Investment Manager's Report

> *… the riskiness of an investment is not measured by beta (a Wall Street term encompassing volatility and often used in measuring risk) but rather by the probability – the reasoned probability – of that investment causing its owner a loss of purchasing power over his contemplated holding period. Assets can fluctuate greatly in price and not be risky as long as they are reasonably certain to deliver increased purchasing power over their holding period. And as we will see, a non-fluctuating asset can be laden with risk.*
>
> **– Warren Buffett, *Why Stocks Beat Gold and Bonds, Fortune Magazine,* February 27, 2012**

Since we last wrote to you in late May, the net change in most developed market equity indices has been relatively minor, but the ride between then and now measured by the swings in these indices has been anything but dull. Many market indices around the world declined as much as 15% to 20% between late March and early June and then seemingly threw off concerns about a worrisome world and ran back up to the levels seen in late spring. If you had just returned from a six-month sabbatical to the South Pole, no doubt you would have concluded that you had not missed much, and the returns year to date are probably better than a cursory assessment of the world's financial health would have suggested last December. In fact, aside from a modestly encouraging flow of news in the past few months from European capitals, in our estimation not much has happened that will dramatically change the uncertain outlook in the coming months. Wall Street "physicians" have diagnosed the past several months as a "traditional" summer rally although we don't know how "traditional" those rallies are. Oddly, at the same time, we have an environment that ***Grant's Interest Rate Observer*** described as one in which "safety" is in a bubble. Shorter term interest rates (up to two years) in many countries are negative, meaning you have to pay the borrower for the privilege of holding their paper. The 10-year U.S. treasury bond, which is a bellwether measure for the cost of money, currently yields about 1.8%. Surely not much of a return if held to maturity, and that leaves aside any discussion about the purchasing power of those dollars in ten years if you decide to hang on until maturity. Despite these yields, money continues to flow into government securities, money market funds and many bond funds. Further evidence of this "safety bubble" is the increased issuance of corporate debt, presumably to "lock in" low interest rates. Finally, in an example of unintended consequences, private equity firms have been able to increase their issuance of debt to pay themselves and their investors large dividends driven in part by the low returns available elsewhere in the fixed income markets. Our hunch again is the cost of money must be a key driver of their decision since the case for a "robust" macro environment is weak. We are sure it comes as no surprise to you that we believe there are better opportunities in the equity markets.

When it comes to the year ahead, those in the business of predicting market movements are seemingly looking at different facts since there is not much agreement among them. We are reminded in some ways of the U.S. presidential candidates' discussion over taxes and the budget before the November elections. Could they have possibly been looking at the same data? Now, we certainly are not going to burden you with our politics and we are in no way trying to be smug in our comments about market "forecasting." As we have said before, we believe the task of trying to get the "market direction" right over a limited time period is not the best way to evaluate the merits of any particular investment. Put simply, we operate with a different investment horizon and a different perspective. As investors, we own businesses and we like the productive capital-building nature of their assets. Our job is to try and determine what that business will look like in three to five years and buy it at a discount from our estimate of business value. If we can get these variables about right, our expectation is we will make out very well over time.

So what has changed from our perspective since our last letter other than some halting steps in the right direction in Europe? The answer has to be "Not a lot." Certainly, at the macroeconomic level, the U.S. economy continues to grow at a rate insufficient to make much of a dent in the unemployment rate and provide employment opportunities for our college graduates and unemployed. The solution obviously requires an end to political gridlock and a plan/ compromise which puts us back on a sustainable fiscal path. There is little disagreement over the view that the current path is not sustainable. To get to a sustainable path will require more deal makers and fewer ideologues. A credible plan could very likely have a significant impact on the economy since the critical missing ingredient is confidence. Interest rates and the cost of money is not standing in the way of a pickup in economic activity. On a positive note, at the *micro*economic level corporations are generally faring quite well. Balance sheets are strong, costs are under control and in the case of businesses that operate on a global basis (many of which we own), they are doing well in those markets where you would expect them to do well. What they are also doing is sitting on their liquidity for the most part rather than investing, which is rational given the circumstances. An end to political brinkmanship would no doubt have a real beneficial impact on markets. Very much the same can be said about Europe as about the U.S. Europe faces the same demographic/entitlement problems but has the added problem of much more rigid labor markets and a need to move toward a more federal political structure, certainly with regard to banking regulation as a first step. Recent discussions in Europe, at the policy level, have taken on a more hopeful tone. A common currency will ultimately be difficult to maintain without further fiscal and financial integration and politicians seem to be inching in the direction of further integration. At the end of what is likely to be a bumpy ride, we think it would be wrong to bet that the "political class" will drive the rest of us off the economic cliff. In the meantime, we want to own the most resilient and financially sound businesses we can find when the market puts them up for sale at a discount.

As we have mentioned many times in past reports, our returns over time in individual stocks are derived from the closing of the discount between our original purchase price and our estimate of intrinsic value, and from the future compounding of the businesses' underlying value. Given the rise in equity prices, it should come as no surprise that the discount in many of our holdings has narrowed, with future returns in some of our holdings becoming more reliant on the compounding of intrinsic value. Nonetheless, we still have numerous stocks that are priced at a discount from our estimates of intrinsic value. What does all this mean for our investors? First, valuation informs our outlook and the advance in global equity prices over the last six months has made our job of finding attractive entry points into new stock ideas much more difficult, and new opportunities are certainly turning up with less frequency. Secondly, we have been trimming and, in a few instances selling, securities that have reached our estimates of intrinsic value. This includes many of our steady consumer products companies such as Nestle, Heineken, Diageo, Philip Morris International and the like where we have enjoyed very satisfactory returns. We will continue to hold several of these companies as their prospects for future compounding of intrinsic value remain high, but some will have to go. Some of the proceeds from these trims and sales have found their way into industrial companies that are a bit more economically sensitive where we have found pricing opportunities as investors have begun to discount a slowing global economy. The rest has gone into cash reserves. If equity markets continue to march forward in the weeks and months ahead, cash reserves will likely build at the margin in our Sub-Funds.

Performance Results

Presented below are the investment results of Tweedy, Browne Value Funds SICAV (the "Fund") for the year ended September 30, 2012 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 September 30, 2012	***Tweedy, Browne Value Fund (USD)***	***MSCI World (in USD)***	***S&P 500 Index***
1 Year	20.51%	21.59%	30.20%
3 Years	8.55	7.48	13.22
5 Years	0.86	-2.15	1.05
10 Years	5.51	8.04	8.01
Since Inception *(10/31/96)*	5.61	5.00	6.49

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 September 30, 2012

	Tweedy, Browne International Value Fund (Euro)†	*MSCI EAFE (Hedged to US$/Euro)*	*MSCI EAFE (in US$/Euro)*
1 Year	21.25%	12.78%	18.64%
3 Years	11.02	0.73	6.56
5 Years	2.48	-6.57	-3.32
10 Years	9.74	4.49	7.44
Since Inception *(10/31/96)*	8.76	3.22	3.53

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 blended 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 September 30, 2012

	Tweedy, Browne International Value Fund (CHF)	*MSCI EAFE (Hedged to CHF)*	*MSCI EAFE (in CHF)*
1 Year	17.32%	12.15%	17.70%
3 Years	8.54	0.26	-1.20
5 Years	-0.56	-6.99	-9.28
10 Years	7.71	3.68	3.62
Since Inception *(10/31/96)*	7.01	1.82	2.00

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 September 30, 2012

	Tweedy, Browne Global High Dividend Value	*MSCI World (Hedged to Euro)*	*MSCI World (in Euro)*
1 Year	17.60%	20.11%	26.81%
3 Years	9.35	6.03	12.15
5 Years	0.88	-3.47	-0.16
Since Inception *(6/1/07)*	0.54	-3.51	-0.89

** 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 are pleased to report that the performance of all four of our Sub-Funds was quite good on an absolute basis, achieving double-digit rates of return over the last 12 months. Longer term comparisons remain quite favorable, with the four Sub-Funds outperforming their benchmark indices since inception by between 61 and 554 basis points on an annualized basis net of fees and expenses.

We have written in past letters that it is not only the returns that an investment advisor earns that determines his or her effectiveness. Of equal, if not more importance, is how those returns were achieved. We have always felt that buying at large discounts from estimated intrinsic value; diversifying by issue, industry, country and market cap; taking a conservative approach to business appraisal; and avoiding highly leveraged businesses helped to limit the risks we have taken with our shareholders' and our own money. We would agree wholeheartedly with the Oracle of Omaha, Warren Buffett, that volatility, or the day-to-day movement of stock prices, is not real risk. That said, some of our clients and financial advisors do use statistical tools to try to measure the risks that investment advisors take while investing their clients' capital. While we do not pay much, if any, attention to such statistical measures, we thought we would share with you just how one of our Sub-Funds, the Tweedy, Browne International Value Fund (Euro), stacks up when viewed through such a lens.

For example, one measure that consultants and financial advisors use to evaluate an advisor's performance is upside and downside capture. This compares how much of the upside an advisor generally captures in strong market environments to the amount of the downside the advisor captures in down markets. Evaluating our Tweedy, Browne International Value Fund (Euro) performance with this measure, we found that over the last three years through September 30, 2012, the Fund captured approximately 93% of the return of its benchmark (MSCI EAFE Index (Hedged to EUR)) in up markets while capturing only 65% of the return of that benchmark in down markets. By limiting our losses in down markets, and participating fairly aggressively in up markets, the Sub-Fund has been able to beat its benchmark by roughly 500 basis points on an annualized basis over the last 10 years. Now this outcome has not been produced by a secret formula on our part. Nor is it an outcome for which we have a statistical explanation. Moreover, we have no idea what next year will bring. What we do know is the process has worked well most of the time over long periods of time and in many markets.

Another measure that financial consultants use to evaluate the risks that an advisor takes is the manager's "volatility" of returns, or how a fund's returns vary around its average return over time compared to the same measure of variance applied to its benchmark. A lower standard deviation of returns or variance for the fund relative to its benchmark is considered by those consultants to be an indication that the fund is achieving its returns at a lower level of risk than the benchmark. With respect to this measure, the Tweedy, Browne International Value Fund (Euro) returns over the last 10 years were earned with a level of volatility that was 82% that of its benchmark's. Again, our comments on this matter are the same as our comments on the concept of upside/downside capture.

Another measure some financial consultants use is "alpha." A high and positive "alpha" in excess of an investment manager's benchmark suggests the investment manager is producing attractive returns on a risk adjusted basis. Here again, the Tweedy, Browne International Value Fund has achieved a high and positive "alpha" for the past one year, three years, five years, and ten year periods ending September 30, 2012. Again, we would reiterate that measures of volatility and alpha assume that risk is "variance" and this is not something with which we would agree. Whether one's perception of risk is grounded in statistics, or as is the case with us, in Benjamin Graham's fundamental price-to-value relationship, the Tweedy, Browne International Value Fund (Euro) has produced returns over the longer term that are more than commensurate with the risks taken.

Our Fund 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.

A cursory review of our Sub-Funds' portfolios of top 24 positions might lead one to conclude that our portfolios are dominated by the stocks of branded consumer products companies. To be sure, our Sub-Fund portfolios have had a significant exposure to food, beverage and tobacco companies for quite some time relative to benchmark indices, and these companies have served us very well in an environment where investors have often preferred steadier, underleveraged businesses that pay an attractive dividend. However, a closer examination of our Sub-Funds' portfolios would reveal a more diversified structure with significant exposure to oil and gas companies, healthcare companies, financials and industrial companies in addition to our consumer stocks. This is simply a result of where we have uncovered undervalued securities over time.

Over the last couple of years, securities' markets have been in a rather frenetic "risk on, risk off" state of mind as they react almost daily to the ebb and flow of various "headline" macro risks, not the least of which has been the southern European crisis. We would suspect this market condition and the frequent trading it implies is welcomed by the global tax authorities, as most gains are likely to be short term, giving the government a bigger bite of the profits. When the risk trade is on and investors are feeling more confident, the more economically sensitive stocks; i.e., financials, industrials, media and oil & gas holdings, have tended to perform well. In contrast, when the risk trade is off and investors are worried, the steadier, consumer products companies provided much needed ballast for our Sub-Funds. For the most part, in 2011 the risk trade was off, and our consumer stocks held up better than most stocks, and helped to propel our Sub-Funds to a strong relative outperformance of their respective benchmarks. On the other hand, thus far, 2012 has been a good year for global equities. With the exception of April and May of this year when the southern European issue heated up, the markets have been "risk on." While our consumer stocks for the most part continued to perform well, many of our more economically sensitive issues became leaders in our portfolios during the year. This would include certain of our bank and insurance stocks as well as some of our media and industrial holdings.

In general, most stocks in our Sub-Funds' portfolios are up nicely this year, and as we mentioned, caused us to trim, and in some instances sell stocks whose market prices are now trading at or near our estimate of their underlying intrinsic values. This list includes companies such as Diageo, Nestle, Philip Morris International, Kone, Henkel, Wal-Mart, Arca Continental, and Fraser & Neave, among others. Some of the resulting cash from this pruning has found its way into companies outside the consumer sector, including industrial, energy and financial companies, but a growing portion remains unspent waiting for pricing opportunities. We would like to highlight and share with you in more detail than we usually go into in these reports three companies in which we have started to build a position. This should give you an idea as to where value is showing up for us in today's equity markets and remind you of the types of characteristics we like to see in the companies in which we invest.

Safran

The first is a French aerospace company called Safran that derives the majority of its earnings and value from its civil jet engine business. At our initial purchase price, we believed we were paying approximately 9x 2012 Earnings Before Interest and Taxes and Amortization (EBITA), and a much lower multiple of prospective 2013 and 2014 EBITA.

The civil jet engine industry is an oligopolistic industry with large barriers to entry, stable market shares, and long product cycles. The engine that comprises the majority of Safran's engine business is called the CFM56, which is produced through a 50/50 joint venture with General Electric called CFMI. The CFM56 is the dominant engine on narrow body aircraft where it has a 100% share on the Boeing 737 and a 50% share on the A320 where it competes against a consortium controlled by Pratt & Whitney called IAE. Both the Airbus A320 and 737 have substantial backlogs and deliveries should grow nicely over the next several years. Moreover, CFMI (Safran) has secured its status as the sole supplier on the new version of the 737 (737 Max) and as a dual supplier on the new version of the A320 (A320 Neo), which ensures that CFMI will retain its dominant share on narrow body planes well into the 2020s.

The jet engine business model is a "razor/razor blade" business. Jet engines are sold around cost, but the real money is made on high margin (60%) spare parts, which are effectively captive to the original equipment manufacturer (OEM), giving Safran substantial pricing power. Generic (PMA) parts represent approximately 3% of the market and have struggled to gain share for a variety of reasons, including: an expensive and time consuming certification process; leasing companies' preference for OEM parts which better preserve residual aircraft values; airline concerns related to the reputational risks associated with the failure of an engine equipped with PMA parts; and the increasing penetration of "power by the hour" contracts, whereby the OEM also performs the overhaul work. As such, once an engine is sold, it is very likely guaranteed to generate a long-term stream of spare parts revenue for

the OEM. Each engine will have to visit the shop for an overhaul three to five times over its life and while there is uncertainty regarding the exact timing of the visit there is strong visibility and stability over multi-year periods.

Our research suggests that spare parts revenue for the CFM56 will experience significant growth over the next three to five years driven by an increase in shop visits, price increases, mix shift benefits, and a catch-up from deferred maintenance.

Shop visits – On average the current generation of engines stay on the wing for approximately eight to nine years before coming into the shop for an overhaul. This means that current shop visits are being driven in large part by deliveries in 2004 and 1996, which were both trough years for CFM56 deliveries. However, from 1996 to 2000 and 2004 to 2008 engine deliveries grew by more than 100% and 70%, respectively, which should drive an increase in shop visits over the next three to five years. It is also worth mentioning that as of December 2011, approximately 9,500 of the roughly 18,000 engines in the active fleet had never been to the shop.

Price and Mix – Our research indicates that OEMs are able to raise prices on most spare parts by approximately 5% per annum. Moreover, there is an ongoing mix shift from first generation engine shop visits to second generation engine shop visits, which generate significantly higher revenue per shop visit. We estimate that by 2015, second generation engines will account for approximately 66% of all shop visits as compared to 52% in 2011.

Deferred maintenance – During industry downturns airlines defer maintenance and reduce the scope of shop visits to preserve cash. Historically this has resulted in very steep recoveries in spare parts revenue when the cycle turns. Discussions with industry participants suggest that the airlines are pushing up against the limits of these deferral strategies and at some point these strategies will result in a substantial catch-up.

We do not believe the positive aspects of the civil jet engine business are reflected in Safran's current valuation. Given the quality of the business, the stability of the industry, as well as strong growth prospects for the aftermarket, we think Safran is conservatively worth 12x to 13x forward EBITA. It is also encouraging that comparable transactions have occurred at significantly higher multiples. In October of 2011, Pratt & Whitney purchased Rolls Royce's 32.5% share of IAE (the only competitor to CFMI in the narrow body space) at an estimated high teens multiple of operating income bringing Pratt's total ownership of IAE to 65%. While we have never used a high teens comparable to value a prospective investment, always preferring to use more conservative multiples, we were delighted to see that a very high price had been paid by a knowledgeable acquirer for a business directly comparable to Safran.

Google

As we have mentioned in past letters, value investors such as ourselves often have a difficult time investing in high technology companies largely due to their frequent high valuations, rapid rates of change in technology, and the potential for obsolescence. The last thing in the world we want to do is pay a high price for a rapidly growing business that gets leapfrogged by technological change shortly after we buy it. With this in mind, you might be surprised to know that we began building a position in Google back in February of this year when the stock dipped down to around $565 per share. At this price, we felt we were getting a bargain, paying roughly 12.5 x 2012 estimated earnings net of the cash on its balance sheet. And this was for a business that grows its top line at greater than 20% per year.

Google principally provides paid search, which is an effective, measurable, and high return on investment form of advertising. Google provides paid search on desktop computers, tablets, and mobile phones and has market shares that range from 65% to 85% throughout much of the world. Additionally, Google has one of the largest Display advertising networks in the industry, which is growing extremely fast and is quickly becoming a more meaningful part of the business.

Paid search is more mature today than it was in 2005 and we think that future growth will slow. Nevertheless, Google grew revenue roughly 24% in the first half of 2012 on a currency exchange rate neutral basis and our research suggests that paid search is still relatively underpenetrated. Advertising dollars have not yet caught up with the ongoing shift to ecommerce and digital media consumption, which will continue to drive dollars to paid search as well as Google's fast growing global display network. Display has the potential to be a large business as it is driven in large part by brand based ad spending which accounts for the vast majority of global ad spending.

With market shares in the search business that range from 65% to 85% in most countries throughout the world, it is reasonable to conclude that Google has a strong competitive position. Google's revenue is roughly 15 times higher than its nearest competitor, which has enabled them to put significantly more money into R&D, distribution, and the development of products and eco-systems that further promote and protect the use of Google's search. Moreover, as Microsoft's investment in search can attest, the search business is expensive to enter. However, like every investment we make, Google is not without risks. Vertical search, uncertainty regarding future growth rates, and risks related to Apple's strong share in smartphones and tablets all need to be monitored closely. Nevertheless, we feel that Google is well positioned to protect its interests and, perhaps most importantly, we paid a price that we felt more than discounted these potential risks.

We bought Google at roughly 12.5x 2012 estimated earnings net of the cash on the balance sheet. We think this is a very low valuation as companies with market leading positions secured by strong competitive advantages in secular growth markets typically do not trade at market multiples. Unlike most companies growing revenue over 20% per annum, Google is also able to generate significant free cash flow due to the phenomenal economics of paid search. For these reasons, we believe Google is undervalued and deserves a significantly above average multiple.

Vallourec

Valourec 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 drilling for oil & gas, an application where the use of a strong, reliable pipe is critical. Although the company is headquartered and listed in France, it is truly a global enterprise with more than 70% of revenue generated outside of Europe. Revenue from oil and gas operations accounted for 61% of its total revenue in the last quarter. Vallourec's oil and gas segment sells seamless steel pipes and connections primarily for use in *unconventional* oil and gas plays in the U.S., as well as in deepwater projects throughout the world. These types of wells use considerably more seamless pipes and connections than traditional wells. More importantly, as new sources of oil and gas are in more difficult to drill locations, like deepwater offshore and unconventional shale, there is growth in demand for Vallourec's capabilities. For example, in 1990, deepwater offshore drilling was zero percent of global oil production. Today deepwater drilling produces roughly 5.5 million barrels of oil per day, and is projected to produce roughly nine million barrels per day by 2020. Also, unconventional gas (shale) has grown rapidly in recent years, and today represents 23% of annual U.S. gas production.

Vallourec has been in business for 100 years, and has a limited number of competitors in this niche business of high quality seamless pipes and connections. These products are designed to withstand the extreme temperature, pressure, and other factors related to more complex oil & gas drilling conditions and are protected by a multitude of patents and technical know-how. Vallourec's customers are keenly aware of the environmental risks and safety requirements for drilling, particularly offshore, and thus have a preference for high quality pipes and connections. The cost of these pipes and connections relative to the overall price to drill a well is very low. The price of the pipes provided by Vallourec is 5% to 10% of the total cost of an oil\gas well, so there is little to be gained by switching to a cheaper pipe, but a lot to lose. Given the potential for catastrophic environmental disasters (and significant fines), it would not be rational for a drilling customer to scrimp on price for this most important, yet relatively inexpensive component of his or her well.

Facing higher costs in Europe, and with the potential to lower its production costs abroad, Vallourec recently embarked on a major expansion of its production facilities, adding new capacity in the U.S. and in Brazil. These facilities will allow Vallourec to produce its products locally, instead of producing and exporting from Europe. In May 2012, Vallourec's management made a number of announcements, including delays in qualification for the Brazilian plant and higher than expected capital expenditures to bring the U.S. plant on line. The stock sold off significantly and reached what we thought were quite attractive levels over the next month, eventually bottoming near two-thirds of book value. This caught our interest. We began building a position in our Sub-Funds in Vallourec at around 28 to 29 Euros per share in late June. At this price, we felt we were paying roughly 69% of the company's stated book value, 82% of tangible book value, and two-thirds of a conservative estimate of the company's intrinsic value. Given the rather concentrated nature of the seamless pipe industry, there were not a lot of comparable M&A deals to examine. However, in 2007, Tenaris, one of

Vallourec's major competitors, acquired Hydril, a leading North American manufacturer of premium connections and pressure control products for 15x EBIT. Consistent with our conservative appraisal policies, we used a lower multiple of 10x 2013 EBIT to value Vallourec, and purchased shares at approximately two-thirds of that value.

Despite the delays in qualification and the higher than expected capital expenditures, we believe that both projects will ultimately be successful, particularly given the favorable outlook for unconventional shale plays and deepwater. Our evaluation of the business, specifically the connections business, leads us to believe that Vallourec's intrinsic value is greater than its stated book value. Although in the short term the company's legacy exposure to European manufacturing could weigh on the stock, we believe the long term prospects for Vallourec's oil & gas business are quite strong. It has a solid balance sheet with very little debt, which should allow it to weather near term disappointments that may arise. For investors such as ourselves, who are willing to look further out on the investment horizon for our returns, we felt we were being presented with an unusual pricing opportunity.

Tweedy, Browne Global High Dividend Value Fund

Just a quick word about the approaching fiscal cliff and what, if anything, it might portend for high dividend stocks. As we have said in past letters, higher tax rates should not in our opinion materially alter the attractive fundamental case for dividend paying equities. First, many political observers believe that a grand bargain will be struck in the United States that for the most part will preserve the tax advantaged status of dividends. Secondly, even if a bargain is not achieved and tax rates on dividends rise in the United States, it is our understanding that a large percentage of the investors who own dividend paying equities are tax exempt institutions and tax exempt accounts such as IRAs and 401(k)s. Thirdly, it is quite possible, if not likely, that of the remaining taxable investors who own dividend paying equities, only the top earners (those making over $250,000) will pay higher rates on dividends. Finally, according to a recent research report from Fidelity, when dividend tax rates were brought down from high ordinary rates to the low rates under President George W. Bush's tax cuts, there was very little reaction in equity markets in terms of new flows into higher yielding equities. It is quite possible that we will have the same kind of muted reaction if rates do indeed rise on dividends. In our view, this does not suggest a potential stampede out of dividend paying equities, particularly those that are attractively priced, have conservative payout ratios, and pay a reasonable and growing dividend yield.

As with our other Sub-Funds, in the Global High Dividend Value Fund we have trimmed or sold of late numerous consumer based companies that have served us well, such as Kimberly-Clark and Philip Morris among others as they approached fair value, and reinvested in more industrial based companies, such as Siemens, ABB and Tesco among others. All three of these companies at original purchase

traded at significant discounts from conservative appraisals, and paid stable and growing dividends between 3.8% and 4.6%.

While a good deal of money has flowed into dividend stocks over the last year or so, and for good reason given their valuations, the uncertain macro picture, and low yields on bonds, we believe that our holdings remain reasonably to attractively priced with a weighted average price earnings ratio of 12.4x 2012 estimated earnings, and a weighted average dividend yield of 4.3%. *(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.)* That said, with the advance in global equity markets over the last several months, mis-priced dividend stocks are becoming more difficult to uncover.

Looking Forward

To say that markets have been driven lately by the actions and comments of central bankers around the world is an understatement. Thanks in large part to their rather expansive monetary policies, global equity markets have steamed ahead this year. Year-to-date, the MSCI World Index, a proxy for developed equity markets around the globe, is up approximately 13% in U.S. dollars, and has compounded at 22.5% per year since the bottom of the financial crisis over three years ago (March 9, 2009 through September 30, 2012). Not bad for the so called "new normal," which post-crisis market prognosticators suggested called for more muted returns. However, in our humble opinion, fundamentally not much has changed, particularly on the macroeconomic front where uncertainty still looms large. The global economic recovery remains anemic; the eurozone continues to be mired in uncertainty; China appears to be slowing; tensions are escalating in the Middle East; and the U.S. has made little-to-no progress with respect to its own budget crisis. Even corporate performance, which has been surprisingly good, now appears to be weakening somewhat. Despite bonds being at historically low yields, investment capital, supported by monetary ease, has only just begun to flow back into stocks ever so modestly.

As always, our forward view is largely informed by valuation. To that end, as of October 31, 2012, the weighted average P/E multiple on our Sub-Funds was approximately 14.2x 2012 estimated earnings, which translates into an earnings yield of approximately 7.0%.* This compares very favorably to the yield on 10-year U.S. treasury bonds, which is less than 2%, and the recent level of the Consumer Price Index, which has been running around 2.2%†. While some caution is certainly warranted given higher stock prices and continued macroeconomic uncertainty, we think that value-oriented equities are still for the most part fairly priced today, and we believe offer investors a better chance of preserving purchasing power over time.

* *P/E ratios based on estimated 2012 earnings.* ***Source: Bloomberg.***

One final note

We will be moving our offices in late February of next year to Stamford Connecticut, a suburban community about 40 miles up the road from New York City. In looking out over the next 10 to 20 years in our business, we felt that there were meaningful cost savings to be had moving out of New York into Connecticut. As many of you may know, the Stamford/Greenwich Connecticut area has become a financial center over the last 10 years particularly for investment advisory firms and hedge funds. Our new offices will be in the Thomson Reuters building, a premier Stamford 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 should be seamless. Please come visit us if you find yourself in the New York 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

November 27, 2012

† *Stocks and bonds are subject to different risks. In general, stocks are subject to greater price fluctuations and volatility than bonds and can decline significantly in value in response to adverse issuer, political, regulatory, market, or economic developments. Unlike stocks, bonds, if held to maturity, generally offer to pay both a fixed rate of return and a fixed principal value. Bonds are subject to interest rate risk (as interest rates rise bond prices generally fall), the risk of issuer default, issuer credit risk, and inflation risk, although U.S. Treasuries are backed by the full faith and credit of the U.S. government.*