Investment Manager's Report to Shareholders

Geometric progressions eventually forge their own anchors.

-Warren Buffett

To Our Shareholders:

We hope you are all safe and well, and coping with this seemingly endless pandemic as well as is possible. With the roll-out of vaccines all over the globe, there does appear to be light at the end of what has been a very dark and tragic tunnel.

Although we have managed our business and the Sub-Funds very effectively, yet largely remotely, this last year, we do feel strongly that it's important for us to return to the office when it is reasonable to do so. Face-to-face collaboration is an essential part of our investment process and overall firm culture.

As you may know, the Biden administration announced that, by May 1st, eligible adults who want to be vaccinated against COVID-19 will qualify and have access to the vaccines. We are hoping that, as case levels decline and more and more people become vaccinated, most of our employees will feel more comfortable returning to the office. Of course, we intend to be mindful of each person's situation and comfort level.

We will continue to assess our plans for the fall, but if circumstances permit, and we all feel safe, we are hopeful that we may be able to be fully open sometime in the early fall.

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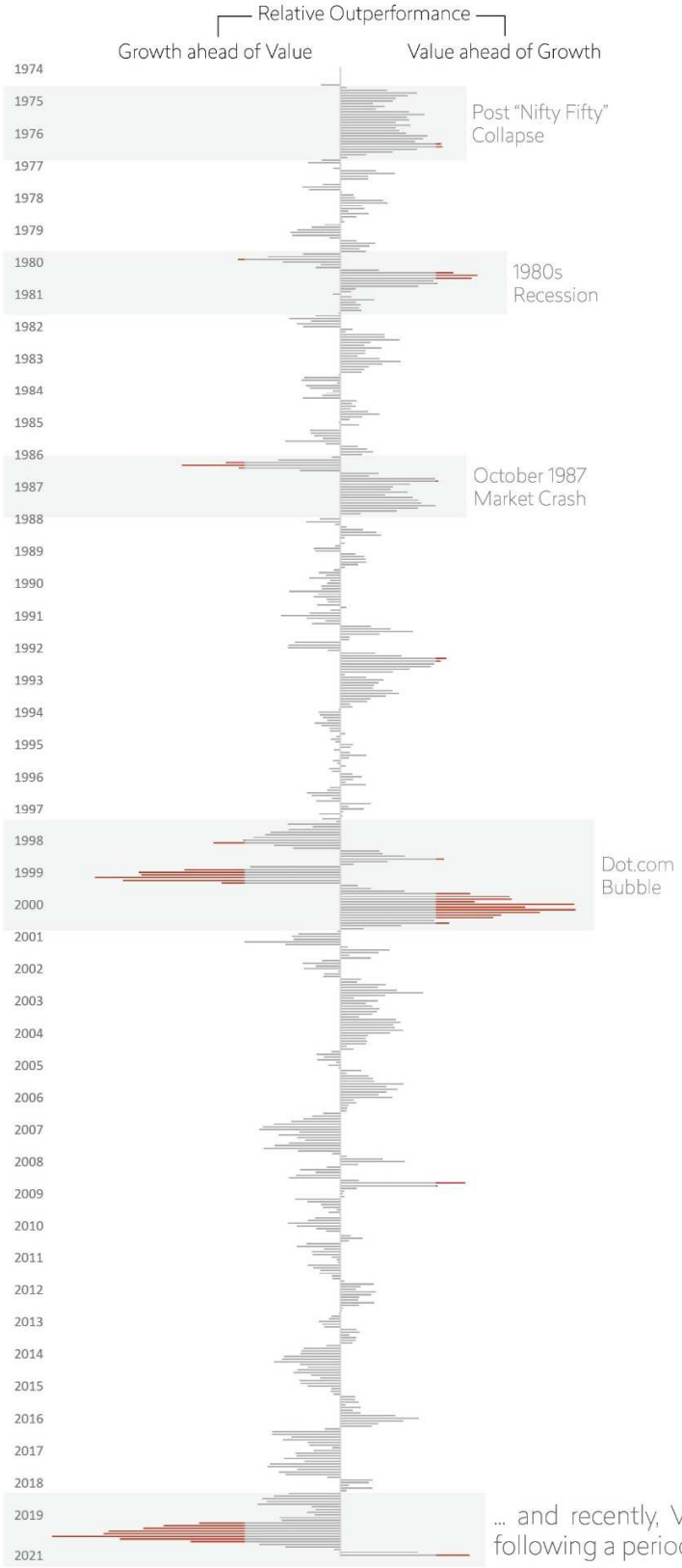
As we wrote in our letter to shareholders last fall, seldom have we seen the rise of a phoenix the likes of which we have seen in capital markets since the pandemic bottom in March of last year. That phoenix gained even greater momentum over the last six months, as vaccines and additional stimulus measures helped to propel broad market indices such as the S&P 500, the MSCI World Index, and the MSCI EAFE Index to all time highs.

While the resilience of our capital markets remains unchanged, market leadership in public equity markets made a rather abrupt about-face beginning in November of last year, when vaccine announcements ignited a powerful rally in value stocks, which continues to this day. Value-oriented securities, which consist in part of more economically sensitive companies, in the past have often performed relatively better than their growth counterparts during a robust economic recovery. Many market observers are expecting such a recovery on the heels of the vaccine roll-out this year. International equities, which have also trailed U.S. equities for the better part of the last decade, also awakened from their slumber and out-performed their U.S. counterparts for the last two quarters. One cannot help but wonder whether these recent results are foreshadowing the beginnings of a sustainable rotation from all things technology into more value- and internationally-oriented securities. It is long overdue.

Many market observers believe that leading up to the end of last year, value had never been cheaper in its long history relative to growth. And technology had never been more ascendant, except perhaps in 2000. At least in the past, when this imbalance in returns between growth and value had become extreme, it often signaled a rapid reversion. Take a look at the following chart entitled *The Historical Tug of War Between Growth and*

Value, and you'll notice that empirically, going all the way back to the 1970s, when growth returns exceeded those of value stocks by 1,000 basis points or more, there followed an abrupt turnaround in favor of value. As it happens, that's where growth and value returns were at the end of 2020. As of calendar year close, the returns of growth stocks for the previous 12 months exceeded those of value stocks by roughly 3,500 basis points, potentially setting the stage for a reversion that would appear to be happening as we write.

The Historical Tug of War Between Growth and Value



Empirically, a differential of at least 1,000 basis points in favor of Growth has been followed by a significant shift to Value ...

... and recently, Value has aggressively rebounded following a period that significantly favored Growth.

Source: MSCI Inc. | 12/31/1974–03/31/2021 | Chart illustrates the monthly difference in rolling six-month returns of the MSCI World Value and MSCI World Growth Indexes (local currencies). Bars to the right of center reflect periods when the MSCI World Value Index was ahead of the MSCI World Growth Index; bars to the left reflect periods when Growth was ahead of Value.

With speculative fervor afoot in markets, particularly when it comes to all things technology, we take comfort in the businesses that the Sub-Funds own, which for the most part (in our view) enjoy strong financial and competitive positions, have prospects for future growth and, most importantly, possess collateral value backing up the prices the Sub-Funds have paid for their shares. In an article in The Wall Street Journal a few months back entitled *What We Already Know About Investing in 2021*, Jason Zweig described the temptation of investors to chase whatever has been "hot," and quoted Warren Buffett in characterizing the risk associated with excessive valuations; "Geometric progressions eventually forge their own anchors." Should we have a strong vaccine-induced economic recovery in the coming year, we remain confident and hopeful that the companies the Sub-Funds own, as a group, will not be held down by such anchors. The same may not be able to be said about many technology companies that have been the beneficiaries of what some might describe as irrational exuberance. We'll just have to see.

Performance

As our colleague and fellow Investment Committee member Roger de Bree has said, over the last year, it has not so much been about value versus growth as it has been about big tech and everything else, so much so that several highly reputed value-oriented money managers have thrown in the towel of late, facing large declines in assets and profitability. The performance gap between crude measurements of value and growth stocks had never been wider up until the fourth quarter of last year, but back in November things changed, as value-oriented securities had one of their best performance months in history. Since then, it's been mostly about value.

During what some would consider the beginning of a possible changing of the guard, the Tweedy, Browne Value Funds did not disappoint, producing strong absolute and relative returns. For the last two quarters cumulatively, all three Tweedy, Browne Value Funds produced returns of roughly 20% or more and outpaced their benchmark indices by 141 to as much as 371 basis points. They outpaced growth-oriented indices by an even more substantial margin.

Following is the performance history for all three Sub-Funds, including comparisons with relevant benchmark indexes.

		Performance through March 31, 2021 Annualized for periods greater than 1 year			
	6 months ending March 31, 2021	1 year	5 years	10 years	Since Inception
Tweedy, Browne International Value Fund (Euro)*† *(inception 10/31/96)*	23.27%	33.61%	7.43%	6.86%	8.06%
MSCI EAFE Index (Hedged to USD/EUR)	19.56	36.16	8.23	6.97	5.20
MSCI EAFE Index (in USD/EUR)	19.81	34.97	8.18	7.53	5.24
Tweedy, Browne International Value Fund (CHF)* *(inception 10/31/96)*	22.58%	32.56%	6.35%	5.44%	6.45%
MSCI EAFE Index (Hedged to CHF)	19.70	36.08	7.92	6.47	4.12
MSCI EAFE Index (in CHF)	23.01	40.62	8.47	5.82	3.84
Tweedy, Browne Global High Dividend Value Fund* *(inception 06/01/07)*	20.04%	26.78%	7.26%	6.35%	3.89%
MSCI World Index (Hedged to Euro)	18.63	48.95	11.52	9.64	5.30
MSCI World Index (in Euro)	19.30	43.80	12.66	11.97	7.23

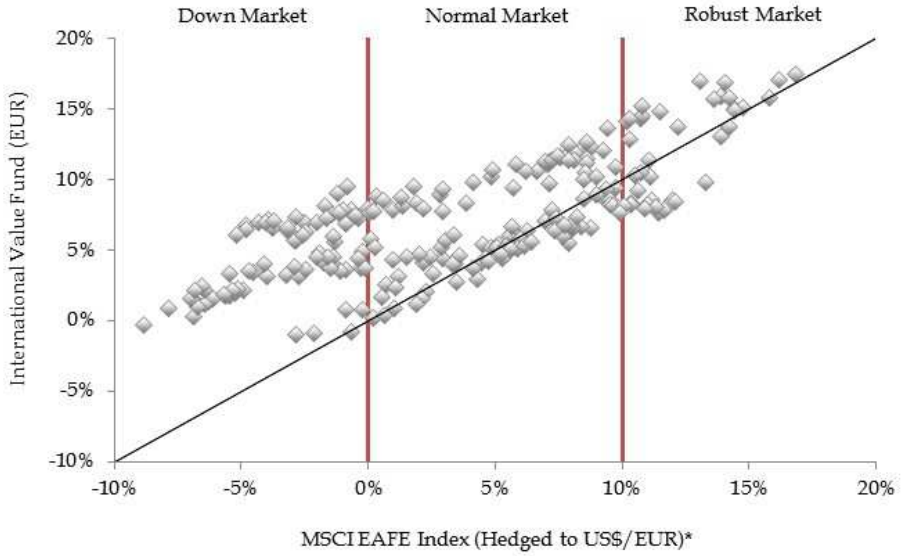
*****Performance returns are annualized and time weighted. The value of the shares and the return they generate can go down as well as up. They are affected by market volatility and by fluctuations in exchange rates. Past performance is no indication of future results. The calculation of the Sub-Funds' 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. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. ***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 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 March 31, 2021

Out of 234 five-year measurement periods, International Value Fund (Euro) has outperformed the MSCI EAFE Index (Hedged to U.S.$/Euro)* 172 times, or 74% of measured periods.



	Average of returns shown above	
	Sub-Fund	Benchmark Index
Down Market (Below 0%) – 77 periods **Sub-Fund beat Index in 99% of periods**	4.34%	-3.23%
Normal Market (0-10%) – 118 periods **Sub-Fund beat Index in 68% of periods**	7.17%	5.31%
Robust Market (Above 10%) – 39 periods **Sub-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 228 average annual rolling return periods between October 31, 1996 and September 30, 2020. Past performance is no guarantee of future returns.*

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

Valuing Intangible Assets

While it's perfectly normal for value stocks to periodically underperform, this recent relative dry spell for value, which began for us around 2014 and lasted up until the fourth quarter of last year, was uncomfortably longer than most, and it caused the press and market commentators and even some practitioners to once again question the very efficacy of the approach. As we've frequently mentioned to clients, this is the third time in our long careers that value has been declared dead. In prior periods, not long after those declarations, value always came roaring back. This more recent denigration of value is, in our view, due in part to the poor relative performance over the last decade of book value as a metric for determining value. Value critics would argue that value managers have simply not adjusted their valuation methodologies to the changing economy, and have largely ignored the greater role that intangible assets play in the determination of intrinsic value. Nothing could be further from the truth, at least as it relates to Tweedy, Browne's valuation methodology. But let's take a closer look at this issue.

According to the book *Capitalism Without Capital: The Rise of the Intangible Economy* by Jonathan Haskel and Stian Westlake, investments are defined as "things that [a] cost money, [b] are expected to generate a longer-term return, and, what's more, [c] the company making the investment has a reasonable chance of enjoying a worthwhile portion of the return itself." Today, there is virtually universal agreement that over the last several decades, the economy has transitioned away from "tangible" investment in physical items (think buildings, factories, vehicles and machines) and towards more "intangible" investment (think software development, product design, research and development ("R&D"), employee training and brand advertising).

From an accounting perspective, spending on tangible investments (like a new factory) is spread out over time, because the investment is highly likely to benefit a company over a multi-year time period. In accounting parlance, such spending on tangible investment is capitalized into an asset on the balance sheet and then amortized (expensed) on the income statement over a multi-year time period approximating the expected life of the tangible asset. In contrast, spending on intangible investments (such as R&D for potential new products) is generally expensed on the income statement as a running expense, even though, if successful, this spending could potentially benefit a company over a multi-year period.

In light of the change in our economy from tangible investment to more intangible investment, many professional investors believe the accountants have it wrong. They believe current accounting policies are antiquated and no longer reflect today's economic reality. In their view, intangible investment spending should be capitalized and amortized over time, similar to the treatment of tangible investment. Thus, the argument goes, for a fast growing business that invests heavily in intangible investment, reported assets are understated, reported book value is understated, and reported earnings are understated. They believe that, without material adjustments to reported financial statements, traditional value investing strategies that attempt to select stocks based on quantitative metrics such as low price-to-book value or low price-to-earnings are fundamentally flawed. Hence, the value investor's failure to appropriately recognize the inherent value of intangible assets has led the strategy to underperform in recent years.

To be clear, Tweedy, Browne does not purchase a stock solely based on any rote quantitative metric. While our due diligence process typically begins with a quantitatively cheap security based upon a measure of earnings, in our view, statistical cheapness, in isolation, is not a sufficient reason to purchase a stock. Moreover, we agree that there is some merit to the notion that book value has become less relevant over time as an anchor of valuation, given the long-term trend towards a more asset-light, often service-based global

economy. Today, we find book value most helpful in our valuation of only a small subset of industries, namely banks and insurance companies.

As value investors, we seek to purchase securities for the Sub-Funds' portfolios at large discounts to our estimates of underlying intrinsic value. Our intrinsic value estimates are informed primarily by observing earnings multiples (acquirers multiples) paid in real world M&A transactions for similar businesses. This use of buyout multiples at Tweedy, Browne dates back to the mid-1970s, when the firm was doing business with a number of the LBO titans of the day, and continues to this day. In our opinion, buyers in these precedent M&A transactions are generally fully incorporating the value of a target's intangible assets when it makes sense to do so. In other words, the multiples paid fully reflect the value of intangible investment spending that may reduce near-term reported earnings but provide a multi-year earnings benefit.

While we believe that in certain circumstances the adjustment to capitalize (create an asset) and amortize (expense) "intangible investment" spending over a multi-year period to correct (increase) reported earnings could make some sense, we believe its broad use could also lead to problems. There are practical issues associated with trying to accurately quantify which expenses should count as intangible investment. While (R&D) spending may be directly disclosed, other forms of intangible investment (like employee training expenses) are typically not quantified. Moreover, the period over which these investments should be expensed is highly debatable. Over what time period should product design benefit a business? Finally, is it reasonable to assume that most/all intangible investment spending will lead to future economic benefits over a multi-year time horizon? To us, broadly capitalizing and amortizing "intangible investment" seems like a potentially dangerous extrapolation that could be used to rationalize ownership of a highly valued security. In fact, several historical high profile accounting frauds centered around aggressive cost capitalization of ordinary expenses in order to inflate earnings (WorldCom being the most famous example). We believe that accounting standards by design are meant to be conservative. Furthermore, our appraisals of underlying intrinsic value are meant to be conservative. Thus, we don't think it makes sense to broadly re-write income statements and balance sheets to adjust for intangible investment spending.

Notwithstanding the above, there are a handful of situations where adjusting reported earnings for intangible investment has more intuitive appeal. One such example is a truly dominant, wide-moat, platform business which benefits from both network effects and economies of scale. While such businesses are rare, there are examples where high upfront fixed costs indeed mask very attractive underlying economics. This results initially in reported losses, yet as the business scales, it often leads to very high incremental margins on future revenue growth. One such example that we purchased later in the fiscal year was Alibaba. More about Alibaba will follow in the next section of our report.

Our Sub-Fund Portfolios

Please note that the individual companies discussed herein were held in one or more of the Sub-Funds during the six months ended March 31, 2021, but were not necessarily held in all three of the Sub-Funds. Please refer to the Schedule of Investments in the Semi-Annual Report financials for each Sub-Fund's respective holdings in each of these companies as of March 31, 2021.

Since the bottoming of our markets a year ago last March, it has pretty much been an up escalator for global equities, as investors expanded their investment horizons and focused on what they believed would be a continued robust economic and business climate post-COVID. In this rather enthusiastic period for financial risk assets, performance attribution was largely a tale of two cities. As we discussed in our annual report last fall, the first half of the period was dominated by robust results for U.S. technology stocks, and as described herein, the second half of the period was led by the outperformance of more traditional economically sensitive companies and non-U.S. equities, which tend to be more value-based and pro-cyclical in terms of their structure.

For the last six months ending March 31, 2021, the Sub-Funds produced very strong absolute and relative results of between 20.04% and 23.27%, outperforming their currency hedged benchmarks.

Contributions to returns for the semi-annual period ended March 31 were led by the Sub-Funds' highly weighted positions in industrial and financial holdings.This included very robust results from the Sub-Funds' machinery, bank, and insurance holdings, including CNH Industrial, the farm equipment company; Trelleborg, the Swedish sealant company; DBS Group, the Singapore bank; CNP Assurances, the French insurer; and Berkshire Hathaway, among a host of others. The Sub-Funds also enjoyed strong returns in their technology-related, interactive media and communications holdings, their automotive component holdings, and in their materials holdings. This included companies such as Alphabet (Google); Baidu, the leading Chinese internet search engine; Autoliv, the Swedish automobile seatbelt and airbag company; Michelin, the French premium tire company; Hyundai Mobis, the South Korean auto parts manufacturer; BASF, the German chemical giant; and SOL SpA, the Italian industrial gas company.

In addition to strong returns from the Sub-Funds' European holdings, a significant contribution to the semi-annual period's returns was made by the Sub-Funds' emerging market holdings, including strong results from Chinese, Chilean, Mexican, and South Korean holdings such as Baidu, Embotelladora Andina, Coca Cola FEMSA, and LG Corp. Other individual companies making a strong contribution to the Sub-Funds' returns for the period include Safran, Ebara, AutoZone, 3M, Siemens, and SCOR.

While most of our Sub-Fund portfolio holdings were able to regain much, if not all and then some, of the ground lost during the depths of the pandemic, we have had a few disappointments over the last six months. The Sub-Funds' consumer staples group, led by long-time holdings such as Nestlé, Diageo, Heineken and Unilever, and our core pharma holdings, Johnson & Johnson, Novartis, and Roche held up better than most during the precipitous March decline, but were not significant contributors to overall returns for the period. In addition, we had a few longer-term holdings that finished the period in the red, including GlaxoSmithKline and Babcock International. Alibaba and Dali Foods, two of our Chinese holdings, were also modestly in the red, but were only added to the portfolios over the last six months.

While change tends to be incremental in our portfolios given our rather long holding periods for securities, it does occur over time, and often gains momentum when market turmoil erupts. Such was the case over the one year and six month period ending March 31, 2021. The onset of the COVID-19 pandemic and the associated market volatility presented us with pricing opportunities all over the world. Among our three funds, 28 new positions were established during the last year, 15 of which were initiated during the six months ending March 31, 2021. Over the last six months, we also took advantage of trading opportunities to take profits in a number of Sub-Fund holdings that began to trade at or around intrinsic value. All in all, our portfolio planting and pruning led to the addition of a number of new small- and mid-size industrial companies in Japan and Europe (Okamoto, Kamigumi, Orange); increased exposure to U.S. equities in our global high dividend yield portfolio (Progressive, Bank of America); the addition of several new Chinese companies, both on the mainland and in Hong Kong (Alibaba, A-Living, Dali Foods); a number of new investments where insider buying played an important role in our decision to establish a position (Fresenius SE, Rubis); increasing exposure to the more developed of the emerging markets, with new investments in China, Hong Kong, and Mexico (Megacable, Industrias Bachoco); and modest reductions in some of our long time consumer staples and pharmaceutical holdings (Nestlé, Diageo, Novartis).

Newly Established Sub-Fund Portfolio Positions

We thought we would share with you our purchase rationale for a few of the Sub-Funds' more newly established portfolio positions in a bit more detail.

Alibaba

Alibaba, the largest e-commerce company in China with over 50% market share in terms of gross merchandise value, was purchased in two of our three Sub-Funds around calendar year-end. Its core consumer marketplace businesses consist of Taobao (China's largest consumer-to-consumer online shopping destination) and Tmall (China's largest third-party platform for brands and retailers). Additionally, Alibaba operates the dominant cloud platform in China (AliCloud), international e-commerce operations (Lazada etc.), and digital media services, and has several strategic investments, including a 33% stake in Ant Financial.

Alibaba's share price weakened significantly in Q4 2020 due to increasing regulatory scrutiny, including a pulled IPO of Ant Group that was originally set for November. In November, the State Administration of Market Regulation (SAMR) unveiled draft amendments to China's Anti-Monopoly Law that extended the law to internet platforms, prohibiting practices such as platform exclusivity, predatory pricing, and price discrimination based on user data, among others. SAMR also initiated an official antitrust investigation into Alibaba and Ant Group in December. At time of purchase, we thought that the SAMR investigation into Alibaba's core e-commerce business would have a somewhat limited impact, as many merchants are already on multiple platforms, but are attracted to Alibaba because of its strong ecosystem, traffic and marketing efficiency. There are network effects associated with a very large user and merchant base. The large Alibaba ecosystem (including local services, payments, etc.) also allows data integration across various scenarios to enable more targeted solutions to merchants and customers. Alibaba's core marketplace business is a strong cash generator. We believe it should continue to grow with the e-commerce sector, driven by a consumption upgrade in China and penetration into newer categories. Alibaba also has continued to invest significantly in newer initiatives, such as Taobao Deals and Taobao Grocery, to extend the growth runway of the company.

The SAMR recently announced a $2.75bn fine on Alibaba for its violations of the Anti-Monopoly Law, putting an end to the bulk of the regulatory review and overhang. The fine equated to 4% of revenue and a minor portion of Alibaba's net cash ($51bn as of December 31, 2020). Management does not expect any material impact on its business from the change in exclusivity arrangement imposed by regulators. Ant Financial could face greater regulatory impacts, but it is a relatively small part of our valuation of Alibaba, so the downside is limited. At time of purchase, Alibaba sold for less than 12x its estimated core "marketplace" EBITA, after deducting values for its other assets (i.e., international commerce, cloud, and new media). We valued the company's cloud business using an operating margin similar to Amazon Web Services (AWS) and a 15x operating multiple. While the cloud business just turned marginally profitable last quarter, Alibaba is a significant leader in the industry (≈40% market share) and has first-mover advantages. As can be seen from AWS, cloud is an industry with strong economies of scale and high switching costs. China's cloud industry is less mature than in the U.S., and Alibaba has been investing significantly to grow scale (AliCloud grew over 50% in 2020), and in the longer-term we are optimistic that its operating margin can reach closer to AWS levels.

Rubis

Rubis, a French company predominantly active in emerging markets, was purchased in all three of our Sub-Funds during the period. The company distributes fuels for vehicles, airplanes, home heating, cooking, and power generation as well as bitumen for road construction and lubricants. Rubis is active in 41 countries and this number is expanding. The activities are largely focused on the Caribbean and East Africa, which together make up roughly 85% of their business volume. The economic model is based on superior and dominant logistics, a must-have product for which there are few available local alternatives, and high market share in small markets with limited competition. As a result, many of their end markets are islands. By way of illustration of Rubis' approach, the company owns a 71% stake in an oil refinery in the Caribbean, from which it transports refined products with five owned and operated ships to various islands. Rubis controls the whole distribution chain: the refinery, the ships, the local transportation of fuels, and the gas stations. This kind of set-up is difficult to compete with.

Demand for Rubis's products is underpinned by the fact that in many of their markets, competition from gas and electricity distribution networks is weak or non-existent. As a result, many companies and households in their markets generate their own electricity to run offices, factories and homes, or have back-up generators at the ready. Many people cook and heat their water on liquefied petroleum gas ("LPG") from a tank; there is no alternative.

Fuel for cars is the company's biggest business, and Rubis operates more than 1,000 gas stations under the Rubis brand in the Caribbean and East Africa. Rubis is often the dominant brand on Caribbean islands, and in East Africa the same position is emerging. Financial results in 2020 were somewhat challenged by the pandemic; the company has forecasted its underlying EBIT to be down around 12% versus 2019, mainly because of aircraft fuel weakness. However, the longer-term outlook for growth, especially in Africa, where the company benefits from population growth, urbanization, motorization, and a growing middle class, is good. Rubis also expands by acquiring businesses within logistical reach that have the same economic characteristics that the existing businesses have: small markets, geographical/logistical isolation, and strong market power.

Rubis is committed to a transition to cleaner and transitional fuels such as LPG, which in Africa in many applications competes with coal. The company has introduced energy efficient heat pumps, LNG (Liquefied Natural Gas), and biofuels, in addition to using hydrogen out of its Caribbean refinery to generate electricity in fuel cells. There are solar panels at the refinery. We find Rubis to be a sensible and forward thinking energy distributor committed to providing energy for as many people as possible in their markets, thus contributing to economic growth in places where it is vitally needed to help raise people out of poverty.

Using a cautious 13x enterprise value to 2021 EBIT to value the business, at purchase Rubis was trading at a significant discount to its appraised intrinsic value. As of November 30, 2020, the company was in a net cash position, and traded at a forward price earnings multiple of 12.3x 2021 estimated earnings per share. The dividend yield was approximately 4.7%. In early December 2020, the company voted to buy back EUR 280 million worth of shares (7.4% of the market cap at the time) over 18 months, and has since started buying. Finally, there were two insider share purchases by Hervé Claquin, a member of the company's Supervisory Board.

Fresenius SE

One of our new buys during the first quarter of this calendar year, purchased in two of our three Sub-Funds, was Fresenius SE, a global healthcare conglomerate based in Germany. Its various businesses provide dialysis services, generic injectable drugs, clinical nutrition and other intravenous products. It also owns private hospitals in Spain and Germany.

All of these businesses benefit from the secular demand growth of aging demographics and increasing per capita healthcare consumption. The company typically generates a low teens operating margin and earns a low double-digit return on equity (ROE) including goodwill. Its dividend yield as of May 11, 2021 was 2.3%. Fresenius has had substantial insider buying recently.

Fresenius' dialysis business is a separately listed company, Fresenius Medical Care, of which it owns ≈32%. Dialysis is a treatment for kidney failure that eliminates toxins, waste products and excess fluids by filtering blood for patients whose kidneys are unable to do so. As the world's largest provider of both kidney dialysis services and equipment, Fresenius is "vertically integrated," which is unique in the industry. While its business is global, 70% of Fresenius' revenue is derived from the U.S., where it competes in a duopoly with DaVita. Reimbursement and regulatory changes in the U.S. are a risk for the company. However, the company already loses money on its average Medicare patient in the U.S.

Overall, Fresenius Medical Care is a high return on tangible capital business that, in our view, should generate consistent low double-digit earnings growth, given the unfortunate trends in renal failure, especially in the U.S. The Coronavirus pandemic has driven increased mortality rates in people who undergo dialysis, which has adversely affected Fresenius Medical Care's patient population in the near term. Fresenius Medical Care has had recent material insider buying in its shares.

Kabi is Fresenius' generic injectable drug, clinical nutrition and intravenous products business. Generic injectable drugs likely account for slightly more than half of Kabi's segment profitability, and consist of supplying products like heparin, propofol and other similar items to hospitals and GPOs (group purchasing organizations), primarily in the U.S. The business benefits from economies of scale and reputational barriers

to entry. Hospitals contract for these products on a bundled basis, which benefits large players like Kabi that can supply a wide variety of them at a low cost. Injectable products are also subject to high regulatory and reputational scrutiny because they are injected into a patient's bloodstream and can therefore be quite harmful if they have defects. Kabi's clinical nutrition arm provides nutrition and foodstuffs that are administered either orally, by tube or by injection, primarily in hospital settings. It also benefits from similar scale and reputational barriers to entry as the generic injectables business. Kabi is a very profitable business that has typically earned a high teens operating margin and generated solid organic growth over time.

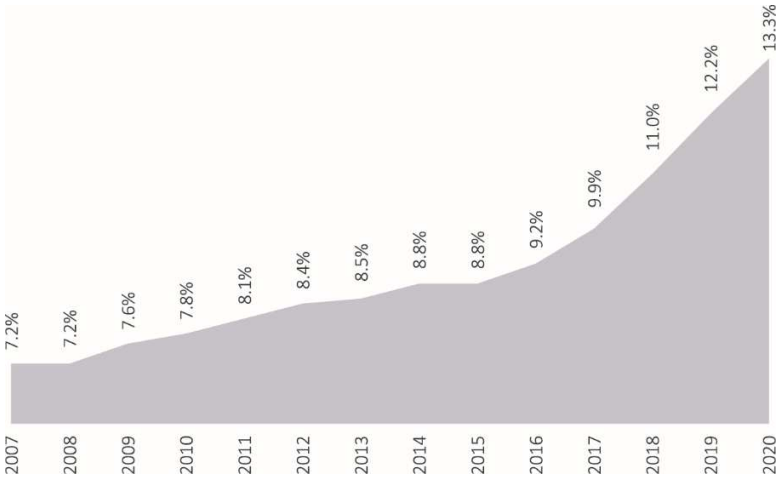
We bought Fresenius at ≈10x EV/EBITA on a look-through basis. Alternatively, it was at ≈70% of our estimated intrinsic value on a sum of the parts basis.

Progressive Corporation

One of our new buys in the Global High Dividend Value Fund during the first quarter of 2021 was Progressive Corporation, the third largest personal automobile insurance carrier in the U.S., with a market share of 13% as of December 31, 2020. While the company has a successful history of expanding into new markets (like commercial auto insurance), personal auto insurance still dominates its income statement, representing 89% of Progressive's pre-tax underwriting profit in 2020.

Progressive is a best-of-breed auto insurance carrier. The company has a long track record of innovation, industry-leading profitability (lowest 10-year average combined ratio) and market share gains. Progressive has also generated high returns (19% average operating ROE). Over the 16 years ended December 31, 2020, the value compound (defined as growth in book value per share plus cumulative dividends per share) was +13.3%. The company seems to have two clear competitive advantages: direct distribution (low expense ratio) and superior data analytics (low loss ratio).

Progressive's Private Auto Insurance Market Share



Source: SNL Financial

Over half of Progressive's personal auto insurance policies are sold direct to consumers without an agent. Selling direct provides an inherent cost advantage by eliminating agent commissions. Although selling on a direct basis requires greater advertising expense, the net trade-off leads to a lower than industry average expense ratio. This expense advantage allows Progressive to generally offer lower prices than the competition (gaining market share) while at the same time earning superior margins (due to a lower expense ratio) in a self-perpetuating feedback loop. Around 25% to 30% of total U.S. auto insurance policies are currently sold on a direct basis, and this percentage has been growing. Younger consumers in particular are more comfortable buying direct without an agent. Thus, over time, the trend towards greater direct writing of auto insurance is expected to persist.

Progressive's second key competitive advantage is superior data analytics. Given its roots as a non-standard auto insurance carrier, superior data analytics was critical to Progressive from the very beginning. Progressive collects mountains of data and, in particular, granular data that allows for constant refinements in customer segmentation and risk-based pricing. The company has invested heavily in IT systems and management talent (data scientists) to consistently match risk to rate. Interestingly, the data edge also plays a fundamental role in reducing claims costs by, for example, identifying claims fraud. By using data to quickly identify fraud, Progressive has had an edge in paying fair but lower claims costs. This data advantage is ultimately reflected in a loss ratio which has been consistently below the average industry loss ratio.

At purchase, we paid $85.50 per share, or roughly 15x estimated 2021 operating earnings per share (excluding net after-tax gains/losses realized on securities), and approximately 75% to 80% of our conservative estimates of intrinsic value. Moreover, Progressive has paid an above-average dividend in the form of a regular quarterly dividend and a discretionary additional variable dividend paid annually. In 2019 and 2020, the total dividend declared per share was $2.65 and $4.90, respectively.

New Additions to the Management and Investment Committees

As you may recall, and as described in a letter to shareholders that accompanied the Sub-Funds' Annual Report last fall, Will Browne, a partner in our business for 42 years, who maintained positions on Tweedy, Browne's Management and Investment Committees, made a decision to take a step back. Will withdrew from those positions effective January 1, 2021 to become a Senior Advisor to our Investment Committee, and he resigned as a member of the Fund's board of directors effective February 9, 2021. As he has said, he is now able to focus entirely on the part of the business he enjoys the most, the investment process. You can read his announcement on the Fund's website, www.tweedysicav.com. Will made an immeasurable contribution to our firm and to the Fund during his 42-year tenure, and we are looking forward to many more years of his advice and counsel.

In addition to Will Browne's announcement, the Management Committee of our firm made some additional appointments in January. Jay Hill, one of our Managing Directors and a member of the Investment Committee, was appointed to join Tom Shrager, John Spears, and Bob Wyckoff as a member of the Management Committee; and Sean McDonald, one of our analysts, was promoted to Managing Director and has joined the Investment Committee. Both Jay and Sean are long-time employees and equity stakeholders in our firm. They are both extraordinarily capable security analysts, clear thinkers, of impeccable character, and day-in and day-out exhibit the requisite temperament necessary for success as value investors. You can find Jay's and Sean's biographies on our website.

We remain particularly proud of the strength and stability of our investment team, which consists of the seven members of our Investment Committee, Will Browne as advisor thereto, and four additional security analysts. This twelve person team has cumulatively spent 279 years at Tweedy, Browne (ranging from 5 to 47 years) for an average tenure of 26 years. In its more than 100 year history, no principal of Tweedy, Browne has ever left to take another job elsewhere.

Final Thoughts

As we write, global equity markets have rallied aggressively, driving capitalization-weighted indexes to record levels. The Shiller CAPE Ratio (cyclically adjusted price earnings ratio) recently hit 37, its highest level in the post-war era (with the exception of the tech bubble of 2000, when it hit 44). Inflationary expectations are on the rise, as are intermediate-term interest rates in the U.S., fueled by the prospects for a continued surge in aggregate demand coupled with supply disruptions. The vaccine rollout in Europe remains halting, although improving, and geopolitical tensions, while down from the Trump era, are still elevated. Speculation is also on the rise in capital markets, fueled by continuing unprecedented levels of fiscal and monetary stimulus. The conventional wisdom, supported by recent market action, would appear to suggest that equity valuations have further to go to the upside, particularly for more cyclically-oriented equities, in light of continued low interest rates, an inflationary threat that is viewed as transitory, massive levels of stimulus around the globe, and the prospects for an explosive post-COVID economic recovery. We hope the market soothsayers are right. However, the market is a discounting mechanism, and one has to wonder how much further this game of musical chairs has to go.

Despite rising valuations, we continue to uncover attractively valued equities, as pockets of undervaluation still remain from the bifurcated markets of the last year. As value investors, we are encouraged by the rotation that began in earnest last November post the vaccine announcements, and are hopeful for what this may mean for future relative performance of value-oriented equities, and non-U.S. equities.

Are the green shoots for so-called value stocks that have been appearing of late an indication that central bankers may finally be losing control of the bond market? Will rising inflationary expectations lead to higher interest rates that prove not to be transitory, and instead, hazardous for the value of longer-duration growth stocks? Will a vigorous vaccine-induced economic recovery supercharge the near-term earnings of so called "older economy" value stocks and their non-U.S. brethren? Will the COVID-19 virus ultimately prove to be a serendipitous top for technology stocks, at least in the near term? We simply cannot know the answers to these questions, but if one or more do come to pass, it could mean long overdue redemption for value-oriented investors.

Thank you for investing with us. Stay well.

Sincerely,

Roger R. de Bree, Frank H. Hawrylak, Jay Hill, Sean McDonald
Thomas H. Shrager, John D. Spears, Robert Q. Wyckoff, Jr.
Investment Committee
Tweedy, Browne Company LLC

May 2021

Mention of a specific security should not be considered a recommendation to buy or a solicitation to sell that security. Portfolio holdings are subject to change at any time without notice and may not be representative of a Sub-Fund's current or future investments.

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 a guarantee of future results, and are subject to change without notice.

Current and future portfolio holdings are subject to risk. 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. Force majeure events such as pandemics, political upheaval and natural disasters are likely to increase the risks inherent in investments and could have a broad negative impact on the world economy and business activity in general. 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.

An outbreak of respiratory disease caused by a novel coronavirus designated as COVID-19 has developed into a global pandemic and has resulted in, among other things, extreme volatility in the financial markets and severe losses, reduced liquidity of many instruments, significant travel restrictions, significant disruptions to business operations, supply chains and customer activity, lower consumer demand for goods and services, service and event cancellations, reductions and other changes, strained healthcare systems, as well as general concern and uncertainty. The impact of the COVID-19 pandemic has negatively affected the global economy, the economies of individual countries, and the financial performance of individual issuers, sectors, industries, asset classes, and markets in significant and unforeseen ways, and the duration of this pandemic cannot be determined with certainty. While some vaccines have been developed and approved for use by various governments, the political, social, economic, market and financial risks of COVID-19 could persist for years to come. The foregoing could have a significant impact on the Funds, including by impacting the Funds' performance, net asset value, income, and/or operating results or the performance, income, operating results and viability of issuers in which each Fund invests.

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. All investments are subject to risk including the possible loss of principal. There is no assurance that a Sub-Fund will achieve its investment objective.

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 Funds' investments are denominated and in some interest rate environments may impose out-of-pocket costs on a Sub-Fund.

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.

Price/earnings (or P/E) ratio is a comparison of the company's closing stock price and its trailing 12-month earnings per share. ***Forward price/earnings ratio*** is a company's stock price over its estimated future 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). ***Return on Equity (ROE)*** is a measure of financial performance calculated by dividing net income by shareholders' equity. ***The Shiller Cyclically Adjusted Price Earnings (CAPE) ratio*** is a valuation metric that measures price divided by the average of ten years of earnings, adjusted for inflation.

The MSCI World Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 developed markets. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. The MSCI World Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 developed markets. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and longterm historical EPS growth trend and long-term historical sales per share growth trend.

This letter contains opinions and statements on investment techniques, economics, 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. You should consider the Sub-Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Sub-Funds. The prospectus should be read carefully before investing.