Investment Adviser's Letter to Shareholders

The title of this seminar, "The Renaissance of Value," implies that the concept of value had previously been in eclipse in Wall Street. This eclipse may be identified with the virtual disappearance of the once well-established distinction between investment and speculation. In the last decade everyone became an investor — including buyers of stock options and odd-lot short sellers. In my own thinking the concept of value, along with that of margin of safety, has always lain at the heart of true investment, while price expectations have been at the center of speculation.

-Benjamin Graham, "The Renaissance of Value" (1974)

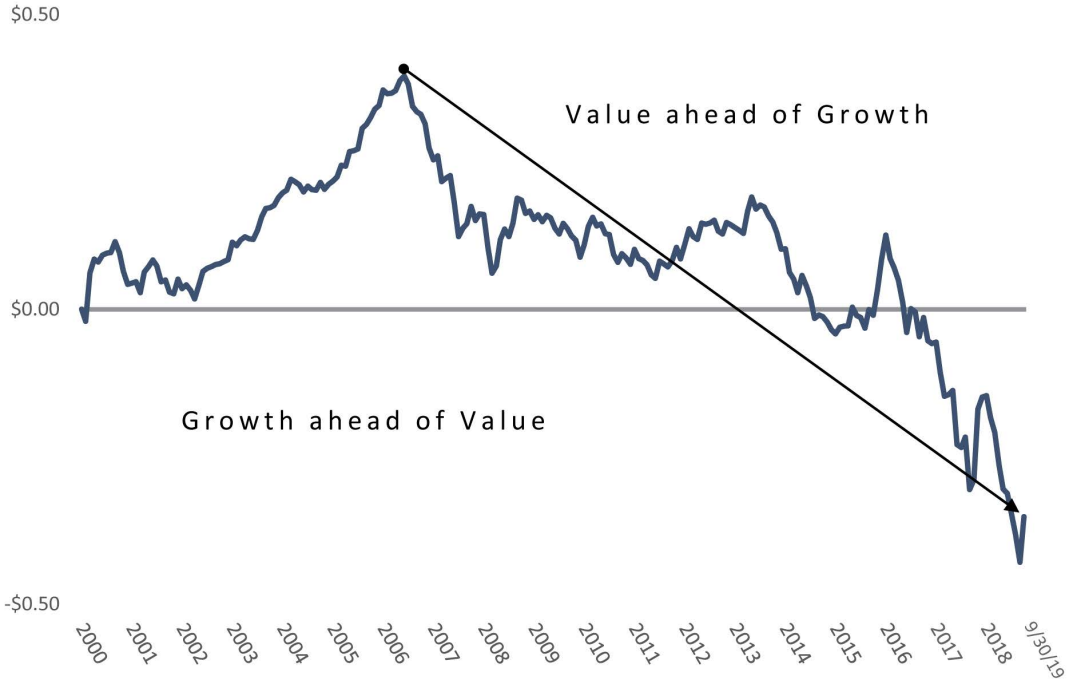
To Our Shareholders:

After an unsettling amount of market turbulence at last year-end, albeit brief, global equity markets turned on a dime in early January and headed due north, led once again by U.S. technology stocks. The markets' resurgence was coincident with Federal Reserve Chairman Jay Powell's reassurance that the Fed would remain patient and flexible when considering future rate hikes, and early indications that progress was being made in the ongoing trade negotiations between the U.S. and China. Markets became a bit more volatile in the second and third quarters of the calendar year in the face of slowing economic growth, but continued their seemingly inexorable advance on the heels of additional interest rate cuts, reaching record highs in late July. In this rather robust environment, Tweedy, Browne Value Funds continued to make fundamental financial progress over the last year, with two of the four Sub-Funds besting their benchmark indexes.

As we mentioned in one of our previous letters, the last time technology stocks were in such ascendency back in early 2000 (the last time we felt as badly as we do today), Barton Biggs, the renowned equity strategist at Morgan Stanley at the time, provided the following admonishment to investors: "Don't despair on value, and for goodness sake don't fire value managers now and hire growth firms. In fact, the rational brave fiduciary with a contrarian bent should be doing just the opposite." He wrote these words just two weeks before the technology bubble burst in late March of 2000, heralding in a period of significant outperformance for the beleaguered value strategy.

Today we are once again in a period where value investing and, for that matter, active management as a whole have not proven to be as profitable as simply paying up for disruptive technology stocks, particularly the high-flying FAANG (Facebook, Amazon, Apple, Netflix and Google) stocks, which have helped to propel passive indexes to new highs. In fact, many in the financial press have once again declared value investing to be dead or dying. You can understand why the "this time it's different" gremlins are once again out and about, wreaking havoc with investor psychology. As the chart below illustrates, the MSCI World Value Index peaked out versus its growth counterpart in 2006 and has underperformed cumulatively ever since. However, we believe this underperformance for the MSCI World Value Index is due in part to misplaced emphasis on the price-to-book (also referred to as Price/Book or P/B) value metric used in the construction of style-based indexes such as this one. More on that will follow.

Cumulative Wealth Differential: MSCI World Value Minus MSCI World Growth Index



The line graph above reflects the relative wealth accumulated over time by the MSCI World Value Index (the "Value Index") versus the MSCI World Growth Index (the "Growth Index"). When the blue line is above zero, an investment in the Value Index has produced a cumulative excess return over the Growth Index. When the blue line is below zero, the Value Index investment is worth less than the Growth Index investment. The graph assumes an "investment" of $1 in each index on December 31, 2000. A positively trending line indicates a period of greater wealth accumulation for a value strategy, as measured by the Value Index, relative to a growth strategy, as measured by the Growth Index; and a declining line indicates a period of inferior wealth accumulation for a value strategy relative to a growth strategy.

The MSCI World Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 developed markets countries. The MSCI World Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 developed markets countries.

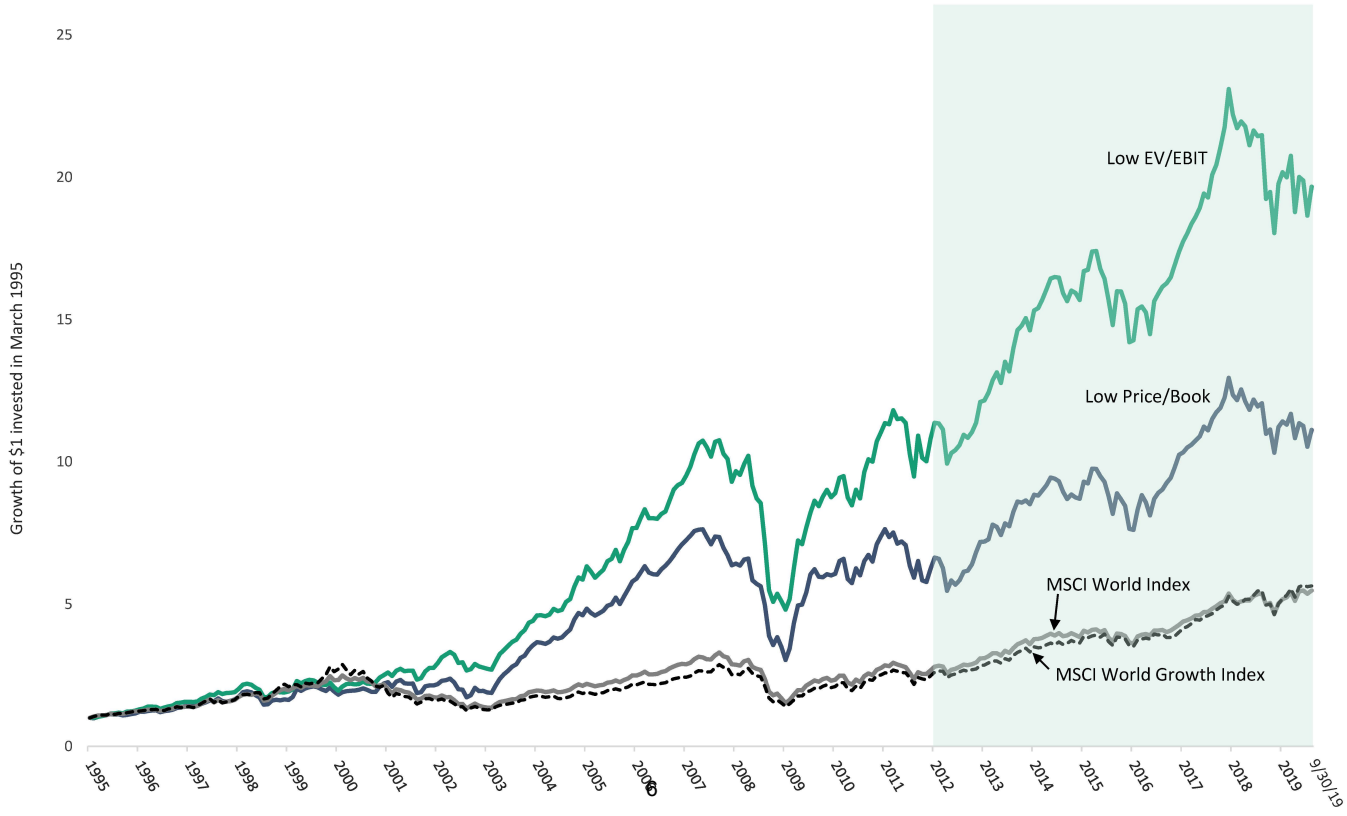
It also doesn't help that the investment world appears completely upside down today, causing investors to question previous investment norms. It's simply impossible to adequately explain $15 trillion of negative-yielding debt, which, according to The Financial Times, accounts for roughly a quarter of the debt issued by governments and companies around the world; forward Euro Stoxx 50 Index dividend yields that trump German, Swiss, and French short-term bond yields by over 400 basis points as of September 30, 2019; junk bonds trading at negative yields; Danish mortgage rates that have recently gone negative; and profitless technology "unicorn" companies that have blitzscaled themselves to stock market riches. It would appear that investors today are buying stocks for yield and bonds for capital appreciation. Why else would someone want to invest in a low-to negative-yielding fixed income security, other than with the expectation that rates were going even lower? A case in point is the 100-year Austrian bond, issued in 2017 and priced to yield 2.1%, which, as of September 30, 2019 (two years later), traded at 192% of par.

If you'll indulge us, we'd like to take a stab at reassuring you that this time (in our view at least) it is NOT different, but simply a normal period of underperformance for a value investment approach that has handily beaten its growth counterpart for much of the last half century, albeit in a very lumpy manner.

As we mentioned in our semi-annual report earlier this year, whether you view value's recent underperformance as alarming or simply a normal component of long-term investment success may depend on how you define value. If price-to-book value is your preferred metric for determining value investing's effectiveness, it has unfortunately been a disappointing relative performer for an uncomfortably long period of time. The price-to-book value metric has had an illustrious history. It has been used in countless academic and empirical studies over the years to prove out a robust return advantage for value stocks over growth stocks. Eugene Fama and Kenneth French gave the metric further credence in 1989 in their seminal paper, *Common Risk Factors in the Returns on Stocks and Bonds*, in which they confirmed a return advantage for low price-to-book value and small company stocks over the longer term. While we may not be willing to conclude that price-to-book value is dead just yet, it certainly appears to be somewhat compromised. However, if your preferred metrics are earnings-based acquirers' multiples such as enterprise value in relation to earnings before interest and taxes (EV/EBIT), which are what we generally use in appraising business value, it has been somewhat of a different and more reassuring story for value investors.

As you can see in the chart that follows, since 1995, stocks trading at low enterprise values in relation to EBIT have performed significantly better than stocks trading at low prices in relation to book value, producing over time attractive absolute and, for much of the period, index-besting returns. In fact, these stocks produced 3.6 and 3.5 times the wealth produced by the MSCI World and MSCI World Growth Indexes, respectively, and 1.8 times that produced by low price-to-book value stocks.

Since 1995, stocks trading at low EV/EBIT have significantly outpaced stocks trading at low Price/Book Value, but recent history has proven difficult for both of these value factors relative to growth.



The above chart represents the performance of low EV/EBIT stocks and low Price/Book Value stocks using the constituents of the MSCI World Index, based on data provided by Bloomberg. For purposes of this study, financial stocks such as banks and insurance companies, among others, were excluded from the EV/EBIT dataset, but included in the Price/Book Value dataset, where the metric is a more appropriate proxy for valuation. (The returns of low EV/EBIT stocks reflected on the above chart would have been lower had financial stocks been included.) The resulting universe of stocks was divided into five equally-sized groups or quintiles (by number), based on two factors: Price/Book Value and EV/EBIT. The overall universe and each quintile were rebalanced monthly for each of the two factors. Companies in the universe were excluded from quintile assignment where either (i) Price/Book Value or EV/EBIT was not available, or (ii) they were considered to be statistical outliers. Over the span of the study, roughly 20% of the universe was excluded from quintile assignment due to lack of data or its status as a defined outlier. Quintile 1 (Q1) consisted of companies with the lowest Price/Book Value ratio or EV/EBIT ratio, which might be considered "cheap" from a value investor's perspective. Likewise, Quintile 5 (Q5) consisted of companies that had the highest Price/Book Value ratio or EV/EBIT ratio, or what a value investor might consider "expensive." The study was run through an automated process within the Bloomberg environment, and the returns for each value factor and quintile were calculated monthly. Returns for each quintile were equally weighted, meaning that individual company returns had equal influence on the overall quintile regardless of market capitalization. (Equally-weighted returns were used to exclude the impact of company size on the outcome of the study.) Returns of each index are market-capitalization weighted.

The chart above shows the growth of $1 for the lowest Price/Book Value ratio and EV/EBIT ratio companies (Quintile 1) compared to the growth of $1 for the MSCI World Index and the MSCI World Growth Index over the period from March 1, 1995 through September 30, 2019. Performance shown is not indicative of the returns of any Fund, and past performance is no guarantee of future returns.

A recent study conducted by the Leuthold Group, which spans the period between 1985 and 2018, found that a combination of stocks trading at low earnings-based multiples, *i.e.*, EV/EBIT, Free Cash Flow Yield, Earnings Yield, and Shareholder Yield ("Combo 4"), performed significantly better than stocks trading at low prices in relation to book value, producing returns that were far in excess of the cumulative capitalization-weighted returns of Leuthold's proprietary universe of the top 1,000 U.S. stocks. The chart below illustrates that the relative performance of the cheapest quintile of stocks based on price-to-book value peaked in 2006 and, by 2018, had cumulatively produced negative value added in relation to the top 1,000 stocks. In contrast, the relative performance of the cheapest quintile of stocks based on the combination of earnings-based multiples (Combo 4) surged ahead of price-to-book value for most of the period, and did not peak on a relative basis compared to the top 1,000 until early 2018. For the entire period, the earnings-based multiple stocks added over three times the cumulative value achieved by the top 1,000. Price-to-book value has simply not been a very robust value metric over this period.

Cumulative Wealth
Cap Weighted: Price/Book vs. Combo 4

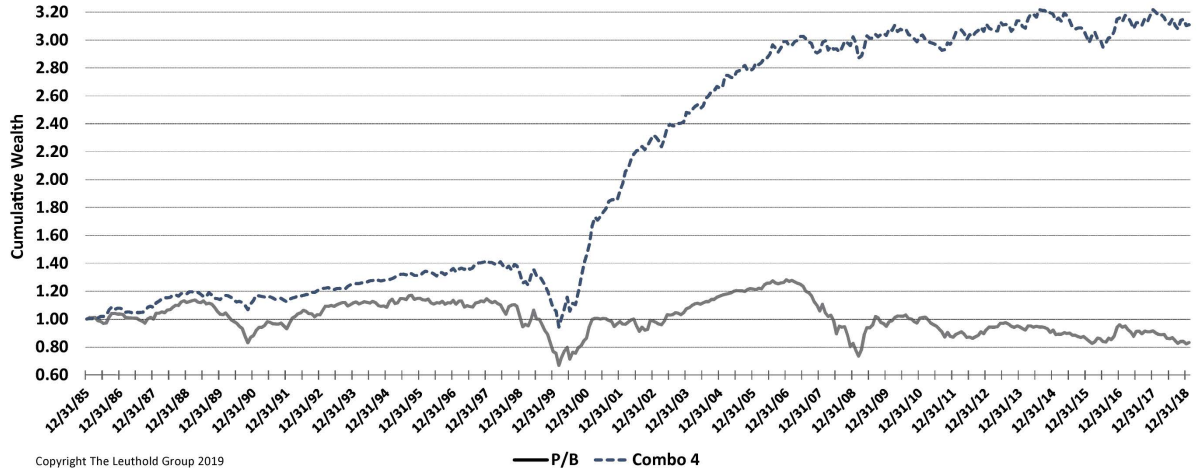


Chart 4. "Price To Book: The King Is Dead," by Scott Opsal, March 7, 2019, *The Leuthold Group*

The Leuthold Group conducted a study of the 1,000 largest U.S.-based companies ("universe"), rebalanced quarterly, using data sourced from Compustat and Factset from 12/31/1985, the earliest date available, through 12/31/2018. Leuthold measured the performance of the cheapest quintile of stocks based on Price/Book Value, and the cheapest quintile of stocks based on a proprietary combination of value factors, i.e., *EBIT/EV, free cash flow yield, earnings yield, and dividend yield (Combo 4). Both of these value quintiles were compared to the performance of the universe, and the monthly return difference of each quintile versus the universe was compounded over time. The line chart illustrated above assumes that an initial investment of $1 is grown each month by the return difference of each quintile relative to the universe. For example, if at the end of the first month the Price/Book Value return was 5% and the universe return was 2%, the initial $1 investment would grow to $1.03 (1 * (5% - 2%)). The Combo 4 and Price/Book Value quintiles were rebalanced monthly.*

The world economy has indeed changed. The proliferation of asset light and service-based companies over the last several decades has seemingly decreased the usefulness of book value. There are simply not as many companies today for which book value is a relevant metric for determining intrinsic value — certainly not nearly as many as there were in the post-war industrial economy. While we may use low price-to-book value as an initial screening tool to uncover stocks for further study, particularly when screening for banks, insurance companies and other deeply cyclical businesses, low price-to-book value is almost never the sole reason we purchase a stock. And yet, so many index providers, consultants, and academics continue to accord this metric significant weight in assessing the efficacy of the value approach to investing.

In contrast, at Tweedy, Browne, our determination of intrinsic value consists of comprehensive business appraisals, and the study of cash merger and acquisition deals of comparable businesses in an effort to understand what knowledgeable and informed buyers of entire companies have been willing to pay in arm's length negotiated transactions. These acquisition prices are often expressed in terms of a multiple of pre-tax income, multiples such as EV/EBIT, EV/EBITA (enterprise value to earnings before interest, taxes, and amortization), and EV/EBITDA (enterprise value to earnings before interest, taxes, depreciation and amortization). These earnings-based enterprise multiples help to inform the multiples we use to value comparable businesses we are studying in the stock market.

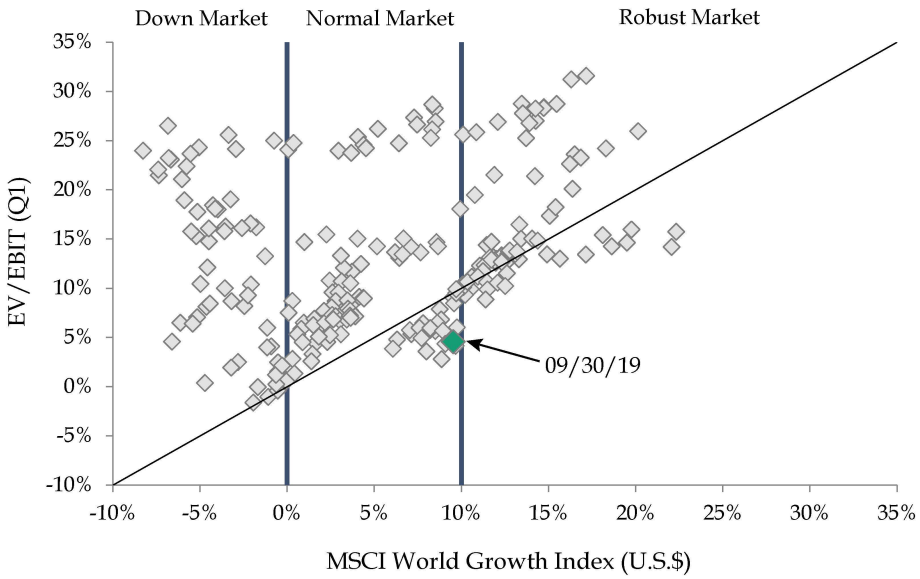
Earnings-based multiples such as EV/EBIT have arguably been more effective determinants of value over the last several decades; however, as demonstrated in the above chart, these stocks peaked in January of 2018, causing this value metric's five-year annualized return through September 30, 2019 to underperform the MSCI World Index and MSCI World Growth Index by a considerable margin. It is an empirical fact that any value metric, including low price-to-book, low price-to-earnings, low price-to-sales, and earnings-based multiples such as earnings before interest and taxes, will at times underperform growth counterparts and passively-managed market indexes for uncomfortably long periods of time. However, in our view, such periods are a perfectly normal part of a successful, value-driven performance record. As you can see in the scatterplot chart below, since 1995 (when such data first became available on Bloomberg), stocks trading at low prices in relation to earnings before interest and taxes (bottom quintile) have on a rolling five-year basis underperformed the MSCI World Growth Index roughly 18% of the time. Conversely, this means that stocks trading at low EV/EBIT outperformed the MSCI World Growth Index in 82% of the rolling five-year periods.

Low EV/EBIT – Cheapest Quintile (Q1) (excl. financials) vs. MSCI World Growth Index

5-Year Rolling Average Annual Returns (calculated monthly)

February 28, 1995 through September 30, 2019

Out of 236 measurement periods, low EV/EBIT (Q1) stocks have outperformed the MSCI World Growth Index 193 times, or 82% of measured periods.



	Average of returns shown above	
	EV/EBIT (Q1)	Index
Down Market (Below 0%) – 59 periods **EV/EBIT (Q1) beat Index in 100% of periods**	12.01%	-3.58%
Normal Market (0-10%) – 101 periods **EV/EBIT (Q1) beat Index in 77% of periods**	10.89%	4.88%
Robust Market (Above 10%) – 76 periods **EV/EBIT (Q1) beat Index in 74% of periods**	16.83%	13.64%

The above chart illustrates the five-year average annual rolling returns (equal-weighted returns calculated monthly) for EV/EBIT (Q1) stocks since February 28, 1995, compared to the five-year average annual rolling returns for the cap-weighted MSCI World Growth Index (the 'Index'). The horizontal axis represents the returns for the Index, while the vertical axis represents the returns for EV/EBIT (Q1) stocks. The diagonal axis is a line of demarcation separating periods of outperformance from periods of underperformance. Plot points above the diagonal axis are indicative of EV/EBIT (Q1) stocks outperforming the Index, while points below the diagonal axis are indicative of EV/EBIT (Q1) stocks underperforming the Index. Returns were plotted for three distinct equity market environments: a 'down market' (Index return was less than 0%); a 'normal market' (Index return was between 0% and 10%); and a 'robust market' (Index return was greater than 10%). There were 236 average annual rolling return periods between February 28, 1995 and September 30, 2019. The performance shown above is not indicative of the performance of any Sub-Fund, and past performance is no guarantee of future returns.

If we look back even further in time, there have been other periods that come to mind where value investing underperformed for uncomfortably long periods, including, among others, the period leading up to the dot-com bubble of 2000, and the "nifty fifty" era between 1965 and 1973. We should not lose sight of the fact that both of these challenging periods for value were followed by long periods of outperformance for value. The lumpiness of value's return stream over time reminds us of Warren Buffett's comment in Berkshire Hathaway's 1996 Annual Report regarding the "gyrations of Berkshire's earnings…Charlie and I would rather earn a lumpy 15% over time than a smooth 12%."

Despite the effectiveness of earnings-based multiples such as low EV/EBIT over the long term, we continue to believe the common practice of characterizing investment managers and their investment styles as either growth or value based solely on a few valuation metrics is inherently flawed. While such metrics can at times provide investors with meaningful clues to potential outperformance, they are by no means the whole story. As we said in our last annual report, it is not uncommon for qualitative considerations that cannot be easily measured to weigh heavily in the determination of value — attributes such as a company's industry dynamics, prospects for growth, balance sheet strength, corporate culture, management quality, capital allocation record, customer relationships, brand power, and patents, among a host of others.

As to when (or whether) investor sentiment shifts back in favor of value, it's anyone's guess, but there have been a number of signs of late that suggest we might be in the early stages of such a change. Since January of 2018, there have been numerous, but brief, pockets of market volatility that in our view reflect an increasing level of investor anxiety. The accompanying price volatility has translated into a better opportunity set for value investors such as ourselves. Economic growth has slowed, and corporate earnings in many industry segments have begun to come under some pressure. Some have argued that the manufacturing sector of the economy is already in recession. Several of the FAANG stocks, which have had a disproportional impact on the market's advance, are now reportedly under investigation by regulators in the U.S. and abroad for potentially anticompetitive practices, and a number of new technology IPOs have proven to be disappointments. All of this, we believe, may augur well for value stocks.

In addition, there have been a host of macroeconomic canaries in the coal mine of late: the possibility of a hard Brexit; the persistence of trade tensions between the U.S. and China; increasing risk of conflict between the U.S. and Iran; conflict between mainland China and Hong Kong; the uncertainty posed by upcoming U.S. elections; rapidly increasing levels of deficits and non-financial debt both in the U.S. and abroad; depending on political outcomes, the potential for increases in taxes and regulations around the world; and, perhaps more importantly, the possibility, however remote, of an uptick in inflation and interest rates. An unexpected outcome with respect to any of these macro issues could dampen investor enthusiasm and, in turn, negatively impact risk asset valuations, shifting the teeter-totter back in value investing's favor, as value has tended to hold up better in challenging market environments. In the interim, we suspect that periodic market volatility is likely to remain with us, which should continue to bode well for bargain hunting.

Investment Performance

Global equity markets finished the last 12 months up solidly in local currency, but faced a good bit of volatility along the way, largely due to ongoing trade tensions with China and increasing evidence of slowing economic growth. In this increasingly volatile environment, the Tweedy, Browne Value Funds continued to make fundamental financial progress and produced positive returns. For the fiscal year ended September 30, our Sub-Funds' returns ranged from 0.15% to 7.05%.

Presented below are performance results for the Tweedy, Browne Value Funds for various periods with comparisons to their respective benchmark indexes, and a rolling 5-year average annual return history (scatterplot diagram) for the International Value Fund (Euro). (Note that scatterplot return information shown for the International Value Fund (Euro) should not be considered representative of the performance of the International Value Fund (CHF), Value Fund (USD), or Global High Dividend Value Fund.)

Total Returns

		Performance through September 30, 2019 Annualized for periods greater than 1 year				
	6 months ending 9/30/19	YTD thru 09/30/19	1 year	5 years	10 years	Since Inception
Tweedy, Browne Value Fund (USD)* *(inception 10/31/96)*	0.87%	9.86%	0.26%	2.89%	6.53%	5.63%
MSCI World Index (in USD)	4.56	17.61	1.83	7.18	9.01	6.41
S&P 500 Index	6.09	20.56	4.26	10.84	13.24	8.52
Tweedy, Browne International Value Fund (Euro)*† *(inception 10/31/96)*	3.24%	11.21%	2.50%	4.70%	8.14%	8.20%
MSCI EAFE Index (Hedged to USD/EUR)	4.24	15.15	0.88	5.45	6.46	4.96
MSCI EAFE Index (in USD/EUR)	5.64	18.28	5.11	6.36	8.03	5.07
Tweedy, Browne International Value Fund (CHF)* *(inception 10/31/96)*	1.80%	9.54%	0.15%	3.13%	6.47%	6.58%
MSCI EAFE Index (Hedged to CHF)	4.19	15.02	0.62	4.80	5.96	3.82
MSCI EAFE Index (in CHF)	2.70	14.10	0.72	4.16	4.49	3.51
Tweedy, Browne Global High Dividend Value Fund* *(inception 6/1/07)*	5.83%	14.46%	7.05%	5.88%	7.81%	4.25%
MSCI World Index (Hedged to Euro)	3.98	16.53	0.53	6.89	8.80	3.94
MSCI World Index (in Euro)	7.69	23.32	8.49	10.39	12.25	6.39

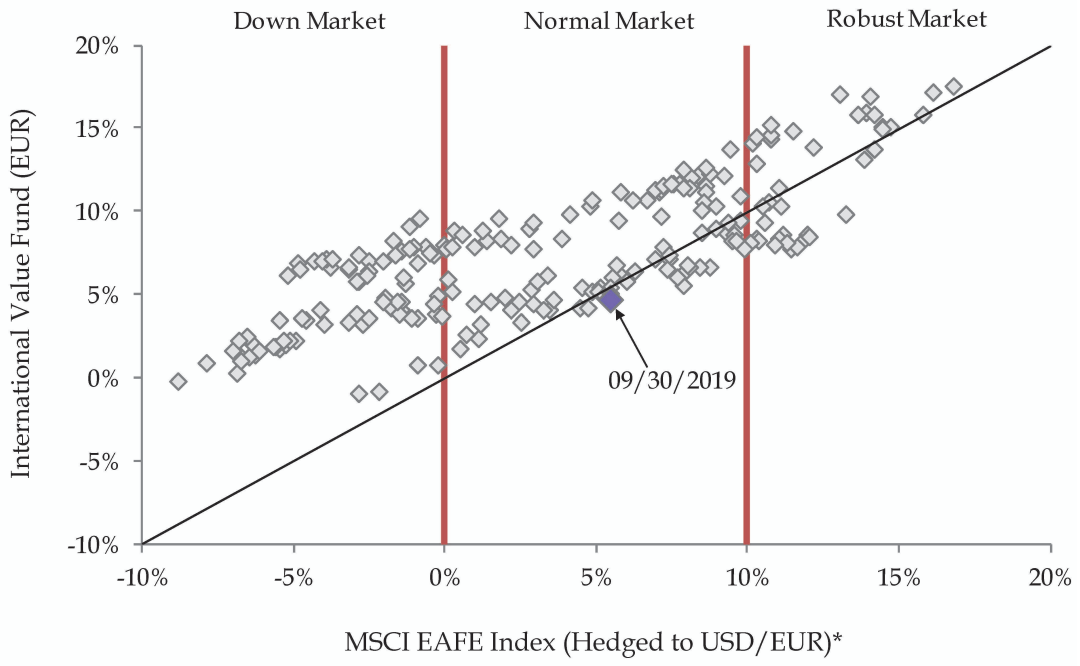
Performance returns are annualized and time weighted. The value of the shares and the return they generate can go down as well as up. They are affected by market volatility and by fluctuations in exchange rates. Past performance is no indication of future results. The calculation of the Sub-Funds' performance 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 USD and its investments were hedged to USD. Effective May 17, 2004, the base currency of the Sub-Fund was changed to EUR and its investments were hedged to EUR. Calendar year 2004 performance and annualized 15-year and since inception performance figures are based on percentage increase in USD value of shares through May 16, 2004, and percentage increase in EUR value of shares thereafter. Accordingly, such performance figures do not represent the percentage increase in the USD or EUR value of shares in the Sub-Fund over the whole of the indicated periods. For comparative performance purposes, the linked MSCI EAFE Index (hedged to USD/EUR) and linked MSCI EAFE Index (in USD/EUR) are shown, and represent MSCI EAFE Index performance hedged to USD or in USD for the period through May 16, 2004, and hedged to EUR or in EUR from May 17, 2004 forward.

Tweedy, Browne International Value Fund (Euro)
5-Year Rolling Average Annual Returns (calculated monthly) (net)

October 31, 1996 through September 30, 2019

Out of 216 five-year measurement periods, International Value Fund (Euro) has outperformed the MSCI EAFE Index (Hedged to U.S.$/Euro) 171 times, or 79% of measured periods.



	Average of returns shown above	
	Fund	Index
Down Market (Below 0%) – 76 periods **Fund beat Index in 100% of periods**	4.40%	-3.26%
Normal Market (0-10%) – 101 periods **Fund beat Index in 74% of periods**	7.78%	5.50%
Robust Market (Above 10%) – 39 periods **Fund beat Index in 51% of periods**	12.25%	12.24%

The above chart illustrates the five-year average annual rolling returns (calculated monthly) for the Tweedy, Browne International Value Fund (Euro) (the "Sub-Fund") since the Sub–Fund's inception (October 31, 1996), compared to the five-year average annual rolling returns for its benchmark, the MSCI EAFE Index (Hedged to U.S.$/Euro) (the "Index"). The horizontal axis represents the returns for the Index, while the vertical axis represents the returns for the Sub-Fund. The diagonal axis is a line of demarcation separating periods of outperformance from periods of underperformance. Plot points above the diagonal axis are indicative of the Sub-Fund's relative outperformance, while points below the diagonal axis are indicative of the Sub-Fund's relative underperformance. Returns were plotted for three distinct equity market environments: a "down market" (benchmark return was less than 0%); a "normal market" (benchmark return was between 0% and 10%); and a "robust market" (benchmark return was greater than 10%). There were 216 average annual rolling return periods between October 31, 1996 and September 30, 2019. Past performance is no guarantee of future returns.*

** Represents the performance of the MSCI EAFE Index (Hedged to USD) for the period through May 16, 2004 and the performance of the MSCI EAFE Index (Hedged to EUR) for the period from May 17, 2004 forward, linked together by Tweedy, Browne. Prior to May 17, 2004, the Sub-Fund was denominated in USD and its investments were hedged to USD. Effective May 17, 2004, the base currency of the Sub-Fund was changed to EUR and its investments are hedged to EUR.*

Our Sub-Fund Portfolios

Please note that the individual companies discussed herein were held in one or more of the Sub-Funds during the twelve months ended September 30, 2019, but were not necessarily held in all four of the Sub-Funds.

While results in all four of our Sub-Funds were modestly positive in local currency over the last twelve months, there were a number of industry groups and companies in the Sub-Funds that stood out in terms of their contribution to Sub-Fund returns. On the positive side of the ledger, the Sub-Funds' aerospace & defense, food products, insurance, and media holdings produced very solid returns for the period. This included good returns in Safran, the French-based civil jet engine manufacturer, which continues to grow its earnings and our estimate of intrinsic value at well above average rates; BAE, a U.K.-based defense company that continues to benefit from a solidifying pipeline of projects that provide future revenue visibility; Nestlé and Unilever, two European food giants that have done a good job managing their respective brand portfolios; Zurich Insurance Group and Munich Re, the Swiss-based and German-based insurers that have had success managing their costs and maintaining strong underwriting results; and media company Axel Springer, which benefitted from a buyout proposal announced during the period. We also had nice returns in two of our core pharmaceutical holdings, Roche and GlaxoSmithKline, whose drug pipelines remain strong; and beverage holdings Diageo and Heineken Holding.

As noted above, Axel Springer, the German publisher and a long-term holding in the Sub-Funds, was the subject of a buyout proposal during the period. The company's board formally endorsed a deal over the summer, agreeing to a buyout of Axel Springer's minority shareholders by KKR & Co. at a price of €63 in cash. This price represents approximately a 40% premium to the stock's closing price on May 29, 2019, the day prior to the announcement that deal negotiations were underway, and up to a 230% premium to the Sub-Funds' weighted average cost.[1] Friede Springer (the widow of the company's founder) and Mathias Döpfner (the company's CEO), who together either directly or indirectly control approximately 45% of the company's shares, will retain their shares and continue to be involved with the company. We expect the deal to close sometime before year end.

[1] *Premium to weighted average cost: International Value Fund (Euro) (231%); International Value Fund (CHF) (176%); Value Fund (USD) (100%); Global High Dividend Value Fund (91%).*

In contrast to these positive developments, relative performance comparisons were modestly hurt by market price declines in a few technology-related holdings, including Chinese internet-related holdings Baidu and Sina. The Sub-Funds also faced declines in a number of other emerging market equities, although the Sub-Funds maintain relatively low exposure to these markets.[2] This included disappointing price results in Bangkok Bank, a Thai-based bank holding; Embotelladora Andina, a Chilean-based Coca-Cola bottler; and LG Corp., the Korean industrial conglomerate. Despite a serious attack on Saudi Arabia's oil production facilities during the period, oil prices continued their downward volatility, and the stock prices of most oil & gas related enterprises followed suit. This translated into disappointing stock price results for Royal Dutch, Total, and MRC Global, a U.S.-based oil service holding. Tarkett, the French-based commercial flooring company, was also down significantly during the period as a result of a poor earnings report and near-term outlook. The flooring industry is going through a cyclical rough patch, and Tarkett's results are not surprising to us in light of the near-term challenges. With the stock price in our view overreacting on the downside, we decided to modestly add to the positions in Value Fund (USD), International Value Fund (CHF) and Global High Dividend Value Fund, as did the Deconinck family, which owns a controlling interest in the company.

Baidu reported weak operating results in the last two quarters and, after much analysis and discussion, we decided to sell the position from the Sub-Funds. The company is currently facing some headwinds due to near-term macroeconomic concerns in China, regulatory/clean-up issues affecting certain segments of advertising revenue, increased management turnover, and more intense market competition. Growth in internet advertising in China has slowed more than expected, and the company is facing increasing competition in advertising, particularly from ByteDance (owner of the popular short video app Douyin, known as TikTok outside of China), which is disrupting the digital advertising industry profit pool. This is impacting Baidu's expected growth and profitability, and has caused us to reduce our estimate of its underlying intrinsic value.

We are encouraged by the fact that increasing market volatility continues to produce pricing opportunities for us, and that is reflected in several new additions to our Sub-Fund portfolios: Krones, the German beverage equipment manufacturer; BASF, the German chemical giant; Trelleborg, the Swedish industrial polymer producer; and Fox Corp., the U.S.-based news and sports broadcaster. We also took advantage of pricing opportunities during the period to add to Bollore, Michelin, and, as previously mentioned, Tarkett.

On the sell side, we sold positions in Henkel, HSBC, and G4S, and we trimmed positions in Emerson Electric, Novartis, DBS Group, Diageo, Roche, Cisco Systems, and Royal Dutch Shell, among a number of others.

New Additions to Our Sub-Fund Portfolios

The new additions to our Sub-Fund portfolios, Krones (in Value Fund (USD), International Value Fund (Euro) and International Value Fund (CHF)), Fox Corp. (in Value Fund (USD) only), Trelleborg (in all four Sub-Funds), and BASF (in Global High Dividend Value Fund), were all trading at significant discounts to our conservative estimates of their underlying intrinsic values at purchase, and we believe have the ability to compound their intrinsic values going forward at attractive rates. In addition, insiders (*e.g.*, corporate officers and directors) have been buying each of these stocks recently. We decided to

[2] *Emerging markets exposure as of September 30, 2019: International Value Fund (Euro) (4.2%); International Value Fund (CHF) (4.6%); Value Fund (USD) (2.7%); Global High Dividend Value Fund (3.7%).*

purchase shares of Krones given that its stock price had more than halved over the last year. Krones is the dominant competitor in the manufacture of bottling machinery for beverage companies. Its business is somewhat cyclical and its growth has slowed a bit over the last year, and it has also faced cost pressures which have brought down margins. However, we believe these headwinds are temporary and that the market has overreacted, affording us an attractive pricing opportunity in its shares. Krones currently pays a dividend yield of 2.7% and, in our view, can continue to compound its intrinsic value over time.

With manufacturing appearing to have already entered a recession, particularly outside the U.S., we have, of late, been uncovering a number of pricing opportunities in niche manufacturers around the globe, of which Trelleborg is one. This mid-size Swedish manufacturer is a leader in the production of polymer (rubber & plastics) solutions that seal, dampen and protect applications. Its Sealing Solutions segment, which accounts for over half of operating profit, is considered one of the best in the Nordic region. The cost to produce a seal is low in relation to the value that it protects, so Trelleborg has had pricing power that has allowed for above-average organic growth, high margins, and high returns on invested capital. Employing a sum of the parts valuation using conservative merger and acquisition comparables, we believe Trelleborg at purchase was trading at a substantial discount to its underlying intrinsic value. While growth appears to be slowing near term, which could put its stock price under additional pressure, the company has generated growing EBIT, year over year, for 24 straight quarters. They have paid an increasing dividend since 2010, and the current yield is approximately 3.0%.

The “new” Fox Corp., following its sale of certain assets to Disney, consists mostly of its predecessor’s “live” programming assets, particularly news and sports. Fox’s management has chosen to focus on live programming because it is less exposed to secular challenges in TV consumption/distribution than scripted content.

Specifically, Fox now consists of Fox News, Fox Sports, the Fox Broadcast TV Network, and a local TV station business. Fox News currently accounts for an estimated 70% of the company’s total EBITDA. Regardless of one’s opinion about Fox News’ content, it has a very loyal audience and a strong brand. We believe this gives it relatively high pricing power over the cable operators. Wall Street analysts estimate that Fox News earns a 60%+ EBITDA margin, making it amongst the most profitable cable channels around. Fox News also has minimal capital intensity and, in our view, solid growth potential given the current level of its affiliate fees relative to the size and loyalty of its audience.

At initial purchase, we estimate Fox Corp. was trading for roughly 9x its trailing twelve-months EBIT or an owner’s earnings yield (net operating profit after tax/EV) of approximately 8%. We included the benefit or value of Fox’s Roku holding and its production studio in our enterprise value calculation. Fox earns a 20% ROE on a 20% operating margin and, in our view, should generate significant free cash flow, given its low capital intensity and a tax shield resulting from the Disney transaction. It is also worth noting that there has been material insider buying at Fox, as its founder and current co-Chairman has purchased over $36 million of its shares since June.

Founded in 1865, BASF is a global chemicals company with over 118,000 employees operating in over 80 countries around the world, with leading positions in many of its businesses. BASF is a complex company with 13 operating divisions in five segments - one of which is an oil & gas business. In November 2018, the new CEO, Dr. Martin Brudermüller, announced numerous targets to be achieved over the coming years, including: 1) a substantial cost savings program (totaling €2 billion in annual cost savings by 2021); 2) a new simplified segment reporting structure; 3) annual EBITDA growth of 3%-5%; and 4) annual increases in the dividend per share. BASF will also be disposing of its oil & gas business.

While chemicals can be a cyclical business, BASF appears to be somewhat less cyclical than its peers. The company traditionally operates with a conservative balance sheet, and although BASF did add some leverage with the acquisition of an agricultural chemicals business from Bayer, we expect the firm to return to its historically low level of leverage within the next several years.

At purchase, BASF was trading at roughly 12.3x trailing twelve month earnings and 1.8x book value; had an owner earnings yield of approximately 7.3%; and paid an above-average dividend yield of 4.6%. We expect the company to grow its intrinsic value in line with targeted annual EBITDA growth of 3%-5% over the long run. In addition, there was a significant amount of insider buying in late 2018, in May 2019, and in August 2019.

* * * * *

As Tweedy, Browne's 100th birthday approaches, we thought we would take the opportunity to re-visit the firm's history and the impact it has had on the investment approach we practice today. Our intention is to include these installments in the next few letters. Below is our second installment of our history. We hope you enjoy this walk down memory lane.

Tweedy, Browne's Next Generation of Partners // The 1970s and 80s

Chris Browne, one of Howard Browne's four sons, walked into the Tweedy, Browne offices in downtown Manhattan in June of 1969 to borrow five dollars from his father for the train home to New Jersey. He was just two days out of active duty training in the Army reserves and, with one more semester to go at the University of Pennsylvania that coming fall, he had not focused on plans for the summer. Ed Anderson, a Tweedy partner and ever the inveterate teacher, launched into a two-hour explanation of value investing, after which he offered Chris a job for the summer. He never left. When the fall came, the University of Pennsylvania had lowered the course requirements for graduation as a way of appeasing student bodies that were trying to burn down campuses in those days, and said they would mail Chris's diploma at the end of the year. Thus began a distinguished 40-year career and love affair with value investing.

When Chris Browne joined the firm in 1969, Tweedy, Browne still did a substantial brokerage business with firms like John W. Bristol & Co., a firm that managed money for several Ivy League colleges. But the firm was becoming increasingly focused on money management. Towards the end of 1969, Warren Buffett dissolved his investment partnership, as he was unable to uncover enough undervalued securities in what was then a pretty heady and robust time in the stock market. Ruane, Cunniff and Tweedy, Browne, two value shops with investment pedigrees closely associated with Graham and Buffett, became beneficiaries of the closing of the Buffett partnership. Bill Ruane had established a mutual fund, in part to attract several of the departing Buffett limited partners, and a few of those investors found their way to Tweedy, Browne.

During the early 70s, the firm wasn't making much money at all, the markets were weak, and Ed Anderson especially was concerned. Howard Browne and Tom Knapp, who had seen bad markets before and were somewhat more frugal than Ed, were a bit less concerned. There were conversations with Bill Ruane about possibly merging back offices, but they never led to anything. On May 1, 1975 (often referred to as "May Day"), the U.S. Securities and Exchange Commission banned fixed minimum commission rates, which had been in existence for 183 years. Over time, this change would effectively bring down brokerage commission rates and significantly reduce the firm's ability to compete and prosper in its specialized niche of brokering thinly-traded securities.

With the securities trading business in decline, the firm needed another source of revenue. Around 1975, Bill Ruane decided to go into the individual account management business, and Chris Browne, who was not yet a partner, urged Tweedy, Browne to do the same. Why not register as an investment adviser and try to get some money under management, maybe $10 million, at a flat fee of 1% - 2%. Tweedy would then have at least $100,000 - $200,000 a year in assured income. While Ed Anderson and others at Tweedy were initially skeptical about the merits of managing individual managed accounts, Chris persisted, and the firm registered as an investment adviser in 1975. They set about creating an investment management brochure describing the firm's services and capabilities, obtained a mailing list, mailed out their brochures, and gradually began to grow the firm's assets under management.

In the early part of his career, Chris spent most of his time working with Ed Anderson, reading through Standard & Poor's, Moody's, or the Polk's bank directory, looking for stocks selling below book value or below net current assets. In the 60s and early 70s, there were still no computerized databases of publicly-traded companies, so the process of finding cheap stocks was fairly labor-intensive. In 1974, Chris was joined by John Spears, effectively doubling Tweedy's research staff.

Shortly after arriving, John Spears remembers sitting across the trading desk from Howard and Chris Browne, with Ed Anderson to Chris' left and Tom Knapp to John's right. It was fun, lively, chaotic, and inefficient. If the phone rang, five people would reach for it. John is sensitive to sound, and in that atmosphere, which often included Ed Anderson's booming voice, he remembers sometimes ending the day with a headache. John claims to have pioneered the concept of private offices at the firm by setting up a card table in a corner of the room, away from the trading desk, where it was at least marginally quieter.

Alice Schroeder, Warren Buffett's biographer, described the Tweedy, Browne offices as follows:

> *When Warren Buffett arrived at Tweedy, Browne which maintained a tiny office at 52 Wall Street, in the same art deco building where Ben Graham once worked, it felt like entering an old fashioned barber shop, with its black-and-white ceramic tile floor. In a little office to the left sat the firm's secretary and office manager. To the right lay the trading room. Past that, in a small rented alcove filled with a water cooler and a coatrack—in effect a sort of closet—sat Walter Schloss, running his partnership from a battered desk…..*
>
> *Along the center of the trading room ran a twenty-foot wooden table, which the firm had acquired somewhere on its way into a garbage dump. Its surface bore the marks of generations of school children armed with penknives. To write down figures, a tablet had to be placed underneath the paper; otherwise, "Todd loves Mary" would be embossed into the text.*

On one side of the child-scarred table, Howard Browne ruled with benign authority. He and his partners faced the firm's trader, who — like all traders — sat jumpy and restless, waiting for the phone to ring so that he could trade. Next to him, an empty space at the table served as the "visitors' desk." The cheapest of wooden filing cabinets lined the walls.

- Alice Schroeder, ***The Snowball (2008)***

John's path to Tweedy, Browne, like many previous and future partners, was somewhat unique. By the time he had graduated from high school in Rosemont, Pennsylvania, he had accumulated about $10,000, partly through investing and partly through his lawn mowing and other activities, including selling Christmas cards door to door. From a very early age, John was interested in how business people made money and, sometime in his early teens, he made his first investment. He had ridden his bike the five or ten miles from Gladwyne to Ardmore to meet with a broker at Woodcock, Moyer, Fricke, and French, and bought $250 worth of British Petroleum. In short order, it went up 35% to 40%, and he was hooked. He thought that it was just wonderful. Good, easy, indoor work! It surely beat mowing lawns.

Having read an article on Charles Allen, the founder and senior partner of Allen & Co., and his extraordinary understanding of stocks, he wrote to him requesting a meeting and then took a day off from school, took the train to New York, and spent 45 minutes querying the business mogul about his investment techniques. Allen suggested that John take a course in security analysis at the New York Institute of Finance, where he received a primer on accounting and Graham & Dodd's Security Analysis. John had found his calling. He enrolled at Babson Institute of Business Administration, and later took classes at Drexel Institute, Wharton School, and St. Joseph's College, all in an effort to master accounting and finance. Obtaining a degree was never John's primary goal. In fact, in studying successful business people and entrepreneurs, it often struck him that many who had attained great wealth and success were not college graduates and many were immigrants. Not surprisingly, his parents took a dim view of all this, but John was not deterred.

Along the way, he had a short, unsuccessful stint as a stock broker, did securities analysis work at a small investment counseling firm, and eventually decided to set up his own investment partnership, modeled after those of Warren Buffett and A.W. Jones. He started with a total of $30,000, of which $3,000 was his own capital. He drove a limousine during the evening to tide him over until his partnership started paying him incentive fees. While researching ad agencies at Fleming, Berger, Kent, the firm John had joined to do security research, Bill Kent suggested that he meet Bill Ruane, who had done a lot of work on ad agencies and might be helpful to John. During his meeting with Ruane, he asked John what kind of stocks he bought for his partnership, and after John referenced Graham and Buffett, Ruane said that he should meet the folks over at Tweedy, Browne. A meeting soon followed, but the firm's income had fallen off a bit, and Tweedy was not in a position to offer him a job.

So, in 1973, John decided that he would become a finder/broker for individual and corporate investors interested in potential takeover candidates. He concentrated his research on companies where managements' and the directors' stakes were modest, and where an investor could accumulate control. He soon began to make good money as a finder/broker. At one point he offered Tweedy stock in a closed-end fund that was trading at a substantial discount to the value of the securities and cash in the fund. The folks at Tweedy, Browne liked the stock, but they also thought John's work was interesting. In 1974, they felt they could finally bring him on as a finder/broker and part-time analyst. John decided to give Tweedy a try, and the rest is history.

In his early days at Tweedy, John continued to broker and option large blocks of stock in potential takeover candidates to the LBO and buyout titans of the day, people such as Allen Gruber, Ron Perelman, Arthur Cohen, Joseph Steinberg and Ian Cumming of Leucadia National, and the partners of Dyson, Kissner, Moran. But as time went on, John became more and more involved in researching stocks for inclusion in the firm's managed accounts.

In August of 1976, Jim Clark joined Tweedy, Browne. He was extraordinarily well-educated, with degrees from Princeton, Harvard, and Columbia; had worked in politics, first assisting on an Eisenhower initiative called the Critical Issues Council and then working for New York City Mayor John Lindsay; and had eventually entered the investment business, working for Whitcom Communications, which was owned by the Whitney family. Whitcom owned a media portfolio consisting of Corinthian Broadcasting's five television stations, The Herald-Tribune, the International Herald-Tribune, Parade Magazine, Interior Design Magazine and a few radio stations.

After several years at Whitcom, he decided to return to school (Columbia) to study architecture and, upon graduating, worked in a small architecture firm. Early on, that firm was called upon to design some garden apartments for an offshore closed-end fund, and Jim became intrigued with the fact that the fund's shares traded around $1 per share, but held assets worth closer to $6 per share. He bought some shares for himself, and began wondering if he might be able to take control of the fund. In need of capital, he approached Wyndham Robertson, a friend who worked alongside Carol Loomis at Fortune Magazine. Both Wyndham and Carol were friends of Warren Buffett and were part of a weekend retreat with friends and colleagues that Warren put together every few years to talk about the issues of the day, investment and otherwise. Wyndham suggested he speak with the folks at Tweedy, Browne. She knew Tom Knapp and Ed Anderson from the Buffett retreats. At her urging, Jim approached Tweedy, and they were interested, and began buying shares in the fund. Jim and Tweedy continued to stay in touch, and he eventually joined the firm in 1976, becoming a partner in 1983. Jim was not only influential as an investment analyst, but also was instrumental in bringing new clients to the firm.

In the early 1980s, Tweedy began to invest, on behalf of its clients, in a number of media companies, and it was Jim's prior experience at Whitcom Communications that taught the firm how to value radio stations, television stations, and newspapers. Before Jim's arrival, Tweedy, Browne had never invested in companies that owned televison stations, because those companies had little to no tangible book value. Jim taught the Tweedy partners that they had franchise value instead, and gave the firm a private equity framework for valuing companies rich in intangible assets. TV stations such as the CBS affiliates in Miami or Chicago were often quasi-monopolies. Moreover, TV stations changed hands rather frequently and at fairly consistent multiples of cash flow. The Tweedy partners quickly realized that it was actually easier to determine the value of a TV station than it was a manufacturing company selling at half of book value that was not earning a reasonable return on its capital.

Jim's insight regarding the valuation of low capital intensive, earnings-based businesses marked a subtle but meaningful turning point in Tweedy, Browne's investment process. No longer was the firm dependent solely on a statistically-based, paint by the numbers methodology. The arrow of business appraisal and study of acquisition comparisons ("comps") had been added to its quiver. Utilizing this new earnings-based valuation framework, the firm went on to make other investments in news and broadcasting companies. In the mid-1980s, Tweedy, Browne also discovered the acquisition pricing model for food companies and other branded consumer product companies. By incorporating into its investment process

the ability to make business appraisals utilizing an earnings-based valuation model, the firm had clearly expanded its potential opportunity set of cheap stocks.

Will Browne, another one of Howard Browne's sons, was the last of that generation of partners to arrive. After graduating from Colgate in 1967 and completing a two-and-a-half-year stint in the Peace Corps in Ecuador, Will went on to Trinity College in Dublin and obtained a masters degree in business and economics. Upon graduation, Will joined the investment research department at The Bank of New York, where he did investment analysis. He subsequently moved on to work for Gerald Tsai, who was running one of the go-go funds, the Manhattan Fund, which had thrived during the bull market of the late 60s. With the fund falling on hard times, Will left to go over to Drexel, but his boss was more interested in trying to figure out the market instead of doing company-by-company research. So he took to hanging out at Tweedy, Browne at lunch, where he found the firm's ideas on stock investments to be more compatible. He joined Tweedy in 1978, initially to oversee the trading and brokerage side of the business, as his father, Howard, had announced his intention to retire. Over time, he gradually extricated himself from the day-to-day aspects of trading and put his experience to better use as a securities analyst, becoming a partner in 1983.

In 1980, Tweedy, Browne established its first offshore mutual fund based in the Netherlands Antilles, which allowed non-U.S. investors the opportunity to invest in a fund managed by Tweedy, Browne. Early on in that effort, Will Browne would be approached by current and prospective investors about the merits of Tweedy's investment strategy. On one of his many trips abroad, one of the investors in that fund made the comment that if Tweedy liked "XYZ" company in the U.S., it should take a look at a similar European counterpart, which was a much better value. Will took that advice to heart. Having travelled extensively as a young man and studied in Europe, it was a "natural," so to speak, for Will to drive the firm's efforts to invest internationally, which would pay significant dividends to the firm and its clients in the decades ahead.

By the mid to late 1970s, Tweedy, Browne's reputation as a savvy investment shop was gaining visibility, and people were beginning to take notice of the firm. In 1976, the firm was modestly profiled in Fortune Magazine. John Train, the noted money manager and writer, also included Tweedy in his 1980 book, *The Money Masters.* It's fair to say that life began to change after that for the firm as the phone began to ring much more often.

In 1984, Warren Buffett delivered his now legendary speech at the Columbia Business School entitled *The Superinvestors of Graham & Doddsville,* in which he identified nine investment firms who had successfully implemented a Graham & Dodd approach to value investing. Tweedy, Browne was among those firms mentioned.

While the firm continued its work in deeply discounted net current asset investments, undervalued equities, and special situations, it also at times took control positions in companies, and even helped to found what was one of the first discount brokerage operations.

In 1979, Tweedy Browne received its first institutional investment mandate when it accepted a new $10 million pension fund account from FMC Corporation, a mid-western industrial company, run by a man named Bob Malott who had been advised by Warren Buffett with respect to the investment management of the company's pension plan. This was Tweedy, Browne's first pension account, the size of which caused some concern, as it represented a significant amount of the firm's total assets under management at the time. FMC was somewhat unique in the institutional investment community, as it took the unusual

position of investing its plan's equity assets only with value-based money managers, as opposed to diversifying amongst managers of differing investment styles. They started with a couple of firms including Tweedy, and added many more value managers over the years as their plan assets grew. Many of the plan's value managers, some of whom were Ben Graham apostles like ourselves, pursued primarily long-only strategies and used no leverage. FMC's staff for the most part consisted of a single pension director and an assistant; and its costs were low. FMC also maintained a simple asset allocation framework of approximately 80% equity and 20% fixed income. Tweedy's relationship with FMC continued for roughly 40 years until 2018, when the company decided to restructure its overfunded plan and invest in a liability-driven approach, utilizing only fixed income investments.

Not long after taking on the FMC account, Will Browne received a phone call from a west coast pension consultant who was interested in getting to know more about the firm. After numerous meetings and much due diligence, the consultant began referring business to the firm, and by the end of the 1980s, Tweedy, Browne had hundreds of millions of institutional assets under management.

Howard Browne retired in 1978, ending a 58-year career on Wall Street, begun at the age of 16. Ed Anderson retired in 1982 to pursue charitable and educational interests, and Tom Knapp retired in the mid-1980s. That left Chris, John, Jim and Will, who continued to steward the firm through the 80s, the 90s, and beyond.

This next generation of partners, Chris Browne, John Spears, Jim Clark, and Will Browne, all followed different paths to Tweedy, Browne in the late 60s and 70s, but made an indelible imprint on what had been a very modest and quirky trading and investment operation grounded in the teachings of Benjamin Graham. Each of these men contributed in their own way to the evolution of the firm's investment process and the growth in the firm's client and asset base. Jim Clark retired in 1995 after 20 years at Tweedy, and Chris unexpectedly passed away after 40 years at the firm in 2009. John Spears and Will Browne remain to this day Managing Directors of the firm, and after 45 and 41 years at the firm, respectively, continue to be active in the business. Their work helped to pave the way for another generation of Tweedy, Browne partners who began to arrive on the scene in the late 80s and early to mid-90s, but we will leave that story to our next and final installment of Tweedy's history.

* * * * *

Postscript

The upside down nature of today's investment markets has produced confusion and at times bewilderment among many investors. But the markets have also been able to assuage investor concerns with ever increasing valuations on risk assets, bonds and equities alike. Ten years into this market advance, with valuations on quality risk assets at above average levels, and a whole host of macroeconomic concerns on the immediate horizon, a nervousness has crept into markets which has created periodic and, at times, unsettling market volatility.

In an investment seminar held in New York back in September of 1974 (referenced by the quote at the beginning of this letter), Ben Graham reflected on a similar period in markets between 1965 and 1973 when according to Graham, "value had been in eclipse in Wall Street." Some readers may recall that exuberant "nifty fifty" era when investors abandoned price discipline to bid up the prices of so called "one decision" stocks. This included the technology stocks of the day--darlings such as IBM, Xerox, Digital Equipment, Polaroid, Texas Instruments, and a host of other popular companies. Given their seemingly unending growth trajectory, the mantra of the day was that you only needed to buy these securities.

Investors followed suit, paying as much as 15 to 90 times earnings or more for the privilege. Many of us remember how that era ended in 1974. After many years of outperformance, the "nifty fifty" stocks collapsed. According to Boris Schlossberg at Bloomberg, "By 1975, investors who bought the nifty fifty at their peak in 1972 would have seen more than two-thirds of their wealth evaporate."

Today, with tech stocks in seeming unending ascendancy, value investing is once again rumored to be dead or dying. As value investors, we take solace in the title of Graham's 1974 seminar, "The Renaissance of Value." Graham believed fervently, as do we, that the concepts of value and margin of safety have always lain at the heart of true investment, while price expectations have always been at the center of speculation. The collapse of the nifty fifty in late 1973 and 1974 did indeed usher in the mean reversion in stock prices that inspired the title for Graham's seminar.

Will we look back on this recent period as a condition precedent to value's next "renaissance," or will it prove to be a harbinger of a new era? We would caution against new era thinking. In the past, it has proven to be costly.

As George Bernard Shaw once said, "The reasonable man adapts himself to the world, the unreasonable one persists in trying to adapt the world to himself. Therefore, all progress depends on the unreasonable man." Value investors such as Benjamin Graham were and are unreasonable men, and as we approach our 100th Anniversary of service to investors, we humbly count ourselves among them.

Thank you for investing with us, and for your continued confidence. We work hard to earn and keep your trust, and we believe it is critical to our mutual success.

Sincerely,

William H. Browne, Roger R. de Bree, Frank H. Hawrylak, Jay Hill,
Thomas H. Shrager, John D. Spears, Robert Q. Wyckoff, Jr.

Investment Committee
Tweedy, Browne Company LLC

October 2019

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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.*
2) *The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index (in US$) reflects the return of this index for a US dollar investor. The MSCI World Index (in EUR) reflects the return of this index for a euro investor. The MSCI World Index (Hedged to EUR) consists of the results of the MSCI World Index with its non-EUR exposure 100% hedged back into EUR, and accounts for interest rate differentials in forward currency exchange rates. Results for each index are inclusive of dividends and net of foreign withholding taxes.*
3) *The **S&P 500 Index** is a market capitalization weighted index composed of 500 widely held common stocks that assumes the reinvestment of dividends. The index is generally considered representative of US large capitalization stocks.*
4) *The **MSCI EAFE Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE Index (in USD/EUR) reflects the return of the MSCI EAFE Index (in US$) (from inception of the Value Sub-Fund (USD) through 16 May 2004) and the return of the MSCI EAFE Index (in EUR) from 17 May 2004 through the current date. The MSCI EAFE Index (Hedged to USD/EUR) consists of the results of the MSCI EAFE Index 100% hedged back into USD (from inception to 16 May 2004) and with its non-EUR exposure 100% hedged into EUR (from 17 May 2004 forward). The index accounts for interest rate differentials in forward currency exchange rates. The MSCI EAFE Index (in CHF) reflects the return of the MSCI EAFE Index for a Swiss franc investor. The MSCI EAFE Index (Hedged to CHF) consists of the results of the MSCI EAFE Index, with its non-CHF exposure 100% hedged back into CHF, and accounts for interest rate differentials in forward currency exchange rates. Results for each index are inclusive of dividends and net of foreign withholding taxes.*

Mention of a specific security should not be considered a recommendation to buy or sell that security. Holdings are subject to change at any time.

The views expressed represent the opinions of Tweedy, Browne Company LLC as of the date of this letter, are not intended as a forecast or guarantee of future results, and are subject to change without notice.

Current and future portfolio holdings are subject to risk. 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, if held to maturity, bonds 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. Investing in foreign securities involves additional risks which include currency fluctuations; political uncertainty; different accounting and financial standards; different regulatory environments; and different market and economic factors in various countries. In addition, the securities of small, less well known companies may be more volatile than those of larger companies. Value investing involves the risk that the market will not recognize a security's intrinsic value for a long time, or that a security thought to be undervalued may actually be appropriately priced when purchased. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Diversification does not guarantee a profit and does not protect against a loss in a declining market. Please refer to the Fund's prospectus for a description of risk factors associated with investments in securities which may be held by the Sub-Funds.

Although the practice of hedging against currency exchange rate changes utilized by a Sub-Fund reduces the risk of loss from exchange rate movements, it also reduces the ability of a Sub-Fund to gain from favorable exchange rate movements when the currency to which the Sub-Fund is being hedged declines against the currencies in which the Sub-Fund's investments are denominated, and in some interest rate environments may impose out of-pocket costs on the Sub-Fund.

Price-to-book value (P/B) is the ratio of the market value of a company's shares to the value of the company's assets as expressed on its balance sheet. ***Price/earnings (or P/E)*** ratio is a comparison of the company's closing stock price and its trailing 12-month earnings per share. ***Enterprise Value (or EV)*** is a measure of a company's total value (market value of common stock + market value of preferred equity + market value of debt + minority interest – cash and investments). ***Earnings before interest and tax (or EBIT)*** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. ***Earnings before interest, taxes and amortization (or EBITA)*** is used to gauge a company's operating profitability (earnings before tax + interest expense + amortization expense). ***Earnings before interest, taxes, depreciation and amortization (or EBITDA)*** is used to gauge a company's operating profitability, adding back the non-cash expenses of depreciation and amortization to a firm's operating income (EBIT + depreciation + amortization expense). ***Net operating profit after tax (or NOPAT)*** is earnings before interest and taxes (EBIT) adjusted for the impact of taxes. ***Net current asset value*** is the total value of cash and cash equivalents, accounts receivable and inventory remaining after the subtraction of all liabilities senior to the common stock, including all current liabilities, long-term liabilities, lease liabilities, pension liabilities and preferred stock (also referred to as "net-nets"). ***Return on Equity (ROE)*** is a measure of financial performance calculated by dividing net income by shareholders' equity. ***Owner Earnings Yield*** is the net profit after tax divided by enterprise value.

This letter contains opinions and statements on investment techniques, economics, and market conditions and other matters. There is no guarantee that these opinions and statements will prove to be correct, and some of them are inherently speculative. None of them should be relied upon as statements of fact.

This material must be preceded or accompanied by a prospectus for Tweedy, Browne Value Funds.