Investment Manager's Report

"Everything is in a state of flux, including the status quo."

– Robert Byrne

The above quote would certainly seem to contain a modicum of truth, and if your basis for subscribing to this adage rested on reading the financial press, you might well conclude it contains a healthy dollop rather than just a modicum. For example, Japan, which has been off the radar screen of investor attention for many years, reemerged with Prime Minister Abe's plan to breathe new life into an economy which has been moribund for years. Investors including Mrs. Watanabe (a Japanese term for stock and currency speculators) decided not to wait for hard evidence that Prime Minister Abe's "three arrows agenda" for turning around the economy would succeed, and have bid up the Nikkei Index 65% over the last twelve months. We will comment a bit more on this later but, briefly, we are not yet convinced that a new day has dawned in Japan and have on balance sold down some of our Japanese holdings based on some very full if not overly generous individual company valuations. Japan is walking a tightrope as it tries to emerge from a prolonged period of almost non-existent economic growth while managing a public debt over twice the size of the economy and at the same time not triggering a large rise in the government cost of borrowing, which is currently well less than one percent for a ten-year bond.

A second example of flux might be the "about face" on emerging markets. We all remember the acronym, the "BRICS," which stands for Brazil, Russia, India, China and South Africa, as symbolizing the economic future of the world. In contrast, Morgan Stanley recently created the "Fragile Five" (Brazil, Indonesia, South Africa, India and Turkey) to capture all of the attendant worries and structural impediments these economies and their currencies currently face, which, previously latent if not present, were not the focus of much attention on the part of those intent on getting into these markets. A number of market strategists, perhaps sensing an opportunity to generate a bit of activity, did not sit idly by. Their suggestion: Europe offered better investment prospects and "investors" would be well advised to "overweight" Europe and "underweight" the emerging markets. Just as many investors felt the pressure to get into these markets, no doubt they're feeling pressure today to get out – precisely the kind of emotionally charged pressure which we believe is contrary to successful long-term investment decision making. Our own view is that, as a longer term trend, the emerging economies (and in this group we would include a large number of South Asian as well as certain Latin American economies, including Mexico) are experiencing higher rates of growth relative to the developed world and will continue to do so, albeit at a slower pace than had been previously forecast.

Another example of flux is Europe: to refresh memories, it was not very long ago that Europe was considered the home of an unsustainable currency union, a seriously troubled banking system, an overregulated economy, collapsing economies on the periphery, and meager prospects for growth, to mention some of the more serious difficulties facing Europe. While there has no doubt been progress on some of these issues and worries over the euro have subsided, it would be incorrect to assume these concerns have been put to rest. Europe remains a "hybrid" entity – a common currency union without a political union – with much decision making retained at the national level. We would add one positive note which goes a long way in explaining many of our investments in Europe. Europe, which is the second largest marketplace in the world, is the corporate headquarters of a number of what we believe are the world's "best businesses." These companies operate worldwide, and are positioned to take advantage of more promising opportunities wherever they may appear. Moreover, most have done a commendable job of taking advantage of those opportunities to date.

While the foregoing list is far from complete, the United States might serve as the exception to our list of "about faces." The fight over the federal budget and the balance to be struck between revenue increases and spending reductions in order to address the long-term debt problem is ongoing, with perhaps the only real change being the intensity of the fight. The gap between the two parties' positions over how to solve the problem would suggest that a resolution is not imminent, though, in our opinion, the facts dictate that eventually

there will be a roadmap out of the current mess. The October 17th agreement simply defers the battle to another day. At this point, the gap between the House and Senate positions seems pretty sizable. The Senate appears to want about a trillion dollars in new revenues over the next ten years, while the House seems to be saying the government has "enough already." The House wants to cut some $900 billion in entitlement expenditures over the next ten years, while the Senate has proposed $75 billion in cuts over the same time frame. Clearly, there is some work to be done before the outlook brightens. In the meantime, the U.S. economy continues to expand too slowly to make a real dent in the number of unemployed, and the debate over the timing and impact of the inevitable winding down of the Federal Reserve's policy of quantitative easing is ongoing. One recent observer described the Federal Reserve's policy as that of "whipping a donkey in hopes of turning it into a race horse." We make no pretense of being economists, but it does seem that a central bank alone cannot fix an economy. Moreover, changes in the economy do appear to be leaving a lot of people behind – a serious, complicated topic about which we have heard very little discussion to date.

Juggling all of these "volte-faces," and getting the timing right, more often than not requires an enormous amount of "sound guesswork," to pirate an expression from an investor friend of ours. Certainly we are not so arrogant or myopic as to dismiss all of the crosscurrents as irrelevant to what we do every day. We are skeptical, though, of anyone's ability to predict marginal changes or short-term movements in markets or securities. In many instances, these predictions are long on intuition and short on data, resting in many cases on a prediction of what "investors," companies or markets will do over a finite time period. If, as is generally accepted, "animal spirits" play a role in investment and economic behavior, and investors are not completely rational, it behooves you to be skeptical of many forecasts, particularly investment recommendations based on what the next guy or investor is going to do. We saw a phrase in a recent edition of **The Financial Times** that, to our way of thinking, captured this idea – people and markets don't always act like Newton's apple being dropped from a tree.

What we try to do amidst what at times seems like a tidal wave of conflicting views is to extend the time horizon of our thinking. We try to focus on a shorter list of critical variables and ask what business conditions are likely to be, looking out several years. We then ask how our forward view will impact future expectations for a particular business we are researching, and then try to "fit" this into our investment framework by asking, "Does the investment we are considering represent an attractive investment opportunity? Does the business have sustainable, profitable demand characteristics? Is the capital structure strong, and can we buy shares in the market for less than what our research tells us the entire business would receive in an arms' length sale or merger transaction?" While we begin with the business analysis, we do not isolate our analysis from the larger world in which the company competes every day. If everything is in place except the price, we wait or go on to the next prospect. We do believe the price you pay matters, and the price you pay should be less than what we believe the company would be worth to an informed buyer of the entire business in an arms' length transaction. We accept the idea that a share of stock, after all is said and done, represents a fractional interest in a business, and we prefer buying into the business at a discount to our estimate of its per-share value in a merger or acquisition.

Implicit in this process, we believe, is a focus on more objective measures (valuing a business) for guiding our decisions, which helps to insulate our thinking and acting from the constant emotional and intuitive reactions which drive stock prices and most investors on a daily basis. No doubt these factors have been amplified in recent years by the heightened short-term focus of markets, the increasingly short-term focus on evaluating returns, and the ability to trade at almost no cost. A second important dimension of this process is patience. A focus on more objective metrics reinforces patience and reflection – qualities which can serve investors well when the crowd is roaring.

Over the years, had we been more inclined to heed the investment advice of many in the industry, we would no doubt have been in and out on several occasions of a number of our investments that we have owned successfully for many years. In most cases we believe that investment advice hinged on considerations that we viewed as too short-term in nature, and involved a specificity that was "within a reasonable margin of error"

and was of an order of magnitude that meant very little to the future prospects of the business. There is little doubt that, had we followed that advice, our tax-paying clients would have had a higher tax bill, and all of our clients would have incurred additional costs, which are embedded in the process of turning over positions.

On the other side of the equation, the sale of a security is driven by our assessment of the same variables that lead us into an investment. If the future prospects or financial condition of a company deteriorates, we will reconsider our position. If the valuation placed upon a business in the public market becomes detached from our reasonable estimate of the value of the business, we start the process of reducing our holdings. This is the most logical guide we can think of for making investment decisions and has served us well for over three decades. Moreover, we're not forced to come up with a new "strategy" when we arrive at the office each day. Identifying a macro-economic bubble is obviously hard. Books have been written on the subject, and the one indisputable fact appears to be that "risk" is clearer after the fact. We do think, however, that the odds of identifying overvaluation in the case of an individual security are higher if the framework is trying to estimate the value of a business in a merger or acquisition.

The difficulty with this process is that it can feel "lonely" at times. Swimming upstream when everyone is heading downstream is behaviorally challenging. Moreover, there is usually a long list of reasons for following the crowd downstream, and to avoid doing so requires keeping your own emotional reactions in check as well as communicating effectively with clients who are experiencing the same pressures to change direction. This is not an easy task. Increasingly, research in the field of Behavioral Economics tells us that people are not wired to be objective and rational in their decision making. Rather, we are well wired for short-term, loss-aversion decision-making. We are over-reliant on short-term heuristics and have a tendency to over-emphasize and extrapolate from the most recent developments. None of these tendencies does much to reduce the discomfort many feel being outside the crowd.

So where does that leave us today? We are a bit out of step. Our cash has been rising at a time when we read of more money wanting to get into the market. To the extent that markets keep rising, our cash will more than likely cause our Sub-Funds to underperform relative to a benchmark. We would like to beat our competitors, including the benchmark, every day, but we know that is never going to happen. We think of ourselves as being in a marathon, not a sprint. We don't consider cash as a market prediction, but rather as an outcome of our assessment of the valuation of each individual security we own. We like to think of cash as "optionality" in the portfolio, rather than a drag on returns. As a practical matter, we are no more than a handful of investment opportunities away from being fully invested, and past history suggests we will have those opportunities again. Markets don't move in a straight line, and there are many uncertainties in the world which could upset "investors." We believe a little patience will be rewarded.

Coinciding with the recent inception anniversary of one of our U.S. registered mutual funds, we have taken the opportunity to reflect on the global economy's previous two decades. The past twenty years have certainly had their share of crosscurrents, events, bubbles, crashes, wars, a lot to cheer about, a lot to cry over and maybe some lessons to be learned. The Tweedy, Browne Sub-Funds moved to Luxembourg in 1996 and three of the four have existed in their current form through the majority of those 20 years. With the required caveat that past results are no guarantee of future returns, the three 1996-era Sub-Funds have all outperformed their benchmark indexes. The two International Value Sub-Funds (Euro and CHF) compounded at more than twice the rate of their respective benchmarks since their inception (certainly with ups and downs). Tweedy, Browne International Value (Euro) compounded at 9.07% per year compared to 4.51% for its benchmark index, or, cumulatively, 334.30% for the Sub-Fund vs. 110.74% for the index. Likewise, Tweedy, Browne International Value Fund (CHF) has compounded at 7.53% per year while its benchmark MSCI EAFE Index returned 3.17% per year, or, cumulatively 241.24% vs. 69.53% for the Index. Tweedy, Browne Value Fund (USD) has outperformed its benchmark since its inception by a more modest amount, 6.35% to 6.15%, through September 30. *(This record may not be duplicated in the future. Moreover, there may be time periods when the Fund underperforms for an extended period of time. The Sub-Funds' complete performance results can be found later in this letter.)* During this period there has been a lot to navigate, evaluate, adapt to and translate into sensible, and hopefully

successful, investment decisions. At the risk of hubris or maybe naiveté, we come away thinking there are some sound inherent strengths to the way we go about investing, particularly if you are willing to give it some time, since our investment style won't outperform day in and day out. Moreover, a number of the old faces present at the start of this period are still at it. Further, we have added a number of extraordinarily talented new faces on the assumption that the old faces will not prove to be immortal.

The following is a brief chronology highlighting some of the more significant "events" of the past twenty years. At the least, we think it will be interesting and will surely reinforce the fact that the world we invest in has been characterized by a lot of change, periods of uncertainty, and unjustifiably optimistic expectations. This chronology might also suggest that the current status quo may in fact look very different a few years down the road.

Chronology

1993

- Tweedy, Browne launches its first two U.S. based mutual funds.
- Top marginal individual tax rate raised to 39.6% in the U.S.
- Crude oil is $16.96 per barrel; price of one share of Berkshire Hathaway is around $15,000
- Chinese GDP estimated at $600 billion; Japanese GDP estimated at $3.8 trillion
- South Africa adopts majority rule
- Ten-Year U.S. Treasury yield is 6.6% (January 1, 1993)
- Price of 1 MCF of natural gas at the wellhead is $2.00
- Japanese government debt estimated at 71% of GDP

1994

- U.S. Treasury 30-year bond yields reach 8.16%
- Fixed rate mortgages exceed 8.5%
- Internet technology commercialized

1995

- Budget impasse causes U.S. government shutdown
- U.S. government bails out Mexico following peso collapse
- U.S. Federal funds rate reduced from 6.0% to 5.5%
- Netscape commercializes Internet browser

1996

- Tweedy, Browne Sub-Funds moved to Luxembourg, launched in their current form.
- U.S. Federal minimum wage raised to $4.75 per hour

1997

- Dow Jones Industrial Average tops 8000
- Unemployment in the U.S. hits 24-year low of 4.9%
- October 27, Dow Jones Industrial Average falls 7%+ on Asian financial crisis
- Thai, Indonesian and Korean currencies lose 50% of value versus U.S. dollar
- Hong Kong returned to China

1998

- Long-Term Capital Management L.P. fails; bailout cost $3.6 billion
- Brazil to receive $42 billion rescue package from IMF
- Chinese GDP surpasses $1 trillion

- Google founded

1999

- Euro introduced at $1.17 USD to 1 euro in January
- Crude oil hits nine-year high of over $26 per barrel

2000

- In March, NASDAQ hits record high of 5048; Dow has highest single day gain in history of 499 points
- “Dot-com Bubble” bursts
- Euro falls to $0.82 USD in October (in July 2008 it rises to $1.60 USD)
- NASDAQ falls to 2470 by year-end (will fall to 1108 in October 2002)

2001

- Terrorist attack on World Trade Center and Pentagon; trading in U.S. halted for four days
- U.S. Vice President Cheney estimates U.S. will rely on imports for two-thirds of its oil requirements in 2020
- NASDAQ falls to 1423
- Enron collapses
- U.S. Federal Fund rates cut to 1.75% in December

2002

- Sarbanes-Oxley bill signed in the U.S.
- WorldCom files for bankruptcy
- NASDAQ falls to 1172

2003

- Second Gulf War begins in March
- May 1, U.S. President Bush announces conclusion of major combat in Iraq.
- Auto sales in U.S. reach a seasonally adjusted annualized rate of 19 million vehicles in August – second best monthly rate in history (GM and Chrysler file for bankruptcy six years later)

2004

- In October, oil reaches $52 per barrel
- IBM announces sale of PC business to Lenovo
- George Bush re-elected as U.S. President.
- Google goes public

2005

- Berkshire Hathaway reaches $92,000 per share
- Oil passes $60 per barrel
- Price of 1 MCF of natural gas at the wellhead is over $15
- U.S. passes new bankruptcy law

2006

- Subprime mortgage market continues rapid expansion
- California bonds upgraded to A+ by S&P
- Alan Greenspan retires as the U.S. Federal Reserve Chairman

- Mortgage underwriting standards continue to deteriorate

2007

- Financial condition of Fannie Mae and Freddie Mac deteriorates
- Bank of America makes $2 billion investment in Countrywide Financial
- Major banks agree to $75 billion superfund to restore credit market confidence
- U.S. housing crisis worsens
- Stock markets fall sharply in reaction to the failure of two mortgage-related hedge funds at Bear Stearns
- Largest LBO in history occurs with $47 billion purchase of Texas Utilities, renamed Energy Future Holdings Corp.

2008

- Stock markets collapse worldwide
- JPMorgan Chase buys Bear Stearns for $10 per share
- Crude oil goes over $100 per barrel
- Lehman Brothers fails; Merrill Lynch announces sale to Bank of America
- U.S. Federal Reserve announces up to $900 billion in short-term loans to banking system; agrees to loan over $1 trillion to companies as short-term money markets come to a standstill
- Fannie Mae and Freddie Mac placed into conservatorship of the Federal Housing Finance Agency
- Total U.S. government debt, $9,986 billion; U.S. Federal Tax Revenue, $2,524 billion; total U.S. government spending, $2,983 billion; U.S. government deficit, $459 billion

2009

- President Obama takes office in the U.S. and Congress approves a $787 billion stimulus package
- Chrysler and GM file for bankruptcy
- Housing prices in the U.S. show slight increase
- S&P rises over 65% from its low and finishes up 26% for the year

2010

- U.S. Federal Reserve begins second round of quantitative easing
- California bonds downgraded to A- by S&P
- Chinese GDP reaches $5.9 trillion USD, surpassing Japan as second largest economy in the world
- Eurozone debt crisis intensifies; Greece receives 110 billion euro loan; Ireland receives 85 billion euro loan; European governments approve a 750 billion euro package to stabilize financial markets; euro falls from $1.45 USD to $1.20 USD between January and June
- The Affordable Care Act, aka Obamacare, signed into law in the U.S.
- Dodd-Frank becomes law of the land in the U.S.; bill approximately 2,300 pages

2011

- S&P downgrades U.S. government debt
- U.S. combat troops withdraw from Iraq
- Oil hits $123 per barrel in April
- Greece receives second bailout of 109 billion euros; Greek debt estimated at 350 billion euros
- The first of the “baby boom generation” turns age 65

2012

- Facebook goes public
- U.S. economy improves modestly
- Europe slips back into recession
- Chinese economy reaches $8 trillion USD
- Berkshire Hathaway market cap surpasses $116 billion; trades at over $134,000 per share
- The International Energy Agency predicts U.S. oil production will surpass Saudi Arabia in the next decade, possibly becoming a net exporter of energy
- Total U.S. government debt, $16,050 billion; Federal Tax Revenue, $2,450 billion; total U.S. government spending, $3,537 billion; U.S. government deficit, $1,087 billion

2013

- Six largest U.S. banks' legal expenses since financial crisis estimated to exceed $100 billion
- U.S. and European interest rates kept historically low
- U.S. housing market slowly recovering on record low mortgage rates
- U.S. government shut down for 16 days
- Unemployment exceeds 25% in Spain and Greece
- Energy Future Holdings Corp. expected to file for bankruptcy
- Price of 1 MCF of natural gas at the wellhead is $3.58
- Berkshire Hathaway trades at over $175,000 per share
- Many Dodd-Frank rules unfinished; regulations promulgated thereunder currently exceed 14,000 pages
- Japanese government debt estimated at over 200% of Japanese GDP
- Total U.S. government debt reaches $17,000 billion, nearly 7 times 2012 Federal tax revenues.

Performance Results

Presented below are the investment results of Tweedy, Browne Value Funds SICAV (the "Fund") for the year ended September 30, 2013 with comparisons to the indices we consider relevant. In this report, we have presented the Investment Manager's Report for the four Sub-Funds in one letter, which reflects the performance details and our views on the performance, as well as the financial statements for each Sub-Fund.*

Tweedy, Browne Value Fund (USD)

Annualized Results* ending September 30, 2013

	Tweedy, Browne Value Fund (USD)	***MSCI World (in USD)***	***S&P 500 Index***
6 Months	6.21%	8.87%	8.31%
1 Year	18.68	20.21	19.34
3 Years	11.18	11.82	16.25
5 Years	8.87	7.84	10.01
10 Years	5.85	7.58	7.56
Since Inception *(10/31/96)*	6.35	5.85	7.21

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

Tweedy, Browne International Value Fund (Euro)

Annualized Results* ending September 30, 2013

	Tweedy, Browne International Value Fund (Euro)†	***MSCI EAFE (Hedged to US$/Euro)***	***MSCI EAFE (in US$/Euro)***
6 Months	2.06%	8.37%	4.80%
1 Year	14.14	27.22	17.63
3 Years	10.74	8.56	8.78
5 Years	10.69	4.91	7.14
10 Years	8.88	5.94	6.70
Since Inception *(10/31/96)*	9.07	4.51	4.32

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

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

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

Tweedy, Browne International Value Fund (CHF)

Annualized Results* ending September 30, 2013

	Tweedy, Browne International Value Fund (CHF)	***MSCI EAFE (Hedged to CHF)***	***MSCI EAFE (in CHF)***
6 Months	2.84%	8.38%	5.49%
1 Year	16.04	27.21	19.09
3 Years	10.12	7.98	5.71
5 Years	8.65	4.61	1.87
10 Years	7.21	5.11	4.17
Since Inception *(10/31/96)*	7.53	3.17	2.94

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

Tweedy, Browne Global High Dividend Value Fund

Annualized Results* ending September 30, 2013

	Tweedy, Browne Global High Dividend Value	***MSCI World (Hedged to Euro)***	***MSCI World (in Euro)***
6 Months	1.79%	7.88%	3.28%
1 Year	10.40	21.50	14.25
3 Years	9.76	11.41	12.14
5 Years	6.89	6.22	8.64
Since Inception *(6/1/07)*	2.03	0.07	1.36

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

As you can see from the benchmark results quoted above, the last six-month and one-year periods have been very good for investors. We believe the same has held for the Tweedy, Browne Sub-Funds, which produced six-month returns ranging from 1.79% to 6.21%, and twelve-month returns ranging from 10.40% to 18.68% for Sub-Fund shareholders. That said, the Sub-Funds have been trailing market indices over the last year. This is largely due to our rising cash reserve positions and our rather insignificant exposure to Japanese equities which, as previously stated, have been on a tear over the last year. The cash reflects our view that there is a paucity of bargains in global equity markets. The small position in Japan relates largely to our concerns about Japanese corporate governance, and the absence of the kinds of natural catalysts for value recognition in equities that are abundant in the West. We have spoken of this in past letters. There is essentially no active takeover market in Japan because Japanese culture and interlocking directorates make corporate activism virtually nonexistent. This leaves Japanese managements in a position to run their businesses in ways that we believe are at times not in the interests of shareholders. This, of course, is not true of all Japanese corporations. When we find Japanese companies that are undervalued and have paid deference to shareholders, for example, through the payment of dividends and intelligent stock buybacks, we do not hesitate to invest. The Japanese equity market has been in the doldrums for nearly 24 years. Every now and then, the Japanese market perks up for a brief period, before it invariably settles back to lower levels. The uptick often relates to some change in policy that sparks hopes for business and economic reform, and index-hugging investors rush to get in so as not to miss a move in a market that constitutes over 20% of international developed market indices. The recent run-up in Japan appears to be related to the new government's attempts to inject liquidity into the Japanese economy, and to public comments made about possible tax and business reform. Our behavior on the other hand is dictated by the value of businesses, and the availability of securities that meet our rather strict criteria, and not on the prospects of a rally related to some possible change in the direction of economic policy. While we wish the Japanese Prime Minister well, we will continue to invest in Japan only when we find businesses that we believe are undervalued and run by managements that have shown an interest in shareholders.

Longer term comparisons of our Sub-Funds' performance continue to remain quite favorable.

Our Fund Portfolios

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

There has been a slow changing of the guard in terms of the companies producing the largest contributions to returns in our Sub-Fund portfolios over the last year. The large branded consumer products companies that had produced the best returns in our portfolios for many of the last several years have begun to take a backseat in terms of near term equity performance to the more economically sensitive businesses such as media, resource-based, and industrial companies. Over the last year, our best returns were produced by companies such as Axel Springer, the large German publisher; oil & gas related companies such as Total and Halliburton; and industrials such as Safran, the French civil jet engine manufacturer, TNT Express, the Dutch express packaging business, Vallourec, the French seamless pipe manufacturer, and Emerson Electric, the large U.S.-based electrical equipment company. We also had strong returns from information technology companies such as Cisco Systems and Google, financials such as CNP Assurances and Wells Fargo, and defense contractor, BAE Systems.

Disappointments were marginal, and few and far between, and occurred in several of our branded consumer products companies including Philip Morris International, British American Tobacco, Coca-Cola Femsa, Nestle, and Unilever; G4S, the U.K.-based global security business; and Joy Global, the U.S.-based mining equipment manufacturer, among a handful of others.

Portfolio turnover remained very low in our Fund portfolios over the last year, ranging from 6.6% to 10.0%. Noteworthy new positions included Banco Santander Brasil, a large Brazilian bank; National Oilwell Varco, the leading global manufacturer of drilling rig equipment and consumables to the energy industry; and Cenovus Energy, the Canadian oil sands company. Banco Santander Brasil represents our first investment in a Brazilian company. With emerging markets such as Brazil contracting somewhat as China slows, and money moving out

of emerging markets based on expectations of a change in U.S. Federal Reserve monetary policy, we were afforded a pricing opportunity in what we believe to be a very attractive bank. Although Banco Santander S.A., a large Spanish bank, is a significant shareholder of Banco Santander Brasil, the Brazilian bank is an independently listed subsidiary with its own management team, board of directors, and capital base. At initial purchase, Banco Santander Brasil was trading right around tangible book value, below 10 times 2013 estimated earnings, and had a dividend yield of approximately 5%. For a bank, it is extremely underleveraged (19.9% Tier 1 capital ratio), has high net interest margins, and among its three local competitors, has the highest consumer exposure to what we believe will continue to be a rapidly growing middle class over the longer term in Brazil. National Oilwell Varco's stock symbol is NOV, and industry experts insist it really stands for "no other vendor" as it is the almost universally preferred manufacturer of offshore drilling rig equipment in the global oil & gas industry. It has a leading market position in the segments of the oil & gas industry that are generating the most growth, deepwater drilling and shale drilling. The company has historically generated high returns on capital, has what we believe to be a conservative balance sheet with minimal debt, and, given the uncertainty associated with near term growth of drilling equipment orders, we were able to purchase shares at a significant discount to our estimate of the company's intrinsic value. Cenovus, the Canadian oil sands operator that was spun out of Encana five years ago, has a strong production growth profile with low cost *in situ* oil sands reserves. At purchase, Cenovus was trading at a substantial discount from our estimate of intrinsic value and had a dividend yield of 3.2%.

On the sell side of our Sub-Fund portfolios, we sold our remaining shares of Vodafone, taking advantage of higher market prices associated with the prospective sale of Vodafone's interest in Verizon Wireless. Other noteworthy sales include Arthur J. Gallagher, Kimberly-Clark, Brown & Brown, Phillips 66, the spin-off from ConocoPhillips, and the spin-off from Siemens, OSRAM Licht, all of which had reached or exceeded our estimates of their respective intrinsic values. We also continued to sell and trim a number of our Japanese holdings into the strength of the Japanese equity market, reducing what was already a modest weighting in our portfolios. As mentioned above and in our previous shareholder letter, if Japanese equities continue their upward momentum, it could have a dampening effect on our relative results.

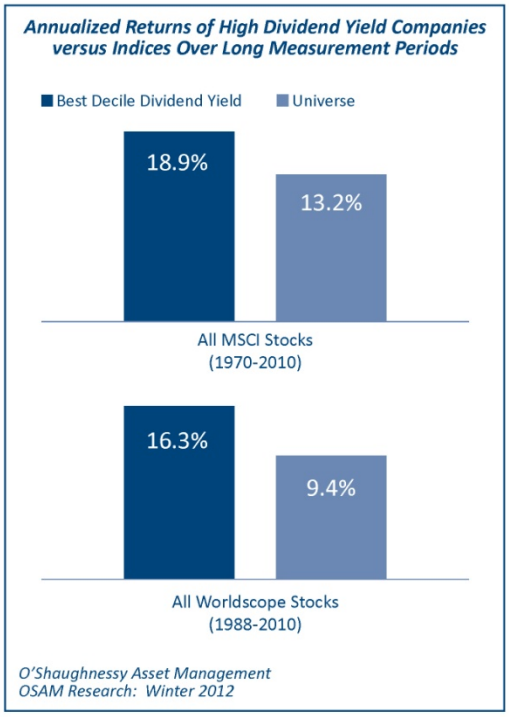
Valuations for the most part in global equity markets have caught up with underlying fundamentals, making bargain hunting today considerably more challenging. As we write, the U.S. equity market index, S&P 500, is hitting all-time highs. Our Sub-Funds have compounded between 13.3% and 19.7% per year over the period since the bottom of the financial crisis on March 9, 2009 through September 30, 2013. As of September 30, 2013, the weighted average price earnings multiples for our Fund portfolios were between 14 and 15 times estimated 2013 earnings and weighted average dividend yields ranged between 2.9% and 4.0%. *(Please note that the weighted average dividend yields shown above are not representative of the Sub-Funds' yields, nor do they represent the Sub-Funds' performance. The figures solely represent the average dividend yields of the common stocks held in the Sub-Funds' portfolios.)* While these are certainly not nosebleed valuations, they are reasonable to full. A shrinking opportunity set, together with increasing inflows into a few of our Sub-Funds, have caused cash reserves to increase at the margin. To prevent dilution associated with an increasing cash position, we have taken steps over the last several months to manage new subscriptions into our Funds. Large, potentially disruptive inflows into any of our Sub-Funds from a single purchaser are now subject to review, and may be rejected by the Sub-Fund.

Intelligent Capital Allocation and its Impact on Investment Returns

Most companies that have an above average dividend yield are mature enterprises which generate substantial cash. How that cash is deployed, i.e., reinvesting in existing operations, acquisitions, reducing debt, paying dividends, buying back stock, is critical to the long-term growth of the company's value, and to our investment success as shareholders. We ran across some interesting data recently that we thought would be of interest to you, and perhaps bolster your confidence regarding the efficacy of dividend yield and stock buybacks and their association with attractive investment returns over time.

While our own white paper entitled **The High Dividend Yield Return Advantage** (available on our website, www.TweedySICAV.com) clearly sets forth evidence that companies that pay above average dividend yields produce attractive returns over time and typically outperform their non-dividend paying brethren, high dividend paying "global" companies have empirically been proven to produce even better results. According to a research piece from O'Shaughnessy Asset Management, using data from Morgan Stanley Capital International ("MSCI") going back to 1970, the top decile of dividend paying the broader database.‡‡ Using another database, the Worldscope database, from 1988 to 2010, top decile dividend paying companies performed even better, outperforming the Worldscope database average by 6.9% per year. Global dividend payers also apparently outperformed with a great deal of consistency in both databases, with the top decile dividend yielders outperforming the MSCI database in 92% of the rolling three-year periods and outperforming the Worldscope database in 98% of the rolling three-year periods.

‡‡ O'Shaughnessy Asset Management, *Stocks, Bonds, and the Efficacy of Global Dividends* (Winter 2012).



This chart does not represent the performance of Tweedy, Browne or the Sub-Funds.

Another way for shareholder friendly managements to return money to shareholders is through stock buybacks. If done rationally, when the company's stock is trading below intrinsic value, they have the added dimension of increasing shareholder value for the remaining shareholders. Some of the best examples of long-term shareholder value creation have occurred when corporate CEOs have boldly bought back their shares when they have been mispriced by the stock market. While buybacks tend to occur sporadically, and are certainly not as reliable as dividends (which are typically paid quarterly or semi-annually), they have also often been associated empirically with superior returns over long measurement periods.

It is not uncommon for companies that pay attractive dividends to also engage in share repurchases from time to time, and that has been the case for a number of our portfolio holdings in our Global High Dividend Yield Value Sub-Fund. In the current portfolio, 13 of our 32 holdings have had net reductions in their outstanding shares over the last five years due to share repurchases. For example, Nestle, a consistent long term performer, has used its free cash flow not only to increase its dividends over time (10.9% per year over the last 5 years), but also to repurchase approximately 574 million shares (net) during this period. This has produced

what some investors call a “buyback yield,” or reduction in share count, of approximately 3.4% per year. While Nestle has reduced its share count in most years since 2005, it most aggressive purchases occurred in 2008 through 2010 when its stock price was significantly lower than it is today and when it was trading at a nice discount from its intrinsic value. Interestingly, the pace of buybacks slowed in 2011 and ceased altogether in 2012 and 2013 as its stock price rose and approached full value. This kind of savvy capital allocation by Nestle’s management inures directly to the benefit of its remaining shareholders through increases in intrinsic value. Nestle’s current dividend yield is 3.1%, but because of substantial increases in dividends and the reduction in its share count over the years, the current yield as it relates to the average weighted cost of our shares in 2009 is 5.4%. The reduction in share count also means that while dividend growth per share has been good in Nestle, the increase in the absolute dollars paid out in dividends has been modest, making room for continued potential growth in dividends in the years ahead.

Looking Forward

We are pleased to announce that David Browne, Roger de Bree and Jay Hill, three of our long time analysts, joined us as members of the firm’s Investment Committee on August 1, 2013. These three individuals have played an important role in our investment process for quite some time, and we felt it was time to acknowledge their contribution. While we feel that there is plenty of tread left on our tires, we also realize that we are mortal and must plan for the future of our firm. If and when one of us decides to retire, any one of these analysts could fill the void. We would be perfectly comfortable with their management of our personal assets and those of our clients. We look forward to working more closely with them in their expanded roles at the firm and to their contributions to the continued success of Tweedy, Browne. Below are brief descriptions of their backgrounds.

David Browne, a Chartered Financial Analyst (CFA), has been associated with the Investment Adviser since 2005, and is a research analyst focusing on both U.S. and foreign securities. Prior to joining the Investment Adviser full time, he worked in our London research office in the summer of 2003. David received a B.A. from Colgate University (2005).

Roger R. de Bree has been associated with the Investment Adviser since 2000, and is resident in the firm’s London research office as an analyst focused primarily on non-U.S. securities. Before joining Tweedy, Browne, he worked at ABN AMRO Bank and MeesPierson Inc., in addition to serving as an officer in the Royal Dutch Navy from 1986 to 1988. Roger has an undergraduate degree in business administration from Nijenrode, the Netherlands School of Business (1984) in Breukelen, the Netherlands as well as an M.B.A. from the Instituto de Estudios Superiores de la Empresa (IESE) at the University of Navarre (1986) in Barcelona, Spain.

Jay Hill, a Chartered Financial Analyst (CFA), has been associated with the Investment Adviser since 2003, and is a research analyst focused on both U.S. and foreign securities. Prior to joining the Investment Adviser, Jay held positions with Banc of America Securities LLC, Credit Lyonnais Securities (USA) Inc., and Providence Capital, Inc. He received a B.B.A. from Texas Tech University (1997).

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

Sincerely,

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

October 2013