Tweedy, Browne Value Funds

Investment Manager's Report to Shareholders *September 30, 2020*

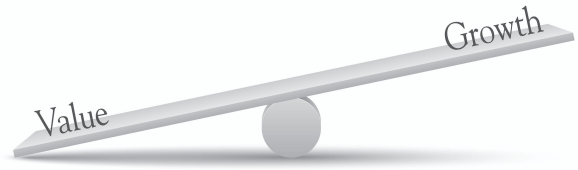
It is during our darkest moments that we must focus to see the light.

– Aristotle

To Our Shareholders:

We hope you and your loved ones remain safe and well, and are coping as best you can in this challenging environment. At Tweedy, Browne, we feel we are truly blessed to be able to continue to work and serve our clients during this crisis. While we are acutely aware and sensitive to the fact that the lives of so many have been turned upside down by this pernicious virus, we are encouraged of late by the slow, but steadily improving economy, and the prospects for medical treatments and/or vaccines.

Seldom have we seen the rise of a phoenix the likes of which we witnessed over the last six months in global equity markets, particularly in capitalization-weighted indexes. For the average stock, it has been somewhat of a different story. While many, if not most, sectors, industry groups, and stocks participated in the recovery in stock prices, the strongest returns, overwhelmingly, were concentrated in technology stocks, particularly those dominant U.S. companies we have grown to know so well. These enterprises actually benefitted from the pandemic-driven economic lockdowns that were occurring all over the world. Value stocks, particularly those that are more economically sensitive, took a backseat to their higher-growth brethren, despite a significant pick-up in economic activity off of a bottom that some would argue at least temporarily rivaled the initial declines of the Great Depression. This has led to a bifurcated market where the spread between growth and value indexes has rarely if ever been wider. For example, the MSCI World Value Index in local currency trailed its growth counterpart over the last six months ending September 30, 2020 by over 2,297 basis points; and, year-to-date as of September 30, 2020, the Value Index remains behind the MSCI World Growth Index by over 3,324 basis points. If the past is indeed prologue, the factors which have weighed value down relative to growth will eventually recede, allowing this investment teeter-totter to shift back in favor of the more value-oriented components of the market. We just don't know when.



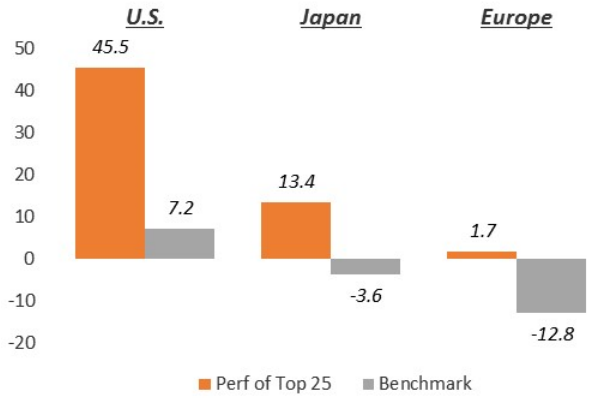
In this robust but bifurcated environment for stocks, all three of the Tweedy, Browne Value Sub-Funds made considerable financial progress over the last six months. However, for the six-month and one-year reporting periods ending September 30, they trailed their respective benchmark indexes, which were propelled by the narrow group of aforementioned technology companies.

The impact of a rather narrow group of technology stocks on performance in recent years cannot be overstated, and this has been a global phenomenon. One of our Managing Directors recently tracked the performance of the largest companies in terms of market capitalization in the United States, Europe, and Japan as of September 30, 2020. He found the following:

- There are 114 companies in the world with a market capitalization above $100 billion. Of these, 92 are based in the markets studied: 70 are U.S.-based, 5 are in Japan, and 17 are in Europe.
- Applying the "Buffett indicator" (i.e., a comparison of the total market capitalization of a country or region's equity market compared to the GDP produced by that country or region) to these markets, he found that the U.S. equity market traded at a valuation in relation to GDP that far exceeded Europe's and Japan's equity markets. The total market capitalization of the U.S. equity market was 1.7 times U.S. GDP; in contrast, the total market capitalization of the Japanese equity market was 1.2 times Japan's GDP; and the European equity market had a total equity market capitalization that was only 0.4 times total GDP of Europe.

- The 25 biggest companies in each of the regions (U.S., Japan, and Europe) make up roughly 40% of the overall market capitalization of their respective regions.
- A review of enterprise value ("EV") multiples and performance year to date for the top 25 companies in each region vs. the relevant benchmark indexes (MSCI USA Index, MSCI Europe Index, and MSCI Japan Index) reveals that the top 25 U.S. stocks were nearly twice as expensive as their European counterparts, and roughly 1.3 times more expensive than the top 25 in Japan. Furthermore, while the returns of the U.S. top 25 dominated those of Europe and Japan, the year-to-date performance for the top 25 companies in each region crushed the performance of their respective benchmark indexes.

Year-To-Date Performance and Valuation of the Top 25 Companies in the U.S., Japan and Europe



	EV/EBIT*
U.S.	30.7
Japan	23.4
Europe	16.9

** Estimated 2021 data*
Source: MSCI and Bloomberg

- Technology-related stocks make up 67% of the market capitalization of the top 25 companies in the U.S., and there are no oil, energy, mining, or chemical companies in the group. The automobile industry's sole representative is Tesla, whose market cap ranks it the eighth largest company amongst the 25.
- In Europe, there are only three technology companies in the top 25, consisting of 14% of the total market capitalization of the top 25, ranking this sector behind pharmaceuticals (29%), consumer durables (19%), and consumer staples (17%). There are no telecom, banking, or media companies in the top 25.
- Technology-related stocks in Japan make up 37% of the market capitalization of Japan's top 25 companies.
- In each region, the technology sector was the driving force in terms of performance for the top 25, accounting for 74% of the U.S. top 25 total return, 70% of the European top 25 total return, and 87% of the Japanese top 25 total return. The technology sector consisted of 12 stocks in the U.S. group, 3 stocks in Europe, and 9 stocks in Japan. In the U.S., virtually all of the remaining return of the top 25 companies was accounted for by Tesla, which was up over 400% year-to-date through September 30, 2020.

Nir Kaissar of Bloomberg, in an article entitled *Money Managers Are Punished by a Runaway S&P 500* published on September 1st, confirms the conclusions of our own findings, but over a longer time horizon. To quote Kaissar:

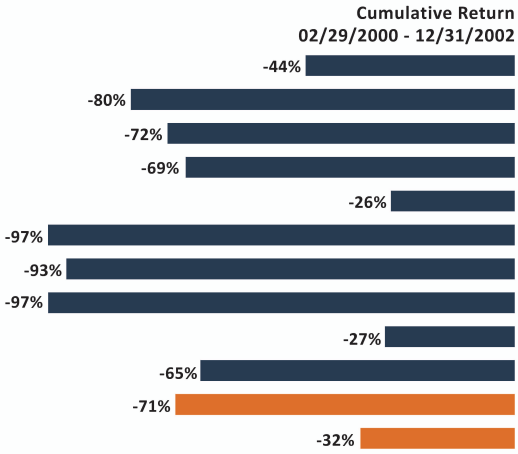
> *….the more managers diversified their portfolios, the more they lagged the market … What happened? The fault is in the stocks. A handful of them have performed spectacularly in recent years while the rest have stalled or worse. There are roughly 9,000 companies in indexes that track the broad global stock market, but just 30 of them produced more than 70% of the total gain over the past five years, more than half of them U.S. companies. Ten stocks--Amazon.com Inc., Apple Inc., Microsoft Corp., NVIDIA Corp., and Advanced Micro Devices Inc., in the U.S.; Alibaba Group, Tencent Holdings Ltd., and Kweichow Moutai Co. in China; Shopify Inc. in Canada; and Magazine Luiza SA in Brazil – were responsible for more than 50% of the gain. And amazingly, just three – Amazon, Apple, and Microsoft – contributed 25% of the gain.*

Investment managers and institutions who have prudently been diversified and selective in building their portfolios have been severely punished in terms of relative return. Kaissar, citing data from Morningstar, points out that of the roughly 10,000 equity and alternative U.S. mutual funds with a five-year record, only 17% were able to best the S&P 500. He further found that of the 38 university endowments tracked by Bloomberg that have reported performance through fiscal year 2019, all of which have assets greater than $1 billion, not one beat the S&P 500 over the previous five years, and that included even Harvard and Yale. The quandary of course, rightly pointed out by Kaissar, is where active investment managers go from here – chase the "puck," or stick to their respective disciplines patiently waiting for the equity market to correct?

The last time money managers had to face such an anxious choice was in 1999-2000, at the height of the tech bubble. The choice was particularly stark for professional value investors, many of whom were thought to be on their very last breaths, with clients abandoning them in droves. Many of you probably remember the aftermath of that period, which is often referred to as the "dot-com era." The technology bubble burst in March of 2000, sending technology stocks and indexes crashing down while value regained ascendency.

We decided to take a trip down memory lane to examine what happened to some of the most successful dot-com darlings of that era. Many of these stocks had appreciated by 400% to 500% during the late 1990s, greatly surpassing what was a strong period overall for stock market performance. In the chart below, we attempt to illustrate the before and after for a number of those companies. Bear in mind that these companies were not dot-com "airballs," but rather were rapidly growing and profitable companies much like the FAANGs today.

Dot-Com "Darlings" | February 29, 2000



10 Stocks	Market Cap *(mm)*	P/E
Microsoft	$459,644	57.2x
Cisco Systems	432,815	322.4
Intel Corp.	375,445	48.4
Oracle Corp.	193,627	124.8
IBM	186,339	28.2
Lucent	185,157	46.6
Sun Microsystems	163,996	118.5
Nortel	155,618	131.4
AT&T	143,803	14.1
HP	129,401	15.6
All 10 Stocks		***90.0x***
S&P 500 Index		***27.0x***

Source: Bloomberg

Quite unexpectedly, the stock prices of these great, seemingly indestructible franchises in late March of 2000 began to correct. By late 2001, companies such as Microsoft, Cisco, Oracle, Intel, and Hewlett-Packard had lost between 44% and as much as 80% of their value. Despite the collapse in their stock market valuations, these companies continued to grow their earnings. Only Microsoft, IBM and Oracle were able to recoup and surpass their 1999-2000 peak stock market valuations, but it took them until October of 2016, October of 2010 and June of 2017, respectively, to do so. The rest never reclaimed their prior glory. Despite becoming the largest company in the world in terms of market capitalization in 2000, Cisco's growth slowed in the years following, and its stock price as of September 30 of this year remained just over 50% below its peak price achieved on March 27, 2000. IBM, of late, has languished, and is today trading below its 1999-2000 peak, as it has not been able to innovate fast enough to offset the declining value of their legacy businesses. Lucent fell on hard times and merged into Alcatel; Nortel went bankrupt; and Sun Microsystems was acquired by Oracle. Even though Intel has continued to maintain its dominance in the production of microprocessors, its stock price has never regained the levels it achieved during the dot-com bubble. And, Amazon – a smaller company at the time whose stock price had gone up by over 4,800% between June 1997 and late 1999 – lost 85% of that equity value by year-end 2000.

Between March 9, 2000 and October 9, 2002, the NASDAQ Index lost over 77% of its value, and it did not recoup its peak 2000 value until 15 years later, in April of 2015. In our humble view, the lesson to be

gleaned from the dot-com bubble and what followed is that price matters, even when it comes to highly innovative and disruptive technology stocks.

As technology slowly regained its footing in 2003 and began its long march back, another group of innovative companies moved to the head of the class led by Google, Facebook, Netflix, and joined by re-energized stalwarts, Amazon, Apple and Microsoft. As you can see from the chart below, all six of these companies enjoyed explosive growth after the financial crisis in 2008, and as a group today trade at valuations in some instances comparable to those of the dot-com darlings of 2000.

"Fabulous FAANGs" + Microsoft (FANMAG) | September 30, 2020

	Market Cap. (Millions)	Price/Earnings*	5 Year Cumulative Return	Cumulative Return Next 5 Years?
Facebook	$746,105	29.8X	191.3%	?
Amazon	1,577,166	92.2	515.1%	?
Netflix	220,521	66.7	384.2%	?
Microsoft	1,591,704	33.8	422.9%	?
Apple	1,980,645	35.6	354.5%	?
Google	998,274	30.8	141.5%	?
Total	**$7.1 trillion**	**48.1X**	**334.9%**	**?**
S&P 500 Index	**$29.1 trillion**	**26.3X**	**93.8%**	**?**

** Price/trailing 12 months earnings per share*
Source: Bloomberg

It's understandable that the tech companies have benefitted from the "stay-at-home" economy that has been imposed upon us by COVID-19. But what will happen to the market leadership going forward, especially looking further out over the longer term? Will the past be prologue? Will the proverbial tortoise catch and surpass the hare, as the fable portends? Or are we indeed in an unending "new era," dominated by a handful of companies that face little to no competition, and whose exuberant valuations are supported by a central bank that will do whatever it takes to keep the music playing? It is impossible to know of course, but as Lew Sanders of Sanford Bernstein once said, the money on the table is considerable, and the question deserves serious thought.

Signs of Speculative Excess in Equity Markets

Paraphrasing the lyrics of Diana Ross's (The Supremes) hit song from 1970, "Ain't no mountain high enough … to keep me from getting to you," there isn't a valuation high enough these days to keep investors away from high-flying technology stocks. According to Amrith Ramkumar of The Wall Street Journal, "companies that do everything from manufacturing phones to operating social-media platforms now account for nearly 40% of the S&P 500, on pace to eclipse a record of 37% from 1999, according to a Dow Jones Market Data analysis of annual market-value data going back 30 years." In another recent WSJ article, Gunjan Banerji and Peter Santilli point out that "more stocks skyrocketed at least 400% at some point in the first three quarters of the year than in any comparable period since 2000." This included companies such as Tesla, Zoom, Moderna, Nikola, and Overstock.com, among a host of others. According to Banerji and Santilli, at their various individual peaks during the first three quarters, over 60 NASDAQ stocks had risen more than 400%, and four of those companies exceeded 2,500%. This is in sharp contrast to 1,000 stocks in the index that suffered declines of 50% at their low points during the same period.

One of the poster children of this group that has developed almost a cult following, of course, is the electric automobile company, Tesla, which was up 413% year to date and 791% for the one-year period ending September 30, 2020. In comparison, older-economy auto companies such as BMW, Daimler, Porsche, GM, and Toyota produced returns of 1.1%, 3.4%, -14.7%, -19.2%, and -0.8%, respectively, for the one-year period ending September 30. Tesla is now the eighth largest company in the United States, and as of September 30, 2020, traded at a price earnings multiple according to Bloomberg of 680 times trailing and 137 times estimated 2021 earnings. For purposes of comparison, using the roughly $400 billion market cap that Tesla enjoys today (as of September 30, 2020), one could own all of BMW, Daimler, Toyota, GM, and Porsche, earn 25 times the 2020 estimated earnings of Tesla, and have $20 billion left over for walking around money. And up until the last five quarters, Tesla had not made a dime in reported earnings. Of the $8.8 billion in revenue Tesla generated in the 3rd quarter, about 4.5%, or $397 million, came from the sales of zero-

emission vehicle (ZEV) regulatory credits, and not from car sales. These credits can be used by non-compliant auto companies to offset regulatorily imposed penalties for the failure to produce electric, hybrid and other zero-emission vehicles. Since Tesla only makes electric vehicles, they have no use for them other than to sell them to other car companies who are not yet in compliance with regulations. Without the regulatory credit revenue, Tesla would have remained unprofitable over the last five quarters. In fact, Tesla's revenue from regulatory credit sales during the quarter was greater than the company's free cash flow, and amounted to 132% of the company's 3rd quarter net income to common stockholders. As other car companies gradually come into compliance, the ability for Tesla to generate revenue from the sale of credits will likely decrease or go away.

Another sign of excess in equity markets centers around Wall Street's revival of the SPAC, or special purpose acquisition company, last popular during the height of the credit bubble in 2007. SPACs are essentially shell companies with no assets, products or earnings which are brought public via an Initial Public Offering (IPO) for the sole purpose of making acquisitions. These vehicles have been around for decades, and are often referred to as "blank check" companies. While there are more protections for investors in today's SPACs, sponsoring promoters still have an unusual amount of discretion over how the money gets invested, and generally receive a "promote" consisting of nominally-priced founder's shares entitling them to as much as 20% of the total shares outstanding following the IPO. According to James Mackintosh of The Wall Street Journal, SPACs raised a record $53 billion in 2020; and if you add in 2019, more money has been raised by SPACs in 2019 and so far in 2020 alone than by all SPACs since the concept originated in 2003 (through the end of 2018). Such is the faith accorded by investors to savvy financial engineers in a momentum-driven equity market fueled by essentially free money.

Perhaps the most troubling sign of speculative excess in our equity markets today is the reappearance of the day trader. One cannot help but harken back to the late days of the 1999-2000 tech bubble when New York cab drivers were reportedly day trading equities on laptops in the front passenger seats of their cabs. Such was the confidence of investors in these new innovative companies that provided the spark for a new industrial revolution in which the normal rules of finance seemed to no longer apply.

Fast forwarding to this year, investors, bored out of their minds, stuck at home, unable to bet on sports in the early days of the pandemic, took to their computers and flocked to internet trading platforms such as E*trade and the more recent start-up, Robinhood. It has been reported that E*trade opened 260,500 new accounts in the month of March, which was more accounts than the company had ever opened in a single year since its inception. Robinhood, the popular new commission-free trading app, reportedly logged three million new customers in the first quarter of this year, and now has over 13 million accounts directed by investors whose median age is 31. According to Bloomberg, the no-fee trading app logged daily average revenue trades (DARTs) of 4.3 million in June, higher than all of its publicly-traded rivals, including the likes of Charles Schwab. Once you complete a trade, celebratory confetti flashes on the trader's computer screen, with effects similar to a videogame. This gets the endorphins flowing, and increasingly, day trading investors have even been utilizing options to effectively leverage their online bets on stocks. Sound familiar?

Are we in the midst of a tech bubble, and if so, for how long can all this frenetic enthusiasm around tech stocks continue? The difference this time around, as some would suggest and we find hard to take issue with, is the extraordinarily low level of interest rates, which many of our most well-respected professional peers would argue justifies high valuations. The question, of course, is how high.

And for how long can such an accommodative interest rate structure be successfully engineered? It is as if the U.S. Federal Reserve's endless interventions to keep rates low through the cutting of the discount rate and quantitative easing have freed investors from the requirement to pay much, if any, attention to the value they receive vs. the price they pay for risk assets. After all, an earnings yield of only 1%, which implies a valuation of 100 times earnings and a payback period of 100 years, is today about five times the three-year U.S. Treasury bond yield of 0.19%. While Ben Graham often found value in securities whose earnings yields exceeded those of risk-free instruments, we find it difficult to believe that the extraordinarily high equity valuations we are seeing today in technology stocks would have caused the likes of a skeptical but rational investor such as Benjamin Graham to "tremble with greed."

While intervention by the U.S. Federal Reserve was, of course, required during this pandemic, and is helping to bridge the economic gap until an eventual recovery, zero interest rate policies (ZIRP) put into effect

on such an unprecedented scale as they have been over the last decade can produce unintended consequences, not the least of which, as we have observed, is the escalation of risk asset prices, inequalities of wealth and income, anemic economic growth, and incentives for moral hazard. In an article in the The Wall Street Journal in late July entitled *The Rescues Ruining Capitalism*, Ruchir Sharma went so far as to say that, "Our growing intolerance for economic risk and loss is undermining the natural resilience of capitalism and now threatens its very survival."

While we are not sure we would go so far as Mr. Sharma in suggesting the imminent demise of capitalism, zero interest rates have without doubt helped to fuel the animal spirits of investors over the last many years, and helped drive valuations in the tech sector to levels for many companies that we believe are unsustainable over the longer term. It has also helped fuel the poor relative returns of value investors.

Investment Performance

While the three Tweedy, Browne Funds were up between 10.1% and 11.6% since the mid-March market lows through September 30, and have recouped much of the ground lost during the pandemic-driven sell-off, they remain in the red year-to-date, and have trailed their respective benchmark indexes. This is largely due to the Funds' value and non-U.S. orientations. These areas of the global equity markets have lagged their growth and U.S. counterparts. Recent underperformance has compromised the Sub-Funds' annualized comparisons over one-, five-, and ten-year periods. Prior to 2013, each Sub-Fund outpaced their benchmark in most standardized annualized reporting periods. As a result, since-inception comparisons remain favorable, particularly for the two International Value Sub-Funds. Following is the performance history for all three Sub-Funds, including comparisons with relevant benchmark indexes.

		Performance through September 30, 2020 Annualized for periods greater than 1 year			
	6 months ending 09/30/20	1 year	5 years	10 years	Since Inception
Tweedy, Browne International Value Fund (Euro)*† *(inception 10/31/96)*	8.39%	-11.42%	2.94%	5.35%	7.30%
MSCI EAFE Index (Hedged to USD/EUR)	13.89	-4.91	4.30	5.76	4.53
MSCI EAFE Index (in USD/EUR)	12.65	-6.57	4.23	6.22	4.56
Tweedy, Browne International Value Fund (CHF)* *(inception 10/31/96)*	8.14%	-12.78%	2.00%	3.92%	5.69%
MSCI EAFE Index (Hedged to CHF)	13.69	-5.15	3.86	5.21	3.42
MSCI EAFE Index (in CHF)	14.32	-7.41	3.97	3.98	3.03
Tweedy, Browne Global High Dividend Value Fund* *(inception 06/01/07)*	5.61%	-15.45%	3.17%	5.10%	2.62%
MSCI World Index (Hedged to Euro)	25.56	6.88	8.59	9.01	4.16
MSCI World Index (in Euro)	20.54	2.64	9.39	11.05	6.10

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.*

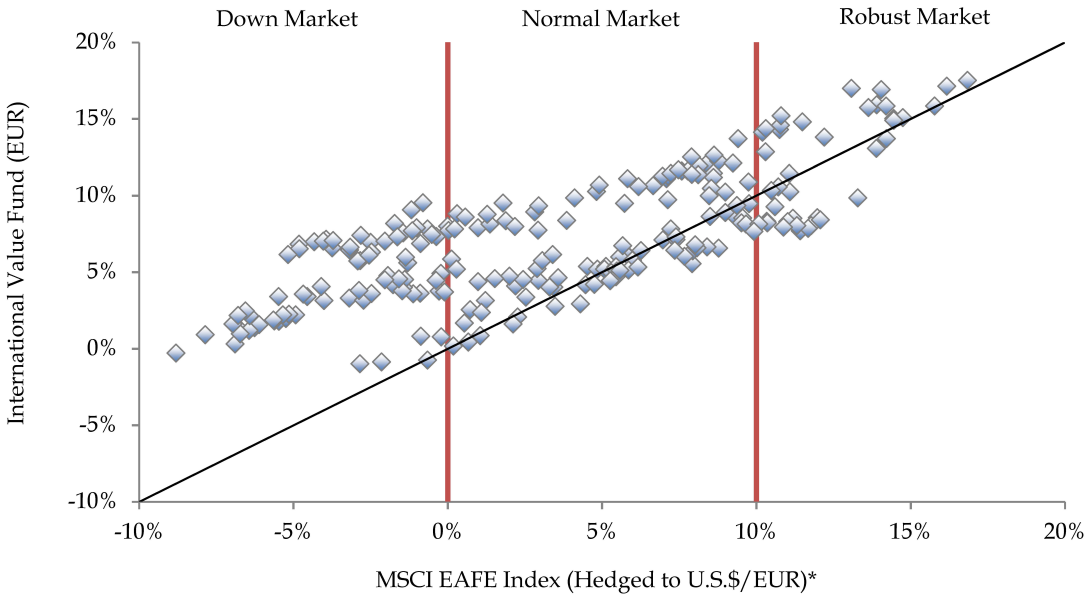
† Prior to May 17, 2004 the Sub-Fund was denominated in USD and its investments were hedged to USD. Effective May 17, 2004, the base currency of the Sub-Fund was changed to EUR and its investments were hedged to EUR. Calendar year 2004 performance and since inception performance figures are based on 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.

Effective August 3, 2020, the Tweedy, Browne Value Fund (USD) merged into the Tweedy, Browne International Fund (Euro) on the basis of the net asset values per share of the sub-funds and share classes as of July 31, 2020.

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

October 31, 1996 through September 30, 2020

Out of 228 five-year measurement periods, International Value Fund (Euro) has outperformed the MSCI EAFE Index (Hedged to U.S.$/Euro)* 172 times, or 75% 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%) – 112 periods **Sub-Fund beat Index in 68% of periods**	7.29%	5.29%
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.

Our Sub-Fund Portfolios

Please note that the individual companies discussed herein were held in one or more of the Sub-Funds during the year ended September 30, 2020, but were not necessarily held in all three of the Sub-Funds.

It has been an extraordinarily difficult stretch of time for value investors, with zero interest rates continuing to favor longer-duration growth stocks, particularly the dominant large cap technology stocks in the United States. This is evident in the disparity of performance between value and growth indexes, which has rarely if ever been wider than it is today. However, green shoots for value investing may have begun to appear in fits and starts, as the value component of the MSCI World Index modestly outperformed its growth counterpart in the difficult month of September. Value stocks' outperformance in September and October was more pronounced in the U.S., where the S&P 500 Value Index declined, but held up better than the S&P 500 Growth Index, as technology stocks took a beating. On the other hand, the MSCI EAFE Value Index, a non-U.S. value index that is less impacted by technology companies, outperformed its growth counterpart in June and August, but not in July, September, or October.

The best performing segment of the global and U.S. equity market in September was the "materials" sector, made up primarily of what some market observers refer to as old-economy companies in the business of the discovery and procurement of raw materials, *i.e.*, mining, metals, packaging, chemicals, and forestry products companies. Materials stocks tend to be economically sensitive, and generally do well during periods of economic recovery and strength. A number of stocks in our Funds fall into this category and contributed materially to results over the last twelve months. This included companies such as BASF, the German chemical giant; Antofagasta, the Chilean copper mining company; SOL SpA, the Italian industrial gas company; and Japanese company, Konishi. While the Funds were underweighted relative to their benchmarks in the materials sector, these stocks, together with the Funds' communication services, health care, and consumer discretionary holdings, were among the best performing components of our Fund portfolios during the period.

The traditionally more defensive consumer staples sector was a strong contributor to the Sub-Funds' returns over the last six months, though not necessarily for the year ended September 30. The sector was held back somewhat by lackluster returns in beverage stocks such as the Latin American Coca-Cola bottlers, Coca-Cola FEMSA and Embotelladora Andina; Diageo, the global spirits company; and Heineken Holding. In contrast to poor returns produced by these beverage holdings, the Funds had strong returns from food and household products companies such as Nestlé, Unilever, and Henkel. The communications services sector of our Sub-Fund portfolios, led by interactive media holdings, Alphabet (Google) and Baidu; and diversified telecommunications company, Verizon, were also solid contributors to the Sub-Fund's returns over the year ended September 30.

Other solidly performing industry segments during the year, particularly the last six months, included the auto components and machinery industries. As the economy reopened, people got back onto the roads, and companies such as Autoliv, the Swedish manufacturer of airbags and seatbelts; Hyundai Mobis, the Korean auto parts company; and Michelin, the French premium tire manufacturer, were all beneficiaries. As industrial production surged, so did the stock prices of machinery companies such as Ebara, the Japanese manufacturer of pneumatic and hydraulic pumps, compressors, incinerators, and equipment for the manufacturing of semi-conductors; and Trelleborg, the Swedish manufacturer of polymer-based industrial rubber products including seals, hoses, and anti-vibration components.

One of the best performing stocks in terms of weight and return in our Sub-Fund portfolios after the late March market lows (excluding the Global High Dividend Value Fund) was Berkshire Hathaway. Back in early May, Warren Buffett offered up a wonderful economic and equity market history lesson for his shareholders at the Berkshire annual meeting, and encouraged his investors to "never bet against America." Berkshire's stock price was hit rather hard during the early days of the pandemic, and, as equity markets collapsed in late March, Warren Buffett and Charlie Munger remained uncharacteristically silent, and somewhat inactive, leading many market observers to question whether they had lost their touch. However, over the past year, Berkshire has sold or reduced a number of bank holdings, including Wells Fargo; eliminated positions in airline stocks; announced an agreement to purchase the natural gas transmission and storage assets of utility company Dominion Energy in a deal valued at almost $10 billion; and purchased a basket of five Japanese trading companies with high dividend yields, perhaps in an effort to help cover the

yen-denominated interest expense Berkshire faces on its Japanese debt. As a result, Berkshire stock came roaring back from its late March lows. To borrow Buffett's admonition to his investors, "never bet against Warren Buffett."

Concerns over the prospects for an increase in pandemic-associated loan losses and rock-bottom interest rates, which constrain net interest margins, continued to haunt the Sub-Funds' bank holdings of late, leading to disappointing returns during the year in HSBC, Standard Chartered, Wells Fargo, The Bank of New York Mellon, and US Bancorp. The Sub-Funds' insurance stocks did not fare much better over the year, but they provided a relative bright light over the last six months, during which holdings such as CNP Assurances, Munich Re, and SCOR produced solid returns. Our financial holdings, where the Sub-Funds are currently overweighted, represent, in our view, some of the most undervalued companies in our Sub-Fund portfolios. If COVID recedes and the economy recovers, as we hope it will, we would expect these companies as a group to positively contribute to Sub-Fund returns. This should especially hold if the economy comes back stronger than anticipated, or if we get a surprising uptick in interest rates at some point. In the interim, in our view, the Sub-Funds' bank and insurance holdings remain financially strong as we wait patiently for value recognition in their shares.

The Sub-Funds' oil & gas holdings, which are far fewer today, were among the poorest performing groups over the past year, as the pandemic weighed on overall oil demand, particularly from an important constituency, the airline industry. Market sentiment in the energy sector continues to be negative and oil prices remain quite volatile. We have rationalized the Sub-Funds' positions over the last several years in energy-related holdings, having sold or significantly reduced the Sub-Funds' positions in companies such as Royal Dutch, and MRC. The Sub-Funds' primary holding today in this industry group is Total, the French oil producer, which in our view remains undervalued and financially strong, currently pays a dividend of approximately 8%, and has a growing production profile.

With the exception of Johnson & Johnson (J&J), the Sub-Fund's pharmaceutical holdings, which served the Sub-Funds very well in the early days of the pandemic, began to lose some steam during the period, perhaps in part due to concerns related to the election and prospects for lower drug prices. Drug prices have been a political football for a decade or more, and yet the businesses of our core pharma holdings and their stock prices have thrived. We believe the diversified position the Sub-Funds have had for years in companies such as Roche, Novartis, and J&J (which we have trimmed in the Sub-Funds' portfolios) will continue over time to serve shareholders well. While fairly valued today, in our view, they bring different strengths to the Sub-Funds' portfolios, are financially strong and innovative, and have continued to compound our estimates of their underlying intrinsic values at attractive rates.

With increasing volatility in global equity markets over the last couple of years, we have been considerably more active in our investment "garden," adding a number of new portfolio holdings from both the developed and lesser developed parts of the world, while pruning securities that had either met our valuation targets or had disappointed, or whose future prospects had, in our view, become compromised. This also held true to an even greater extent over the last six months, where we established multiple new positions in the Sub-Funds, eliminated a bunch, and added to or trimmed a number of others. Significant new positions established included Kuraray and Astellas Pharma, (all three Sub-Funds); Jardine Matheson (International Value (Euro) and Global High Dividend Value); CK Hutchison (all three Sub-Funds); Jardine Strategic, Johnson Service, Babcock International and Yamaha Motor (International Value (Euro) and International Value (CHF)); Carlisle Companies (Global High Dividend Value); and Truist Financial, US Bancorp, AbbVie, and Intel (Global High Dividend Value). Truist Financial and US Bancorp are, in our view, among the U.S.'s best managed and highest quality banks. We believe they are very strong financially, enjoy franchise positions in their industry, currently pay attractive dividends, and are well positioned for growth in a recovering economy. AbbVie (U.S.) and Astellas Pharma (Japan), in our view, are attractively valued pharmaceutical companies that are particularly well positioned for growth, with an emerging portfolio of potentially highly successful new drugs. Jardine Matheson Holdings Inc., the Singapore-listed holding company with interests in auto distribution (Jardine Cycle & Carriage in Singapore and Astra in Indonesia), food and retailing (Dairy Farm), property investment and development (Hongkong Land), and hotel operations (Mandarin Oriental), among other holdings, falls into the "statistical bargain" segment of our Sub-Fund portfolios. Similar to Ben Graham before us, we often utilize statistical underwriting criteria to uncover stocks that are quantitatively cheap. These stocks often trade at discounts to net current asset value, low price

earnings ratios, low price to book value ratios, and/or low enterprise values in relation to EBIT, EBITA or EBITDA. More often than not, they are underleveraged and also have strong patterns of insider buying in their shares at or around the prices we are paying for those companies on behalf of our Sub-Funds. Like an insurance company that wants to issue as many policies as it can that meet its underwriting criteria to achieve a desired statistical result, we want to own a diversified group of these kinds of stocks. While these companies often have attractive qualitative characteristics as well, it is the statistical valuation pattern coupled with insider buying that tends generally to drive our decision-making in these types of stocks. Statistically-based bargains have always had a place in our Sub-Fund portfolios, less so over the last many years. However, with our equity markets sharply bifurcated today, and a significant number of securities still under water in terms of their equity prices in relation to their estimated intrinsic values, we are beginning to see an increasing number of new ideas in this area, reflected by deep quantitative discounts and material insider buying by knowledgeable insiders, i.e., CEOs, CFOs and the like. We also added to a number of positions in our Sub-Funds, including companies such as CNH and CNP Assurances.

As an example of what can be important to us when uncovering new bargains, let's take a bit of a closer look at Carlisle Companies, which was purchased in July. Carlisle Companies is a U.S. industrial conglomerate that manufactures highly-engineered products. Its primary business is manufacturing single-ply commercial roofing systems (77% of EBIT), where it has a 40% to 50% market share, depending on the product, in a very consolidated industry. Roofing systems are mission critical products because if a roof has a water leak, it could severely damage the building. In addition, the customer base (building owners and roofing installers) for roofing systems is highly local and disparate, creating a high barrier to entry. Carlisle's commercial roofing segment earns a high teens operating margin and a 25%+ pre-tax return on assets. Commercial roofing is also a very "replacement-driven" business (~80%), and the decision to "re-roof" is not that discretionary, which provides a somewhat annuity-like revenue stream. As of October 30, 2020, the company had a 7.4% owner earnings yield and sold for 10.4X its 2019 EBITA and 11.9X its 2019 earnings adjusted for intangible amortization. It is a high return on capital business with strong competitive advantages that has allowed it to consistently grow its earnings at a high single-digit rate, while generating excess free cash flow to invest in new areas of growth, pay a dividend and opportunistically repurchase shares. Carlisle has net debt to EBITDA of 1.8X, and a current dividend yield of 1.8%. The company has paid a dividend for 42 consecutive years.

In terms of sales and reductions in various Sub-Fund positions, we sold or reduced shares in oil & gas related companies such as MRC and Royal Dutch; in copper miner Antofagasta; and in HSBC, Nestlé, Novartis, Roche, Zurich Insurance, DBS, Siemens, J&J, and United Overseas Bank, among others.

Taken as a whole, our Sub-Funds are currently invested across 16 different countries in 32 different industries, and continue to have a larger capitalization orientation, although many of the more recent additions to the portfolios are smaller and medium-sized businesses. Geographically, the Global High Dividend Value Fund remains significantly underweighted in U.S. equities despite an increase in new U.S. names of late, while our two international funds (International Value (EUR) and International Value (CHF)) are overwhelmingly invested outside the U.S., as to be expected in funds with a non-U.S. mandate. When searching out undervalued securities, our focus has largely been in developed markets and the more developed of the emerging markets. At their recent peak weighting in 2017, emerging market equities constituted approximately 9% of total assets of the International Value Fund (EUR). As of quarter-end, this weighting had declined to 4.7%. In terms of country allocations, our Sub-Fund portfolios bear little to no resemblance to benchmark weightings. For example, as of September 30, the International Value Fund (EUR) was significantly overweighted its benchmark index in Switzerland (17.3% vs. 10.8%), and a little more than one-sixth that of the benchmark invested in Japan (4.4% vs. 25.6%). With respect to sectors and industry groups, in general, the Sub-Funds continue to maintain overweighted positions vis-à-vis their benchmarks in consumer staples (food, beverage, household products, etc.) as well as financials (diversified financials, banks, and insurance companies), pharmaceuticals and a diversified group of industrials. Our Sub-Fund portfolios are underweight in technology, materials, and consumer discretionary stocks (auto-related, distributors, hotels & leisure, and specialty retail).

Our shareholders should also not lose sight of the fact that many more stocks outside the United States pay dividend yields north of 3% today, and many of these companies, in our view, are financially strong, have

stable and growing cash flows, have multi-decade records of paying steady and increasing dividends, and today trade at valuation multiples that are at discounts to the broader market indexes.

For example, as of September 30, of the 37 holdings in the Global High Dividend Value Fund, 22 of them have dividend yields greater than 3%. Another five have dividend yields greater than 2.5%. The average dividend growth rate over the last five years for the portfolio's equities was 5.2%, excluding the six companies that have temporarily suspended their dividends, and the average net debt to EBITDA ratio for the non-financial holdings was 2.0X. A number of the Sub-Fund's portfolio holdings raised their dividends year over year, including Carlisle (+19%), AbbVie (+11%), Nestlé (+10%), US Bancorp (+10%), Truist Financial (+8%), and Johnson & Johnson (+6%). Six companies, representing 13.6% of the Sub-Fund portfolio, have temporarily cancelled or suspended their dividend during the pandemic. One company, Michelin, reflecting 4.15% of the portfolio, had to substantially reduce its dividend due to the pandemic. In an investment world starved for yield, many investors have continued to turn their noses up at higher-yielding dividend stocks, preferring the opportunity for greater total return they feel is afforded in the increasingly expensive tech dominated indexes. According to The Wall Street Journal, investors have redeemed more than $40 billion from global dividend-focused mutual and exchange traded funds in 2020. In our view, this presents an opportunity for price-disciplined investors.

As of September 30, 2020, the top twenty-five holdings in each Sub-Fund's portfolio on average paid dividend yields of between 2.3% and 3.5%, depending on the Sub-Fund; had weighted average price/earnings ratios that ranged between 15.8 and 16.4X 2021 estimated earnings per share; and carried cash reserves that varied between 4.2% and 4.8% of total assets. In comparison, as of September 30, 2020, the MSCI EAFE Index had a price/earnings ratio of 15.5X 2021 estimated EPS with a dividend yield of 2.7%; the MSCI World Index had a forward price/earnings ratio of 18.7X with a dividend yield of 2.1%; and the S&P 500 had a forward price/earnings ratio of 20.2X with a dividend yield of 1.8%. *(Please note that the range of weighted average dividend yields shown above is not representative of a Fund's yield, nor does it represent a Fund's performance. The figures solely represent the range of the average weighted dividend yields of the top twenty-five common stocks held in the Funds' portfolios.)*

The Case for Investing Outside of the United States

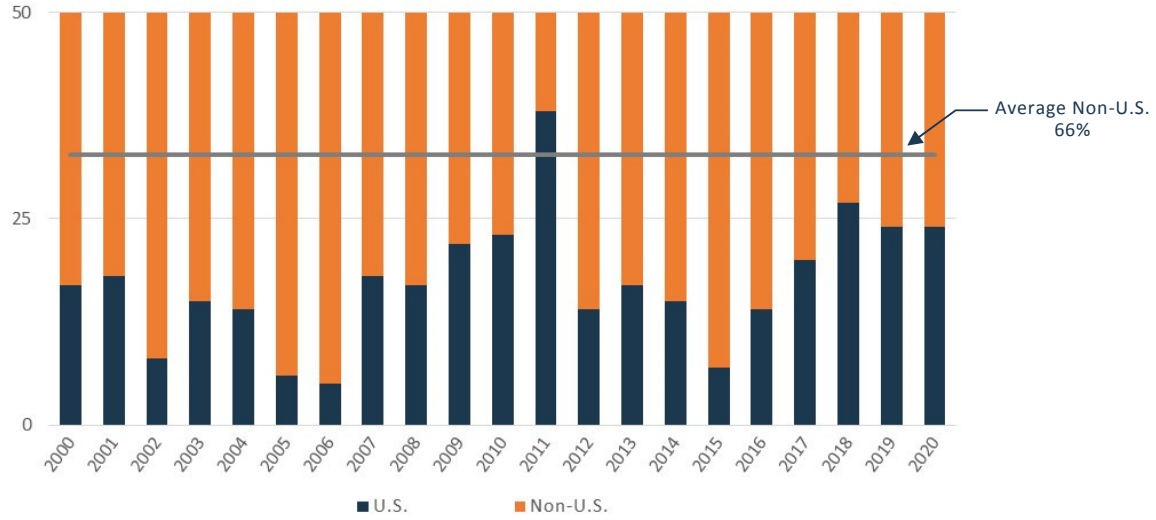
If the lackluster relative performance of non-U.S. equities over the last many years has caused you to lose faith in investing outside of the United States, we would encourage you to reconsider. A look at the results of non-U.S. vs. U.S. equities over long measurement periods would suggest that investors who focus solely on U.S. equities might be shortchanging their portfolios and their wealth, and missing out on diversification as an important tool that can help reduce overall portfolio risk.

As stockpickers, we want to avail ourselves over time of the wealth of opportunity that exists beyond our shores. Metaphorically, we've always felt that the more "SKUs" in the shopping aisle, the better the chance for finding an attractively priced stock, even if it is domiciled in a foreign jurisdiction and trades in a different currency. We've also found over the years that equity investment cultures outside the U.S. are often not as well developed as they are in the U.S., which in our view may result in greater pricing inefficiency and more deeply discounted equities.

Furthermore, the role that the United States plays in the overall world economy is contracting. Today, the U.S. accounts for approximately 24% of global GDP (as of December 31, 2019), vs. the 30% market share it had in 2000. Contrast this contraction to the expansion of market share by rapidly growing countries such as China and India, which today account for roughly 20% of global GDP, up from less than 10% in 2000.

One should also not lose sight of the fact that many, if not most, of the top performing stocks each year are domiciled outside the U.S. A review of the chart below reveals that over the last twenty years, on average, 33 out of 50 (or 66%) of the top performing stocks in the MSCI World Index each year were domiciled outside of the U.S.; and, out of those 20 years, only twice were there more U.S. than non-U.S. top performing stocks.

MSCI World Index, Top 50 Performers | Number of stocks in U.S. vs Non-U.S.



Source: MSCI World Index and Bloomberg

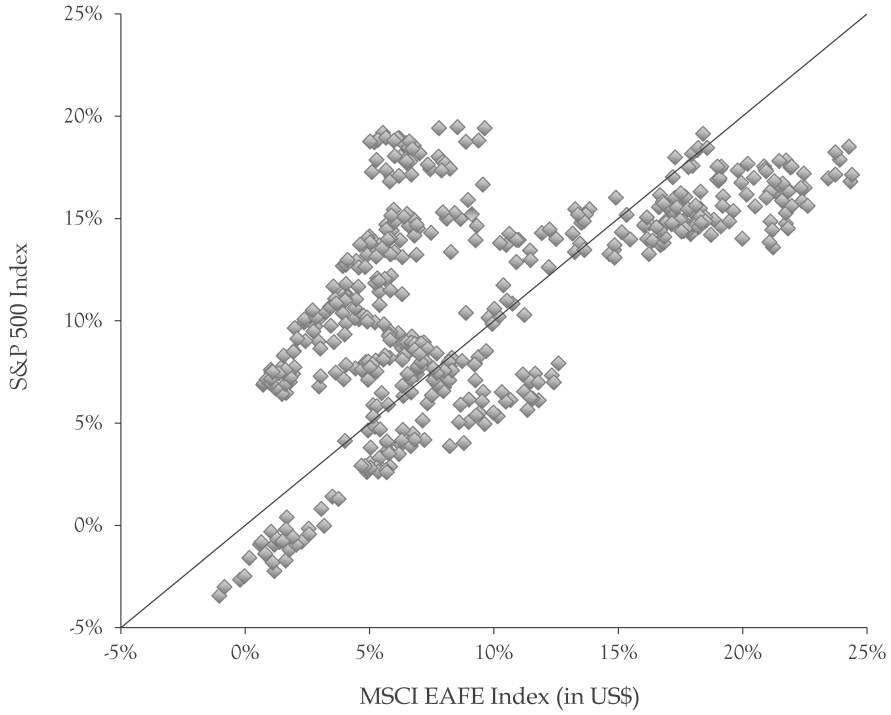
In addition, for those who define risk in terms of statistical correlations, non-U.S. equities have played an important role in helping to reduce risk in global equity portfolios over the longer term. While globalization has likely led to higher correlations over the last many years between U.S. and non-U.S. equities, there remains statistical support to suggest that non-U.S. equities continue to provide diversification and risk reduction for global equity portfolios. For example, according to research conducted by Brown Brothers Harriman, since the creation of the MSCI Index (1970) and the MSCI Emerging Market Index (1988), the correlation between developed and emerging international market indexes and the S&P 500 has been 0.63 and 0.44, respectively. These correlations have increased over the last couple of decades, and as of mid-2019, for the one-year period, stood at 0.90 and 0.74, respectively. Lastly, in this yield-starved era of zero to negative interest rates, an examination of MSCI World Index constituents indicates that there are over twice as many non-U.S. stocks with dividend yields greater than 3% than are available in the United States.

As mentioned earlier in this commentary, we believe the ongoing volatility in global equity markets over the last many years has spawned a significantly improved opportunity set for value investors, particularly for securities domiciled outside the U.S. We are hopeful that this foreshadows an improved return stream for investors like us who have maintained greater exposure to non-U.S. equities. While it is, of course, impossible to know for sure, looking forward, we believe the stage may be in the process of being set for a rotation away from the high performing U.S. equity market to Europe, Asia and even some of the emerging markets. Consider the following:

- Over time, there has clearly been a cyclical aspect to U.S. vs. non-U.S. equity returns, as evidenced by the significant outperformance of non-U.S. equities between 2000 and 2009, and the unprecedented strength of the U.S. equity market since the financial crisis in 2008 through today. In fact, a look at rolling ten-year returns for the S&P 500 and the MSCI EAFE Index going back as far as the mid-1970s reveals that it's been virtually a "toss up" as to which index outperforms, and according to a recent Morgan Stanley research report, we are currently well into the strongest period of outperformance for U.S. vs. non-U.S. stocks in equity market history. Of course, it is hard to know if we are on the verge of a shift back towards better non-U.S. returns, but we believe the periodic outperformance in non-U.S. equities in recent months may suggest we could be getting closer to such a shift.

S&P 500 Index & MSCI EAFE Index (in U.S.$)
10-Year Rolling Returns (calculated monthly)
December 31, 1969 through September 30, 2020

Out of 490 rolling ten-year measurement periods, U.S. equity markets (as measured by the S&P 500 Index) outperformed international markets (as measured by the MSCI EAFE Index (in U.S.$)) 258 times (53% of observed periods).

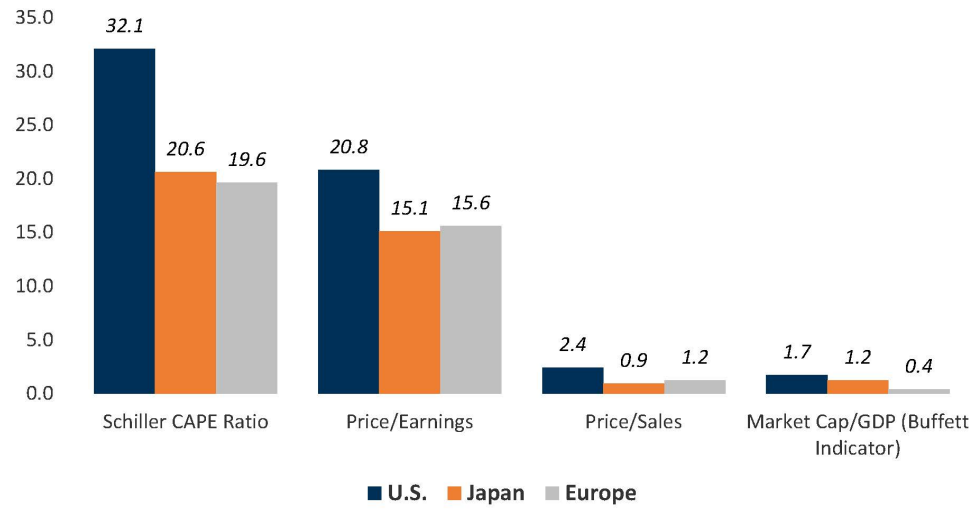


The vertical axis represents the ten-year annual rolling returns for the S&P 500 while the horizontal axis represents the ten-year annual rolling returns for the MSCI EAFE Index (in U.S.$). The diagonal axis is a line of demarcation separating periods of outperformance from periods of underperformance. Plot points above the diagonal axis are indicative of the S&P's relative outperformance, while points below the diagonal axis are indicative of its relative underperformance.

Source: Bloomberg and MSCI

- We believe equity valuations outside the U.S. today are generally more attractive than U.S. equity valuations. For example, as of September 30, the Shiller cyclically adjusted price earnings ratio (CAPE) was 19.6X for Europe, 20.6X for Japan, and 32.1X for the U.S. In post-war history, only during the dot-com bubble of 20 years ago was the Shiller CAPE ratio higher than it is today. In addition, other valuation metrics including price-to-earnings, price-to-sales, and market capitalization in relation to GDP (Buffett indicator) also indicate a valuation advantage for non-U.S. equities.

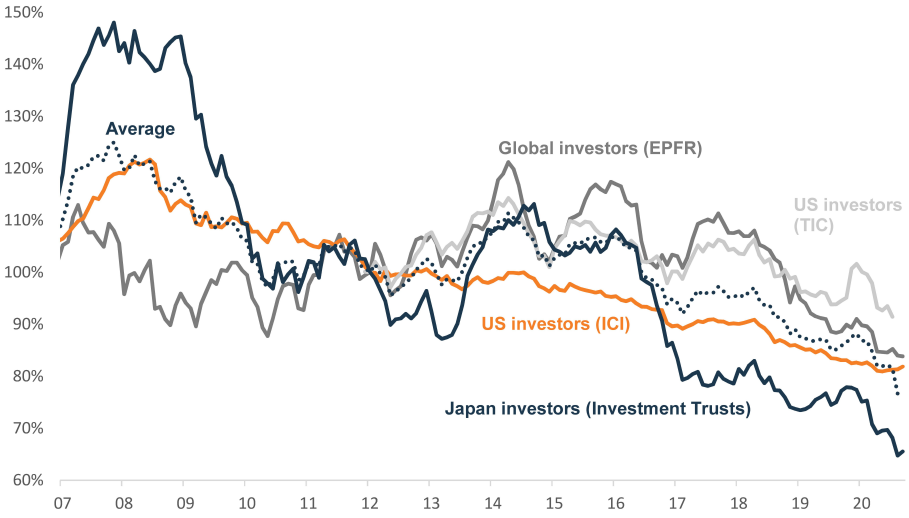
Valuation Metrics



As of September 30, 2020
** Current price/consensus estimated 2021 data*
Source: Barclays, Bloomberg, MSCI

- In a recent Goldman Sachs research piece from late June entitled *Europe outperforming US: Can it last?*[1], the Goldman portfolio strategy research team found that, largely as a result of European equity underperformance in relation to global benchmarks, European equities now account for a much lower weighting in global investor portfolios. The team looked at data from Emerging Portfolio Fund Research (EPFR), the Investment Company Institute (ICI), and the U.S. Treasury's Treasury International Capital (TIC) system, as well as information on Japanese investment trusts. ICI data indicated that non-U.S. equity weightings in U.S. investor portfolios have fallen steadily in recent years, and now are at roughly 80% of the levels they were at in 2012. These findings suggest, in our view, that European and other non-U.S. equities may today be under-owned by investors. A modest re-allocation by investors back to previous higher weightings at some point could lead to increased demand for European and other non-U.S. equities.

Allocations to Europe have steadily fallen for most global investors
Weight in European equities out of Global equities relative to level in 2012
(for ICI it is weight in International equity)



Source: Haver Analytics, EPFR, Goldman Sachs Global Investment Research

[1] Bell, Sharon, Peytavin, Lilia, Oppenheimer, Peter, and Jaisson, Guillaume, "Europe outperforming US: Can it last?" Goldman Sachs Portfolio Strategy Research, June 23, 2020

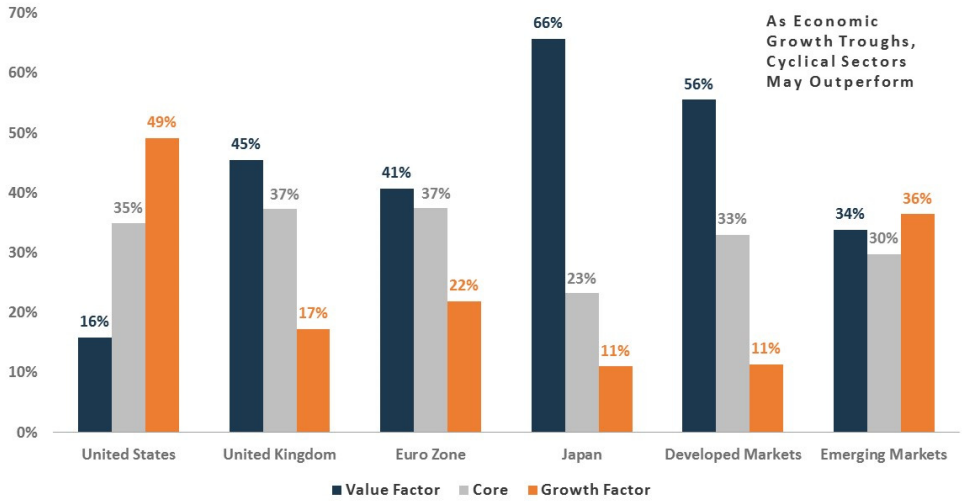
- Some market observers have contended that Asia and parts of Europe have responded more successfully to the onslaught of the virus and that their economic recoveries are likely to be quicker and more robust off what was a deeper bottom than that reached in the U.S. Whether this plays out is a subject of considerable debate as the virus continues to resurge globally, particularly in some parts of Europe. Nonetheless, this view has in part translated into higher economic growth projections by forecasters such as the IMF for many non-U.S. economies.

		PROJECTIONS	
(real GDP, annual percent change)	**2019**	**2020**	**2021**
World Output	**2.8**	**-4.4**	**5.2**
Advanced Economies	**1.7**	**-5.8**	**3.9**
United States	2.2	-4.3	3.1
Euro Area	1.3	-8.3	5.2
Germany	0.6	-6.0	4.2
France	1.5	-9.8	6.0
Italy	0.3	-10.6	5.2
Spain	2.0	-12.8	7.2
Japan	0.7	-5.3	2.3
United Kingdom	1.5.	-9.8	5.9
Canada	1.7	-7.1	5.2
Other Advanced Economies	1.7	-3.8	3.6
Emerging Markets and Developing Economies	**3.7**	**-3.3**	**6.0**
Emerging and Developing Asia	5.5	-1.7	8.0

Source: IMF, *World Economic Outlook*, October 2020

- The implication for many of these non-U.S. public equity markets, which tend to be more value-based and pro-cyclical in terms of their structure, particularly so for Europe, which is tech light and heavier in sectors sensitive to economic performance, is that they could perform better coming out of their respective recessions. The following chart from Morgan Stanley research[2] illustrates the value-oriented character of non-U.S. equity markets over a 30-year period through December 2018.

Non-US Markets Are Value Biased and Pro-Cyclical
Style Factor Exposure by Geography
Monthly data from December 1987 through December 2018



Source: Bloomberg, Morgan Stanley & Co. Research

- The recent passage by the EU of an unprecedented stimulus package, the 750 billion Euro European Recovery Fund, where member countries came together to share the burden of the pandemic through the

[2] Morgan Stanley Wealth Management Investment Resources Market Strategy Team, "Case for International." Morgan Stanley & Co. Research, July 8, 2020

issuance of pan-European financed bonds, suggests a new level of cooperation in Europe, which could help to facilitate a speedier economic recovery there.

- Some market observers view this in contrast to the U.S., where economic recovery could be stymied by a resurgent virus, congressional acrimony over new stimulus proposals, rapidly rising debt levels, and U.S. elections, which are raising additional concerns about future corporate tax rates, prospective earnings growth, and implications for the performance of the U.S. equity market.

While the performance of non-U.S. equities has significantly trailed their U.S. equity counterparts for much of the last decade, we believe that the evidence suggests clear and meaningful benefits to maintaining an allocation to these securities. In our view, any of the factors mentioned above could serve as a spark that ignites a shift in investor sentiment towards non-U.S. equities, and potentially, better relative returns for non-U.S. and global funds. Now may not be the time to let home country bias drive investment decision-making. Rather, it may indeed be the time to skate to where we believe the "puck" may be going.

Will Browne Decides to Take a Step Back

Will Browne, our mentor, partner, and dear friend of many years, announced in mid-November that he is taking a step back from his day-to-day involvement and will become a Senior Advisor to our firm's Investment Committee. He will continue to maintain an equity stake in the firm, and to have significant investments in the firm's pooled investment vehicles.

Will joined Tweedy, Browne in 1978, becoming a partner in 1983. His tenure at Tweedy spans some 42 years, during which he made important contributions to the firm's trading, research, and portfolio management capabilities. Having travelled extensively as a young man and studied in Europe, Will played an indelible role in driving the firm's efforts to invest internationally, and to a great degree is responsible for the firm's reputation as a premier international value investor.

He and his deceased brother, Chris, were the second generation of Brownes to work at Tweedy, Browne, following in the footsteps of their father, Howard Browne. As a partner of the Firm between 1943 and 1980, Howard Browne served both as an investment manager for clients and as a broker and market maker for such legendary value investors as Benjamin Graham and Warren Buffett. As Will indicated in a letter announcing his change of status:

> *After more than four decades at Tweedy, Browne, and the inescapable fact that there is no way to halt the relentless march of time, I have decided to step back from my involvement in certain aspects of the business. Going forward, I will be relinquishing my position on the management committee as well as my official titles on the boards of our funds. By no means, however, do I consider this letter a farewell address and the end of my involvement with an organization where I have spent the last forty-two years with a group of extraordinary and talented individuals. I would add, that today, I believe the team at Tweedy, Browne is stronger and more talented than at any point of my history with the firm. As has been the case up until now, I will continue my active participation on the Investment Committee, assuming the title of Senior Advisor to the Investment Committee. The reality is, the committee will continue to function as it has over the past several decades, where my voice has been one among a group of thoughtful, talented, and principled individuals whose commitment to their fiduciary obligation to clients has never been in doubt. Perhaps the direction in which I am travelling could best be summed up by the words of General Douglas MacArthur upon his retirement, when he said, 'Old soldiers never die, they just fade away.'*

Will has made an immeasurable contribution to our firm during his 42-year tenure, and while we will miss the wit and wisdom he has brought to his day-to-day involvement, we respect his decision and are looking forward to many more years of his advice and counsel. Will's full announcement is attached at the conclusion of this report and will also be available on our website.

Final Thoughts

Markets can remain irrational longer than you can remain solvent.

– John Maynard Keynes

We were reminded once again a few weeks back of the timeless validity of Keynes' observations about markets. And while solvency was surely not the issue, Ted Aronson took steps in October to avoid even the chance of that eventuality. As Jason Zweig reported in the The Wall Street Journal, the well-known and successful value investor decided to finally throw in the towel, and is returning $10 billion back to his investors and shuttering his 30-year-old, Philadelphia-based value-oriented investment firm after an unusually long period of underperformance. Ted's decision harkens back to similar decisions made by other value investors in past ebullient markets, including legendary investors such as Julian Robertson, who in March of 2000, after having been whipsawed by the prevailing tech bubble of his day, decided to close down his hedge fund and return investors their capital, ironically just days after the tech bubble began to burst. And even the Oracle of Omaha, Warren Buffett, closed the Buffett Partnership in 1969 during another period of high equity valuations – unable to find stocks that met his rather demanding value criteria. In some respects, such are the times in which we live and invest today. Robertson's decision coincided with the early days of the bursting U.S. technology bubble, while Buffett's decision pre-dated by a few years the collapse of the "nifty-fifty" in 1973. Will Aronson's departure foreshadow a similar debacle for today's high-flying tech stocks? Only time will tell.

Having been at this investment game now for roughly 100 years, Tweedy, Browne is not about to give up on value investing and the universal truth (in our view) that price matters. Empirical data and our own experience over countless market cycles would suggest that would be a short-sighted and unprofitable thing to do. For value investors like ourselves, pricing opportunity is invariably borne from adversity, and matures with patience into its own reward. Seeking it out is, unfortunately, an anxiety-inducing endeavor that requires unusual discipline and resolve. But for those who have the psychological ballast to overcome the persistent anxiety, the rewards can be great.

Value investing's relative travails of late have once again caused the financial media to question its efficacy, and to suggest, particularly in light of continuing low interest rates, that we may be in a "new era" where value takes a permanent back seat to growth. Clients of value managers are becoming impatient, and have grown weary of the rationales for their underperformance. This has not been lost on us.

While we have no reason to believe we are on the precipice of a financial crisis like that which occurred in 1929, the observations of Benjamin Graham and David Dodd regarding what they described as "new era" thinking leading up to that stock market crash, we believe, provides meaningful perspective about today's infatuation with all things technology. In the Second Edition of their magnum opus, *Security Analysis*, published in 1940, they spoke of the public acquiring "a completely different attitude towards the investment merits of common stocks." The new theory, in their view, could be summed up in the sentence, "The value of a common stock depends entirely upon what it will earn in the future," as opposed to the dividends it pays and the asset values supporting its earnings power. Under this new theory, past earnings were only relevant to the extent they indicated what changes in earnings were likely to take place in the future, and a rising trend in earnings was all important.

Why did the investing public turn its attention from dividends, from asset values, and from earnings, to transfer it almost exclusively to the earnings trend? The answer was, first, that the records of the past were proving an undependable guide to investment; and second, that the rewards offered by the future had become irresistibly alluring.

Graham and Dodd felt there were two weaknesses in this thinking that could lead to mischief. One was that it abolished the fundamental distinctions between investment and speculation, and two, it ignored the price of a stock in determining whether or not it was a desirable purchase.

The notion that the desirability of a common stock was entirely independent of its prices seems incredibly absurd. Yet the new-era theory led directly to this thesis. If a public-utility stock was selling at 35 times the maximum recorded earnings, instead of 10 times its average earnings, which was the pre-boom standard, the conclusion to be drawn was not that the stock was too high but merely that the standard of value had been raised. Instead of judging the market price by established standards of

value, the new-era based its standards of value on the market price. Hence all upper limits disappeared not only upon the price at which a stock could sell but even upon the price at which it would deserve to sell.… An alluring corollary of this principle was that making money in the stock market was now the easiest thing in the world. It was only necessary to buy 'good' stocks, regardless of price, and then let nature take her upward course. The results of such a doctrine could not fail to be tragic.

The past six years have been frustrating, to say the least, as a small group of technology stocks have captured the imaginations of investors all over the world, but we remain absolutely committed, intellectually and financially, to the approach first pioneered by Benjamin Graham, which has served us and our Funds well over the long term. Our advice, stay the course. As of September 30, 2020, the current and retired managing directors and employees of Tweedy, Browne and their families had over $1.2 billion invested in portfolios combined with or similar to client portfolios, including $54 million in the Tweedy, Browne Value Funds. We believe that brighter days are ahead, and we thank you for your continued confidence.

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

Postscript – Letter from Will Browne

To Clients, Colleagues, and Friends,

After more than four decades at Tweedy, Browne, and the inescapable fact that there is no way to halt the relentless march of time, I have decided to step back from my involvement in certain aspects of the business. Going forward, I will be relinquishing my position on the management committee as well as my official titles on the boards of our funds. By no means, however, do I consider this letter a farewell address and the end of my involvement with an organization where I have spent the last forty-two years with a group of extraordinary and talented individuals. I would add, that today, I believe the team at Tweedy, Browne is stronger and more talented than at any point of my history with the firm. As has been the case up until now, I will continue my active participation on the Investment Committee, assuming the title of Senior Advisor to the Investment Committee. The reality is, the committee will continue to function as it has over the past several decades, where my voice has been one among a group of thoughtful, talented, and principled individuals whose commitment to their fiduciary obligation to clients has never been in doubt. Perhaps the direction in which I am travelling could best be summed up by the words of General Douglas MacArthur upon his retirement, when he said, "Old soldiers never die, they just fade away."

My decision has been both difficult and easy; difficult for the simple reason that the passage of time brings with it the realization that the time for stepping back has arrived. More importantly, however, I want to emphasize why the decision has been an easy one, and that rests on the simple fact that the principles on which this firm has been built are deeply ingrained in its culture. First, the firm rests on a culture of integrity, and culture shapes and defines an organization every day the doors open for business. Howard Browne, on his retirement over forty years ago, said to me, "Be honest – your friends and clients will forgive you for the inevitable dumb mistake, but they will not, and should not, forgive you for a dishonest mistake. Also, be humble, and good luck." Howard understood a long time ago how culture shapes and sustains an organization, and I have a deep sense of pride in how this continues to be a hallmark of the firm.

Secondly, we have managed the firm with a simple goal of being "best in class" in terms of the investment approach we apply to the management of your and our money. We have never aspired to be all things to all people, but rather have continuously strived to strengthen and sharpen our skills in applying what we refer to as Ben Graham's big idea – that a share of stock is a fractional ownership interest in a business. Figure out the value of that business to a reasonable degree of certainty, pay a reasonable price for it, and your capital will grow. Nevertheless, there are periods of time when this is a very lonely process, and the past several years have been one of those periods. William Faulkner on receiving the Nobel Prize for literature in 1949 said in his address, "I decline to accept the end of man." Taking literary license, I decline to accept the end of value investing. While there is no Newtonian apple in the business of investing, the logic of Graham's simple idea remains compelling in its simplicity and applicability.

I will be reachable (as I always have been, which at times is not easy) through my invaluable assistant Lisa Griffith at Tweedy.

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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 Fund (USD) through May 16, 2004) and the return of the MSCI EAFE Index (in EUR) from May 17, 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 May 16, 2004) and with its non-EUR exposure 100% hedged into EUR (from May 17, 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/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). ***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). ***Return on Assets*** is a measure of financial performance calculated by dividing net income by total assets. ***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"). ***Owner Earnings Yield*** is the net profit after tax divided by enterprise value. ***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.

An outbreak of infectious respiratory illness caused by a novel coronavirus known as "COVID-19," first detected in China in December 2019, has since spread globally and was declared a pandemic by the World Health Organization in March 2020. The current economic situation resulting from the unprecedented measures taken around the world to combat the spread of COVID-19 may continue to contribute to severe market disruptions, volatility and reduced economic activity. The

COVID-19 pandemic and preventative measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns, or there-introduction of business shutdowns, cancellations of events and restrictions on travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability both globally and in the United States. Such effects will likely continue for the duration of the COVID-19 pandemic, which is uncertain, and for some period thereafter. While several countries, as well as certain states, counties and cities in the United States, have begun to lift the public health restrictions with a view to reopening their economies, recurring COVID-19 outbreaks have led to the re-introduction of such restrictions in certain states in the United States and globally and could continue to lead to the re-introduction of such restrictions elsewhere. Additionally, the absence of viable treatment options or a vaccine could lead people to continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time. Even after the COVID-19 pandemic subsides, the U.S. economy and most other major global economies may continue to experience a recession. These events could have a significant impact on the Sub-Funds', including impacting the Sub-Funds' performance, net asset values, income, and/or operating results or the performance, income, operating results and viability of issuers in which each Sub-Fund invests.

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.