

The Torray Fund

Letter to Shareholders

July 31, 2009

Dear Fellow Shareholders,

The Torray Fund gained 0.92% during the first half of 2009, compared to a 3.16% advance for the Standard & Poor's 500. In a continuation of last year's miserable showing, the market collapsed an additional 25% before bottoming March 9th. At that point, stocks had lost a staggering 57% from the top reached October 9, 2007. At mid-year, even after a 36% rally, they were still 41% below the old high.

When stocks recover from a crash, speculative issues often perform best, and last quarter's rally proved no exception. In fact, it may have been a record-setter in that regard. Shares priced under \$5 out-ran stocks trading above \$50 by 91%. Those of companies losing money or breaking even beat profitable ones by 24%, and, belying the notion investors crave income, stocks paying dividends trailed those that didn't. These are truly extraordinary statistics.

As we write, these trends have reversed, with higher-quality stocks taking the lead. There are signs the economy and financial system are stabilizing, and reported earnings, so far, have been running ahead of expectations. All of this is encouraging. While one can never know the future, we think there's more room for optimism now than at any time since the financial crisis began. In saying this, we're talking longer term, not just a few months or quarters.

In response to the tremendous beating they've taken, desperate investors are looking for cures in what we see as all the wrong places. Stocks of the best companies have been sold and the proceeds put into money market funds, CDs, savings accounts and bonds. Huge sums have also moved to overseas markets, especially those in lesser-developed countries. Sooner or later, we believe this money is bound to end up back where it started, but probably not until stock prices are much higher. We've seen it happen too many times to think otherwise.

Despite our economy's ups and downs, and the market's unpredictable erratic gyrations, patient long-term holders of stocks have fared very well. In fact, stocks are the only widely available option that has directly tracked America's prosperity. Fixed income options have run far behind. Yet, as noted, people have been buying them anyway, largely in response to punishing losses they fear may only get worse. Ironically, at the top in October 2007, they were doing just the opposite. The national savings rate was negative, and investors chased stocks, many at twice today's levels, often on margin. They also bid up houses and commodities. This is the only business we can think of where the customer goes into a frenzy over a rising price. Think about it. Who would reject a new car at \$10,000 only to buy two at \$30,000? But, that's what people tend to do when it comes to investing.

Unfortunately, in the present circumstance, we think investors sitting on 2% CDs and five and ten-year government bonds yielding 2½% - 3½% are once again heading for disappointment. Taxes aside, long experience suggests these choices, net of inflation, will return little or nothing. Beyond that, it's even more foolish to be selling quality stocks after they've dropped 30% - 50% to buy speculative ones just because they're going up.

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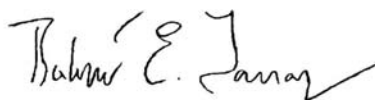
We believe stocks like those in our Fund are bargains today. The price/earnings ratio on the S&P 500 is roughly 30% below its 20-year trailing average; its current dividend yield is 2.6%, compared to 1.8% over the same period. Furthermore, yields on a lot of stocks are even higher, exceeding returns on intermediate bonds, not to mention money funds and CDs. More importantly, as earnings and dividends grow, share prices will follow suit. This is an unbeatable combination. Over the 70 years ending June 30, the nominal return on stocks was 10.6%, and on bonds, 5.5%. After inflation, averaging 4% a year, the real returns were 6.6% and 1.5%, respectively. In a testimony to the miracle of compounding, \$1 in stocks, *net of inflation*, grew to \$87.70, in bonds, to only \$2.84. Given today's low interest rates and the government's unprecedented deficit spending funded by record bond issuance, fixed income buyers may do even worse than usual going forward.

Finally, we want to re-emphasize our commitment to the investment philosophy that has guided our Company for nearly 37 years. Regretfully, the benefits that flow from these timeless precepts have been lost in waves of bubbles and crashes that have plagued serious investors for over 10 years. Commodities, futures contracts, leveraged exchange-traded funds, high-frequency trading programs and more have diverted attention from the values building in quality companies with above-average economic prospects. While the performance of these alternatives is hard to assess, highly publicized reports of occasional spectacular gains on them tend to leave the impression that all of the players are being enriched while everyone else is left behind.

This speculative circus, along with the discouraging results achieved through sound investment policies, has caused some observers to declare long-term, buy-and-hold investing dead. Do not believe it. A game in which the participants are simply betting against each other will never create value. Sooner or later this is bound to sink in, and when it does, we think the public will once again embrace the fundamental investment principles that have proven so successful throughout history.

In closing, we want to assure you of our dedication to your best interests, and thank you for your continued confidence in our management of your money.

Sincerely,



Robert E. Torray



Fred M. Fialco



Shawn M. Hendon

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Total Returns <i>(as of June 30, 2009)</i>	<u>Year-to-Date</u>	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>	Since Inception <i>(12/31/90)</i>
The Torray Fund	0.92%	-25.73%	-5.36%	-1.75%	8.60%
S&P 500 Index	3.16%	-26.21%	-2.24%	-2.22%	7.88%

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. 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 1.13%. 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.

You should consider the fund's investment objectives, risks and 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 at 1-800-443-3036.

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