Investment Manager's Report

Global equity market returns over the last six months of approximately 13% in local currency[†] could perhaps best be summarized by the phrase, "who would have thought?" especially in the face of a drumbeat of concern about the breakup of the euro, political gridlock in the U.S. over how to resolve government deficits, fears over what a slowdown in China might mean, and a "flight" to safety in which "investors" (however that term is defined) crowded into debt securities to the point where ten-year U.S. Treasuries yield less than 2%, and Swiss banks began to charging customers for deposits*.. Many of the most recognized observers on the state of financial markets did not mince words when it came to discussing the prospects for the future. Some were very pessimistic, a few very optimistic, and even fewer saying it's just not clear what's going to happen. One well-known weekly featured an article entitled, "Why Stocks are Dead," while others argued economic growth in the developed world is all but over. An interesting paper written by Robert Gordon, an economic historian at Northwestern University, entitled, "Is U.S. Economic Growth Over?" seemed to capture much of this thinking, at least insofar as the U.S. economy is concerned. The paper is interesting and readily available on the web.

Despite all of these concerns, most markets around the world plodded ahead. The old Wall Street adage, "the market climbed a wall of worry," somehow seems applicable. We certainly don't have a simple one-sentence explanation for all of this. Even if we did, it would be after the fact, and that, frankly, is not worth much in our business. The explanation most frequently offered for the markets' rise has been the flood of liquidity created by central banks, which has driven yields to the point where, in the words of Grant's Interest Rate Observer, fixed income investors are living on "bird seed." This, of course, carries with it the concern as to whether central banks will be able to manage the "withdrawal symptoms" when the time comes to shift from monetary easing to monetary tightening.

Then, in early January, in rather abrupt fashion, these concerns were seemingly demoted (possibly just temporarily), and a renewed interest in equities took center stage, at least in the financial press. Frequently cited factors included the beginning of the "great rotation" out of bonds back into stocks; the reappearance of merger and acquisition activity, which tends to push equity prices higher; some hopeful signs in China about economic growth; and a U.S. economy which is growing, albeit at a rate that won't make much of a dent in unemployment. ***The Economist*** magazine described this shift as a "bout of optimism," driven by just enough positive developments to ease some of the anxiety and fire up the greedier half of the "fear/greed meter." Then in March, equity markets were thrown a curve ball in the form of a financial crisis in Cyprus which once again brought the Southern European debt situation back into focus. After a few days of market volatility and concern about the possibility of bank runs in Southern Europe, the monetary authorities stepped in to provide the framework for a bailout which would provide liquidity to their banks in return for significant haircuts on the deposits of Russian oligarchs. With markets reassured, they returned to their upward path.

Our goal in mentioning all of this is not to leave a message that we are extremely gloomy. As with everything in life, things are "complicated." There are any number of positive factors, depending upon your vantage point. For example, energy developments in the U.S. should have a broad-based positive impact for both businesses and individuals in the future. U.S. energy-intensive businesses will likely enjoy significant cost advantages versus competitors elsewhere in the world. Concerns about the "offshoring" of jobs seem to be abating and there is increased discussion about "onshoring," as rising wage and transportation costs in Asia and the increased competitiveness of the U.S. economy influence

capital allocation decisions in corporations. According to a recent study, there will be a billion new middle class consumers in China and India by 2020, which bodes well for many of the businesses we own. Yield spreads on European government bonds between the "strong" and "weak" economies have narrowed, suggesting greater confidence that Europe is gradually, if not grudgingly, working through its problems. Finally, the debate over China is over how fast it will grow and not whether it will continue to grow at a high rate.

So the question is, what are we to make of all this and how do we translate it into coherent investment decisions? We certainly are not about to pick sides in the debate. A compelling case can be made either way, and much depends on how finite your time horizon is. The first and simplest conclusion is that macro forecasting is at best difficult if not impossible to get right on a sustained basis. Forecasting how the multitude of economic crosscurrents and behavioral factors driving buy and sell decisions will be translated into stock prices at any given point in time is beyond our skill set. That said, we accept that macroeconomic circumstances are going to have an impact to a greater or lesser extent on every business and every individual. Our response should come as no surprise; we always revert to what has been our firm's investment framework for the past five decades. We own a business and businesses have a value independent of stock prices. Determining that value, we believe, is a more objective, knowable process than forecasting markets. We continually ask ourselves, what are the competitive advantages or weaknesses of a business? Does it have the financial flexibility and strength to withstand a difficult economic environment? Do its products have sustainable demand prospects? Can the business adapt to changing circumstances? In this process, we are attracted to companies that compete around the world, because in effect, we think that they are reducing the risk presented by any one market while at the same time positioning themselves to take advantage of more promising opportunities. Once we are comfortable with the business, and the value that would accrue to us as shareholders in an arm's-length sale of the business, we then look to buy shares, if they are available in the public market at a discount from our estimate of value. If not, we wait.

What we won't do is invest on the assumption that the "great rotation" out of bonds, or some other factor, will drive broad equity prices higher. Ultimately, what we believe will sustain and drive equity prices of the companies we own are the underlying economics of the business. When stock prices move beyond what we consider a reasonable valuation of the business we reverse the process and generally become a seller. We are not comfortable with excessive assumptions about the future to justify our judgment on valuation. Speaking figuratively, when the equity party gets too loud, our practice is not to keep dancing, but rather walk away from the dance floor. What this implies, as a practical matter, is that in a rising market with fewer new opportunities, we will end up with more cash reserves, which will be a drag on returns. Since we don't lower the bar just to stay invested, the likelihood is we will "underperform" over a particular period of time, an outcome we are prepared to put up with. For us, the investment business is a marathon, not a sprint, and we think our approach to the race is the right one. We are appreciative of the fact that we have many clients and shareholders with a similar perspective, which reinforces our commitment to the process.

Performance Results

Presented below are the investment results of Tweedy, Browne Value Funds SICAV (the "Fund") for the six months ended March 31, 2013 with comparisons to the indices we consider relevant. In this report, we have presented the Investment Manager's Report for the four Sub-Funds in one letter, which reflects

the performance details and our views on the performance, as well as the financial statements for each Sub-Fund.

Tweedy, Browne Value Fund (USD)

Annualized Results ending March 31, 2013*			
	Tweedy, Browne Value Fund (USD)	*MSCI World (in USD)*	*S&P 500 Index*
6 Months	11.73%	10.41%	10.19%
1 Year	14.11	11.85	13.96
3 Years	8.47	8.46	12.69
5 Years	5.02	2.23	5.82
10 Years	6.64	8.87	8.53
Since Inception *(10/31/96)*	6.16	5.48	6.92

Performance returns are annualized and time weighted. The value of the shares and the return they generate can go down, as well as up. They are affected by market volatility and by fluctuations in exchange rates. Past performance is no indication of future results. The calculation of the Tweedy, Browne Value Fund (USD) performance complies with the "Guidelines on the Calculation and publication of Fund performance data," which were published for the Swiss Funds Association (SFA) on May 16, 2008.* ***Performance calculations are presented for Investor Shares.*

Tweedy, Browne International Value Fund (Euro)

Annualized Results ending March 31, 2013*			
	Tweedy, Browne International Value Fund (Euro)†	*MSCI EAFE (Hedged to US$/Euro)*	*MSCI EAFE (in US$/Euro)*
6 Months	11.83%	17.40%	12.25%
1 Year	18.31	15.68	15.38
3 Years	9.94	3.73	6.85
5 Years	7.82	0.22	3.37
10 Years	11.32	7.11	8.94
Since Inception *(10/31/96)*	9.22	4.14	4.15

Performance returns are annualized and time weighted. The value of the shares and the return they generate can go down, as well as up. They are affected by market volatility and by fluctuations in exchange rates. Past performance is no indication of future results. The calculation of the Tweedy, Browne International Value Fund (Euro) performance complies with the "Guidelines on the Calculation and publication of Fund performance data," which were published for the Swiss Funds Association (SFA) on May 16, 2008.* ***Performance calculations are presented for Investor Shares.*

† Prior to May 17, 2004 the sub-fund was denominated in US$ and its investments were hedged to US$. Effective May 17, 2004, the base currency of the sub-fund was changed to Euros and its investments were hedged to Euros. Performance results through June 30, 2004 are based on the percentage increase in US$ value of shares to May 17, 2004, and percentage increase in Euro value of shares thereafter. Accordingly, such performance figures do not represent the percentage increase in the US$ or Euro value of shares in the sub-fund over the whole of the indicated periods.

For comparative performance purposes, the linked MSCI EAFE (hedged to USD/Euro) and MSCI EAFE (in USD/Euro) indices are shown, and represent index performance for the applicable performance periods. Therefore, the most appropriate benchmark for the period prior to May 17, 2004 was the MSCI EAFE Index (hedged to USD) and MSCI EAFE (in USD); for the period thereafter, the most appropriate benchmark indexes are the MSCI EAFE Index (hedged to Euro) and MSCI EAFE Index (in Euro).

Tweedy, Browne International Value Fund (CHF)

Annualized Results ending March 31, 2013*			
	Tweedy, Browne International Value Fund (CHF)	*MSCI EAFE (Hedged to CHF)*	*MSCI EAFE (in CHF)*
6 Months	12.84%	17.38%	12.89%
1 Year	18.10	15.47	16.56

3 Years	8.62	3.39	1.36
5 Years	4.95	-0.15	-1.75
10 Years	9.35	6.25	6.03
Since Inception *(10/31/96)*	7.58	2.76	2.70

Performance returns are annualized and time weighted. The value of the shares and the return they generate can go down, as well as up. They are affected by market volatility and by fluctuations in exchange rates. Past performance is no indication of future results. The calculation of the Tweedy, Browne International Value Fund (CHF) performance complies with the "Guidelines on the Calculation and publication of Fund performance data," which were published for the Swiss Funds Association (SFA) on May 16, 2008.* ***Performance calculations are presented for Investor Shares.*

Tweedy, Browne Global High Dividend Value Fund

Annualized Results* ending March 31, 2013

	Tweedy, Browne Global High Dividend Value	***MSCI World (Hedged to Euro)***	***MSCI World (in Euro)***
6 Months	8.45%	12.62%	10.62%
1 Year	13.88	13.19	15.99
3 Years	8.57	7.09	10.37
5 Years	4.89	1.98	6.62
Since Inception *(6/1/07)*	1.90	-1.22	0.91

** Performance returns are annualized and time weighted. The value of the shares and the return they generate can go down, as well as up. They are affected by market volatility and by fluctuations in exchange rates. Past performance is no indication of future results. The calculation of the sub-Funds' performance results complies with the "Guidelines on the Calculation and Publication of Fund Performance Data," which were published for the Swiss Funds Association (SFA) on 27 May 16, 2008.* ***Performance calculations are presented for Investor Shares****.*

We'd like to say a few things about performance in the hopes of managing future expectations. We have had the good fortune over these last many years of outperforming indices by a considerable margin and with a rather surprising amount of consistency. We are particularly proud of the fact that these returns were earned without any direct exposure to eurozone banks, very little exposure to Southern Europe, and while maintaining an average cash reserve position of approximately 12%. That said, we have come a long way in a short period of time. For example, three of our four Sub-Funds have produced double digit returns over the last six months while our Global High Dividend Value Fund returned a very respectable 8.45% return during the period. Since around the bottom of the financial crisis, from March 9, 2009 through March 31, 2013, our Sub-Funds have returned cumulatively between 77% and 115%, producing average annual compound returns during this period of between 15% and 21% (*while the market bottom, as measured by the MSCI World Index, was reached on March 9, 2009, the Fund's closest NAV date was March 13, 2009, and these returns are for the period beginning with that date*). Not bad for the so called "new normal."

These kinds of returns were not entirely unexpected given the low valuations that equities had succumbed to during the crisis. However, we must remind our investors that ultimately we believe that our returns in the stock market are inextricably tied to the underlying fundamentals of the businesses we own, and while those fundamentals have improved dramatically over the last four years, in most instances that improvement has now been recognized in the stock market. While our Sub-Funds' portfolios, for the most part, still trade at reasonable valuations (13 to 15 times estimated earnings), many of the companies that we have owned for years are now trading at fair value or marginally above our estimate of fair value. As a result, we have become net sellers as we trim and in some instances sell positions that have gotten ahead of themselves. In our view, cash reserves have been slowly growing in our Sub-Funds, and if the market continues to head north without much underlying volatility, and cash flows into our Sub-Funds continue to increase as has been the case over the last few months, they could very well approach levels which might cause us to take action to prevent dilution to our existing shareholders.

In such an exuberant environment, our Sub-Funds should participate as the tide rises, but with growing cash reserves, it would also be very difficult to keep up with benchmark indices. As we have mentioned many times in these letters, we expect to trail a benchmark index as much as 30% to 40% of annual fiscal and calendar year periods. *(Past performance may not be indicative of future results. There may be periods where Tweedy, Browne Sub-Funds underperform for more extended periods of time.)* Given the risks inherent in rising equity market valuations, we believe this is a cost worth bearing. We try to never lose sight of the fact that equity market valuations are the gravitational forces of our markets, and you can't defy the laws of gravity for long in life or in markets.

Our Sub-Funds' Portfolios

Please note that individual companies discussed herein represent holdings in our Sub-Funds, but are not necessarily held in all four of our Sub-Funds.

While the vast majority of stocks in our Sub-Funds' portfolios had very good returns for the last six months, our best results were produced by a number of our pharmaceutical, beverage, food, insurance and industrial holdings. This included pharmaceuticals such as Roche, Novartis, Johnson & Johnson, Mitsubishi Tanabe, and GlaxoSmithKline; beverage holdings such as Heineken and Diageo; food stocks such as Nestle and Unilever; banks and insurance stocks such as Bangkok Bank, HSBC, Provident Financial, Zurich Insurance and Munich Re; and industrials such as ABB, Krones, Teleperformance, BAE, G4S, Unifirst, and Union Pacific. We also had nice returns in a few of our media companies including the Daily Mail and Schibsted as economic green shoots foreshadowed the possibility of an improving advertising market. Google and Cisco, our two technology holdings, also produced nice returns for our portfolios. While we continue to collect an attractive dividend yield in our oil & gas stocks, with the exception of ConocoPhillips, and its spinoff, Phillips 66, those stocks generally lagged for the last six months. That said, we had strong returns in two companies that service the oil and gas industry, Halliburton and Vallourec. As you may know, the Japanese equity market came on like gangbusters in the first quarter of this year, boosted by change in the Japanese government and the steps they have taken to increase their money supply and bring down the value of the yen. We have only had a modest allocation to Japanese equities over the last many years, and this has generally served us well. However, Japanese equities constitute a large component of the EAFE Index and if they continue to outperform, it could have a dampening effect on our relative returns.

During the past six months, we continued to reduce our positions in branded consumer products companies including food, beverage, tobacco, and household products holdings which were trading at or near our estimates of intrinsic value. We trimmed our positions in Nestle, Arca Continental, Heineken, British American Tobacco, and sold our remaining shares in Kimberly-Clark. We also reduced our position in a number of industrial holdings including Kone, our long time Finnish elevator holding, and sold our remaining shares in Henry Schein, the U.S.-based dental distribution company. We also took advantage of the rising tide in Japan to sell a few positions including Daiwa Industries. We also sold our remaining shares in Exelon, which had produced rather disappointing results.

We established several new positions during the last six months, and added to a number of others. More recent additions to our Sub-Funds' portfolios have included DBS Group Holdings, the large Singapore-based bank, Halliburton, the Houston-based global oil service company, and Mitsubishi Tanabe, the Japanese pharmaceutical company. All of these companies at purchase were trading at significant discounts from our conservative estimates of their intrinsic value and we believe were financially strong and have solid prospects for future growth. In addition to the above, we added to our positions in Devon Energy, Royal Dutch Shell, G4S, Vallourec, HSBC, and Tesco, among others.

In terms of current positioning, our Sub-Funds' portfolios continue to be multi-capitalization in character although they have had a larger capitalization orientation for the last several years. Except for the Value Fund (USD), European securities continue to comprise the largest segment of our portfolios by geography. This categorization is largely a function of where corporate headquarters are located, with most of these companies having a broad global footprint from an end market or revenue perspective. Industry concentrations continue to include food, beverage and tobacco companies, media stocks, insurance companies, pharmaceuticals, and a growing industrial segment. We have also been increasing our commitments to the energy industry with our recent investments in Halliburton and Vallourec, which provide goods and services to oil and gas companies. In general, as we mentioned in our last quarterly report, over the last six months and year, we have sold or reduced positions in a number of consumer oriented businesses, and established new positions in various industrial-based businesses where we were presented with pricing opportunities. Cash reserves have on average been increasing modestly in our Sub-Funds' portfolios as bargains have become more difficult to uncover in the markets' rather aggressive advance.

Our Global High Dividend Value Fund

Many of you in recent years have chosen to invest in the Tweedy, Browne Global High Dividend Value Fund, and we thank you for those commitments. This is a strategy that we have been executing for nearly 34 years in separate accounts, and for nearly six years in our Sub-Fund. It has served us well over the long term; and, it has performed particularly well on a relative basis in the volatile markets of recent years. During 2011, when the Southern European crisis came to a head, it was the best performing Sub-Fund at Tweedy, Browne. In 2012, as global equity markets gathered momentum, our Global High Dividend Value Fund produced a very nice absolute return, but underperformed our other Sub-Funds' portfolios. As you can see from the chart below, which compares the returns of dividend paying securities to their non-dividend paying brethren in the MSCI World Index, non-dividend paying securities outperformed dividend payers in 2012. In fact, there was almost a perfect inverse correlation between the total return of a dividend paying security and its yield, with the higher yielding securities producing lower total returns.

MSCI World Index (constituents as at December 31, 2012)
Total Return through December 31, 2012

				Weighted Total Return		*P/E Ratio (Forward)***		
	# of Companies	Weight of Total Index*	Weighted Yield	6 Months	1 Year	2012 E	2013 E	P/Book**

Dividend Payers	1,411	91.58%	3.05	10.72%	20.42%	15.38	13.80	2.98
Non-Payers	199	8.42%	-	15.23%	28.89%	18.39	20.30	4.29
Total Index	**1,610**	**100.00%**	**2.79**	**11.10%**	**21.14%**	**15.63**	**14.35**	**3.09**

Dividend Payers:

				Weighted Total Return		*P/E Ratio (Forward)***		
Dividend Yield Quintile Groups	# of Companies	Weight of Total Index*	Weighted Yield	6 Months	1 Year	2012 E	2013 E	P/Book**
Quint 1: > 4.25	282	17.18%	5.90	7.63%	12.72%	12.70	12.08	2.31
Quint 2: 3.08 - 4.25	282	24.23%	3.59	8.29%	16.04%	14.35	13.30	3.19
Quint 3: 2.18 - 3.08	282	19.26%	2.57	11.49%	18.20%	14.40	13.24	2.86
Quint 4: 1.47 - 2.18	282	15.25%	1.79	13.26%	26.61%	17.89	15.15	3.40
Quint 5: < 1.47	283	15.66%	0.91	14.46%	32.37%	18.67	15.85	3.11
All Dividend Payers	**1,411**	**91.58%**	**3.05**	**10.72%**	**20.42%**	**15.38**	**13.80**	**2.98**

** Using the Index's constituent members as of December 31, 2012*
*** Excludes Values >100*
Note: "Dividend Payers" are companies in the index that have a 12-month Dividend Yield > 0%
Data source: Bloomberg

This chart does not represent the performance of any Tweedy, Browne managed account, composite, or Sub-Fund. It is provided for information purposes only to illustrate the relative performance of dividend paying stocks versus non-dividend paying stocks.

The fear at year-end that taxes on dividends in the United States might revert back to high ordinary income rates certainly might have played some small role in dampening investors' appetites for high dividend paying securities. While we do not welcome higher taxes on investment capital, we were relieved to see that the U.S. government did not drive us completely over the fiscal cliff when it comes to dividends. As you may know, going forward, under the new American Taxpayer Relief Act of 2012, only the highest income earners ($400,000 for individuals, $450,000 for joint filers) will face an increase in the U.S. federal tax rate on qualified dividends, and that increase was quite modest with the rates on long-term capital gains and dividends for this investor class bumped up from 15% to 20%. High income tax payers will also face additional incremental taxes on investment income as mandated by "Obamacare." U.S. investors with lower incomes will continue to be taxed at 15% on their qualified dividends. Compared to more punitive potential alternatives, we felt this was a pretty benign outcome.

Despite all the commentary you read today about dividend stocks being overvalued as investors chase yield, the equities in our Global High Dividend Value Fund trade at approximately 13.1x 2013 estimated earnings and pay a dividend yield of approximately 4.0%. *(Please note that the weighted average dividend yield shown above is not representative of the Global High Dividend Value Fund's yield, nor does it represent the Sub-Fund's performance. The figure solely represents the average dividend yield of the common stocks held in the Sub-Fund's portfolio.)* Many of our portfolio companies have paid consistent and increasing dividends for decades. Also, they have often behaved in a more shareholder friendly manner, buying back stock and reducing their share count over the longer term. As we have discussed in the past, dividend paying companies with strong free cash flow yields tend to have financial flexibility. This can inure to the investor's benefit over time in the form of share buybacks, debt pay downs, dividend increases, and reinvestment opportunities. The key, of course, is to be able to buy these companies when they trade in the stock market at a reasonable discount from their value as an operating enterprise. After all, we are not investors in these securities for their income alone, but rather for the attractive total returns they produce over the longer term when they are purchased intelligently.

Identifying Durable Competitive Advantage

> *The key to investing is not assessing how much an industry is going to affect society, or how much it will grow, but rather determining the competitive advantage of any given company and, above all, the durability of that advantage. The products or services that have wide, sustainable moats around them are the ones that deliver rewards to investors.*
>
> ***– Warren Buffett***

Investing in companies with durable competitive advantages has been integral to the great success Warren Buffett has enjoyed over the years, and it is a vital part of our research process as well. From our experience, a durable competitive edge often acts as a moat to help fend off Schumpeterian attacks (creative destruction-based attacks) from competitors, allowing companies to earn outsized returns over long measurement periods. Without such protection, excess returns attract competition and tend to mean-revert. We often refer to such companies as compounders because they can produce high returns on capital over long periods of time. Assuming a reasonable price to value relationship, we can often own these types of businesses for many years. Thus, in addition to compounding wealth at an above average rate, compounders offer the added benefit of tax efficiency associated with a long-term holding period.

By definition, companies that are well managed and possess durable competitive advantages generate above average returns on invested capital. Identifying companies with above average returns on invested capital is a relatively straight forward numerical exercise. However, while high returns are a necessary condition of competitive advantage, their existence alone is not sufficient evidence that a competitive advantage exists. Companies that truly have a competitive advantage benefit from qualitative characteristics that give one confidence that excess returns can be sustained over multiyear periods. Sustainability is often tough to come by in a world where companies face intense global competition. Thus, the assessment of competitive advantage combines quantitative analysis with the softer, qualitative side of security analysis….which involves the hard to measure stuff that is often much more important in investment decision-making, and is critical to giving us the confidence to take a longer term point of view.

Some of the more common qualitative business characteristics that may indicate the existence of a durable competitive advantage include the following:

- ***Switching Costs***: the potential costs of switching to a competing product or service exceeds the potential benefits of switching. Tends to create sticky customers.
- ***Intangible Assets***: includes the ownership of valuable brands, patents or regulatory licenses that enable owners to charge premium prices relative to competing products. Long-term customer relationships (sometimes combined with multi-year contracts) are another example of an often overlooked intangible asset that is difficult to compete against.
- ***Low-Cost Producer***: businesses that can sustain lower costs than competitors due to economies of scale or superior cost management. In theory, low-cost producers could lower prices to a level in which they remain profitable while all other competitors lose money.
- ***Low-Cost High Value Producer***: refers to a company which sells an inexpensive yet highly critical component used in a customer's end product. This combination allows the producer to charge a price based on value delivered to the customer as opposed to the cost to produce the component.
- **Network Effect**: a phenomenon described when the value of a product or service increases as more people use that good or service.

Our Sub-Funds' portfolios are invested in many companies that we believe benefit from one or more of these sources of durable competitive advantage. For example:

Safran, the French commercial jet engine manufacturer: Safran's commercial jet engine business, which manufactures engines principally for the Airbus A320 and Boeing 737, benefits from competitive advantages in both the original equipment and aftermarket sides of its business. Among other factors, the oligopolistic original equipment side benefits from the fact that it is difficult for an aircraft program to switch engine suppliers after it has gone into a production cycle, which can last up to 20 years. In the aftermarket, Safran derives pricing power from the fact that OEMs effectively have a monopoly over the sale of spare parts. Generic spare parts make up only 3-5% of the market and have been unable to take share for a number of reasons including: the headline risk associated with the failure of an engine with generic parts; leasing companies' need to preserve residual aircraft values; increasing penetration of total care contracts; a time consuming and expensive certification process; and patents.

Kone, the Finnish elevator company: Kone is a long time holding in our Sub-Funds. It achieves large cost savings in its service and parts business through customer clustering, and its increasing use of highly sophisticated electronics to remotely monitor customer elevators. Both allow Kone to achieve cost efficiencies unavailable to smaller mom-and-pop service providers. Moreover, the potential cost savings in the operation of a commercial building by finding the "cheapest" provider of an elevator maintenance plan is at best marginal, particularly when weighed against a serious mechanical failure.

Emerson Electric, the global electronics and electrical equipment company: Emerson produces a multiplicity of rather inexpensive products including instrumentation, valves and control systems for industrial plants, industrial motors, tools and storage products. The efficacy of their customer's industrial manufacturing processes and operations are often completely dependent on the reliability of input products provided by Emerson. A customer is not as likely to negotiate as aggressively on price if the failure of an Emerson input could compromise the overall operations of its business.

Vallourec, the French seamless pipe manufacturer: Vallourec is a vertically integrated producer of branded premium seamless steel pipes and connections that have a variety of industrial purposes, the most important of which is for use in oil & gas drilling (particularly deepwater offshore and unconventional onshore). Founded in 1899, and one of the original manufacturers of seamless pipes for oil & gas wells, Vallourec has a strong portfolio of patents as well as decades of know-how and expertise that underpin the business. Over this long history Vallourec has also developed a reputation for dependable, high quality seamless pipes and connections. Reputation is important because not only do the costs of replacing a failed pipe outweigh any potential savings from using a cheaper substitute, but after the 2010 Gulf of Mexico Mercado well disaster, customers are particularly reluctant to make any compromise when it comes to the quality of the products in their wells.

Nestle and Diageo, the Swiss food giant and the UK-based spirits company: Nestle and Diageo produce branded consumer products that are very difficult to replicate. In the case of Nestle, it has over 30 brands with sales in excess of $1 billion. Globally, Diageo has seven spirits brands in the top twenty by volume, and six in the top twenty by value, more than any other company of its kind. The products are unique and differentiated, and as such, enjoy pricing power over and above products of a more generic nature. These products are both aspirational and affordable to the growing number of people entering the middle class across the world. The global scale of both companies allow for purchasing power that is unrivaled in their respective industries.

When given an opportunity to purchase shares in such companies on those rare occasions when they are trading well below intrinsic value in the stock market, the long term rewards from ownership can be quite powerful.

Looking Forward

Just after the New Year was welcomed in the U.S., Congress struck a modest, but cliff-avoiding deal that included, for the most part, tax increases on income and capital for the highest income earners in the United States. From a tax perspective, we think this should prove to be relatively benign for investors over the longer term, especially when compared to alternative potential outcomes. While the compromise was heartily, if not irrationally, received by global equity markets on the January opening, we think it leaves the budgetary/financial problems in the U.S. far from resolved. This could lead to continued volatility in equity markets until a more comprehensive solution is reached. This unfortunately remains the case in Europe as well as other parts of the developed world.

While it is impossible for us to speculate about the future direction of interest rates, currencies, and equity markets, it will not bode well for any of them if U.S. and European policy makers continue to kick the can down the road with respect to the pressing financial issues facing our respective governments. For the time being, central bankers seem intent on keeping interest rates artificially low, and while such interventions may seem necessary to support a rather fragile global economic recovery, it's hard not to be concerned about the price we may have to pay down the road in terms of potentially higher interest rates, inflation and weakening currencies. While equities may indeed be the default investment in the current environment, for professional and amateur investors alike, it is no time for complacency.

A Tip of the Hat to Our Shareholders

To be a successful investor generally requires the ability to remain dispassionate and cool headed when others are becoming unglued. We have the good fortune to practice an approach handed down to us by forebears such as Benjamin Graham and Warren Buffett that reinforces those qualities at Tweedy, Browne. In addition, we have been fortunate to have many shareholders who share our perspective. Your continued willingness to stick with us through thick and thin enables us to continue to take a longer term perspective in deploying your capital, which, in our experience, is absolutely critical to the efficacy of what we do for you. Getting the best entry point price in a security often requires us to be early, when the future for that particular security in the view of other market participants may seem very murky at best. It can sometimes take years for value recognition in the market, but if and when it happens, we can be amply rewarded. Your willingness to accept the near term randomness of markets, while behaviorally challenging, allows us to attempt to arbitrage what we believe to be the price-to-value gap over time, and is vital to our ability to produce attractive investment returns over the long term. As the investment time horizons for most investors and even most professionals has become maddeningly short in recent years, you have given us time to be successful, and for that we are appreciative.

We've Moved

As you may have already learned, we moved our offices in late February to Stamford, Connecticut, a suburban community about 40 miles up the road from New York City. Many of you may know that the

Stamford/Greenwich, Connecticut area has become a financial center over the last 10 years, and today is reportedly home to many of the world's top investment firms. A few of our new neighbors in Stamford include UBS, Royal Bank of Scotland, GE Asset Management, and even Ajit Jain, the highly acclaimed manager of Berkshire Hathaway's Reinsurance Group. Looking out over the next five to ten years in our business, we felt that there were meaningful cost savings to be had by moving out of New York and into Connecticut.

Our new offices are in what is locally known as the "Thomson Reuters" building, a premier building located adjacent to the Stamford train station, which is easily accessible to our employees and clients from New York City via trains out of Grand Central Station. The transition has been seamless, and it is business as usual here at Tweedy, Browne. Please come visit us if you find yourself in the New York/Connecticut area.

Thank you for investing with us, and for your continued confidence.

Sincerely,

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

TWEEDY, BROWNE COMPANY LLC
Investment Manager to the Fund

May 15, 2013