



TWEEDY, BROWNE  
GLOBAL VALUE FUND

Investment Adviser's Report

September 30, 2003

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TWEEDY, BROWNE  
AMERICAN VALUE FUND



# TWEEDY, BROWNE FUND INC.

## *Investment Adviser's Report*



Left to right: John Spears, Tom Shrager, Chris Browne, Bob Wyckoff and Will Browne.

### To Our Shareholders:

Beginning with this report, we are changing the manner in which we provide our comments on your Funds' performance and our investment outlook. These comments from your Funds' managers will now be provided to our shareholders in a separate booklet like this one and will be sent to you within the same general time frame as the semi-annual and annual reports. The reason we are adopting this procedure relates to a relatively new piece of federal legislation called the Sarbanes-Oxley Act of 2002. Under these new regulations, a fund's principal executive and financial officers are required to certify the entire contents of shareholder reports in a filing with the Securities and Exchange Commission on a new form, called Form N-CSR. This certification covers not only the financial statements, but also the investment managers' comments and subjective opinions if they are attached to or are a part of the financial statements. In our own letters, we often cite opinions and/or observations of others in the investment industry, all of which we would also be required to certify under these new regulations. As we are not privy to others' sources of information, we do not feel we can certify statements made by others despite how relevant or informative we consider them to be.

We hope you will understand our reason for this change, which we believe is an unintended consequence of increasing regulatory requirements affecting public companies. We are not the first fund company to adopt this procedure, and trust we will not be the last. We hope that the certification requirements of these new regulations will be modified in the future to permit



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us to include our investment commentary with our annual and semi-annual reports. Until then, look for our commentary in a separate booklet with a dark blue cover like this one, or on our website at [www.tweedy.com](http://www.tweedy.com).

For the six month period ending September 30, 2003, stock markets both in the US and internationally recorded strong double digit gains. Over the same period, the Tweedy, Browne Funds also enjoyed double digit gains, although they lagged the popular indexes for the most part. The performance of our two Funds,\* and the relevant stock market indexes as of September 30, 2003 are presented in the following tables:

	Tweedy, Browne Global Value Fund	MSCI EAFE <sup>(1)(2)</sup>	
		US \$	Hedged
6 Months	24.03%	28.96%	20.95%
1 Year	18.46	26.01	10.83
3 Years	-1.47	-8.71	-13.78
5 Years	9.20	0.55	0.30
10 Years	10.98	2.92	4.01
Since Inception <sup>(3)</sup>	10.98	3.34	4.42

	Tweedy, Browne American Value Fund	S&P
		500 <sup>(1)(4)</sup>
6 Months	16.46%	18.45%
1 Year	17.48	24.37
3 Years	-0.48	-10.13
5 Years	4.67	1.00
Since Inception <sup>(3)</sup>	10.91	10.13

\* Past performance is not a guarantee of future results, and total return and principal value of investments will fluctuate with market changes. Shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit [www.tweedy.com](http://www.tweedy.com) to obtain performance data which is current to the most recent month end. See page 23 for footnotes 1 through 4, which describe the indexes and inception dates of the Funds. Results are annualized for all periods except the 6 months period.

Performance of the Global Value Fund lagged the MSCI EAFE Index in US dollars because of the relative weakness of the US dollar versus most foreign currencies over the past twelve months. However, as the Global Value Fund has a policy of hedging the majority of its foreign currency exposure back into the US dollar, a purer comparison of our relative performance is to the



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MSCI EAFE hedged index. In this comparison, our performance is ahead of the index for all reported time periods. The hedged version of the index provides a truer picture of the performance of international stocks in their home markets because the effect of currency fluctuations is eliminated. This comparison of the Global Value Fund versus the hedged index indicates that our basket of stocks has outperformed the index's basket of stocks. On June 15, 2003, the Global Value Fund marked its 10th year as a mutual fund. According to data derived from Principia Pro, a database compiled by Morningstar, for the 10 year period ending September 30, 2003, the total return for the Global Value Fund outpaced all but one fund out of 120 funds categorized by Morningstar as foreign stock funds. (For the one-year, five-year, and ten-year periods ended September 30, 2003, the Fund's rank, based on average annual total return was, respectively, 694 out of 901 Foreign Stock Funds; 53 out of 526 Foreign Stock Funds; and 2 out of 120 Foreign Stock Funds.) This is not to be confused with Morningstar's official ranking of the Global Value Fund in accordance with their new criteria. See page 20 for a discussion of recent changes to Morningstar's categories, ratings and rankings and the impact on our Fund.

Performance of the American Value Fund lagged the S&P 500 and the NASDAQ Composite in both the six month and one year time periods, but was better in the three year, five year, and since inception time periods.<sup>5</sup> The inception date for the American Value Fund is December 8, 1993. The principal reason for the better relative performance of the indexes was the strong performance recorded by technology stocks over the past year. During this period, the technology heavy NASDAQ Composite gained 52.75%. However, from its near peak quarter end on March 31, 2000, the NASDAQ Composite is still down a cumulative 60.85% while the American Value Fund is up 10.42%. From September 30, 2003, the NASDAQ Composite still must rise 150% to attain its prior high water mark of March 2000. While the technology sector in the S&P 500 is not as significant as in the NASDAQ Composite, its weighting has varied between 15% and 30%+ over the past four years. In the 12 months ended September 30, 2003, the S&P Information Technology Index is up 58.96%, but still down 68.77% since March 31, 2000.<sup>6</sup> As neither the Global Value Fund nor the American Value Fund has meaningful investments in the technology sector, it is not surprising that we would lag in the most recent six month and one year periods.

While we are not the ideal investment managers to opine on technology stocks as we admit to almost complete ignorance about the sector, we can make observations about relative valuations within the sector. For example, the stock



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of Cisco Systems is up 49.54% in the past six months and, according to Bloomberg, now trades at more than 30X estimated earnings for fiscal year 2004 ending in July. While not an excessive price/earnings multiple for a growth stock, this multiple does imply a degree of consistency in the growth of earnings. However, between fiscal year 2000 and 2003, the earnings per share ("EPS") of Cisco have increased from \$0.53 per share to \$0.59 per share, or 11.3%. The company's prior peak EPS was reached in fiscal year 2000. EPS was down in both 2001 and 2002. The annualized rate of compounding of Cisco's EPS from 2000 to 2003 was a paltry 3.6%. Moreover, sales have declined over the same three year period. By comparison, Johnson & Johnson ("JNJ"), which the American Value Fund owns, has grown EPS 60.7%, or 17.2% annually compounded from 2000 through 2003, assuming current earnings estimates for 2003 are achieved.<sup>7</sup> Additionally, sales have increased more than 60% over the same period. JNJ has increased sales in every year since 1983 and perhaps longer. (Our data on Bloomberg only goes back to 1983.) EPS has also increased every year for twenty years with the exception of 1986, the year of the Tylenol scare. Moreover, JNJ pays a dividend that provides an annual yield of nearly 2%. Cisco has yet to pay dividends. The forward price/earnings ratio of JNJ is 19X, a 40% discount to Cisco's price/estimated earnings ratio of 32X. Put another way, it is a mystery to us why Cisco trades at a 68% premium to JNJ based on estimated earnings multiples.

Outside the US, technology accounts for a significantly smaller percentage of the overall stock market's capitalization. According to data from The International Bank Credit Analyst from April 2003, the technology sector accounted for slightly less than 6% of the total market capitalization of companies in the European Monetary Union. This is approximately one-third the size of the technology stock sector as a percent of total market capitalization in the US. Both in the US and outside, financial stocks are the largest single sector at more than 20% of total market capitalization. However, in the US technology has from time to time been larger than financials depending on market conditions. The relative volatility of technology stocks has had a greater impact on market indexes in the US than outside the US, both on the upside and the downside. Returns outside the US seem to occur with greater breadth as stock market tides lift, or sink, all boats. In the most recent six month period, MSCI EAFE in both US dollars and hedged, outperformed the S&P 500 despite the fact that the far better performance of the tech sector accounted for a greater portion of the S&P 500's return than it did for its international counterparts. Without technology, we estimate the S&P 500 gained 12.75% in the past six months, or conversely that technology

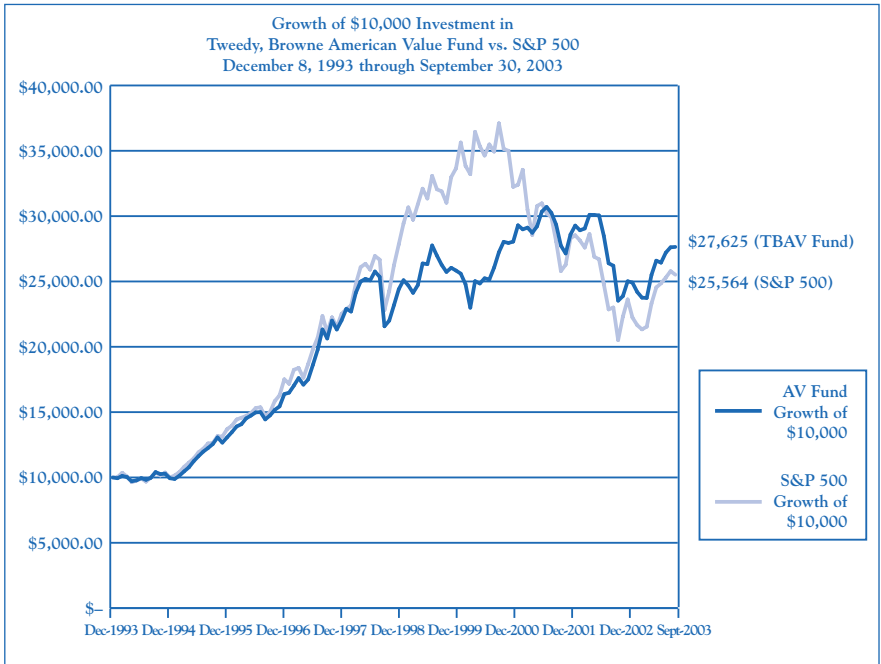


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accounted for 570 basis points of its 18.45% gain, far more than technology's contribution to MSCI EAFE's overall performance.

The above analysis may strike you as self-serving for it shows that with technology excluded from the S&P 500, the performance of the American Value Fund was better than the index. And for the Global Value Fund, our performance was better than the MSCI EAFE Index if the effect of currency is removed. Our purpose in this analysis is not to excuse our relative underperformance in the most recent 12 months, but to understand it and to see if any lessons can be drawn which might lead us to change some of our investment principles and strategies. It does not. Long term, we are still outperforming the major stock market indexes. While the degree of outperformance for the American Value Fund versus the S&P 500 is marginal, in the nearly ten years of its existence we have experienced far less volatility than the S&P 500. The following graph illustrates the performance of the American Value Fund and the S&P 500 since the Fund's inception on December 8, 1993.



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Volatility can have an effect on overall returns. In an attempt to smooth out the effect of short-term stock market volatility, many financial advisors tell their clients or readers to “dollar cost average” their investments in the stock market rather than attempt to “time” their investments. Dollar cost averaging provides a discipline to save as opposed to market timing. In the table below, we have assumed a theoretical \$1,000 investment on the inception date of each Fund followed by subsequent investments of \$1,000 at the end of each quarter in both the American Value Fund and the Global Value Fund and compared it to the same investment in the S&P 500 and the MSCI EAFE in US dollars and hedged.<sup>8</sup>

### Initial Investment of \$1,000 at Inception Date and Subsequent Quarterly Investments of \$1,000 thereafter

	Tweedy, Browne American Value Fund	S&P 500
Total investment since inception, Dec. 8, 1993	\$40,000	\$40,000
Value of dollar cost averaging over 9.8 years	61,597	55,135

	Tweedy, Browne Global Value Fund	MSCI EAFE (in US\$)	MSCI EAFE (Hedged to US\$)
Total investment since inception, June 15, 1993	\$42,000	\$42,000	\$42,000
Value of dollar cost averaging over 10.3 years	68,382	43,703	44,567

While the annually compounded rate of return since inception through September 30, 2003 of the American Value Fund is only marginally ahead of the S&P 500 index, the effect of less volatility has resulted in substantially more money for the dollar cost averaging investor in the American Value Fund at the end of the period. This is a result of the fact that the dollar cost averaging investor has 40 entry points over the same time period versus a single beginning date. The final result is an accumulation of those 40 entry points. We agree that performance is more important than low volatility despite how unnerving widely fluctuating markets can be. However, if lower volatility can also bring higher returns, that is a preferable approach in our opinion.

We have also achieved our results with significantly less portfolio turnover than the vast majority of our peers. The annual portfolio turnover rate of the Global Value Fund has been 15% for the 9 years ending March 31, 2003 as compared to 74.3% for the average fund in the Morningstar database of foreign stock funds over the past 9 calendar years ending December 31, 2002. The portfolio turnover rate of the American Value Fund has been



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10.4% versus 93.2% for all domestic funds in the Morningstar database over the past 9 calendar years of the Fund's existence.<sup>9</sup> While we lack specific data to prove it, we instinctively believe that funds with lower portfolio turnover rates are generally more tax efficient. We also instinctively believe that managers of funds with lower portfolio turnover rates have a better chance of understanding the companies in their portfolios.

Below is a calculation of the annualized returns for both Funds after all fees, expenses and taxes, which assume the highest individual federal marginal income tax rates on income and short-term gains and the highest tax rate applicable to long-term capital gains over the last one, five, ten and/or since inception periods, as well as a comparison to the after-tax results of the S&P 500 Index using a similar methodology to calculate such results. After tax results for the MSCI EAFE Index were not available.

### Annualized Returns For Periods Ending 9/30/2003

	Tweedy, Browne Global Value Fund <sup>(10)</sup>			MSCI EAFE <sup>(1)(2)</sup>	
	Return Before Taxes	Return After Taxes on Distributions	Return After Taxes on Distributions & Sale of Fund Shares	US\$	Hedged
1 year	18.46%	17.60%	12.23%	26.01%	10.83%
3 years	-1.47	-3.01	-1.90	- 8.71	-13.78
5 years	9.20	7.47	7.16	0.55	0.30
10 years	10.98	9.42	8.90	2.92	4.01
Since Inception <sup>(4)</sup>	10.98	9.47	8.94	3.34	4.42

	Tweedy, Browne American Value Fund <sup>(10)</sup>			S&P 500 Index <sup>(1)(4)(11)</sup>		
	Return Before Taxes	Return After Taxes on Distributions	Return After Taxes on Distributions and Sale of Fund Shares	Return Before Taxes	Return After Taxes on Distributions	Return After Taxes On Distributions and Sale of Shares
1 year	17.48%	16.78%	11.57%	24.37%	23.47%	20.13%
3 years	-0.48	-1.42	-0.79	-10.13	-10.58	-8.56
5 years	4.67	3.77	3.61	1.00	0.13	0.50
Since Inception <sup>(4)</sup>	10.91	10.11	9.32	10.13	8.59	8.21

Any comparison of our Funds' returns to index returns is akin to comparing apples to oranges since the results for the indexes do not reflect a deduction for management fees, brokerage, administrative and custody



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expenses and taxes. (See footnote 11.) Shareholders who have owned the American Value Fund since inception have been able to keep 92.7% of their pre-tax annualized return net of all fees and expenses and after payment of federal taxes at maximum historical marginal rates on distributions. If it were possible to invest directly in the S&P 500, the S&P investor would have kept only 85% of their return after taxes on distributions. In the case of our Global Value Fund, shareholders have been able to keep over 87% of their pre-tax annualized return.

We were struck by a profile of one mutual fund manager that recently appeared in a Sunday issue of *The New York Times*. This particular portfolio manager, who shall remain nameless, was in charge of three funds with total assets of \$43.6 billion invested globally. The largest of his three funds, with \$32.3 billion in assets, invests in any market cap stock and is highly diversified with holdings in more than 500 issues. The article says that the portfolio manager works with 120 analysts of domestic stocks, and an additional 100 analysts covering stocks overseas. The portfolio turnover rate of his largest fund was 80% in the most recent 12 months. The fund's performance for the three years ending September 25, 2003 was -4.8% annually compounded. While that performance may not knock your socks off, it did qualify, according to *The New York Times*, for a ranking in the top 9% for similar funds that invest in a blend of value and growth stocks. So far the story sounds pretty good. Here is this guy who works with 220 analysts covering stocks around the world as he looks for what he calls "best-of-breed" companies. For most of his stocks, he seeks "companies with the best earnings growth potential over the next five years." A worthy goal with which we cannot disagree. However, unless we are extraordinarily lazy and pathetically slow readers, or just not the sharpest knives in the drawer, we do not see how one portfolio manager can accomplish all of this. With 500 stocks in his fund's portfolio, an 80% portfolio turnover rate implies that his fund will own, on average, 900 different stocks in a twelve month period. Let's say our marathon manager takes no vacations, works ten hour days Monday through Friday, and half days on Saturday and Sunday. This schedule would provide him with 3,120 work hours per year. Divide this by 900 stocks, and this portfolio manager can spend, on average, 3 hours and 28 minutes each year on each of the stocks he owns. Somehow it strikes us that this is not sufficient time to really understand a company given the complexity of accounting issues and the volumes of reports to be read, much less leave time to make five year forward looking earnings projections or monitor quarterly earnings reports. Granted, he may be relying on his team of analysts



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to do most of the basic research, but he still has to read what they write and presumably ask them a few questions. We find this story incredible. Furthermore, we question the need to make five year earnings projections if the average holding period of a stock in his fund is only five calendar quarters, which is the corollary of an 80% turnover rate. We think the writer of this article should have had the sophistication to ask the portfolio manager how he can do all that he claims to do.

The portfolio turnover rates of both Tweedy, Browne Funds are unusually low for a few reasons. One, it takes us much longer to arrive at a conclusion to buy or sell a particular stock than it does the manager we read about in *The New York Times*. Unlike our peer portfolio manager profiled above, who makes five year earnings projections and then turns over his portfolio every fifteen months, we hold our stocks on average for a much longer period of time. (A 15% portfolio turnover rate would imply a 6 year and 8 month average holding period.) This is part of our screening and selection process. We look for companies with intrinsic values that we believe will increase going forward irrespective of whether this improvement is reflected in the stock price in the short term. We feel confident that values will ultimately be translated into higher stock prices, and we accept the fact that we cannot control when that will happen. Our process is time consuming, and it can take weeks of research and discussion before we are comfortable with adding a new name to our Funds' portfolios. Two, there are not a lot of companies that meet our investment criteria, so replacing one stock with another is not as easy as it appears to be for funds with higher turnover rates. Having set the bar fairly high, a new competing investment idea must be fundamentally superior to the stocks we already own. Three, we do not like paying more taxes than is necessary. We prefer to pay capital gains taxes at the long-term rate rather than the short-term rate. Four, stock prices are not generally cheap in today's market as compared to corporate acquisition prices.

Current stock market levels in the US in particular, and to a lesser degree internationally, do not provide an over abundance of cheap stocks. As we discussed in our last annual report, the difference between the lowest quintile and highest quintile of stocks ranked on almost any fundamental financial measure has narrowed significantly since March of 2000. This is in part a result of the collapse in prices of technology and telecommunications stocks, and in part a result of a more rational view of more mundane industries. The highest and the lowest valued sectors have converged. We benefited from this revaluation as money flowing out of high valuation growth stocks migrated



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into stocks in more basic industries. In a research piece written in May entitled “A Less Rotten Head,” Morgan Stanley analysts Steve Galbraith, Mary Viviano and Jay Lasus observed that the average price/earnings ratio of the 25 largest companies in the S&P 500 had declined from 56.57X in March of 2000 to 19.39X by April of 2003. While still not “cheap” by April 2003, the Morgan Stanley analysts concluded that “the prices of the market’s head companies appear(ed) vaguely reasonable.” Moreover, in March of 2000, 17 of the 25 largest cap companies were in the technology, media and telecommunications sector (“TMT”). By April of 2003, 11 of those companies no longer made the list of the 25 largest cap stocks. However, the collapse of the TMT sector did not bring on a market full of screaming bargains. That is not a bad thing as we were able to avoid much of the broad markets’ decline. We would have predicted that the collapse of the technology bubble would have produced far greater carnage for all stocks.

Our benchmark for value has little to do with relative stock market valuations and a lot to do with corporate acquisition valuations. Merely because Company A in a particular industry is trading at a price/earnings multiple that is significantly less than Company B in the same industry does not mean Company A is “cheap.” Company B may just be more overvalued than Company A. We believe that the price paid in corporate acquisitions is a more meaningful standard for value. In a list we compiled of 28 corporate acquisitions mostly involving the sale of divisions that occurred in 2003, we noticed that the price/earnings multiples were in most cases well below the price/earnings ratios of the popular broad stock market indexes. While we would not say stock market valuations are excessive at current levels, we would say they are “healthy.” These valuation levels do not provide much “margin of safety” for the broader market in the event of some unforeseen economic shock but are sustainable in the opinion of some respected analysts, such as the group from Morgan Stanley mentioned above. What the current stock market levels do not hold is the opportunity for the kind of significant stock market upside one usually experiences in the rebound from a bear market bottom. Currently, the universe of stocks is not without its bargains. The bargains are just fewer and further between.

On a more cautious note, our favorite team of analysts from Morgan Stanley has observed a modest revival in the speculative shenanigans of the pre-March 2000 era. We have observed it in our own performance, which lagged the broad market indices in the US solely because of a revival of interest in tech. The overall stock market does not incorporate much of a fear



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factor. If it did, stock prices would be lower. In Morgan Stanley's view, "...a select group of investors (and we use the term loosely) have returned to the concept of trading share certificates rather than company prospects." They would not have guessed that memories would be this short. Personal margin debt is rising as is trading in the most speculative sectors of the stock market, and once again Internet brokerage firms are advertising on television. They go on to say: "While we remain extremely encouraged that earnings gains are continuing apace, capital spending is improving, and corporate risk takers are stirring, our biggest fear at this point is that the lunatic fringe is again engaging in behavior eerily reminiscent of the bubble." We would hope we are not headed for a return to the speculative excesses of a few years back.

Our search for values is not without its successes, more so internationally than domestically.<sup>7</sup> One of the more significant additions to both the Global Value Fund and the American Value Fund in the past 6 months is Heineken Holding NV, the Dutch holding company for the maker of Heineken and Amstel beer. This is the second time in ten years that we have owned stock in this company.

Heineken Holding is the holding company through which the Heineken family controls a majority of the operating entity, Heineken NV. The latter is the third largest beer company in the world with a global market share of around 5% vs. 9% for the number one beer company, Anheuser-Busch. Heineken has a 4% market share in the US, which puts it among foreign brewers just behind Modelo, the Mexican company that brews Corona. Heineken's main global brands are Heineken and Amstel. In a global beer market that is stagnant at best, Heineken has had 4% to 5% sales growth and double-digit earnings growth over the last couple of years. We are buying this growth for a multiple of about 8X pre-goodwill, pre-tax operating income and 12X pre-goodwill, after-tax earnings. In acquisition transactions, beer and other alcoholic and non-alcoholic beverage businesses with well known brands and good growth prospects have been valued at more than 12X pre-tax operating income and more than 20X after-tax earnings.

We have also established new positions in the Global Value Fund in Aventis, Eisai, Siegfried, Sulzer and Phoenix Mecano. In the American Value Fund, we initiated our position in Heineken and increased holdings in two other issues. On the sell side, a number of mid-cap issues in Japan reached our target prices and were sold out of the Global Value Fund. In the American Value Fund, we tendered our shares in Panamerican Beverages in May as a result of its acquisition by Coca Cola Femsa. Additionally, Hon Industries



reached our estimate of its acquisition value and has been sold. Most other sales were merely the result of rebalancing positions in various holdings. There are some advantages to a stock market comprised of more highly valued companies; opportunities are often provided to sell some existing holdings at good prices.

Last year, we started providing our current portfolio holdings to shareholders on a quarterly basis via our website, Tweedy.com or Tweedybrowne.com, in addition to the semi-annual disclosure of our portfolio that is a regulatory requirement. Additionally, we now post quarterly comments from your managers on Fund matters on our website for the benefit of all shareholders.

### MARKET TIMING IN MUTUAL FUND INVESTMENTS

Recently, Eliot Spitzer, New York State's Attorney General, announced a settlement with Canary Capital Partners, a hedge fund that purportedly engaged in after hours trading of mutual funds. Canary Partners was apparently permitted to buy shares in certain mutual funds *after* the legal deadline for the acceptance of purchase and sale orders, normally the 4 o'clock close of trading each business day on the New York Stock Exchange. There can be no doubt that this is in violation of mutual fund trading rules. We believe that what Canary Partners was doing was taking advantage of news that became public after the close of normal trading hours but which would affect the price of holdings in the mutual funds it was trading. Presumably, Canary Partners would then redeem its holdings in the particular fund the following day, after the news had had the expected effect on the mutual fund's net asset value. In certain cases this involved the complicity of brokerage firms and other intermediary entities through which fund shareholders buy and sell their shares in mutual funds. In other cases, it involved the complicity of the target mutual funds that accepted orders to buy or sell shares after the close of business on the New York Stock Exchange. This was not a case of misinterpreting the rules. They had to have known that what they were doing was prohibited. According to the press, Canary Partners has reportedly settled with the Attorney General by disgorging \$30 million of profits and paying a fine of \$10 million. We think they got off too easy. It also seems particularly light in view of the damage this scheme can do to the reputation of the mutual fund industry. The brokerage firms and mutual funds that reportedly knowingly participated in this scheme are now also being investigated. And, surprise, surprise, Canary Partners is apparently not the only hedge fund to



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have engaged in after hours trading in mutual fund shares. It has been reported that in some instances, mutual funds actually provided certain hedge funds with a list of portfolio holdings so that the hedge funds could trade in and out of the mutual funds depending on news announcements, and go long and short specific holdings of the funds.

In addition to after hours trading, Canary Partners engaged in market timing, the practice of frequently trading mutual fund shares. Market timing is legal from the trader's perspective so long as purchase and redemption requests are made before the close of trading on the New York Stock Exchange. Global and international funds such as our Global Value Fund are particularly vulnerable to these trading schemes. Here is how it works: Stock markets in Europe close at either 10 a.m. or 11 a.m. New York time. If some favorable economic or company specific news comes out after the close of European stock markets, and if the US markets react by rising, there is some likelihood that European markets will rise the following day. Mutual funds invested in European stocks that value their European stocks at 10 a.m. or 11 a.m. European closing prices would then see a rise in their net asset values the next day. Market timers, often hedge funds, could "arbitrage" this news between markets by buying shares in US mutual funds that are invested in Europe and redeeming the next day when the news was reflected by a rise in the funds' net asset values. If the mutual funds on average rose 1%, and the market timers could do this merely 30 times a year, they had great returns. While legal, this practice allows market timers to capture part of the gains through short-term trading that would have otherwise gone to the long-term fund investors and can be disruptive to the management of the targeted mutual funds by creating large inflows and outflows for the funds.

A few years ago we noticed a certain degree of "churn" in the shares outstanding of the Global Value Fund. We initially considered the inflows and outflows from the Funds to be in the normal course of investing and did not attribute the phenomenon to market timers. As we became aware of the practice of market timing, we performed some internal studies that showed the Global Value Fund was not a very attractive market timing candidate as its portfolio and net asset value movements did not show any meaningful correlation with the type of movements upon which market timers appear to depend. Nevertheless, we did seek to monitor trading in the Global Value Funds' shares, and tried to prevent investors that we could identify and that had previously made a round trip in less than 60 days from going back into the Fund. As we gained experience, we realized that this process was difficult to



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administer, particularly as many shareholders do not invest directly in the Fund but do so through intermediaries. After carefully considering our alternatives with the Fund's board of directors, the board voted in June 2003 to institute a 2% redemption fee on in and out trades of less than 60 days, effective August 1, 2003. This seems to have worked as the number of short-term investments has virtually dried up as far as we can tell. When we instituted the redemption fee, we retained the right to waive the fee for certain operational reasons or in cases where collecting the fee did not serve its purpose; i.e., where we were able to satisfy ourselves that a particular roundtrip trade made within 60 days was not a market timing transaction. We will continue to review our policies and procedures in light of ongoing regulatory developments and investment patterns in the Fund and will make further revisions as appropriate.

The illegal practice of late trading enabled the market timers to extend their "window of opportunity" to profit from late breaking news that would affect mutual fund net asset values, including domestic funds. Gaining access to a particular fund's current holdings further increased the opportunity of profiting from information not available to the public. For example, if Cisco Systems made a particularly favorable earnings announcement after the close of trading on the New York Stock Exchange, it is a pretty safe assumption that technology stocks would rally the following morning, thus increasing the net asset values of funds holding large technology positions. If the market timers could then still buy shares at that day's net asset value in a fund that they knew held a lot of tech stocks, they could turn a quick profit the following day. In addition, now that the market timers were buying fund shares after hours in violation of strict regulatory procedures, one could say they were "stealing" part of the gains from the other fund shareholders.

The after hours trading of mutual fund shares was not some inadvertent violation of an obscure securities regulation. The parties engaging in this activity knew that what they were doing was wrong, and they should be punished. The mutual fund managers who permitted this activity should also be punished because they have violated the trust of their investors and have given the industry a black eye. While not wishing to sound self-righteous, we are appalled by these practices. Morningstar apparently shares our point of view as they have advised mutual fund shareholders to redeem their investments in funds that provided confidential information to market timers, or knowingly permitted hedge funds to invest after normal cut-off times. Unfortunately, the misdeeds of a few can reflect poorly on the vast majority of mutual fund companies that have adhered to fair and legal practices. In our



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opinion, this is another example of short-term vs. long-term thinking. While one can profit from illegal activities in the short run, it seldom succeeds in the long run. One can grow far richer in the long run by playing by the rules.

## HOLLINGER INTERNATIONAL INC.

Both of our Funds are shareholders in Hollinger International Inc., a newspaper company that owns the *Chicago Sun Times*, *The Daily Telegraph* in the United Kingdom, *The Jerusalem Post*, and various smaller community newspapers. The combined holdings of our Funds and individual clients of Tweedy, Browne Company LLC constitute approximately 15% of the outstanding shares of Class A and Class B common stock of the Company. We initially purchased shares in Hollinger in September 1999 when we estimated the value of its newspaper holdings to be significantly greater than its share price. A subsequent downturn in newspaper advertising revenues caused a reduction in the value of the company's assets, but the quality of its assets still resulted, in our estimate, in a value in excess of our purchase price. We met with management on several occasions and believed it was committed to increasing the recognition of the value of the company's assets in the stock market. The Chairman, Conrad Black, further stated that if he could not get a fair valuation in the stock market, he would consider taking the company private. Chairman Black made all the right statements we look for from a Chief Executive Officer of a company in which we have invested.

However, over time, we became concerned about the level of executive compensation, that, in our opinion, had become excessive. Additionally, following sales of certain company assets, the company's executives received significant fees related to non-compete agreements requested by the buyers of those assets. We considered this to be highly unusual as non-compete agreements, while normal in the course of asset sales, are usually paid to the company, not its executives. In one instance, these payments exceeded \$50 million. At the May 2003 Annual Shareholders' Meeting, Chairman Black stated that non-compete payments to individual executives, rather than to the company, were common within the industry. When pressed to cite other examples of such payments, he did not respond. Moreover, executive compensation was rising significantly. A further complication was that the principal executives were for the most part not paid directly by the company, but through payments to a private holding company controlled by Mr. Black. There was a significant lack of disclosure about the nature of these payments

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and the methodology by which they were calculated. The entire process was highly unusual. In the past 7 years, the management of Hollinger International, through the holding company controlled by Mr. Black, has received in excess of \$200 million, which was more than the combined compensation of the CEOs of The Washington Post Company, Gannett Newspapers, Knight Ridder, and The New York Times Company. We ultimately concluded that we were not going to get satisfactory answers to our questions. On May 19, 2003, we filed a demand under Delaware law to have the board of directors of Hollinger International conduct an investigation. If the board had chosen not to investigate, we could have sued the company to have the court take whatever action it deemed necessary to remedy the situation. The company agreed to appoint its own committee and elected new directors who were not previously members of the board committees that had approved the payments in question. We are currently awaiting the findings of this committee.

Throughout the entire process, we have only asked questions for which we want answers. Chairman Black has taken a different tack on the situation. He has called our analyst covering this situation, Laura Jereski, a “Rottweiler” – presumably for her determination in pursuing our concerns. Mr. Black has also derided our actions as an example of “corporate governance terrorism” that has emerged in light of numerous corporate scandals. We do not seek out situations like Hollinger. However, we do not subscribe to the proposition that if you do not like what management is doing, sell your stock and move on. We believe in acting like owners, and if that means acting to protect our interests, we will.

We bring this up because the Hollinger situation has received a significant amount of press coverage of late with major stories in *Fortune Magazine*, *Bloomberg Magazine*, *The Wall Street Journal*, *The London Times*, *Crain's Chicago Business*, *The Globe and Mail* in Canada, and the *Financial Times*, among others. Perhaps when we write our March 2004 letter in conjunction with the Funds' annual report, we will be able to tell you the outcome of our efforts.

**CURRENCY HEDGING**

Certain shareholders have called into question our policy of hedging most of our foreign currency exposure back into the US dollar, a policy we initiated at the Funds' inceptions. The only material exceptions to this policy involve non-US companies that derive a substantial portion of their revenues in the US, such as Nestle and Diageo, where we have a policy of hedging one-half of



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the market value of these holdings. We adopted our hedging policy when we started the Global Value Fund for several reasons. First, we are security analysts, not currency analysts. We believe our “sphere of competence” encompasses the research and evaluation of companies, not the relative strength of national currencies. Just as we make no attempt to time stock markets, we make no attempt to time currency movements. Second, our personal observation of those who do attempt to time currency movements is that they do so with little consistent success. We emphasize that this is our personal observation, which may or may not be borne out by a more in-depth study. Third, several studies have indicated that over long periods of time, the difference in the investment results of a hedged versus an unhedged strategy are not significant, but that the hedged approach is less volatile.

When the Euro was introduced in January 1999, it debuted at a value of 1 Euro equal to \$1.17. It then began an almost linear decline, ultimately bottoming out at a value of 1 Euro equal to \$0.8272, despite initial predictions that it would become another reserve currency to rival the US dollar. It then began to rise, reaching a high of 1 Euro equal to \$1.1909 on May 29, 2003. As of September 30, 2003, the value of 1 Euro was worth \$1.1656. Over the same period of time, the Japanese Yen has fluctuated between 101.45 Yen to the US dollar and 134.71 Yen to the US dollar. On September 30, 2003, the value was 111.49 Yen per US dollar. Beginning with the June 1993 inception of the Global Value Fund, the hedged MSCI EAFE Index has beaten the MSCI EAFE dollar denominated index for the entire period through September 30, 2003, and in 6 of the past 9 full calendar years, and in the half year of the Fund's inception. In 2002 and so far in 2003, the dollar has been weak versus other currencies, and the dollar denominated index has performed better. It is beyond our ability to predict whether this will continue. However, despite the future rise or fall of the US dollar relative to foreign currencies, shareholders of Tweedy, Browne Global Value Fund will continue to earn close to the local market returns in the stocks the Fund owns.

However, as one of our founders, Howard Browne, used to say, “Some like chocolate, some like vanilla.” In this spirit, we are investigating whether it would be practical to create a class or version of the Global Value Fund that would not be hedged back into the US dollar. Creating a separate fund with its own portfolio may not be practical given the broad mix of investments in all market cap ranges. Also, we would not want to set up a structure that would encourage investors to trade currency positions around our Fund. While not sure, we suspect that if investors are able to switch between a hedged and an



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unhedged portfolio, some may do so with some frequency, thus complicating our ability to keep our hedged positions in balance. The existence of a 2% redemption fee on shares traded within 60 days would discourage shorter-term trading but may be unfair if an investor is staying within the Global Value Fund. We would in any event want to be sure we were not encouraging short-term trading based on potential mismatches in currency valuations. Additionally, we do not know if changing between the two portfolios would trigger a realization of gains for the investor or the Fund. If given only one choice, we would choose to maintain the current hedged policy. If it is feasible to provide both alternatives, we will. We will report on our conclusions as soon as we have answers to our questions.

**PORTFOLIO COMPOSITION<sup>7</sup>**

The portfolio of the Global Value Fund was approximately 96% invested in equities as of September 30, 2003. The largest geographic area of investment was Europe and the United Kingdom at 64.8% of assets, followed by the Asian Pacific area at 17.6%, and North America with 13.3%. Additionally, there is one investment in a South African company amounting to only 0.20% of assets. There are a total of 176 issues held by Global Value Fund, spread among 23 countries. The largest country categories were Switzerland (14.2% of assets) with 23 issues, and the Netherlands (14.1% of assets) with 14. Interestingly, Japan with 9.6% of assets is comprised of 41 separate issues, largely because of the relatively smaller positions in many small and mid-cap stocks held in Japan. The values we find in Japan have tended to be in these market cap ranges rather than in large cap stocks. The twenty largest holdings in the Global Value Fund comprise approximately 43% of net assets. Stocks with market caps greater than \$5 billion total approximately 45% of net assets, while stocks in the range of \$1 billion to \$5 billion constitute an additional 32.5% of net assets. Smaller cap stocks with market caps of less than \$1 billion made up slightly more than 22.5% of the portfolio.

The portfolio of the American Value Fund is more concentrated with 69 issues, although the market cap distribution is similar. Stocks with market caps greater than \$5 billion comprised nearly 53% of net assets, while stocks with market caps in the range of \$1 billion to \$5 billion made up an additional 28% of net assets. Smaller stocks with market caps below \$1 billion accounted for slightly more than 19% of net assets. Non-US stocks were approximately 16% of net assets.



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We believe the distribution of our stocks among various market capitalization categories would lead to our being characterized as an all cap manager. Certainly, as we look for investment opportunities, we do not have any market cap category preferences. Irrespective of market capitalizations, we look for companies that are undervalued in relation to our estimate of their private market values, by which we mean the amount a knowledgeable corporate or private buyer would pay in an acquisition of the entire company. While we are seeking “value” in terms of the price we are paying relative to the underlying value of the business, this does not necessarily mean we only buy traditional value stocks. In fact, we prefer to invest in companies that have above-average growth potential. We are just not willing to pay a ridiculous premium for the growth factor. A number of traditional value sectors are not well represented in our portfolios, sectors like basic materials, industrial commodities, basic machinery, autos and utilities. We do have significant positions in financial stocks of all types, consumer non-durables, pharmaceuticals and newspaper publishers, many of which have enjoyed long-term growth in revenues and earnings. We are not sure if the current definition of “growth” versus “value” is more a function of a particular stock’s price/earnings ratio and/or price-to-book value ratio as compared to all stocks or its internal sales and earnings growth rates. If growth means buying a high tech company with little or no earnings or assets selling at a super high ratio to both of these financial fundamentals, we are not growth stock investors. However, if growth means investing in companies that have strong market positions and a proven ability to increase sales and profits over long periods of time, and if we can buy them for less than our estimate of their private market values, then we will do so. In this we see no conflict between value investing and growth investing.

In today’s world of increasing specialization, the mutual fund industry is being sliced and diced into an ever growing number of investment categories. For instance, the folks at Morningstar, the world renowned mutual fund rating company whom we like and respect tremendously, recently announced new categories for “Foreign Stock” funds where previously there had been none other than “Foreign Stock”. Beginning in October, the “Foreign Stock” category was split into five sub-categories: large cap value, large cap blend, large cap growth, small/mid-cap growth, and small/mid-cap value. Domestic equity funds have had numerous sub-categories for a long time but this was new for Morningstar’s international equity segment.



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The Tweedy, Browne Global Value Fund is now categorized as a small/mid-cap value fund despite having approximately 45% of its net assets invested in larger cap securities. Unfortunately, Morningstar does not have an “all-cap” or “multi-cap” category, which would be a better fit for our Fund. Small and mid-cap value stocks have been one of the global equity market’s hottest segments over the last three plus years, and a number of relatively new funds have been established over the last half dozen or more years to specifically appeal to investors in this high performing segment.

The impact on our Global Value Fund’s rather imperfect inclusion in this smaller sub-category of hot performing funds has been to reduce our fund’s overall star rating from five to three stars.<sup>12</sup> Whereas one month earlier, on August 31, 2003, the Global Value Fund received an overall rating of five stars in a universe of 693 foreign stock funds, and its return was second best out of 115 foreign stock funds with a ten year record, it is now rated three stars in a universe of 32 foreign small/mid-cap value funds. (For the one-year and five-year periods ended August 31, 2003, the Fund’s rank, based on average annual total return was, respectively, 530 out of 902 Foreign Stock funds, and 53 out of 523 Foreign Stock funds. As of September 30, 2003, with the advent of Morningstar’s new sub-categories, the Fund is now ranked, for the one, five and ten year periods, respectively, 43 out of 44 small/mid-cap value funds, 15 out of 29 small/mid-cap value funds and 2 out of 6 small/mid-cap value funds.) We even lost one star in our 10 year rating where we are now rated four stars.<sup>12</sup> Why? Because the number one rated foreign fund over the last 10 years is also in our new sub-category. Since a five star rating requires a top 10% position, with only six funds in the subcategory with 10 year records, only one can now have a five star designation. While we appreciate Morningstar’s efforts to try to provide investors with more comprehensive research on foreign mutual funds, the Tweedy, Browne Global Value Fund seems to have fallen victim to the law of unintended consequences.

We believe that if a fund chooses to restrict its investment universe to a particular subset of criteria, whether it be market cap or investment style, it should be ranked against its peers. A fund that describes itself as “mid-cap growth” has voluntarily chosen to restrict its investment universe to stocks that meet these criteria, and it should be judged against other funds that have selected the same designation. Funds tend to choose category designation because the fund family is attempting to appeal to investors who want to invest in specific subsets of stocks. We can recall sitting in on one investment committee meeting of a large university endowment when the Chief



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Investment Officer said, “Maybe I should stop looking for a (subset category) manager and just look for smart managers, and let them decide what to own.” Not bad advice. The creation of so many investment categories within the mutual fund industry almost forces investors to keep switching between funds if, at some stage in the market cycles, mid-caps are running and large caps are lagging, or vice-versa. Ditto for value funds versus growth funds. This strategy involves a degree of market timing far greater than just moving in and out of stocks. It involves timing each subset of stocks. Since no one seems to believe even professional money managers can time markets, how is the individual expected to time a myriad of different investment categories? The approach appears to us to be encouraging just the sort of short-term behavior investors have been advised to avoid.

While the effect of these new categories has been to reduce the number of stars given to the Global Value Fund, it can just as easily *increase* the number of stars given to another fund that may only be judged against a mediocre peer group. A fund can just as easily be best of class in a subset but not make it in a broader universe. It may have been possible in a category of, say, Internet funds to invest in a five star fund and still lose half your money. This is a form of “handicapping” the competitors, which is fine in golf but may not be relevant in investing.

The rationale for more categories seems to be to allow investors who want to create a portfolio of funds with different investment strategies to pick the “best of class” within each strategy. However, is it necessarily beneficial to invest in many different strategies? One major university endowment with which we are familiar pulled out of emerging markets investments. The investment committee concluded that despite having a best in class emerging markets manager, the category produced almost no return over the long term. Moreover, emerging markets could have produced significant losses if the investor timed his investment poorly and entered at the cyclical tops.

We presume that Morningstar is reacting to a market that wants this type of information. As far as we are concerned, the more information, the better. However, just as funds are ranked within their narrower classes, we would suggest that they be ranked in broader classes as well. We have all read too many times to count the phrase that “short-term performance may not be indicative of long-term results.” It is impossible to argue with that statement, as many investors have discovered to their financial chagrin, by investing in funds or strategies that have performed best most recently. Long-term results can encompass different market conditions and provide some indication of a



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manager's ability under varying market conditions. We believe that equally important is the viability of different investment styles through market cycles. A broader ranking of all funds in categories such as domestic or international equities, bonds, etc. would not only identify good managers but could well provide some indication of what investment styles worked best. If a significant percentage of the best funds were either growth funds or value funds, or mixed, or large or small cap, this information could lead investors to weight their choices towards whichever style, if any, appeared to bring better long-term results. If a category such as small cap growth showed a concentration of funds at the lower end of the broader rankings, an investor might conclude to underweight the category, or avoid it altogether.

Much of the diversification that investors try to achieve in formulating a portfolio of mutual funds appears to us to be designed to have some representation in every category that might lead in any particular market cycle. This strategy offers the promise of not having to sit out any market cycle when one style is not performing as well. Value has had its share of underperforming periods. However, this strategy also encourages shorter-term thinking. If your investment goals are long term, it should not matter which style outperforms in the short run. Your goal should not be to win each leg of the race, but to be first across the finish line at the end of the race.

We think this may be a case of where "reasonable men and women may agree to disagree" about how to judge a money manager. However, we would be remiss in not expressing our point of view. To spare our critics the amount of time required to write to us that this whole discussion is self-serving, or sour grapes, we agree. However, we also think it is sound advice.

Very truly yours,  
TWEEDY, BROWNE COMPANY LLC

Christopher H. Browne  
William H. Browne  
John D. Spears  
Thomas H. Shrager  
Robert Q. Wyckoff, Jr.  
*Managing Directors*

October 27, 2003



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### Footnotes

- (1) Indexes are unmanaged, and the figures for the indexes shown include reinvestment of dividends and capital gains distributions and do not reflect any fees or expenses. Investors cannot invest directly in an index. We strongly recommend that these factors be considered before an investment decision is made.
- (2) MSCI EAFE US\$ is an unmanaged capitalization-weighted index of companies representing the stock markets of Europe, Australasia and the Far East. MSCI EAFE Hedged consists of the results of the MSCI EAFE Index hedged 100% back into US dollars and accounts for interest rate differentials in forward currency exchange rates. Results for both indexes are inclusive of dividends and net of foreign withholding taxes.
- (3) Inception dates for the Global Value Fund and the American Value Fund were June 15, 1993 and December 8, 1993, respectively. Except for the S&P 500 Index, information with respect to all other indexes used is available at month end only; therefore the closest month end to each Fund's inception date, May 31, 1993 and November 30, 1993, respectively, was used.
- (4) S&P 500 is an unmanaged capitalization-weighted index composed of 500 widely held common stocks listed on the New York Stock Exchange, American Stock Exchange and over-the-counter market and includes the reinvestment of dividends.
- (5) NASDAQ Composite Index is an unmanaged capitalization-weighted index composed of all NASDAQ domestic and non-US based common stocks listed on the NASDAQ Stock Market.
- (6) S&P Information Technology Index is an unmanaged capitalization-weighted index consisting of companies in the S&P 500 Index engaged in the information technology business.
- (7) As of September 30, 2003, Tweedy, Browne American Value Fund and Tweedy, Browne Global Value Fund had invested the following percentages of its net assets, respectively, in the following portfolio holdings: Johnson & Johnson (1.16%, 0.00%), Heineken Holding NV (1.36%, 2.55%), Panamerican Beverages (0.00%, 0.00%), Hon Industries (0.00%, 0.00%), Hollinger International Inc. (2.66%, 1.84%), Nestle (2.88%, 3.29%), Diageo (1.71%, 1.79%), Aventis (0.00%, 1%), Eisai (0.00%, 0.65%), Siegfried (0.00%, 0.29%), Sulzer

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(0.00%, 0.27%), and Phoenix Mecano (0.00%, 0.24%). The portfolio holdings and allocations of investments mentioned above reflect the Funds' holdings on the date indicated and may not be representative of the Funds' current or future holdings.

- (8) A periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such plans involve continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his or her financial ability to continue purchases through periods of low price levels.
- (9) The turnover ratio is a measure of a fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by the average monthly value of the long-term securities in the portfolio. Morningstar does not calculate turnover ratios. The figures are culled by Morningstar directly from the financial highlights of the funds' annual reports. The turnover ratios for the categories ending March 31st consist of the average turnover for each fund in the category from the fund's latest annual report received by Morningstar, and consist of different one-year periods due to the varying fiscal year ends of the funds in each category. The Morningstar Foreign Stock Fund Category consists of all mutual funds in the Morningstar Universe that have 90% or more of their assets invested in non-U.S. stocks. The Morningstar Domestic Stock Fund Category consists of all mutual funds in the Morningstar Universe that have over 70% of their assets invested in domestic stocks. With respect to the Morningstar Mid-Cap Value Fund Category, Morningstar further assigns its domestic stock funds to an investment style category based on the market capitalization and growth and value characteristics of the underlying securities in each fund's portfolio. Morningstar defines large cap stocks as the group that accounts for the top 70% of the capitalization of the Morningstar domestic stock universe; mid-cap stocks represent the next 20%; and small-cap stocks represent the balance. Assignments for the funds are recalculated whenever Morningstar receives updated portfolio holdings for each fund.
- (10) After-tax returns are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Returns after Taxes on Distributions are adjusted for federal income taxes associated with fund distributions, but do not



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reflect the federal income tax impact of gains or losses recognized when fund shares are sold. Returns after Taxes on Distributions and Sale of Fund Shares are adjusted for federal income taxes associated with fund distributions and reflect the federal income tax impact of gains or losses recognized when fund shares are sold. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts. The performance shown, before and after taxes, represents past performance and is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

- (11) As of the beginning date of each measurement period, the S&P 500 was purchased as a hypothetical \$100,000 portfolio. At the end of each succeeding month, transactions were made to the portfolio due to changes in the composition of the index and/or changes in the capitalization of each company. From any sales that occurred in a given month, taxes were paid to produce an after-tax return. Additionally, cash dividends were collected each month, taxed appropriately, and reinvested in additional shares. In each case, taxes were paid using rates in effect at the time and distinctions were made for long and short term gains. For each period, information is presented showing the value of the portfolio if shares continued to be held as well as the value that would be left if all of the shares were sold and adjusted for taxes. SEC standards for calculating after-tax returns were used as a model for this calculation.
- (12) For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effect of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from



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a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar metrics. Tweedy, Browne Global Value Fund was rated against the following numbers of U.S.-domiciled Foreign Small/Mid Cap Value funds over the following time periods: 32 funds in the last 3 years, 29 funds in the last 5 years, and 6 funds in the last 10 years. With respect to these Foreign Small/Mid Value funds, Tweedy, Browne Global Value Fund received 1 star, 3 stars, and 4 stars for the 3-, 5- and 10-year periods, respectively. Past performance is no guarantee of future results.

Morningstar foreign stock funds include all mutual funds in the Morningstar Universe that have 90% or more of their assets invested in non-US Stocks.

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The securities of small, less well-known companies may be more volatile than those of larger companies. In addition, investing in foreign securities involves additional risks beyond the risks of investing in securities of U.S. markets. These risks involve economic and political considerations not typically found in U.S. markets, including currency fluctuation, political uncertainty and different financial standards, regulatory environments, and overall market and economic factors in the countries. Investors should refer to the prospectus for description of risk factors associated with investments in securities held by the Funds.

Tweedy, Browne American Value Fund and Tweedy, Browne Global Value Fund are distributed by Tweedy, Browne Company LLC.

This material must be preceded or accompanied by a prospectus for Tweedy, Browne Fund Inc.



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