

# Announcing Managers of the Year for 2011

These winners stayed on track in a year of head fakes.

**Fund Spy** | 01-04-12 | by Karen Dolan, CFA

What a year to be a fund manager. U.S. stocks were up early, plunged in late summer, then rose again, ending 2011 barely above water. Foreign equities, plagued by debt troubles in Europe and concerns over slowing growth in emerging markets (primarily China and India), finished the year deep in the red. The U.S. bond market enjoyed its status as a safe haven with the strength of U.S. government bonds surprising many astute investors who had been concerned about Treasuries' ultralow yields against a backdrop of slow growth and high government debt. Overall, the most successful managers were able to keep perspective by staying focused on deep research within their circles of competency.

As always, some fund managers' styles were in favor, helping elevate them to the top of the performance charts. Yet, our winners' returns cannot solely be explained by a stylistic tailwind. We look for managers who nailed the past year on the heels of much lengthier success, and we measure achievement not only by observing trailing performance but also by reviewing managers' strategies in action over time.

Morningstar presents three awards each year: Domestic-Stock Fund Manager of the Year, International-Stock Fund Manager of the Year, and Fixed-Income Fund Manager of the Year. In early December, fund analysts specializing in those fields narrow the universe for each award to five nominees, and the winner is then selected by Morningstar's entire team of mutual fund analysts. To make the most informed decision, we comb through portfolios, returns, stewardship, and our own institutional memory of these managers as we debate and vote. While the awards have always distinguished the past calendar year, we've never simply chosen the highest-returning funds. We favor managers who have achieved strong risk-adjusted performance through the careful execution of a solid investment strategy and who act as responsible stewards of investors' capital.

This is not an attempt to pick the best manager for the upcoming quarter or year; rather, it recognizes managers' past achievements.

Still, we're confident this year's winners—and past ones—can enjoy continued success in the future because our selection process focuses not only on performance but also on how those returns were achieved.

## **Tweedy, Browne Global Value** TBGVX

This fund and its management team stood out for limiting losses in a brutal year for international-stock investing. Tweedy, Browne Global Value lost 4.13% in 2011, which is roughly 800 basis points less than rival funds and the MSCI EAFE Index.

The fund's biggest help came from heavy positions in tobacco and alcohol stocks, which had a standout year. The portfolio held sizable positions in Philip Morris PM and British American Tobacco BATS plus spirits-maker Diageo DGE, all of which were up double digits in 2011. But the real key to the fund's resilience in 2011 was the portfolio's distance from banks, the epicenter of Europe's problems. The fund has one of the smallest bank weightings in its category, with a few non-European banks holding measured spots in its portfolio. Thick controversy is not a magnet drawing these managers in; rather, they prefer financially strong companies with good franchises trading at reasonable valuations—an approach that's worked well over time.

This team does not only shine in down markets. While the fund was in its category's top quartile in 2008's treacherous environment, it also locked in top-quartile finishes in 2009's and 2010's rallies. The fund's toughest times came in 2002 when its consumer-oriented bent hurt returns and later in the decade when the U.S. dollar weakened. In that period, the fund's fully hedged policy damaged its relative standing versus funds that don't hedge.

This is a second win for members of this team. William Browne and John Spears won the award in 2000 along with a former comanager, the late Chris Browne. Tom Shrager and Bob Wyckoff are 20-year veterans of the advisor and were quite involved with this foreign large-value fund long before they joined the helm in the mid-2000s. The managers have also earned good year-to-date and long-term risk-adjusted results at Tweedy, Browne Value TWEBX and Tweedy, Browne Worldwide High Dividend Yield Value TBHDX using similar approaches.

The sections for Domestic-Stock Fund Manager of the Year and Fixed-Income Fund Manager of the Year have been omitted for reprint purposes. To read the full article visit [www.morningstar.com](http://www.morningstar.com).

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## **International-Stock Manager of the Year**

Manager	Fund Ticker	2011 Return	2011 Category Ranking
William Browne, John Spears, Tom Shrager, and Bob Wyckoff	TBGVX	-4.13%	5

Established in 1988, the Morningstar Fund Manager of the Year award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. To qualify for the award, managers' funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term risk-adjusted performance and of aligning their interests with shareholders'. The Fund Manager of the Year award winners are chosen based on Morningstar's proprietary research and in-depth qualitative evaluation by its fund analysts.

Morningstar has ranked the Tweedy, Browne Global Value Fund (the "Global Value Fund") among its peers in the Foreign Large Cap Value Fund Category based on average total returns. For the 1-, 5-, and 10-year periods ended December 31, 2011, the Global Value Fund has ranked in the in the top 5% (out of 376 funds), the top 1% (out of 269 funds), and the top 22% (out of 147 funds), respectively. Percentile rank in a category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. The number in parentheses represents the number of funds in the category. Percentile rank in a category is based on total returns, which include reinvested dividends and capital gains, if any, and exclude sales charges.

The average annual total returns of the Global Value Fund for the 1-, 5- and 10-year periods ending December 31, 2011 were -4.13%, -0.04%, and 6.19%, respectively. As of March 31, 2011, the Global Value Fund's total annual operating expense ratio was 1.40%.

The average annual total returns of the Tweedy, Browne Worldwide High Dividend Yield Value Fund (the "Worldwide High Dividend Yield Value Fund") for the 1-year and since inception (December 5, 2007) periods ending December 31, 2011 were 4.04% and 0.42%, respectively. As of March 31, 2011, the Worldwide High Dividend Yield Value Fund's total annual operating expense ratios were 1.40% (gross) and 1.38% (net).

The average annual total returns of the Tweedy, Browne Value Fund (the "Value Fund") for the 1-, 5- and 10-year periods ending December 31, 2011 were -1.75%, 1.06%, and 3.28%, respectively. As of March 31, 2011, the Value Fund's total annual operating expense ratio was 1.40%.

*The preceding performance data represents past performance and is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data shown. Please visit [www.tweedy.com](http://www.tweedy.com) to obtain performance data, which is current to the most recent month end. The Global Value Fund, the Worldwide High Dividend Yield Value Fund, and the Value Fund do not impose any front-end or deferred sales charge. However, the Global Value Fund and the Worldwide High Dividend Yield Value Fund impose a 2% redemption fee on redemption proceeds for redemptions or exchanges made within 60 days of purchase. Performance data does not reflect the deduction of the redemption fee and if reflected, the redemption fee would reduce performance data quoted for periods of 60 days or less.*

The Adviser has contractually agreed to waive its investment advisory fee and/or to reimburse expenses of the Worldwide High Dividend Yield Value Fund to the extent necessary to maintain the total annual fund operating expenses (excluding fees and expenses from investments in other investment companies, brokerage, interest, taxes and extraordinary expenses) at no more than 1.37%. This arrangement will continue at least through December 31, 2012. In this arrangement, the Worldwide High Dividend Yield Value Fund has agreed, during the two-year period following any waiver or reimbursement by the Adviser, to repay such amount to the extent that after giving effect to such repayment such adjusted total annual fund operating expenses would not exceed 1.37% on an annualized basis. The performance data shown above would be lower had fees and expenses not been waived and/or reimbursed.

MSCI EAFE Index US\$ is an unmanaged capitalization-weighted index of companies representing the stock markets of Europe, Australasia and the Far East. MSCI EAFE Index Hedged consists of the results of the MSCI EAFE Index hedged 100% back into US dollars and accounts for interest rate differentials in forward currency exchange rates. Results for both indexes are inclusive of dividends and net of foreign withholding taxes.

As of December 31, 2011, the Global Value Fund invested the following percentage of its net assets in the following holdings: Philip Morris (4.59%), British American Tobacco (2.05%), and Diageo (3.99%).

Current and future portfolio holdings are subject to risk. Investing in foreign securities involves additional risks beyond the risks of investing in US securities markets. These risks include currency fluctuations; political uncertainty; different accounting and financial standards; different regulatory environments; and different market and economic factors in various non-U.S. 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. Investors should refer to the Funds' prospectus for a description of risk factors associated with investments in securities held by the Funds.

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The Global Value Fund, the Worldwide High Dividend Yield Value Fund, and the Value Fund are distributed by Tweedy, Browne Company LLC.

This announcement must be preceded or accompanied by a prospectus for Tweedy, Browne Fund Inc.