75%. Any interest expense on the line of credit is paid by the Advisor under the comprehensive management fee arrangement described in Note 4. As of June 30, 2008, the Fund had no outstanding borrowings under this line of credit facility.

**Use of Estimates** In preparing financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

## The Torray Institutional Fund

---

### NOTES TO FINANCIAL STATEMENTS (continued)

As of June 30, 2008 (unaudited)

---

#### NOTE 2 — SHARES OF BENEFICIAL INTEREST TRANSACTIONS

Transactions in shares of beneficial interest were as follows:

	Six months ended 06/30/08		Year ended 12/31/07	
	Shares	Amount	Shares	Amount
Shares issued	21,330	\$ 1,602,606	69,035	\$ 7,712,634
Reinvestments of dividends and distributions	14,965	1,014,702	242,642	19,904,789
Shares redeemed	(174,195)	(13,024,731)	(1,628,646)	(166,080,714)
	<u>(137,900)</u>	<u>\$(10,407,423)</u>	<u>(1,316,969)</u>	<u>\$(138,463,291)</u>

Officers, Trustees and affiliated persons of The Torray Institutional Fund and their families directly or indirectly control 214,858 shares or 48.84% of the Fund.

#### NOTE 3 — INVESTMENT TRANSACTIONS

Purchases and sales of investment securities, other than short-term investments, for the six months ended June 30, 2008, aggregated \$8,010,316 and \$20,388,263, respectively.

#### NOTE 4 — MANAGEMENT FEES

Pursuant to the Management Contract, Torray LLC provides investment advisory and administrative services to the Fund. The Fund pays Torray LLC a management fee, computed daily and payable monthly at the annual rate of 0.85% of the Fund's average daily net assets. For the six months ended June 30, 2008, The Torray Institutional Fund paid comprehensive management fees of \$174,813. The Fund pays the manager a single comprehensive management fee which covers all operating expenses of the Fund including the investment advisory and administrative services provided by the manager as well as all miscellaneous costs incurred in connection with the ongoing operation of the Fund including transfer agency, custody, professional, and registration fees.

Certain officers and trustees of the Fund are also officers and/or shareholders of Torray LLC.

#### NOTE 5 — TAX MATTERS

Distributions to shareholders are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America.

## The Torray Institutional Fund

---

### NOTES TO FINANCIAL STATEMENTS (continued)

As of June 30, 2008 (unaudited)

---

The tax character of distributions paid during the year ended December 31, 2007 was as follows:

	<u>2007</u>
Distributions paid from:	
Ordinary income	\$ 2,747,638
Long-term capital gain	<u>17,210,695</u>
	<u>\$19,958,333</u>

The primary difference between book basis and tax basis distributions is differing book and tax treatment of short-term capital gains.

The following information is based upon the book basis of investment securities as of June 30, 2008:

Gross unrealized appreciation	\$ 1,928,502
Gross unrealized depreciation	<u>(5,129,679)</u>
Net unrealized depreciation	<u>\$ (3,201,177)</u>
Cost	<u>\$32,491,297</u>

#### NOTE 6 — COMMITMENTS AND CONTINGENCIES

The Fund indemnifies its officers and trustees for certain liabilities that may arise from their performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties, which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred.

## The Torray Institutional Fund

---

### PORTFOLIO HOLDINGS, PROXY VOTING AND PROCEDURES

As of June 30, 2008 (unaudited)

---

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (the “Commission”) for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Forms N-Q are available on the Commission’s website at <http://www.sec.gov>. The Fund’s Form N-Q may be reviewed and copied at the Commission’s Public Reference Room in Washington, D.C. Information on the operation of the Commission’s Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling 1-800-443-3036; and on the Commission’s website at <http://www.sec.gov>.

Information regarding how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by calling 1-800-443-3036; and on the Commission’s website at <http://www.sec.gov>.

## The Torray Institutional Fund

---

### ABOUT YOUR FUND'S EXPENSES

As of June 30, 2008 (unaudited)

---

We believe it is important for you to understand the impact of costs on your investment. All mutual funds have operating expenses. As a shareholder of the Fund, you incur ongoing costs, including management fees, and other fund expenses. Operating expenses, which are deducted directly from the Fund's gross income, directly reduce the investment return of the Fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The examples below are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The table on the next page illustrates the Fund's cost in two ways:

**Actual Fund Return** This section helps you estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the Fund's actual return, and the third column shows the operating expenses that would have been paid by an investor who started with \$1,000 in the Fund. You may use the information here, together with the amount invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for the Fund under the heading "Expenses Paid During Period" on the next page.

**Hypothetical 5% Return** This section is intended to help you compare your Fund's costs with those of other mutual funds. It assumes that the Fund had an annual return of 5% before expenses, and that the expense ratio is unchanged. In this case, because the return used is not the Fund's actual return, the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess the Fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that expenses shown in the table are meant to highlight and help you compare ongoing costs only. The Fund does not charge transactions fees, such as purchase or redemption fees, nor does it carry a "sales load."

The calculation assumes no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

## The Torray Institutional Fund

---

### ABOUT YOUR FUND'S EXPENSES (continued)

As of June 30, 2008 (unaudited)

---

More information about the Fund's expenses, including recent annual expense ratios, can be found in this report. For additional information on operating expenses and other shareholder costs, please refer to the Fund's prospectus.

	<u>Beginning Account Value January 1, 2008</u>	<u>Ending Account Value June 30, 2008</u>	<u>Expenses Paid During Period *</u>
Based on Actual Fund Return	\$1,000.00	\$ 851.70	\$3.91
Based on Hypothetical 5% Return (before expenses)	\$1,000.00	\$1,020.64	\$4.27

\* Expenses are equal to the Fund's annualized expense ratio of 0.85% for the period, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).

[THIS PAGE INTENTIONALLY LEFT BLANK]



**TRUSTEES**

---

Carol Crawford  
Bruce C. Ellis  
William M Lane  
Robert P. Moltz  
Wayne H. Shaner

**INVESTMENT ADVISOR**

---

Torray LLC

**OFFICERS**

Robert E. Torray  
William M Lane  
Fred M. Fialco  
Shawn M. Hendon

**INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

---

Briggs, Bunting & Dougherty, LLP  
Two Penn Center Plaza, Suite 820  
Philadelphia, PA 19102-1732

**TRANSFER AGENT**

---

PNC Global Investment Servicing  
101 Sabin Street  
Pawtucket, RI 02860-1427

**LEGAL COUNSEL**

---

Dechert LLP  
1775 I Street, N.W.  
Washington, DC 20006

Distributed by PFPC Distributors, Inc.  
760 Moore Road, King of Prussia, PA 19406-1212  
Date of first use, August 2008

This report is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus. All indices are unmanaged groupings of stocks that are not available for investment.

The  
**TORRAY**  
**INSTITUTIONAL**  
**FUND**

**SEMI-ANNUAL REPORT**

**June 30, 2008**

**The Torray Institutional Fund**  
**Suite 1100**  
**7501 Wisconsin Avenue**  
**Bethesda, Maryland 20814-6523**

**(301) 493-4600**  
**(800) 443-3036**