



TWEEDY, BROWNE
GLOBAL VALUE FUND

ANNUAL

MARCH 31, 1997



TWEEDY, BROWNE
AMERICAN VALUE FUND

Investment Manager's Report

To Our Shareholders:

We are pleased to present the Annual Report for Tweedy, Browne Global Value Fund and Tweedy, Browne American Value Fund for the fiscal year ended March 31, 1997. In our Semi-Annual Report as of September 30, 1996, we experimented with combining the reports of our two Funds and asked our shareholders for their opinion on this combined format. We are happy to report that the new format was met with approval by all who responded, so we will continue to report in this manner. Unanimity of opinion is rare in the investment world, so we are particularly gratified that our experiment was greeted with approval. It makes our task of reporting somewhat easier and permits all of our shareholders to hear our complete views, irrespective of whether they apply to stocks in the U.S. or outside the U.S. Additionally, as some of you pointed out, there is a savings in printing costs by combining the reports. We have also followed the suggestion of one shareholder and separated the discussions that are specific to one or the other Fund, and combined the discussion that is more general and relevant to both Funds.



Will Browne, John Spears and Chris Browne

For the year ended March 31, 1997, the net asset value of the shares of the Global Value Fund increased 16.66%* to \$15.46 per share. This performance includes the reinvestment of a dividend of \$1.1225 per share paid in December 1996. For the same period, the Morgan Stanley Capital International (“MSCI”) Europe, Australasia and Far East Index (“EAFE”) gained 1.45%. The EAFE Index is measured in U.S. dollars so any rise in the value of the dollar vis-a-vis other currencies would reduce the reported results of the Index. This was the case in the past twelve months. EAFE in local currencies rose 10.23%. However, the most relevant comparison to our performance is EAFE hedged back into the dollar, by which we mean the Index is calculated as if the investment positions in each of the countries in the Index were dollar hedged. The EAFE Index hedged showed a gain of 12.53%. One of the questions we were asked following our discussion of currency hedging in a previous letter was whether we know what our performance would have been if we had not hedged our currency exposure. We have not made this particular calculation and we do not think it would be easy to do. The comparison of the EAFE Index in dollars, in local currency, and hedged gives some indication of the impact of currencies and hedging. Clearly, hedging was the course to have followed in the past year. If we subtract the results of the EAFE Index, as measured in dollars, 1.45%, from the local currency version of the EAFE Index, 10.23%, we see that the rise in the dollar reduced the increase in the local markets by 8.78%.

Furthermore, if we subtract the increase in the local currency version, 10.23%, from the hedged EAFE Index, 12.53%, we see that hedging actually added 2.30% to the EAFE Index’s performance. The reason for this is the difference in the one-year interest rate between the U.S. and the countries that comprise the EAFE Index. Put another way, the weighted average interest rate in the countries in the Index was 2.29% lower than the one-year U.S. interest rate. While hedging was a good thing to do last year, we do not wish to take any credit for doing so. As we hope our shareholders all know, it is our policy to maintain a fully hedged position at all times. Just as we do not pretend to be able to predict where individual stock markets are headed, we certainly do not have a clue as to where eighteen different currencies are going in relation to the dollar.

*Past performance is not a guarantee of future results and total return and principal value of investments will fluctuate with market changes. Shares, when redeemed, may be worth more or less than their original cost.



The composition of the portfolio of the Global Value Fund, in geographic terms, has not changed appreciably over the past year. The table below shows our investment positions by geographic area:

	1996	1997
Europe	55.8%	49.0%
Australasia	17.8	21.6
North America	16.1	17.2

We are currently invested in 21 countries. The five largest areas of investment by country at fiscal year-end 1997 as compared to fiscal year-end 1996 is as follows:

	1996		1997
Switzerland	16.0%	Japan	18.7%
Japan	14.9	USA	15.1
USA	14.6	Switzerland	12.7
France	9.0	U.K.	6.5
Netherlands	8.9	France	6.3

We still do not, and probably never will, pay any attention to country weightings of the popular indices when investing the assets of your/our Fund. Our relatively small position in Japan as compared to EAFE probably helped last year as the Japanese Index declined 25.7%. Again, this should be chalked up to luck rather than genius. We simply have not found enough opportunities in Japan to warrant investing an amount equal to the 29% weighting Japan has in the EAFE Index. In some future year, the Japanese market could well roar ahead, and if we are less invested than the Index, in all likelihood we will underperform.

Our focus is on finding cheap stocks on a global basis. In this regard, we are more concerned with what we call the portfolio characteristics of the Global Value Fund. We focus on how much of our money is invested in stocks that have a cheap market price in relation to book value, and how much of our money is invested in stocks that are selling at low price/earnings ratios. As of March 31, 1997, 32% of our assets were invested in 139 issues selling at a weighted average price of 74% of book value. In the Worldscope global database of 8,272 stocks with a market capitalization of \$100 million or more, only 445 issues, or 5% of the total, were selling at a price-to-book value ratio of 74% or less. In other words, 95% were more expensive than our holdings on this basis. From a price/earnings standpoint, 51% of the



Global Value Fund's assets were invested in 79 issues selling at a weighted average of 10.7 times actual or estimated earnings. Again, in the Worldscope global database, only 994 companies, or 12% of the total, were selling at 10.7 times earnings or less, which means that 88% of the companies were more expensive.

The performance of the American Value Fund was better on an absolute basis, although not as good on a relative basis. For the year ended March 31, 1997, the net asset value of the American Value Fund increased 17.75%*, to \$16.22 per share after adding back a dividend of \$0.5865 per share paid in December 1996. During the same period, the Standard & Poor's 500 Stock Index ("S&P 500") gained 19.82%, including the reinvestment of dividends. It is always nice to think one can beat the S&P 500 year in and year out, but our experience tells us this is not possible. Since we do not invest your/our Fund to look like the S&P 500, we assume that the S&P 500 will outperform us about 33% of the time as it has over the last 22 years. The results of the S&P 500 this past year were primarily caused by a handful of big capitalization stocks. Broader indices, which include smaller and medium size stocks, did not fair as well. For example, the Wilshire 5000 Index gained 15.51% and the Russell 3000 Index rose 16.42%. Because we invest across the full spectrum of all market caps (approximately 40% of the American Value Fund is invested in stocks with market caps of less than \$1 billion), it is difficult for us to outperform the S&P 500 at a time when large cap stocks are beating the overall market. On a calendar year basis, our performance in 1996 just about matched that of the S&P 500, 22.45% for the American Value Fund versus 23% for the S&P 500. Our long-term goal is to compound our net worth at something north of 15% per year as compared to the S&P 500's long-term result of 10.5%. While past performance is no guarantee of future performance, we have achieved our goal in the past and hope we will continue to do so in the future.

The portfolio characteristics of the American Value Fund also diverge significantly from that of the S&P 500. While there is some concern voiced in the investment community about the current level of the S&P 500 in terms of price/earnings ratios and price-to-book value ratios as compared to

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historic levels, we believe our portfolio holds greater value than the S&P 500. As of March 31, 1997, 20% of the American Value Fund's assets were invested in 73 stocks selling at a weighted average price-to-book value ratio of 76% as compared to a price-to-tangible book value ratio of 443% for the S&P 500. Moreover, in the Bloomberg database of 3,809 stocks with a market capitalization of \$100 million or more, only 75 stocks, or 2% of the total, were selling at 76% of book value or less. A further 53% of the American Value Fund's portfolio was invested in 58 stocks selling at a weighted average price-to-actual or estimated earnings of 10 times as compared to a price/earnings ratio of 20 times for the S&P 500. Again, in the Bloomberg database, only 261 stocks out of 3,809 stocks with a market capitalization of \$100 million or more, 7% of the total, were selling at 10 times earnings or less. We like to keep both of our Funds invested in the lower value tiers of all stocks, as our experience and that of numerous academic studies tells us that this is where we can expect satisfactory long-term results.

The fact that we discuss our results in relation to an index, whether it be EAFE or the S&P 500, may seem inconsistent with our previously espoused views that too much short-term attention is focused on comparisons to an index benchmark. We are required to present our results in relation to some relevant index. Although we do not think it is important on a short-term basis, over the long term, these comparisons provide a measure of how successful a particular investment philosophy is. Over the short term, the indices also provide fodder for the stock market pundits. The last two years have been exceptionally good in the stock market. This much prosperity usually begets fears that things cannot continue to be so good. This is probably true. We do not think the stock market can continue to compound at 20% to 30% as it has in the past two years unless all rational measurements of fundamental values are thrown out the window. Stock market pundits are increasingly talking of a "correction" in stock prices. The month of March, which is supposed to come in like a lion and go out like a lamb, did the opposite this year, at least as measured by the market. A correction could certainly happen if for no other reason than corrections do happen, and it has been so long since we have had one. Moreover, the S&P 500 is selling at somewhere between 17 and 19 times estimated 1997 earnings, depending upon whether one assumes earnings will increase 7% or 10% this year as compared to an historic multiple of 14.5 times earnings. Last year the earnings of the S&P 500 came in better than analysts' predictions,



which helped to propel the market's rise in 1996. This is not usually the case. Traditionally, analysts' estimates start high in the beginning of the year and are revised downward as the year unfolds. We do not pay much attention to these estimates as we are generally skeptical about predictions of the future other than the inevitability of death and taxes. However, the question keeps coming up, particularly now, given the market's performance so far in April. As "professionals", we are presumed to have some opinion on these matters or some special knowledge which will guide our investment decisions. We do not like to disappoint our investors, but we must admit that we do not know what the stock market will do this quarter, this year or next year. Long term, we know that the stock market has risen, as corporate profits, dividends and intrinsic values have grown, and that stocks have beaten bonds and cash. We see no reason why this should not continue in the future, especially for stocks that are cheap in relation to assets or earnings. We also know that from time to time the market declines. The S&P 500 has declined in 20 of the past 71 years, or 28% of the time. If Mr. Stock Market were a major league baseball player and got a hit 72% of the times at bat, he would be in both the Baseball Hall of Fame *and* "Ripley's Believe It or Not".

It would be nice to be able to "call the market" with some degree of accuracy, but we cannot. If we could, we would presumably sell everything the day before the onset of the correction or the bear market, sit on the sidelines, and then plunge back in when the market started to rise again. This presumes we would not only know when the decline would begin but also when it would end. When we start to claim such divine knowledge, our investors should start to worry. We recently saw some data that showed the results an investor would have experienced if he/she had invested in the S&P 500 at the beginning of 1985 and had cashed out before the 1987 crash, just after the crash, or ignored the whole thing and stayed invested through 1993. The respective performance numbers are: 204%, 117% and 278%. Bear markets do occur. Fortunately, they generally do not last more than six to twelve months, and the average time it takes a market to recover to its previous high is another six to twelve months. The bear market of 1973-1974 and the Great Depression are obvious exceptions, but so were the economic circumstances. This is not to say that some unforeseen economic or political event could not send the stock market into a tailspin. The future is nothing more than the past repeating itself. If Iran decided to lob a few missiles across the Persian Gulf towards Saudi Arabia, the stock



market would probably decline significantly. These things happen. One friend of ours calls this the caribou factor. When a hunter looks into the woods, he cannot see the caribou until it moves. After it moves, it seems obvious where the beast had been standing all the time. Similarly, no one knows what will make the stock market decline. After it happens, many will wonder why they could not foresee these events. If investors knew what was going to make the market decline in the future, it would have already declined. Stock markets are very efficient at processing important economic events and incorporating them into the overall price level. In the same way, everyone in Los Angeles probably knows there will someday be another earthquake, and yet they have not all moved away. Few assume these courageous souls believe that they can predict when this event will happen and plan to leave the day before. Instead, we assume that most Angelinos know there will be another earthquake, and that they will survive it and go on enjoying their warm, sunny climate.

We have the same attitude towards the stock market. We assume there will be “corrections” and bear markets in the future; it comes with the territory. We also assume that the market will recover and that we will go on compounding our wealth by owning cheap stocks. If the stock market drops 20% tomorrow, we are sure some soothsayer will say that we are the ostriches of the investment world with our heads stuck in the sand. Another market pundit who happens to be the one to predict the decline closest to its occurrence, will be interviewed by every television station as the new market guru and will enter the hall of fame of market pundits. Perhaps, as Warren Buffett would say, our “circle of competence” is a bit too limited. We have no way of knowing if the next stock market decline will be a more common 10% drop or a more significant drop of 20% or more. Nor do we know if our net worth will increase by 30% or more before the decline occurs. We do know that nothing is accomplished by selling out **after** the market has gone down. In the meantime, our advice is to not invest money that you know you will need to spend in the near future. If a correction occurs at about the time you are planning to take this money out of the stock market, you will be forced to lock in those losses. If you know you want to take some money out of your investments in August to buy a new car, take it out now. Who knows if August will be a good time to sell stocks?

In our opinion, we like what is owned in our Funds. If all the stocks in our Funds were interests in private businesses and someone offered to buy the entire portfolio at the current market price, we would say thanks, but



no thanks. The problem with the stock market is that it assigns a value to your business every day, more often than not for reasons unrelated to the true intrinsic value of the business. If you owned a successful business, would you really care if the stock market thought it was worth an eighth of a point more or a quarter of a point less on any given day for reasons such as the latest labor statistics report or the most recent ruminations of Alan Greenspan? We think not. In the aggregate, in our opinion, the stocks we own are worth far more in a private sale than their current stock market valuations, and they are far cheaper than the stocks which comprise the popular market indices now or even historically.

For example, last year we accumulated shares of Price Enterprises. We came across this company because it was selling at less than 65% of book value. Within the Bloomberg database, only 1% of the companies sell for 65% of book value or less. However, reported earnings were minimal and the price/earnings ratio was close to 100 times. The company had been spun out of Price/Costco, a discount retailer. Shareholders were given the opportunity to exchange their shares in Price/Costco for shares of Price Enterprises. The company's assets consisted primarily of real estate, mainly shopping centers. The Price family, founders of Price/Costco, exchanged their shares of Price/Costco for shares of Price Enterprises. We assumed that if the founders preferred to own the real estate assets rather than the retailing side of the business, maybe they knew something we did not. Unlike most real estate companies, the company had virtually no debt. An appraisal of the assets provided by the company indicated the assets were worth more than book value, which value was justified by the cash flow they generated. The company was reporting only minimal earnings because of a start-up retail operation, which was experiencing losses that masked profits of the real estate holdings. In our analysis, if the company shut down or sold the retail operations, the market would realize the value of the real estate holdings, which could be almost twice the market price of the stock.

The analysis is very much the same with international stocks. Recently, we purchased shares in a Japanese company, Kita Kyushu Coca-Cola, a regional Coca-Cola bottler. This company turned up in the Nikkei database of Japanese stocks because of relatively low price/book value and price/earnings ratios. We purchased shares at a modest 18% premium to book value versus U.S. Coke bottlers, which sell at multiples of book value as high as 8 times. Moreover, the company had virtually no long-term debt, and cash and securities equaled more than one-half of book value. U.S. bottlers have



debt-to-equity ratios of between 3 and 8 times. The price/earnings ratio of Kita is 14.5 times, but if the company were to pay out its cash and securities as a dividend, the price/earnings ratio would be less than 8 times. Again, the equivalent U.S. company trades at price/earnings ratios in excess of 20 times earnings. Furthermore, a Japanese company should have a higher, not lower, price/earnings ratio because the long-term cost of capital in Japan, as measured by long-term government bond yields, is only 2.2% as compared to 6.9% in the U.S. In addition, our purchase price, net of the company's excess cash and securities, was 3 times EBITDA (Earnings Before deducting Interest, Taxes, Depreciation and Amortization). Coca-Cola bottlers in the U.S. have typically been valued at about 10 times EBITDA in acquisitions.

Another international example is James Crean, a small Irish conglomerate engaged in food, industrial parts distribution, printing and packaging businesses. While the historic numbers on this company were not particularly compelling from a value standpoint, the reporting of recent insider purchases of stock provided a clue to value. Upon further analysis, we learned that the company was in the process of selling several divisions that would result in a balance sheet where cash exceeded debt and the stock price was approximately 65% of book value.

Will our stocks go down if the market suddenly drops? The answer is yes. When the tide goes out, all the ships go down. We want to avoid the ships that get stuck in the mud and do not rise when the tide comes back, what we call the "crash and burn" stocks. This is what happened in the bear market of 1973-1974 when, in many instances, the "nifty-fifty" group of growth stocks crashed far more than the market. Despite the fact that the nifty-fifty comprised a list of some of the best companies in America based on past performance, their stock market valuations had been driven to unrealistic levels. Many were selling at fifty and sixty times earnings. When, as Alan Greenspan would say, this "irrational exuberance" had been wrung out of the market, investors were left with huge losses that in some cases have not been recouped even twenty-three years later. This is our definition of permanent capital loss. While we can accept or tolerate temporary market losses, we want to own stocks we think will return to their former, pre-bear market levels when the stock market recovers.

We think some of the high tech wonder stocks of today could experience a similar fate. We have no way of knowing if Netscape will revolutionize the way millions of people will surf the Internet and grow its earnings



to a level that will justify its current price or future gains. We do know that even after declining more than 60% from its previous twelve-month high, it still sells for more than 50 times estimated 1997 earnings. We also hear that Netscape has about \$250 million to spend on research and development, and that up in Redmond, Washington, Bill Gates has \$11 billion to spend on research and development. We also hear that Bill Gates has indicated he does not intend to cede this market to Netscape. This is akin to one of us going into the boxing ring against Mike Tyson. Suicide, either financial or physical, is not high on our “To Do” list.

Many investors, both individual and professional, believe they have some special knowledge that enables them to predict where the overall market or individual stocks are going on an almost daily basis, despite personal experience and empirical evidence to the contrary. It is part of the theory that behavioral psychologists call an over-confidence factor. More often than not this leads to costly, excessive trading as investors attempt to stay one step ahead of the market. We are not aware of any other reason to explain the high turnover rates that studies have shown occur in individual brokerage accounts and also in many mutual fund portfolios. Our own experience shows that a small number of investors in our Funds buy and redeem at a feverish pace. This can only mean that they believe they can predict what our net asset value will be tomorrow or the next day. Even we do not know this. Fortunately, this trading does not affect the management of the Funds, as all this activity relates to a small number of shares and seems to be a zero sum game, with as many going in as out on any given day. We would like to discourage this behavior if only for the reason that we do not think it is in the investors’ best interests financially. However, “irrational exuberance” and excessive pessimism provide many of our investment opportunities.

We are pleased to be speaking for the third time at a conference on behavioral psychology as it affects investment decisions that is being jointly sponsored by the Kennedy School of Government and Harvard University Economics Department. This conference explores why many investors react as they do to short-term market events and seem incapable of maintaining a long-term focus. We like to describe these conferences as contrarian “love-ins” because so much of the psychology of contrarian, value investing runs counter to the herd instincts of the stock market. We have been doing what we do for so long that it is impossible for us to change. We also think that our own personal experience and the long-term results we have achieved indicate that we are doing something right.



There is a fashion today to portray successful fund managers as celebrities, often based on rather short-term results. Descriptions such as “aggressive” and “mean” are becoming synonymous with success in money management. Whereas *The Wall Street Journal* reports that portfolio managers were once “geeks” wearing green eyeshades, now they are shown spending their free time boxing, mountain climbing or racing Formula One cars on the weekends. We call it the “Jean-Claude Van Damme Syndrome”. If the macho actor decided to become a fund manager, we would have to say, “move over Mr. Buffett”. We do not believe that being aggressive or mean has anything to do with being successful money managers. While we do not like to think of ourselves as “geeks,” we lead pretty mundane lives. Chris Browne resides in New York City and East Hampton with two dogs and spends his weekends pursuing his interest in landscape architecture. Will Browne lives in Connecticut, and most of his spare time is devoted to raising four sons, ages 8 to 20. John Spears, who lives in New Jersey, is the father of three daughters at or near college age, and swims outside, yes outside, almost every day. (He does not admit to being a member of the Polar Bear Club!) All three of us have a keen interest in education and Chris and Will serve on the boards of trustees of their respective alma maters. On vacations, John and Chris like to catch up on reading and prefer no greater risk than falling eighteen inches from a beach chair onto two feet of sand. Because of his children, Will’s vacations are a bit more active. We do not come into the office on Monday morning raring to roil the markets or turn over our Funds’ portfolios for a point or two in a stock. Our turnover rate is quite low: 20% for the Global Value Fund and 16% for the American Value Fund this past year. In our minds, turnover is equated with taxes, and we think of April 15th as a national day of mourning. We think the tendency to report both before-tax and after-tax performance of mutual funds is a good one. After all, you can only spend or reinvest the share of profits our government leaves you.

We recognize that we are not the geniuses who will figure out if Netscape or Yahoo will become the next Microsoft, nor are we able to predict next month’s same store sales for Walmart or the level of the Dow Jones Industrials come the end of the year. We are not “masters of the universe” managers. We have a process based on observation by us and numerous academics of the financial characteristics of stock portfolios that over time have beaten the stock market: stocks selected from the bottom tiers of all stocks ranked on the basis of price-to-book value, earnings or cash flow.



Today's technology permits us to screen more than 20,000 companies in twenty countries to come up with a short list of candidates for further, in-depth research. In the early 1970s, when the three of us began our careers, screening was a manual process which required turning the pages of *Standard & Poor's Directory of Corporations*, and it was not possible to rank stocks. Today, we pop a CD-ROM disk into our computer containing all the financial information companies file with the Securities and Exchange Commission or their respective national exchanges, run a feed of the previous night's closing prices over the fundamental financial information and get a list of stocks ranked as we choose with as much information as we want. The next step is to review the basic financial information such as balance sheets, income statements, cash flow statements, historical performance, etc., to determine which stocks should continue in our financial beauty contest. In this process, we are further aided by technology. Bloomberg Financial Services provides every bit of financial information and every ratio one could ever need for all U.S. companies and for many non-U.S. companies on one, simple-to-use terminal. In our investment church, Michael Bloomberg would be canonized. We also have all Wall Street research reports and insider trading information on-line.

The entire process is geared towards finding a reason to reject an investment opportunity rather than becoming advocates for a particular company. We try to keep our personal prejudices out of the process such as trying to justify buying McDonald's just because we like Big Macs or think their restaurants are cleaner than Burger King's. If a candidate is still in the running, we or one of our analysts enter all relevant financial data including 46 financial data items onto a form we call a "rolodex". This rolodex form, along with any reports, management interview notes, or notes of conversations with competitors or experts, is then distributed to the partners for consideration. We do not have a formal "investment committee" which must convene to approve or reject an idea. When an idea is ready, we discuss its individual merits and make a decision or ask for further information. In the near future, we will be able to import the financial data from the database directly to the rolodex form and e-mail the forms to each other no matter where we might be. We want to do everything we can to speed the process of research and, thus, improve our hit rate for investment ideas. Speed is also important because, on average, stocks that are in the lower tier of value do not stay there. We want to research and buy them while they are there, before they go up.



Our investment process is not merely putting round pegs into round holes and square pegs into square holes by only buying stocks in the bottom 10% of stocks ranked on price-to-book value or their price/earnings ratios. Sometimes we even buy better businesses, the kinds of companies others call growth stocks to justify owning them at higher price/earnings ratios. These candidates often appear on our screens as having high returns on capital and above-average earnings growth rates, yet are selling at relatively low price/earnings ratios or low price-to-book value ratios. We also use insider trading reports for stocks in the U.S., Canada and the United Kingdom for indications of potential value. Officers, directors and principal shareholders in public companies are required to file reports of purchases and sales of shares in their companies. We can now track patterns of buying by company officials over time rather than merely seeing what buys or sells were reported the previous day. We can call up a company on our system and get a printout of all insider transactions for whatever time period we choose. Insider purchases are usually made because the person sitting in the board room or at the management meetings thinks the business is improving and the stock will go up. We call it a sort of company specific leading economic indicator. Combining insider purchases with low price/earnings or low price/book value criteria may provide even better performance. We think it may be like finding a spouse who is good looking, intelligent, personable, kind and rich all rolled into one.

All investment decisions are made by the three partners. We do not employ portfolio managers. If our performance is lagging, you will not hear from us that we have fired our mini-cap fund portfolio manager and hired a new star from a competitor. We cannot fire ourselves; only our clients can do that by redeeming their shares in our Funds. After working together for 20 to 25 years, we do not often disagree on investment decisions. None of us ever seems to propose an investment to which the other two respond, "What was he thinking?" We work with four research analysts who do the same basic research that we do. Although the partners make the final decision to buy or sell, our analysts freely offer their opinions and never seem to come up with recommendations that are out in left field. Left field is an appropriate location for baseball, not investments. And after 20 to 25 years together, we like to think we are at the midpoint in our careers. Our ages range from 48 to 52. Our good friend and role model, Walter Schloss, has been camping out at Tweedy, Browne since 1955 managing a private investment partnership first alone, and then, with his son Edwin for the past 23



years. Walter is now 80 and he shows no signs of slowing down either physically or from a performance standpoint. We hope we can be as lucky in life and as successful in investing as Walter.

Regarding our personal commitment to our investment approach, we have more than \$100 million of our own money, none of which was inherited or given to us, invested alongside our clients. In our last report, several shareholders noted that this statement does not square with our reported investment in the Funds. Our investment in the two Funds is approximately \$33 million, including our pro rata share of our employees' profit sharing plan, which is also invested in the Funds. The balance of the partners' capital is in other pooled accounts with clients which were established before the Funds, and in individual portfolios. To move these investments into the Funds would result in the realization of significant capital gains. With the exception of our personal residences, more than 95% of our investable assets are invested in the same stocks our clients and shareholders own. A reporter recently asked us what the significance of co-investing with our clients was. We responded that it was a bit like going to a doctor who prescribed a course of action for you that was different from what he or she would prescribe for themselves or their family. We want the same medicine the doctor would take. We do not have any other prescription for your money than we have for our own, and that will not change.

Sincerely,
Christopher H. Browne
William H. Browne
John D. Spears

General Partners
TWEEDY, BROWNE COMPANY L.P.
Investment Adviser to the Fund

April 17, 1997

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TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio Highlights

March 31, 1997

MSCI EAFE Index represents the change in market capitalizations of Europe, Australasia and the Far East (EAFE), including dividends reinvested monthly, net after foreign withholding taxes.

Index information is available at month end only; therefore, the closest month end to inception date of the Fund, May 31, 1993, has been used.

AVERAGE ANNUAL TOTAL RETURN*			AGGREGATE TOTAL RETURN*		
The Fund	Actual	Without Waivers**	Inception (6/15/93) through 3/31/97	Actual	U.S. Dollars Hedged
Inception (6/15/93) through 3/31/97	15.29%	15.25%	The Fund	71.49%	N/A N/A
Year Ended 3/31/97	16.66%	16.65%	MSCI EAFE	N/A	32.47% 43.64%

Note: The performance shown represents past performance and is not a guarantee of future results. The Fund's share price and investment return will vary with market conditions, and the principal value of shares, when redeemed, may be more or less than original cost.

*Assumes the reinvestment of all dividends and distributions and is net of foreign withholding tax.

**See Note 2 to Financial Statements.

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

Shares

		<u>Market Value (Note 1)</u>
COMMON STOCK—16.8%		
96,353	Australia—0.0%†† Carillon Development	147,295
Belgium—0.8%		
788	Belvuco NV	164,930
592	Fabrique de Fer de Charleroi	1,858,605
1,824	Glaces de Charleroi	4,719,070
636	Henex SA	1,255,360
2,333	Spadel SA	2,678,881
3,252	Uco Textiles SA	307,238
		10,984,084
Canada—2.1%		
196,891	BRL Enterprises Inc.†	647,176
166,500	Corby Distilleries Ltd., Class A	5,743,453
104,600	Corby Distilleries Ltd., Class B	3,324,833
1,635,200	Kaufel Group NV, Class B	3,337,143
260,700	Melcor Developments Ltd.	2,824,995
1,226,000	National Bank of Canada, Toronto	13,063,753
243,300	Shirmax Fashions	386,679
785,883	Westfield Minerals Ltd.†	936,758
		30,264,790
Denmark—0.6%		
11,390	Nordvestbank	1,102,102
186,571	Spar Nord Holding A/S	7,866,868
		8,968,970
Finland—3.1%		
6,000	Atria OY	82,873
75,714	Huhtamaki Group, Class I	3,689,004
794,900	Kesko Ord	11,615,762
241,035	Kone Corporation, Class B	29,287,422
		44,675,061
France—6.3%		
24,332	Bongrain SA	9,681,661
24,763	Centenaire-Blanzay SA	2,022,676
5,229	Christian Dior, SA	800,951
72,419	Compagnie Financiere de Paribas	5,052,368
229,987	Compagnie Financiere de Suez	11,916,149
57,700	Compagnie Lebon SA	2,291,762
176,692	Dollfus Mieg & Cie	4,626,186
6,636	Eurafrance SA	3,129,776
1,150	Fiat France SA	26,627
14,896	Fin Marc de Lacharriere SA	1,483,100
60,931	Fonciere Financiere Et de Participation†	2,821,633
34,750	Groupe Danone	5,520,883

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
France—(Continued)		
2,022	Idianova SA†	\$ 24,814
52,218	Klepierre	7,719,466
33,971	La Concorde†	5,693,599
5,229	LVMH Moet Hennessey	1,272,208
9,697	Marine-Wendel	1,105,366
21,145	Mecelec SA	263,630
3,347	Monneret Jouets†	68,556
2,259	Nordon Et Cie	183,070
36,372	NSC Groupe	4,683,757
38,018	Paluel Marmont SA	2,024,648
9,073	Paris Orleans	467,022
87,700	Peugeot SA	10,012,593
2,232	Precia	65,594
11,136	Rallye†	475,826
49,464	Salins du Midi, Series A	5,409,368
13,082	Sediver	264,692
5,925	Signaux Girod	125,582
61,500	Siparex	1,347,315
		<hr/> 90,580,878
Germany—1.6%		
15,018	Axel Springer Verlag, Class A	11,169,483
61,660	Kaufring AG	4,031,153
4,136	Linder Holding	855,852
33,968	Sinn AG	6,010,232
3,755	Tiag Tabbert-Industrie AG	202,699
		<hr/> 22,269,419
Hong Kong—1.1%		
2,912,500	Jardine Strategic Holdings Ltd.†	10,077,250
2,067,953	Semi-Tech (Global) Ltd.	2,188,395
8,891,000	Sing Tao Holdings	3,929,908
		<hr/> 16,195,553
Ireland—0.5%		
1,873,618	Crean (James) PLC	7,064,566
Italy—6.3%		
2,650,800	Arnoldo Mondadori Editore SPA	16,694,197
2,750,400	Banca Toscana†	5,328,410
638,850	Banco di Sardegna Risp†	5,824,273
494,500	Bassetti SPA	1,732,122
2,061,730	Cartiere Burgo Ord	10,746,099
424,500	Cementerie di Augusta†	636,527
323,000	Cementerie di Barletta Ord	973,504
218,450	Cristalleria Artistica	737,666
476,600	Ericsson Italia	6,760,588

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Italy—(Continued)		
642,920	Franco Tosi SPA	\$ 4,592,699
529,750	IMI SPA	4,605,624
620,862	Industrie Zignago	4,245,210
1,234,000	Maffei SPA	1,739,332
5,237,200	Magneti Marelli SPA	7,146,277
237,000	Marangoni SPA	682,322
3,210,300	Merloni	7,875,320
4,174,735	Montefibre SPA	2,391,286
2,371,500	Tecnost SPA	5,348,232
1,825,000	Vianini Industria SPA	864,747
493,000	Zucchi	2,143,799
		<hr/>
		91,068,234
Japan—18.7%		
25,000	Agro-Kanesho Company Ltd.	321,420
735,000	Aichi Electric Manufacturing	3,239,064
627,000	Amada Sonoike Company Ltd.	2,458,923
730,740	Chofu Seisakusho Company	12,231,194
819,000	Daiichi Cement Company Ltd.	2,417,199
442,000	Danto Corporation	4,253,093
243,000	Denkyosha	1,542,452
1,765,000	Dowa Fire & Marine Insurance Company	7,250,101
632,000	Fuji Coca-Cola Bottling Company	6,285,760
618,000	Fuji Photo Film Ltd.	20,338,481
296,000	Fujicco Company Ltd.	3,350,853
344,000	Fukuda Denshi	6,675,831
947,000	Gakken Company Ltd.	4,357,104
867,000	Hitachi Koki	5,194,849
195,000	Hitachi Medical Corporation	2,412,469
323,000	Kawagishi Bridge Works	1,802,135
3,000	Kinki Coca-Cola Bottling Company	32,748
93,000	Kita Kyushu Coca-Cola Bottling	1,699,523
680,000	Koa Fire & Marine Insurance Company	3,161,640
144,000	Koito Manufacturing	923,361
315,000	Kokura Enterprises Company	3,158,405
264,000	Koyosha Inc.†	1,364,082
1,941,000	Matsushita Electric Industrial Company	30,291,340
81,000	Meito Sangyo Company	792,512
1,397,000	Mitsubishi Electric Corporation	7,850,853
98,000	Morito	675,944
870,000	Nichimo Co. Ltd.†	2,047,142
575,000	Nippon Cable System	5,114,417
152,000	Nippon Konpo Unyu Soko	860,354
1,016,400	Nissan Fire & Marine Insurance Company	3,961,388
674,000	Nisshinbo Industries	4,452,640
409,000	Nittetsu Mining	2,414,248
477,000	Nitto FC Co.	3,355,624

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Japan—(Continued)		
446,000	Oak	\$ 1,911,377
401,000	Osaka Securities Finance	1,332,668
522,000	Riken Vitamin	5,149,511
431,000	Sangetsu Company Ltd.	7,458,074
388,000	Sankyo Company Ltd.	10,698,472
311,960	Sanyo Shinpan Finance Company, Ltd.	15,740,522
545,800	Shikoku Coca-Cola Bottling	5,958,034
771,000	Shin Nikkei Company Ltd.	2,337,875
452,000	SK Kaken Co., Ltd.	7,127,032
377,000	Sonton Food Industry	3,901,997
304,000	Sotoh Company Ltd.	2,286,084
1,330,000	Suzuki Motor Corporation	12,905,313
183,000	Taisei Fire & Marine Insurance Company	606,695
646,000	Takeda Chemical Industries	13,529,069
377,000	Takigami Steel Construction	1,981,483
166,000	Teikoku Hormone Manufacturing Company	1,785,235
188,000	Tomita Electric Company Limited	1,641,789
308,000	Torii Company Ltd.	2,540,309
779,000	Torishima Pump Manufacturing	6,425,002
11,000	Totech Corporation	56,481
608,000	Toyo Technical Company Ltd.	4,867,147
338,000	U-Shin	1,721,840
204,000	Zojirushi	1,896,984
		<hr/> 270,146,142
	Netherlands—4.9%	
99,300	Akzo NV Ord	14,264,000
4,050	European Vinyls Corporation	134,752
85,499	Heineken Holdings NV, Class A	12,901,553
207,100	Unilever NV CVA	40,460,391
28,750	Wegener NV	2,881,975
		<hr/> 70,642,671
	New Zealand—1.1%	
3,388,000	Independent Newspaper	15,581,124
164,600	Radio Pacific Limited	400,217
		<hr/> 15,981,341
	Norway—1.4%	
20,000	Nycomed, ASA, Class B, ADR	300,000
435,000	Nycomed, Class A	6,896,382
580,800	Nycomed, Class B	8,679,178
232,300	Schibsted	4,722,476
		<hr/> 20,598,036
	Singapore—0.7%	
2,505,500	Robinson and Company Ord	10,407,061
		<hr/> 10,407,061

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Spain—2.2%		
269,497	Argentaria	\$ 11,750,851
10,227	Banco Pastor SA	586,365
1,396,015	Corporacion Financiera Reunida	4,693,733
151,997	Fabrica Auto Renault de Espana	2,818,844
381,818	Fosforera	905,390
199,014	Grupo Anaya SA	4,120,446
31,598	Indo Internacional SA	1,118,315
51,846	Omsa	302,764
80,898	Prim SA†	286,314
45,068	Roberto Zubiri†	206,399
250,996	Unipapel SA	4,752,534
		<hr/> 31,541,955
Sweden—1.1%		
602,800	Atle AB	8,678,560
124,085	BRIO AB, Class B	1,333,672
80,600	Invik & Company AB, Class A	3,743,241
19,179	Kinnevik Investment AB, Class B	536,974
55,200	Nolato AB, Class B	908,250
7,200	VLT AB, Class B	116,557
		<hr/> 15,317,254
Switzerland—12.7%		
20,010	Attisholz Holding AG†	7,787,074
33	Bank of International Settlements America	245,379
2,415	Daetwyler Holding, Bearer	4,271,143
6,235	Danzas Holding AG PC	1,230,535
8,061	Danzas Holding AG, Registered	7,904,149
80,068	Edipresse SA, Bearer	18,417,309
8,225	Edipresse SA, Registered	348,662
3,525	Forbo Holding AG	1,452,623
2,200	Golay Buchel Holding, Bearer	1,605,281
4,984	Grand Magasin Jelmoli	533,382
9,100	Helvetia Patria Holding	3,984,017
300	Industrie Holding, Cham Registered	185,545
6,248	Jelmoli, Bearer	3,590,755
21,015	Liechtenstein Global Trust	11,829,152
29,327	Loeb Holding PC	4,402,107
26,045	Magazine Zum Globus PC	11,402,606
9,890	Magazine Zum Globus, Registered	4,982,801
1,815	Metallwaren Holding	1,064,531
27,789	Nestle SA, Registered	32,539,587
6,698	Novartis, AG, Bearer	8,345,736
10,329	Novartis, AG, Registered	12,819,732
1,180	Sarna Kunsstoff Holding AG, Registered	1,193,120
8,423	Sig Schweiz Industrie, Registered	10,418,999
13,535	Swissair AG, Registered†	12,077,095

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Switzerland—(Continued)		
20,130	Swisslog Holding AG	\$ 7,134,329
200	UMS Schweizerische Metalwerke	14,663
3,050	Vetropack Holding AG PC	741,835
16,455	Zehnder Holding, Bearer	6,918,190
11,224	Zschokke Holding AG, Registered†	2,347,758
5,500	Zuercher Ziegeleien	2,866,574
		<hr/> 182,654,669
Thailand—0.0%††		
28,700	S & J Enterprises	<hr/> 45,060
United Kingdom—6.5%		
19,562,822	Bardon Group	13,034,822
201,000	British Mohair Holdings PLC	391,862
200,000	British Steel Ord	535,512
3,720,000	BTR Ord	16,310,179
1,420,000	Courtaulos Textiles Ord	6,599,718
1,408,668	Dyson (J&J) PLC, Class A, Non-voting	2,966,451
803,000	Folkes Group PLC	819,079
145,000	Gibbs Mew PLC	564,180
427,800	Glaxo Wellcome PLC Units, ADR	15,133,425
887,000	Guinness PLC	7,508,057
515,000	Intercare Group PLC	686,295
350,000	Johnston Group PLC	3,014,417
3,535,120	McAlpine (Alfred) PLC	9,421,884
584,000	Partridge Fine Art Ord	696,578
1,386,739	Proudfoot Alexander	262,368
1,221,500	Sherwood Group PLC	833,989
184,600	SmithKline Beecham, PLC Units, ADR	12,922,000
779,500	Swan Hill Group PLC	1,160,602
600,000	Union PLC	858,794
		<hr/> 93,720,212
United States—15.1%		
221,000	American Express Company	13,232,375
75,700	American National Insurance Company	5,923,525
298,000	BanPonce Corporation, New	10,579,000
257,400	Chase Manhattan Corporation	24,099,075
68,000	Coca-Cola Bottling Company	2,958,000
232,200	Comerica, Inc.	13,090,275
313,000	Darden Restaurants Inc.	2,464,875
140,000	Federal Home Loan Mortgage Corporation	3,815,000
240,000	Fingerhut Companies, Inc.	3,360,000
205,616	First Chicago Corporation	11,128,966
35,000	GATX Corporation	1,710,625
31,590	Great Atlantic & Pacific Tea Company	801,596
129,462	Hasbro Inc.	3,544,021

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS	
	United States—(Continued)	
65,700	Household International Inc.	\$ 5,641,988
125,000	Kmart Stores	1,515,625
505,400	Lehman Brothers Holdings Inc.	14,719,775
100,000	McDonald's Corporation	4,725,000
48,750	Mercantile Bancorporation, Inc.	2,583,750
584,700	Pharmacia & Upjohn Inc.	21,414,637
73,200	Philip Morris Companies Inc.	8,353,950
460,000	PNC Bank Corporation	18,400,000
169,000	Ryland Group Inc.	1,985,750
118,400	Standard Motor Products, Inc.	1,554,000
185,000	Sun Healthcare Group Inc.†	2,659,375
160,000	Syms Corporation	1,460,000
196,400	Transatlantic Holdings Inc.	16,497,600
20,000	Tremont Corporation	697,500
546,000	UST Inc.	15,219,750
12,500	Wells Fargo & Company	3,551,563
		<hr/>
	TOTAL COMMON STOCKS	
	(Cost \$1,087,043,013)	<u>1,250,960,847</u>
	PREFERRED STOCK—1.0% (Cost \$13,969,243)	
108,212	Villeroy & Boch AG	<u>14,668,413</u>
	COMMON STOCK WARRANTS—0.0%††	
105,920	Franco Tosi, Strike 20,000, Expires 11/30/97†	12,706
9,073	Paris Orleans, Strike 330, Expires 4/30/98†	<u>18,745</u>
	TOTAL COMMON STOCK WARRANTS	
	(Cost \$37,986)	<u>31,451</u>
	CONVERTIBLE CORPORATE BONDS—0.0%††	
ESP 29,870,000	Grupo Anaya SA, 7.000% due 3/18/98	215,660
JPY 9,000,000	Shikoku Coca-Cola Bottling, 2.400% due 3/29/02	<u>78,160</u>
	TOTAL CONVERTIBLE CORPORATE BONDS	
	(Cost \$322,356)	<u>293,820</u>
	COMMERCIAL PAPER—1.5% (Cost \$21,427,000)	
\$ 21,427,000	Ford Motor Company, 6.500% due 4/1/97	<u>21,427,000</u>

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Face Value</u>		<u>Market Value (Note 1)</u>
U.S. TREASURY BILLS—0.4%		
\$ 600,000	5.760%** due 5/29/97	\$ 594,732
2,000,000	5.840%** due 7/24/97	1,965,040
1,000,000	5.600%** due 8/21/97	979,094
1,500,000	5.840%** due 9/18/97	<u>1,460,900</u>
TOTAL U.S. TREASURY BILLS		
(Cost \$4,999,766)		<u>4,999,766</u>
REPURCHASE AGREEMENT—6.9%		
(Cost \$100,000,000)		
100,000,000	Agreement with UBS Securities, Inc., 6.350% dated 3/31/97, to be repurchased at \$100,017,639 on 4/1/97, collateralized by \$50,000,000 U.S. Treasury Notes, 6.375% due 9/30/01 and \$44,657,000 U.S. Treasury Bonds, 8.75% due 8/15/20 (market value \$49,281,250 and \$52,220,779, respectively)	<u>100,000,000</u>
TOTAL INVESTMENTS (Cost \$1,227,799,364*)		96.6% 1,392,381,297
OTHER ASSETS AND LIABILITIES (Net)		<u>3.4 48,829,195</u>
NET ASSETS		<u>100.0% \$1,441,210,492</u>

* Aggregate cost for Federal tax purposes is \$1,237,720,743.

** Rate represents annualized yield at date of purchase.

† Non-income producing security.

†† Amount represents less than 0.1% of net assets.

Abbreviations:

ADR—American Depositary Receipt

ESP—Spanish Peseta

JPY—Japanese Yen

Ord—Ordinary Share

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Sector Diversification</u>	<u>Percentage of Net Assets</u>	<u>Market Value (Note 1)</u>
COMMON STOCKS:		
Banking	10.1%	\$ 145,555,198
Food and Beverages	9.0	129,336,536
Pharmaceuticals	7.8	112,523,866
Financial Services	5.9	85,485,449
Printing and Publishing	5.7	82,339,240
Retail	4.7	67,421,735
Consumer Durables	4.1	59,569,671
Machinery	3.9	56,578,594
Holdings	3.4	48,429,706
Manufacturing	3.4	48,329,655
Engineering and Construction	2.8	40,717,750
Autos	2.8	40,677,503
Consumer Non-Durables	2.8	40,460,391
Electronics	2.5	36,355,181
Chemicals	2.3	33,003,482
Textiles	2.1	29,935,480
Insurance	1.8	26,596,947
Forest Products	1.6	23,677,652
Transportation	1.5	22,072,133
Real Estate	1.1	16,057,273
Tobacco	1.1	15,219,750
Mining and Metal Fabrication	0.9	13,059,172
Wholesale	0.7	8,134,018
Telecommunications	0.5	6,760,588
Construction Materials	0.4	5,512,317
Leisure	0.3	4,946,249
Building Materials	0.3	4,891,977
Commercial Services	0.3	4,867,147
Other	3.0	42,446,187
Total Common Stocks	86.8	1,250,960,847
Preferred Stock	1.0	14,668,413
Common Stock Warrants	0.0††	31,451
Convertible Corporate Bonds	0.0††	293,820
Commercial Paper	1.5	21,427,000
U.S. Treasury Bills	0.4	4,999,766
Repurchase Agreement	6.9	100,000,000
Other Assets and Liabilities (Net)	3.4	48,829,195
Net Assets	100.0%	\$1,441,210,492

†† Amount represents less than 0.1% of net assets.

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO BUY		
5,075,500 Austrian Schilling	8/14/97	\$ 434,205
10,356,200 Austrian Schilling	10/31/97	891,258
2,688,311 French Franc	4/30/97	479,790
20,382 Great Britain Pound Sterling	4/2/97	33,532
183,708 Great Britain Pound Sterling	4/4/97	302,234
350,439 Great Britain Pound Sterling	4/7/97	576,525
8,000,000 Hong Kong Dollar	6/16/97	1,032,209
4,154,667,300 Italian Lira	4/3/97	2,491,880
228,684,000 Italian Lira	4/4/97	137,157
4,450,504 Irish Pound	4/7/97	7,065,648
44,348,969 Japanese Yen	4/1/97	358,607
630,031 Japanese Yen	4/2/97	5,095
80,570,989 Japanese Yen	4/3/97	651,540
23,824,850 Swedish Krona	4/30/97	3,165,546
16,363,700 Swedish Krona	5/15/97	2,169,998
1,152,305 Swiss Franc	4/2/97	800,779
4,500,851 Swiss Franc	4/3/97	3,127,902
TOTAL FORWARD EXCHANGE CONTRACTS TO BUY (Contract Amount \$23,512,542)		<u>\$ 23,723,905</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
5,075,500 Austrian Schilling	8/14/97	\$ (434,205)
10,356,200 Austrian Schilling	10/31/97	(891,258)
30,845,000 Belgian Franc	4/30/97	(898,420)
40,261,000 Belgian Franc	5/30/97	(1,175,161)
30,670,000 Belgian Franc	6/16/97	(896,092)
30,268,000 Belgian Franc	10/31/97	(893,383)
30,820,000 Belgian Franc	11/14/97	(910,656)
48,045,000 Belgian Franc	1/20/98	(1,427,150)
32,990,000 Belgian Franc	2/5/98	(981,223)
50,850,000 Belgian Franc	2/17/98	(1,513,922)
34,130,000 Belgian Franc	3/6/98	(1,017,558)
34,122,000 Belgian Franc	4/6/98	(1,019,875)
9,553,600 Canadian Dollar	4/30/97	(6,915,832)
4,077,600 Canadian Dollar	5/15/97	(2,954,780)
1,707,125 Canadian Dollar	5/30/97	(1,238,303)
2,032,650 Canadian Dollar	6/16/97	(1,476,002)
6,805,000 Canadian Dollar	7/15/97	(4,950,049)
1,351,300 Canadian Dollar	8/15/97	(984,694)
1,350,000 Canadian Dollar	9/15/97	(985,376)
3,986,400 Canadian Dollar	9/30/97	(2,911,983)
3,172,800 Canadian Dollar	10/15/97	(2,319,647)
3,272,750 Canadian Dollar	10/31/97	(2,394,884)
3,950,700 Canadian Dollar	11/14/97	(2,893,245)

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
2,007,450 Canadian Dollar	3/6/98	\$ (1,477,966)
39,903,500 Danish Krona	10/31/97	(6,358,318)
5,777,500 Danish Krona	11/14/97	(921,399)
11,906,000 Danish Krona	1/20/98	(1,906,512)
9,459,750 Danish Krona	2/17/98	(1,517,217)
15,615,060 Finnish Markka	4/15/97	(3,129,551)
6,996,000 Finnish Markka	4/29/97	(1,403,579)
17,779,440 Finnish Markka	5/30/97	(3,575,518)
6,808,500 Finnish Markka	6/16/97	(1,370,961)
8,749,800 Finnish Markka	7/15/97	(1,765,697)
8,795,600 Finnish Markka	7/31/97	(1,777,090)
21,997,500 Finnish Markka	8/15/97	(4,449,481)
8,923,000 Finnish Markka	8/29/97	(1,806,781)
8,951,400 Finnish Markka	9/30/97	(1,816,916)
4,433,500 Finnish Markka	10/15/97	(900,944)
18,018,000 Finnish Markka	11/14/97	(3,670,110)
24,854,500 Finnish Markka	11/28/97	(5,068,236)
9,274,000 Finnish Markka	1/20/98	(1,898,814)
44,262,900 Finnish Markka	3/13/98	(9,097,007)
4,940,300 Finnish Markka	3/27/98	(1,016,371)
4,914,500 Finnish Markka	4/14/98	(1,012,464)
5,089,800 French Franc	4/15/97	(907,464)
17,695,146 French Franc	4/30/97	(3,158,099)
5,111,700 French Franc	5/15/97	(913,261)
5,137,000 French Franc	5/30/97	(918,773)
20,302,000 French Franc	6/16/97	(3,635,342)
44,524,500 French Franc	7/15/97	(7,989,017)
9,991,000 French Franc	7/31/97	(1,794,778)
22,421,250 French Franc	8/14/97	(4,031,910)
20,203,200 French Franc	8/29/97	(3,637,122)
151,680,000 French Franc	9/15/97	(27,341,622)
17,775,800 French Franc	9/30/97	(3,207,925)
15,039,900 French Franc	10/15/97	(2,717,362)
22,494,600 French Franc	10/31/97	(4,069,386)
10,173,000 French Franc	11/14/97	(1,842,404)
86,596,950 French Franc	1/20/98	(15,768,754)
13,936,250 French Franc	3/6/98	(2,547,034)
18,419,610 French Franc	4/6/98	(3,374,880)
5,544,500 French Franc	4/14/98	(1,016,504)
8,180,300 German Mark	4/15/97	(4,911,627)
1,342,800 German Mark	4/30/97	(807,071)
3,016,000 German Mark	5/15/97	(1,814,656)
2,112,040 German Mark	5/30/97	(1,272,145)
1,192,960 German Mark	6/16/97	(719,435)
5,778,000 German Mark	7/31/97	(3,496,195)

■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
5,766,400 German Mark	8/15/97	\$ (3,493,183)
1,468,500 German Mark	8/29/97	(890,556)
2,990,200 German Mark	9/30/97	(1,817,964)
2,215,650 German Mark	10/15/97	(1,348,679)
2,207,400 German Mark	10/31/97	(1,345,403)
2,243,700 German Mark	11/14/97	(1,369,101)
1,552,250 German Mark	1/20/98	(952,475)
4,003,750 German Mark	2/5/98	(2,459,998)
5,749,240 German Mark	2/17/98	(3,536,005)
8,266,000 German Mark	3/27/98	(5,100,199)
2,463,000 German Mark	4/14/98	(1,521,872)
5,470 Great Britain Pound Sterling	4/3/97	(8,999)
1,647,757 Great Britain Pound Sterling	4/15/97	(2,710,460)
1,993,620 Great Britain Pound Sterling	4/30/97	(3,278,820)
1,330,495 Great Britain Pound Sterling	5/15/97	(2,187,724)
648,004 Great Britain Pound Sterling	6/16/97	(1,064,950)
6,137,160 Great Britain Pound Sterling	7/31/97	(10,078,729)
641,643 Great Britain Pound Sterling	8/15/97	(1,053,478)
642,880 Great Britain Pound Sterling	9/15/97	(1,054,960)
955,171 Great Britain Pound Sterling	9/30/97	(1,567,022)
2,187,637 Great Britain Pound Sterling	10/15/97	(3,588,060)
3,350,798 Great Britain Pound Sterling	11/28/97	(5,491,662)
1,208,971 Great Britain Pound Sterling	12/31/97	(1,980,276)
906,098 Great Britain Pound Sterling	1/20/98	(1,483,770)
1,244,400 Great Britain Pound Sterling	2/5/98	(2,037,315)
9,568,905 Great Britain Pound Sterling	2/17/98	(15,663,594)
6,179,324 Great Britain Pound Sterling	3/13/98	(10,111,954)
6,609,801 Great Britain Pound Sterling	3/27/98	(10,814,466)
1,554,533 Great Britain Pound Sterling	4/14/98	(2,542,704)
100,687,600 Hong Kong Dollar	6/16/97	(12,991,326)
11,613,450 Hong Kong Dollar	8/29/97	(1,497,938)
11,619,750 Hong Kong Dollar	9/30/97	(1,498,525)
7,746,300 Hong Kong Dollar	1/20/98	(998,329)
4,432,320,000 Italian Lira	4/15/97	(2,656,647)
7,180,150,000 Italian Lira	4/30/97	(4,300,522)
7,966,500,000 Italian Lira	5/30/97	(4,765,366)
468,105,000 Italian Lira	6/16/97	(279,798)
4,658,600,000 Italian Lira	7/15/97	(2,781,249)
5,411,875,000 Italian Lira	8/14/97	(3,227,513)
18,651,600,000 Italian Lira	8/29/97	(11,117,871)
21,678,300,000 Italian Lira	9/30/97	(12,909,673)
18,472,800,000 Italian Lira	10/15/97	(10,996,753)
4,608,750,000 Italian Lira	10/31/97	(2,742,597)
9,171,420,000 Italian Lira	11/14/97	(5,456,263)
16,382,835,000 Italian Lira	1/20/98	(9,736,359)

■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
7,321,950,000 Italian Lira	2/5/98	\$ (4,350,551)
2,548,875,000 Italian Lira	3/6/98	(1,514,035)
15,423,300,000 Italian Lira	3/27/98	(9,159,840)
1,709,300,000 Italian Lira	4/14/98	(1,014,650)
31,057,436 Japanese Yen	4/3/97	(251,147)
1,595,877,500 Japanese Yen	4/15/97	(12,931,863)
555,747,500 Japanese Yen	4/30/97	(4,513,080)
1,654,040,000 Japanese Yen	5/15/97	(13,462,166)
725,200,000 Japanese Yen	5/30/97	(5,916,016)
313,020,000 Japanese Yen	6/16/97	(2,560,029)
2,625,250,000 Japanese Yen	6/30/97	(21,515,710)
411,680,000 Japanese Yen	7/15/97	(3,381,714)
823,640,000 Japanese Yen	7/31/97	(6,782,372)
1,031,700,000 Japanese Yen	8/15/97	(8,515,426)
837,440,000 Japanese Yen	8/29/97	(6,927,164)
421,120,000 Japanese Yen	9/15/97	(3,492,765)
532,100,000 Japanese Yen	9/30/97	(4,423,770)
1,197,405,000 Japanese Yen	10/15/97	(9,979,135)
1,064,200,000 Japanese Yen	10/31/97	(8,892,189)
1,620,300,000 Japanese Yen	11/14/97	(13,570,072)
1,513,680,000 Japanese Yen	11/28/97	(12,706,644)
920,405,500 Japanese Yen	12/30/97	(7,767,584)
1,440,270,000 Japanese Yen	1/20/98	(12,193,512)
635,855,000 Japanese Yen	2/5/98	(5,396,205)
3,521,700,000 Japanese Yen	2/27/98	(29,985,660)
3,487,500,000 Japanese Yen	3/6/98	(29,725,501)
2,198,110,000 Japanese Yen	4/6/98	(18,824,200)
2,902,375,000 Japanese Yen	4/14/98	(24,887,102)
6,669,800 Netherlands Guilder	4/15/97	(3,560,080)
6,685,600 Netherlands Guilder	4/29/97	(3,572,074)
4,180,000 Netherlands Guilder	5/15/97	(2,235,978)
6,722,400 Netherlands Guilder	5/30/97	(3,600,064)
1,625,800 Netherlands Guilder	7/31/97	(874,656)
1,648,500 Netherlands Guilder	10/31/97	(893,368)
8,386,000 Netherlands Guilder	11/14/97	(4,549,847)
16,164,900 Netherlands Guilder	2/5/98	(8,829,750)
5,898,240 Netherlands Guilder	2/17/98	(3,224,848)
18,562,000 Netherlands Guilder	3/6/98	(10,162,372)
5,578,200 Netherlands Guilder	4/6/98	(3,061,468)
2,005,554 New Zealand Dollar	5/15/97	(1,390,167)
1,136,364 New Zealand Dollar	6/16/97	(786,481)
1,487,874 New Zealand Dollar	7/31/97	(1,027,668)
4,345,307 New Zealand Dollar	10/15/97	(2,990,772)
13,060,514 New Zealand Dollar	11/28/97	(8,971,026)
1,457,938 New Zealand Dollar	4/14/98	(995,946)

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
64,785,000 Norwegian Krone	6/16/97	\$ (9,881,329)
12,790,000 Norwegian Krone	11/28/97	(1,972,753)
9,625,950 Norwegian Krone	2/5/98	(1,491,782)
1,652,520 Singapore Dollar	4/30/97	(1,145,318)
1,102,000 Singapore Dollar	5/30/97	(765,012)
1,381,300 Singapore Dollar	6/16/97	(960,613)
1,390,200 Singapore Dollar	7/31/97	(969,794)
4,848,900 Singapore Dollar	8/15/97	(3,384,345)
834,420 Singapore Dollar	9/30/97	(583,099)
2,385,100 Singapore Dollar	3/6/98	(1,681,744)
1,413,000 Singapore Dollar	4/14/98	(997,829)
16,807,547 Spanish Peseta	4/3/97	(118,970)
127,840,000 Spanish Peseta	4/15/97	(904,828)
130,050,000 Spanish Peseta	4/30/97	(920,395)
130,550,000 Spanish Peseta	5/15/97	(923,873)
524,800,000 Spanish Peseta	5/30/97	(3,713,689)
194,355,000 Spanish Peseta	6/16/97	(1,375,316)
127,490,000 Spanish Peseta	7/15/97	(902,207)
126,410,000 Spanish Peseta	8/15/97	(894,709)
259,040,000 Spanish Peseta	9/15/97	(1,833,930)
194,685,000 Spanish Peseta	9/30/97	(1,378,547)
192,810,000 Spanish Peseta	10/15/97	(1,365,543)
129,350,000 Spanish Peseta	11/14/97	(916,537)
130,645,000 Spanish Peseta	11/28/97	(925,952)
398,190,000 Spanish Peseta	1/20/98	(2,825,185)
426,864,000 Spanish Peseta	2/17/98	(3,030,427)
819,432,000 Spanish Peseta	3/27/98	(5,822,580)
571,600,000 Spanish Peseta	4/14/98	(4,062,357)
23,824,850 Swedish Krona	4/30/97	(3,165,546)
16,363,700 Swedish Krona	5/15/97	(2,170,000)
6,577,300 Swedish Krona	8/15/97	(878,171)
6,653,000 Swedish Krona	8/29/97	(888,888)
22,934,100 Swedish Krona	9/30/97	(3,069,069)
13,449,000 Swedish Krona	11/28/97	(1,805,033)
6,832,000 Swedish Krona	1/20/98	(919,361)
60,983,250 Swedish Krona	2/5/98	(8,212,707)
75,152,000 Swedish Krona	4/14/98	(10,154,347)
8,370,000 Swiss Franc	4/15/97	(5,825,596)
8,344,350 Swiss Franc	4/30/97	(5,817,129)
10,440,500 Swiss Franc	5/15/97	(7,290,365)
12,315,000 Swiss Franc	5/30/97	(8,613,695)
1,828,950 Swiss Franc	6/16/97	(1,281,660)
5,817,000 Swiss Franc	7/31/97	(4,097,234)
8,650,500 Swiss Franc	8/15/97	(6,103,700)
7,726,550 Swiss Franc	8/29/97	(5,460,784)

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
4,832,400 Swiss Franc	9/30/97	\$ (3,428,496)
9,704,000 Swiss Franc	10/15/97	(6,897,606)
14,691,600 Swiss Franc	10/31/97	(10,463,782)
5,008,400 Swiss Franc	11/14/97	(3,573,482)
7,628,100 Swiss Franc	11/28/97	(5,452,448)
42,586,500 Swiss Franc	12/31/97	(30,570,383)
10,588,600 Swiss Franc	1/20/98	(7,619,233)
13,715,000 Swiss Franc	2/5/98	(9,887,927)
11,137,600 Swiss Franc	2/27/98	(8,051,087)
38,460,960 Swiss Franc	3/13/98	(27,849,596)
5,595,200 Swiss Franc	4/6/98	(4,063,291)
7,682,400 Swiss Franc	4/14/98	<u>(5,584,459)</u>
TOTAL FORWARD EXCHANGE CONTRACTS TO SELL (Contract Amount \$1,050,991,191)		<u><u>\$ (988,738,908)</u></u>

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Assets and Liabilities

March 31, 1997

ASSETS

Investments, at value (Cost \$1,227,799,364) (Note 1)	
<i>See accompanying schedule</i>	\$1,392,381,297
Cash and foreign currency (Cost \$1,075,991)	1,084,452
Net unrealized appreciation of forward exchange contracts (Note 1)	62,463,646
Receivable for Fund shares sold	6,165,754
Dividends and interest receivable	4,052,021
Receivable for investment securities sold	796,618
Unamortized organization costs (Note 5)	26,071
Prepaid expenses	6,650
Total Assets	<u>1,466,976,509</u>

LIABILITIES

Payable for investment securities purchased	\$21,573,132
Payable for Fund shares redeemed	2,002,529
Investment advisory fee payable (Note 2)	1,520,549
Transfer agent fees payable (Note 2)	60,000
Custodian fees payable (Note 2)	55,000
Accrued expenses and other payables	554,807
Total Liabilities	<u>25,766,017</u>

NET ASSETS \$1,441,210,492

NET ASSETS consist of

Undistributed net investment income	\$ 11,956,516
Accumulated net realized gain on securities, forward exchange contracts and foreign currencies	23,644,999
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets	226,761,808
Par value	9,324
Paid-in capital in excess of par value	1,178,837,845
Total Net Assets	<u>\$1,441,210,492</u>

NET ASSET VALUE, offering and redemption price per share
(\$1,441,210,492 ÷ 93,237,678 shares of common stock
outstanding) \$15.46

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Operations

For the Year Ended March 31, 1997

INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$2,667,110)	\$ 21,537,601
Interest (net of foreign withholding taxes of \$192)	4,832,359
Total Investment Income	<u>26,369,960</u>

EXPENSES

Investment advisory fee (Note 2)	\$14,318,034	
Administration fee (Note 2)	1,398,274	
Custodian fees (Note 2)	894,791	
Transfer agent fees (Note 2)	545,246	
Legal and audit fees	107,479	
Amortization of organization costs (Note 5)	22,285	
Directors' fees and expenses (Note 2)	15,300	
Other	844,873	
Waiver of fees by administrator (Note 2)	(84,934)	
Total Expenses		<u>18,061,348</u>

NET INVESTMENT INCOME	<u>8,308,612</u>
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

(Notes 1 and 3)

Net realized gain (loss) on:		
Securities		54,568,300
Forward exchange contracts		66,112,135
Foreign currencies		(674,536)
Net realized gain on investments during the year		<u>120,005,899</u>
Net change in unrealized appreciation (depreciation) of:		
Securities		19,433,370
Forward exchange contracts		35,713,408
Foreign currencies and net other assets		(248,729)
Net unrealized appreciation on investments during the year		<u>54,898,049</u>

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	<u>174,903,948</u>
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$183,212,560</u>
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■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Statements of Changes in Net Assets

	Year Ended 3/31/97	Year Ended 3/31/96
Net investment income	\$ 8,308,612	\$ 9,045,946
Net realized gain (loss) on securities, forward exchange contracts and currency transactions during the year	120,005,899	(10,403,439)
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets during the year	<u>54,898,049</u>	<u>185,687,996</u>
Net increase in net assets resulting from operations	183,212,560	184,330,503
Distributions:		
Dividends to shareholders from net investment income . . .	(14,614,831)	—
Dividends in excess of net investment income	(28,673,453)	—
Distributions to shareholders from net realized gain on investments	(44,555,478)	(3,341,225)
Distributions to shareholders in excess of net realized gain on investments	—	(9,099,176)
Net increase in net assets from Fund share transactions (Note 4)	<u>394,930,728</u>	<u>123,986,313</u>
Net increase in net assets	490,299,526	295,876,415
NET ASSETS		
Beginning of year	<u>950,910,966</u>	<u>655,034,551</u>
End of year (including undistributed net investment income of \$11,956,516 and \$14,504,033, respectively)	<u>\$1,441,210,492</u>	<u>\$950,910,966</u>

TWEEDY, BROWNE GLOBAL VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each year.

	Year Ended <u>3/31/97</u>	Year Ended <u>3/31/96(a)</u>	Year Ended <u>3/31/95</u>	Period Ended <u>3/31/94(a)(b)</u>
Net asset value, beginning of year	\$ 14.28	\$ 11.52	\$ 12.26	\$ 10.00
Income from investment operations:				
Net investment income (loss)(c)	0.12	0.15	0.10	(0.00)(d)
Net realized and unrealized gain (loss) on investments	<u>2.18</u>	<u>2.81</u>	<u>(0.68)</u>	<u>2.26</u>
Total from investment operations	<u>2.30</u>	<u>2.96</u>	<u>(0.58)</u>	<u>2.26</u>
Distributions:				
Dividends from net investment income	(0.19)	—	—	—
Dividends in excess of net investment income	(0.36)	—	—	—
Distributions from net realized gains Distributions in excess of net realized gains	(0.57)	(0.05)	(0.06)	—
Total distributions	<u>(1.12)</u>	<u>(0.20)</u>	<u>(0.16)</u>	<u>—</u>
Net asset value, end of year	<u>\$ 15.46</u>	<u>\$ 14.28</u>	<u>\$ 11.52</u>	<u>\$ 12.26</u>
Total return(e)	<u>16.66%</u>	<u>25.88%</u>	<u>(4.74)%</u>	<u>22.60%</u>
Ratios/Supplemental Data:				
Net assets, end of year (in 000's)	\$1,441,210	\$950,911	\$655,035	\$297,434
Ratio of operating expenses to average net assets(f)	1.58%	1.60%	1.65%	1.73%(g)
Ratio of net investment income (loss) to average net assets	0.73%	1.15%	1.08%	(0.00)%(g)(h)
Portfolio turnover rate	20%	17%	16%	14%
Average commission rate (per share of security)(i)	\$ 0.0249	\$ 0.0206	N/A	N/A

(a) Per share amounts have been calculated using the monthly average share method, which more appropriately presents the per share data for the period since the use of the undistributed income method does not accord with results of operations.

(b) The Fund commenced operations on June 15, 1993.

(c) Net investment income for a Fund share outstanding, before the waiver of fees by the administrator and/or investment adviser for the year ended March 31, 1997 and for the 7.5-month period ended March 31, 1994 was \$0.11 and \$(0.01) per share, respectively.

(d) Amount represents less than \$(0.01) per share.

(e) Total return represents aggregate total return for the periods indicated.

(f) Annualized expense ratio before the waiver of fees by the administrator and/or investment adviser for the year ended March 31, 1997 and for the 7.5-month period ended March 31, 1994 was 1.58% and 1.83%, respectively.

(g) Annualized.

(h) Amount represents less than (0.01)% per share.

(i) Average commission rate (per share of security) as required by amended disclosure requirements effective September 1, 1995.

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

Notes to Financial Statements

1. Significant Accounting Policies

Tweedy, Browne Global Value Fund (the “Fund”) is a diversified series of Tweedy, Browne Fund Inc. (the “Company”). The Company is an open-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. The Company was organized as a Maryland corporation on January 28, 1993. The Fund commenced operations on June 15, 1993. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Portfolio Valuation Generally, the Fund’s investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value as determined by or under the direction of the Company’s Board of Directors. Portfolio securities, for which the primary market is a national securities exchange or other market where there exists a reliable daily publication of actual transaction prices, are valued at the last sale price prior to the close of regular trading or, if there were no sales during the day, at the mean between the last ask price and the last bid price prior to the close of regular trading. Over-the-counter securities and securities listed or traded on certain foreign exchanges whose operations are similar to the United States (“U.S.”) over-the-counter market are valued at the mean between the bid and ask prices. Portfolio securities that are traded primarily on foreign exchanges generally are valued at the preceding closing values of such securities on their respective exchanges, except that when an occurrence subsequent to the time that a value was so established is likely to have changed such value, then the fair value of those securities will be determined by consideration of other factors by or under the direction of the Company’s Board of Directors. Short-term investments that mature in 60 days or less are valued at amortized cost.

Repurchase Agreements The Fund engages in repurchase agreement transactions. Under the terms of a typical repurchase agreement, the Fund



Notes to Financial Statements

takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the Fund's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is potential loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights. The Fund's investment adviser, acting under the supervision of the Company's Board of Directors, reviews the value of the collateral and the credit-worthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks.

Foreign Currency The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period, and purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions. Unrealized gains and losses which result from changes in foreign currency exchange rates have been included in the unrealized appreciation (depreciation) of currencies and net other assets. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investments securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amount actually received. The portion of foreign currency gains and losses related to fluctuation in the exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gains and losses on investment securities sold.

Forward Exchange Contracts The Fund has entered into forward exchange contracts for non-trading purposes in order to reduce its exposure



Notes to Financial Statements

to fluctuations in foreign currency exchange on its portfolio holdings. Forward exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is recorded by the Fund as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time that it was opened and the value of the contract at the time that it was closed.

The use of forward exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's investment securities, but it does establish a rate of exchange that can be achieved in the future. Although forward exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

Securities Transactions and Investment Income Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Dividend income and interest income may be subject to foreign withholding taxes. The Fund's custodian applies for refunds where available. If the Fund meets the requirements of Section 853 of the Internal Revenue Code of 1986, as amended, the Fund may elect to pass through to its shareholders credits for foreign taxes paid.

Dividends and Distributions to Shareholders Dividends from net investment income, if any, and distributions from realized capital gains after utilization of capital loss carryforwards, if any, will be declared and paid annually. Additional distributions of net investment income and capital gains from the Fund may be made at the discretion of the Board of Directors in order to avoid the application of a 4% non-deductible Federal excise tax on certain undistributed amounts of ordinary income and capital gains. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally



Notes to Financial Statements

accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund.

Federal Income Taxes The Fund intends to qualify as a regulated investment company, if such qualification is in the best interest of its shareholders, by complying with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and by distributing substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

Expenses Expenses directly attributable to each Fund as a diversified series of the Company are charged to that Fund. Other expenses of the Company are allocated to each Fund based on the average net assets of each Fund.

2. Investment Advisory Fee, Administration Fee and Other Related Party Transactions

The Company, on behalf of the Fund, has entered into an investment advisory agreement (the "Advisory Agreement") with Tweedy, Browne Company L.P. ("Tweedy, Browne"). Under the Advisory Agreement, the Company pays Tweedy, Browne a fee at the annual rate of 1.25% of the value of its average daily net assets. The fee is payable monthly, provided the Fund will make such interim payments as may be requested by the adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid.

The current and retired general partners and their families, as well as employees of Tweedy, Browne, the investment adviser to the Fund, have approximately \$24.4 million of their own money invested in the Fund.

The Company on behalf of the Fund has entered into an administration agreement, as amended on February 15, 1997 (the "Administration Agreement") with First Data Investor Services Group, Inc. ("FDISG"), a wholly owned subsidiary of First Data Corporation. Under the



TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements

Administration Agreement, the Company pays FDISG an administrative fee and a fund accounting fee computed daily and payable monthly at the following annual rates of the value of the average daily net assets of the Fund:

	Fees on Assets		
	Up to \$500 Million	Between \$500 and \$1 Billion	Exceeding \$1 Billion
Administration Fees	0.06%	0.04%	0.02%

	Up to \$100 Million	Exceeding \$100 Million
Accounting Fees	0.03%	0.01%

For the period from February 15, 1997 through March 31, 1997, FDISG voluntarily waived administration and fund accounting fees of \$84,934.

Under the terms of the Administration Agreement, the Company will pay for Fund Administration Services a minimum fee of \$40,000 per annum, not to be aggregated with fees for Fund Accounting Services. The Company will pay a minimum monthly fee of \$4,000 for Fund Accounting Services for the Fund, not to be aggregated with fees for Fund Administration Services.

Prior to February 15, 1997, the Company paid FDISG an administrative fee and a fund accounting fee computed daily and paid monthly at the annual rates of the value of the average daily net assets of the Fund as follows:

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements

	Fees on Assets		
	Up to \$200 Million	Between \$200 and \$500 Million	Exceeding \$500 Million
Administration Fees	0.12%	0.10%	0.08%

	Fees on Assets		
	Up to \$50 Million	Between \$50 and \$100 Million	Exceeding \$100 Million
Accounting Fees	0.08%	0.06%	0.04%

For the period April 1, 1996 through February 14, 1997, the Company paid for Fund Administration Services a minimum fee of \$40,000 per Fund per annum, not to be aggregated with fees for Fund Accounting Services and a minimum fee of \$20,000 per Fund per annum, not to be aggregated with fees for Fund Administration Services.

No officer, director or employee of Tweedy, Browne, FDISG or any parent or subsidiary of those corporations receives any compensation from the Company for serving as a director or officer of the Company. The Company pays each director who is not an officer, director or employee of Tweedy, Browne, FDISG or any of their affiliates \$2,000 per annum plus \$500 per Regular or Special Board Meeting attended in person or by telephone, plus out-of-pocket expenses.

Boston Safe Deposit and Trust Company ("Boston Safe"), an indirect wholly owned subsidiary of Mellon Bank, serves as the Fund's custodian pursuant to a custody agreement (the "Custody Agreement"). Unified Advisers, Inc., serves as the Fund's transfer agent. Effective May 12, 1997, FDISG will replace Unified Advisers, Inc. as the Fund's transfer agent. Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

For the year ended March 31, 1997, the Fund incurred total brokerage commissions of \$2,167,248.

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements

3. Securities Transactions

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the year ended March 31, 1997, aggregated \$537,030,192 and \$202,319,185, respectively.

At March 31, 1997, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$232,016,098 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$77,355,544.

4. Capital Stock

The Company is authorized to issue one billion shares of \$0.0001 par value capital stock, of which 600,000,000 of the unissued shares have been designated as shares of the Fund. Changes in shares outstanding for the Fund were as follows:

	Year Ended 3/31/97		Year Ended 3/31/96	
	Shares	Amount	Shares	Amount
Sold	35,117,166	\$522,414,402	29,891,616	\$381,433,296
Reinvested	5,409,129	78,324,194	854,225	11,062,218
Redeemed	(13,856,018)	(205,807,868)	(21,057,222)	(268,509,201)
Net increase	26,670,277	\$394,930,728	9,688,619	\$123,986,313

5. Organization Costs

The Fund bears all costs in connection with its organization including the fees and expenses of registering and qualifying its shares for distribution under Federal and state securities regulations. All such costs have been deferred and are being amortized over a five-year period using the straight-line method from the commencement of operations of the Fund. In the event that any of the initial shares of the Fund are redeemed during such amortization period, the Fund will be reimbursed for any unamortized organization costs in the same proportion as the number of shares redeemed bears to the number of initial shares held at the time of redemption.

6. Foreign Securities

Investing in securities of foreign companies and foreign governments involves economic and political risks and considerations not typically associated with investing in U.S. companies and the U.S. Government. These considerations include changes in exchange rates and exchange rate controls (which may include suspension of the ability to transfer currency from a given country), costs incurred in conversions between currencies, non-negotiable brokerage commissions, less publicly available information, different accounting standards, lower trading volume, delayed settlements and greater market volatility, the difficulty of enforcing obligations in other countries, less securities regulation, different tax provisions (including withholding on dividends paid to the Fund), war, expropriation, political and social instability and diplomatic developments.

7. Line of Credit

The Company and Mellon Bank, N.A. have entered into a Line of Credit Agreement (the "Agreement") which provides the Fund with a \$50 million line of credit, primarily for temporary or emergency purposes, including the meeting of redemption requests that might otherwise require the untimely disposition of securities. The Fund may borrow up to the lesser of \$50 million or one-third of its net assets. Interest is payable at the bank's Money Market Rate plus 0.75% on an annualized basis. Under the Agreement, the Company is charged a facility fee equal to 0.10% annually of the unutilized credit. The Agreement requires, among other provisions, the Fund to maintain a ratio of net assets (not including funds borrowed pursuant to the Agreement) to aggregated amount of indebtedness pursuant to the Agreement of no less than three to one. For the year ended March 31, 1997, the Fund did not borrow under this Agreement.

TWEEDY, BROWNE GLOBAL VALUE FUND

Report of Ernst & Young LLP, Independent Auditors

To the Shareholders and Board of Directors of
Tweedy, Browne Fund Inc.:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments and the schedule of forward exchange contracts, of Tweedy, Browne Global Value Fund (the "Fund") (one of a series of Tweedy, Browne Fund Inc.) as of March 31, 1997, the related statement of operations for the year then ended, and the related statement of changes in net assets for each of the two years in the period then ended and financial highlights for each of the three years in the period then ended and for the period from June 15, 1993 (commencement of operations) to March 31, 1994. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of March 31, 1997, by correspondence with the custodian and brokers and other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Tweedy, Browne Global Value Fund, a series of Tweedy, Browne Fund Inc., at March 31, 1997, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and financial highlights for each of the three years in the period then ended and for the period from June 15, 1993 to March 31, 1994, in conformity with generally accepted accounting principles.

Boston, Massachusetts
May 2, 1997

Ernst & Young LLP

TWEEDY, BROWNE GLOBAL VALUE FUND

Tax Information (unaudited)

Year Ended March 31, 1997

For the fiscal year ended March 31, 1997, the amount of long-term capital gain distributed to shareholders by the Fund was \$32,491,565.

Of the ordinary income (including short-term capital gain) distributions made by the Fund during the fiscal year ended March 31, 1997, 5.56% qualify for the dividend received deduction available to corporate shareholders.

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio Highlights

March 31, 1997

The S&P 500 is an index composed of 500 widely held common stocks listed on the New York Stock Exchange, American Stock Exchange and over-the-counter market and includes the reinvestment of dividends.

Index information is available at month end only; therefore, the closest month end to inception date of the Fund, November 30, 1993, has been used.

AVERAGE ANNUAL TOTAL RETURN*			AGGREGATE TOTAL RETURN*		
The Fund	Actual	Without Waivers**	The Fund S&P 500	Year Ended 3/31/97	Inception 12/8/93 - 3/31/97
Inception (12/8/93) through 3/31/97	17.58%	17.28%		17.75%	70.97%
Year Ended 3/31/97	17.75%	17.61%		19.82%	78.04%

Note: The performance shown represents past performance and is not a guarantee of future results. The Fund's share price and investment return will vary with market conditions, and the principal value of shares, when redeemed, may be more or less than original cost.


*Assumes the reinvestment of all dividends and distributions.

**See Note 2 to Financial Statements.

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—100% DOMESTIC—95.5%	
6,680	Advertising—0.5% Grey Advertising Inc.	1,796,920
45,900	Apparel/Textiles—0.2% Chic by H.I.S. Inc.†	281,136
9,400	Garan Inc.	169,200
2,000	Thomaston Mills, Inc., Class A	22,000
		472,336
144,500	Automotive Parts—0.8% Standard Motor Products, Inc.	1,896,562
23,300	Standard Products Company	541,725
5,200	Woodward Governor Company	141,700
		2,579,987
56,700	Banking—14.0% BancFirst Corporation	1,658,475
316,160	BanPonce Corporation	11,223,680
10,200	Cape Cod Bank & Trust Company	275,400
89,207	Chase Manhattan Corporation	8,352,005
75,100	Comerica, Inc.	4,233,762
4,500	Community Financial Group—Bank of Nashville	54,000
114,910	First Chicago NBD Corporation	6,219,505
20,400	First Mortgage Corporation†	94,350
33,900	Mercantile Bancorporation, Inc.	1,796,700
40,855	Mid-America Bancorporation	817,100
9,000	Peoples Bank Corporation of Indianapolis	391,500
230,700	PNC Bank Corporation	9,228,000
4,300	Suffolk Bancorp	180,600
18,425	Transworld Bancorp†	331,650
11,000	Wells Fargo & Company	3,125,375
		47,982,102
100,500	Basic Industries—4.6% ACX Technologies Inc.†	1,934,625
25,000	Blessings Corporation	246,874
103,300	Gorman-Rupp Company	1,652,800
61,400	Monarch Machine Tool Company	452,825
70,200	Sequa Corporation, Class A†	3,132,675
78,000	Tremont Corporation†	2,720,250
30,200	Unilever NV, ADR	5,624,750
		15,764,799
1,300	Business and Commercial Services—0.0%†† IIC Industries Inc.†	54,275
12,500	Paris Corporation†	25,781
		80,056

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Chemicals—1.4%		
177,700	Lilly Industries Inc., Class A	\$ 3,265,238
103,100	Oil-Dri Corporation of America	1,688,263
		<hr/> 4,953,501
Consumer Non-Durables—11.6%		
142,400	Bairnco Corporation	996,800
76,700	Coca-Cola Bottling Company	3,336,450
209,200	EKCO Group Inc.	1,046,000
76,800	Fuji Photo Film Company Ltd., ADR	2,515,200
43,535	Great Atlantic & Pacific Tea Company, Inc.	1,104,701
19,000	Hyde Athletic Industries Inc., Class A†	87,875
25,000	Hyde Athletic Industries Inc., Class B†	124,220
121,735	Nestle, ADR	7,037,805
49,800	OroAmerica Inc.†	249,000
106,750	Philip Morris Companies Inc.	12,182,844
10,800	TCC Industries Inc.†	16,200
366,200	UST Inc.	10,207,825
57,200	Village Super Market Inc., Class A†	514,800
		<hr/> 39,419,720
Consumer Services—1.8%		
301,800	Jones Intercable Inc., Class A†	2,867,100
128,900	Pinkerton's, Inc.	3,319,175
		<hr/> 6,186,275
Electronic Equipment—0.1%		
8,000	Espey Manufacturing and Electronics Corporation	143,000
Engineering and Construction—3.1%		
12,700	Atkinson (Guy F.) Company California†	104,775
22,700	Devcon International Corporation†	116,337
107,300	Harding Lawson Associates Group	737,688
150,500	Hovnanian Enterprises, Inc.†	978,250
58,800	M/I Schottenstein Homes Inc.†	602,700
4,080	Oilgear Company	66,300
42,000	Oriole Homes Corporation, Class A†	330,750
91,500	Oriole Homes Corporation, Class B†	714,843
329,700	Ryland Group, Inc.	3,873,975
489,300	Standard-Pacific Corporation	3,058,125
		<hr/> 10,583,743
Financial Services—11.5%		
191,230	American Express Company	11,449,895
418,280	Federal Home Loan Mortgage Corporation	11,398,130
48,300	Household International Inc	4,147,762
18,600	HPSC Inc.†	111,600

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TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Financial Services—(Continued)		
20,800	Kent Financial Services Inc.†	\$ 158,600
345,550	Lehman Brothers Holdings Inc.	10,064,145
10,000	Letchworth Independent Bancshares Corporation	355,000
1,500	Norex American Inc.†	68,625
88,200	Phoenix Duff & Phelps Corporation	672,525
29,800	Value Line Inc.	983,400
1,604	Whitney Holding Corporation	62,456
		<hr/> 39,472,138
Food and Beverages—0.0%††		
40,600	United Foods, Inc., Class A†	73,588
25,400	United Foods, Inc., Class B†	46,037
		<hr/> 119,625
Furniture—0.1%		
29,900	Flexsteel Industries Inc.	358,800
Health Care—8.5%		
163,670	Glaxo Wellcome PLC, Sponsored ADR	5,789,826
33,412	Johnson & Johnson	1,766,660
10,666	Novartis AG, ADR	650,182
222,300	Nycomed ASA, ADR, Class B	3,334,500
167,000	Pharmacia & Upjohn, Inc.	6,116,375
401,800	Regency Health Services, Inc.	4,269,125
497,600	Sun Healthcare Group Inc.†	7,153,000
7,500	Trans Leasing International, Inc.	42,186
8,000	Wyant Corporation	40,000
		<hr/> 29,161,854
Insurance—11.1%		
15,200	Allstate Financial Corporation†	92,150
221,000	American Annuity Group Inc.	3,453,125
77,400	American Indemnity Financial Corporation	1,020,713
112,125	American National Insurance Company	8,773,781
600	Amwest Insurance Group Inc.	7,275
122,600	Integon Corporation	1,808,350
23,300	Kansas City Life Insurance Company	1,578,575
21,600	Merchants Group Inc.	410,400
50,900	National Western Life Insurance Company†	4,199,250
13,200	RLI Corporation	420,750
74,000	Security-Connecticut Corporation	3,339,250
109,500	Transatlantic Holdings, Inc.	9,198,000
81,715	USLIFE Corporation	3,820,176
		<hr/> 38,121,795

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TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Leisure and Entertainment—1.2%		
165,000	Alliance Entertainment Corporation†	\$ 226,875
140,400	C-TEC Corporation†	3,966,300
		<hr/> 4,193,175
Metals and Metal Products—0.0%††		
14,000	American Metals Service, Inc.†	13,125
Oil and Gas—1.4%		
80,000	Isramco, Inc.†	50,000
1,900	Lufkin Industries, Inc.	41,919
90,400	Matrix Service Company†	689,300
87,600	Penn Virginia Corporation	3,876,300
10,000	Wiser Oil Company	176,250
		<hr/> 4,833,769
Real Estate—2.3%		
347,800	American Real Estate Partners Ltd.	3,738,850
26,100	Arizona Land Income Corporation, Class A	127,237
18,012	Atlantic Realty Trust Inc.†	194,755
13,200	Mays (J.W.), Inc.†	125,400
154,400	Price Enterprises Inc.†	2,837,100
3,623	Public Storage, Inc.	105,067
36,025	Ramco-Gershenson Properties	630,437
20,000	Reading Company, Class A†	217,500
		<hr/> 7,976,346
Restaurant Chains—5.0%		
719,100	Darden Restaurants Inc.	5,662,911
219,000	McDonald's Corporation	10,347,750
83,400	Vicorp Restaurants Inc.†	1,063,350
		<hr/> 17,074,011
Retail—5.4%		
82,500	Burlington Coat Factory Warehouse†	1,485,000
1,000	Dart Group Corporation, Class A	90,750
25,000	Discount Auto Parts Inc.†	400,000
117,900	EZCORP Inc., Class A†	928,462
280,500	Fingerhut Companies, Inc.	3,927,000
90,100	Government Technology Services, Inc.	456,130
479,000	Jan Bell Marketing Inc.†	1,017,875
164,000	Kmart Corporation	1,988,500
32,800	Luria (L) and Sons Inc.†	69,700
9,900	Mercantile Stores Company Inc.	459,113
67,200	Penney (J.C.) Company, Inc.	3,200,400
32,100	Seaman Furniture Company†	625,950

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TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Retail—(Continued)		
130,100	Swiss Army Brands, Inc.	\$ 1,626,250
158,700	Syms Corporation†	1,448,137
138,000	United Retail Group, Inc.	621,000
		<hr/> 18,344,267
Technology—0.1%		
44,600	Astrosystems Inc.†	245,300
Telecommunications—0.0%††		
15,300	TCI International Inc.†	108,056
Transportation/Transportation Services—1.8%		
114,000	GATX Corporation	5,571,750
53,100	KLLM Transport Services Inc.†	577,463
		<hr/> 6,149,213
TOTAL COMMON STOCKS—DOMESTIC		
	(Cost \$234,985,659)	296,133,913
COMMON STOCKS—FOREIGN—4.8%		
Finland—0.5%		
15,500	Kone Corporation, Class B	1,883,357
France—0.3%		
7,200	Compagnie Financiere de Suez	373,048
2,725	Klepierre	402,841
2,300	Peugeot SA	262,588
		<hr/> 1,038,477
Italy—0.2%		
72,100	Arnoldo Mondadori Editore SPA	454,072
15,000	Franco Tosi SPA	107,153
		<hr/> 561,225
Japan—1.4%		
63,000	Aichi Electric Company Ltd.	277,634
49,000	Amada Sonoike Company Ltd.	192,165
15,200	Chofu Seisakusho Company	254,420
58,000	Dowa Fire & Marine Insurance Company	238,247
17,000	Fuji Photo Film Ltd.	559,473
30,000	Gakken Company Ltd.	138,030
53,000	Koyosha Inc.†	273,850
19,000	Matsushita Electric Industrial Company	296,515
54,000	Mitsubishi Electric Corporation	303,470
32,000	Morito	220,716
45,150	Nissan Fire & Marine Insurance Company	175,971
36,000	Oak	154,282

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TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—FOREIGN	
	Japan—(Continued)	
62,000	Osaka Securities Finance	\$ 206,048
19,000	Sangetsu Company Ltd.	328,778
15,000	Sankyo Company Ltd.	413,601
5,000	Shikoku Coca-Cola Bottling	54,581
99,000	Shin Nikkei Company Ltd.	300,195
33,000	Suzuki Motor Corporation	320,207
19,000	Toyo Technical Company Ltd.	152,098
		<hr/> 4,860,281
	Netherlands—0.5%	
10,900	Heineken Holdings NV, Class A	1,644,779
	Singapore—0.1%	
79,000	Robinson and Company Ord	328,141
	Spain—0.2%	
7,600	Argentaria	331,382
16,000	Unipapel SA	302,955
		<hr/> 634,337
	Switzerland—0.6%	
2,000	Danzas Holding AG PC	394,719
2,000	Edipresse SA, Bearer	460,042
1,500	Magazine Zum Globus PC	656,706
500	Swissair AG, Registered†	446,143
		<hr/> 1,957,610
	United Kingdom—1.0%	
177,800	BTR Ord	779,556
147,300	McAlpine (Alfred) PLC	392,587
32,500	SmithKline Beecham, PLC Units, ADR	2,275,000
		<hr/> 3,447,143
	TOTAL COMMON STOCKS—FOREIGN	
	(Cost \$14,616,162)	<hr/> 16,355,350
	COMMERCIAL PAPER—3.8% (Cost \$13,000,000)	
\$13,000,000	General Electric Capital Corporation, 6.500% due 4/1/97	<hr/> 13,000,000

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

March 31, 1997

<u>Face Value</u>		<u>Market Value (Note 1)</u>
	U.S. TREASURY BILLS—0.2%	
\$200,000	5.630%** due 5/1/97	\$ 199,112
350,000	5.600%** due 8/21/97	342,683
315,000	5.508%** due 10/16/97	<u>305,956</u>
	TOTAL U.S. TREASURY BILLS	
	(Cost \$847,751)	<u>847,751</u>
	REPURCHASE AGREEMENT—5.4%	
	(Cost \$18,665,000)	
18,665,000	Agreement with UBS Securities, Inc., 6.350% dated 3/31/97, to be repurchased at \$18,668,292 on 4/1/97, collateralized by \$19,329,000 U.S. Treasury Notes, 6.375% due 9/30/01 (market value \$19,051,146)	<u>18,665,000</u>
	TOTAL INVESTMENTS (Cost \$282,114,572*)	100.7% 345,002,014
	OTHER ASSETS AND LIABILITIES (Net)	<u>(0.7)</u> (2,534,635)
	NET ASSETS	<u>100.0%</u> <u>\$342,467,379</u>

* Aggregate cost for Federal tax purposes is \$282,090,648.

** Rate represents annualized yield at date of purchase.

† Non-income producing security.

†† Amount represents less than 0.1% of net assets.

Abbreviations:

ADR—American Depositary Receipt

Ord—Ordinary Share

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

March 31, 1997

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
2,147,265 Finnish Markka	4/15/97	\$ (430,352)
4,464,000 Finnish Markka	8/29/97	(903,897)
1,721,335 Finnish Markka	3/13/98	(353,773)
3,029,280 French Franc	8/29/97	(545,352)
1,002,660 French Franc	10/15/97	(181,158)
125,008 Great Britain Pound Sterling	10/15/97	(205,032)
1,813,456 Great Britain Pound Sterling	12/31/97	(2,970,414)
466,650 Great Britain Pound Sterling	2/5/98	(763,993)
617,932 Great Britain Pound Sterling	3/13/98	(1,011,195)
544,148,500 Italian Lira	8/29/97	(324,357)
423,335,000 Italian Lira	10/15/97	(252,009)
55,814,250 Japanese Yen	4/15/97	(452,279)
67,990,000 Japanese Yen	8/29/97	(562,402)
190,496,250 Japanese Yen	10/15/97	(1,587,590)
75,798,100 Japanese Yen	12/31/97	(639,683)
29,050,000 Japanese Yen	3/13/98	(247,864)
116,095,000 Japanese Yen	4/14/98	(995,484)
750,353 Netherlands Guilder	4/15/97	(400,509)
1,972,080 Netherlands Guilder	8/29/97	(1,063,340)
248,355 Netherlands Guilder	10/15/97	(134,415)
3,407,800 Netherlands Guilder	12/31/97	(1,856,172)
1,857,800 Netherlands Guilder	3/13/98	(1,017,677)
6,478,500 Norwegian Krone	6/16/97	(988,133)
4,812,975 Norwegian Krone	2/5/98	(745,891)
418,260 Singapore Dollar	10/15/97	(292,590)
38,562,000 Spanish Peseta	10/15/97	(273,108)
6,767,00 Swedish Krona	12/31/97	(909,688)
951,040 Swiss Franc	8/29/97	(672,153)
242,600 Swiss Franc	10/15/97	(172,440)
3,871,500 Swiss Franc	12/31/97	(2,779,126)
1,371,500 Swiss Franc	2/5/98	(988,793)
1,068,360 Swiss Franc	3/13/98	(773,600)
TOTAL FORWARD EXCHANGE CONTRACTS TO SELL		
(Contract Amount \$26,975,000)		<u><u>\$ (25,494,469)</u></u>

■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Assets and Liabilities

March 31, 1997

ASSETS

Investments, at value (Cost \$282,114,572) (Note 1)	
<i>See accompanying schedule</i>	\$345,002,014
Cash and foreign currency (Cost \$39,445)	8,740
Receivable for Fund shares sold	3,071,641
Net unrealized appreciation of forward exchange contracts (Note 1)	1,480,531
Receivable for investment securities sold	1,168,695
Dividends and interest receivable	529,305
Unamortized organization costs (Note 5)	32,449
Prepaid expenses	1,381
Total Assets	<u>\$351,294,756</u>

LIABILITIES

Payable for investment securities purchased	\$7,535,139
Payable for Fund shares redeemed	796,746
Investment advisory fee payable (Note 2)	362,902
Transfer agent fees payable (Note 2)	12,300
Custodian fees payable (Note 2)	7,395
Accrued expenses and other payables	<u>112,895</u>
Total Liabilities	<u>8,827,377</u>

NET ASSETS \$342,467,379

NET ASSETS consist of

Undistributed net investment income	\$ 1,039,581
Accumulated net realized gain on securities, forward exchange contracts and foreign currencies	5,415,390
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets	64,337,091
Par value	2,112
Paid-in capital in excess of par value	<u>271,673,205</u>
Total Net Assets	<u>\$342,467,379</u>

NET ASSET VALUE, offering and redemption price per share
($\$342,467,379 \div 21,119,090$ shares of common stock outstanding) \$16.22

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Operations

For the Year Ended March 31, 1997

INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$83,262)	\$ 4,842,528
Interest	1,015,320
Total Investment Income	<u>5,857,848</u>

EXPENSES

Investment advisory fee (Note 2)	\$3,176,537
Administration fee (Note 2)	329,781
Transfer agent fees (Note 2)	98,552
Custodian fees (Note 2)	56,005
Legal and audit fees	32,659
Amortization of organization costs (Note 5)	19,469
Directors' fees and expenses (Note 2)	3,820
Other	151,863
Waiver of fees by investment adviser, administrator and custodian (Note 2)	<u>(343,759)</u>
Total Expenses	<u>3,524,927</u>

NET INVESTMENT INCOME

2,332,921

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

(Notes 1 and 3)

Net realized gain on:	
Securities	10,230,036
Forward exchange contracts	1,264,232
Foreign currencies	16,177
Net realized gain on investments during the year	<u>11,510,445</u>
Net change in unrealized appreciation (depreciation) of:	
Securities	25,939,299
Forward exchange contracts	906,418
Foreign currencies and net other assets	(30,702)
Net unrealized appreciation of investments during the year	<u>26,815,015</u>

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS ..

38,325,460

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS \$40,658,381

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Statements of Changes in Net Assets

	Year Ended <u>3/31/97</u>	Year Ended <u>3/31/96</u>
Net investment income	\$ 2,332,921	\$ 1,550,882
Net realized gain on securities, forward exchange contracts and currency transactions during the year	11,510,445	2,569,270
Net unrealized appreciation of securities, forward exchange con- tracts, foreign currencies and net other assets during the year	<u>26,815,015</u>	<u>34,254,651</u>
Net increase in net assets resulting from operations	40,658,381	38,374,803
Distributions:		
Dividends to shareholders from net investment income	(2,924,069)	(1,344,358)
Distributions to shareholders from net realized gain on investments	(7,097,006)	(253,652)
Net increase in net assets from Fund share transactions (Note 4)	<u>110,231,566</u>	<u>105,965,682</u>
Net increase in net assets	140,868,872	142,742,475
NET ASSETS		
Beginning of year	<u>201,598,507</u>	<u>58,856,032</u>
End of year (including undistributed net investment income of \$1,039,581 and \$371,199, respectively)	<u>\$342,467,379</u>	<u>\$201,598,507</u>

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each year.

	Year Ended <u>3/31/97</u>	Year Ended <u>3/31/96(a)</u>	Year Ended <u>3/31/95(a)</u>	Period Ended <u>3/31/94(b)</u>
Net asset value, beginning of year	\$ 14.29	\$ 10.71	\$ 9.71	\$ 10.00
Income from investment operations:				
Net investment income(c)	0.13	0.15	0.13	0.01
Net realized and unrealized gain (loss)				
on investments	<u>2.39</u>	<u>3.56</u>	<u>0.93</u>	<u>(0.30)</u>
Total from investment operations . . .	<u>2.52</u>	<u>3.71</u>	<u>1.06</u>	<u>(0.29)</u>
Distributions:				
Dividends from net investment income	(0.17)	(0.11)	(0.06)	—
Distributions from net realized gains . .	<u>(0.42)</u>	<u>(0.02)</u>	<u>—</u>	<u>—</u>
Total distributions	<u>(0.59)</u>	<u>(0.13)</u>	<u>(0.06)</u>	<u>—</u>
Net asset value, end of year	<u>\$ 16.22</u>	<u>\$ 14.29</u>	<u>\$ 10.71</u>	<u>\$ 9.71</u>
Total return(d)	<u>17.75%</u>	<u>34.70%</u>	<u>11.02%</u>	<u>(2.90)%</u>
Ratios/Supplemental Data:				
Net assets, end of year (in 000's)	\$342,467	\$201,599	\$58,856	\$16,133
Ratio of operating expenses				
to average net assets(e)	1.39%	1.39%	1.74%	2.26%(f)
Ratio of net investment income				
to average net assets	0.92%	1.13%	1.25%	0.64%(f)
Portfolio turnover rate	16%	9%	4%	0%(g)
Average commission rate				
(per share of security)(h)	\$ 0.0302	\$ 0.0341	N/A	N/A

(a) Per share amounts have been calculated using the monthly average share method, which more appropriately presents the per share data for the period since the use of the undistributed income method does not accord with results of operations.

(b) The Fund commenced operations on December 8, 1993.

(c) Net investment income (loss) for a Fund share outstanding, before the waiver of fees by the investment adviser and/or administrator and/or custodian for the years ended March 31, 1997, 1996 and 1995 and the 3.75-month period ended March 31, 1994 was \$0.11, \$0.12, \$0.11 and \$(0.01), respectively.

(d) Total return represents aggregate total return for the periods indicated.

(e) Annualized expense ratios before the waiver of fees by the investment adviser and/or administrator and/or custodian for the years ended March 31, 1997, 1996 and 1995 and the 3.75-month period ended March 31, 1994 were 1.52%, 1.61%, 1.94% and 3.51%, respectively.

(f) Annualized.

(g) Amount rounds to less than 1.0%.

(h) Average commission rate (per share of security) as required by amended disclosure requirements effective September 1, 1995.

■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

*Notes to Financial Statements***1. Significant Accounting Policies**

Tweedy, Browne American Value Fund (the “Fund”) is a diversified series of Tweedy, Browne Fund Inc. (the “Company”). The Company is an open-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. The Company was organized as a Maryland corporation on January 28, 1993. The Fund commenced operations on December 8, 1993. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Portfolio Valuation Generally, the Fund’s investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value as determined by or under the direction of the Company’s Board of Directors. Portfolio securities, for which the primary market is a national securities exchange or other market where there exists a reliable daily publication of actual transaction prices, are valued at the last sale price prior to the close of regular trading or, if there were no sales during the day, at the mean between the last ask price and the last bid price prior to the close of regular trading. Over-the-counter securities and securities listed or traded on certain foreign exchanges whose operations are similar to the United States (“U.S.”) over-the-counter market are valued at the mean between the bid and ask prices. Portfolio securities that are traded primarily on foreign exchanges generally are valued at the preceding closing values of such securities on their respective exchanges, except that when an occurrence subsequent to the time that a value was so established is likely to have changed such value, then the fair value of those securities will be determined by consideration of other factors by or under the direction of the Company’s Board of Directors. Short-term investments that mature in 60 days or less are valued at amortized cost.

Repurchase Agreements The Fund engages in repurchase agreement transactions. Under the terms of a typical repurchase agreement, the Fund

Notes to Financial Statements

takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the Fund's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is potential loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights. The Fund's investment adviser, acting under the supervision of the Company's Board of Directors, reviews the value of the collateral and the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks.

Foreign Currency The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period, and purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions. Unrealized gains and losses which result from changes in foreign currency exchange rates have been included in the unrealized appreciation (depreciation) of currencies and net other assets. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amount actually received. The portion of foreign currency gains and losses related to fluctuation in the exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gains and losses on investment securities sold.

Forward Exchange Contracts The Fund has entered into forward exchange contracts for non-trading purposes in order to reduce its exposure

Notes to Financial Statements

to fluctuations in foreign currency exchange on its portfolio holdings. Forward exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is recorded by the Fund as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time that it was opened and the value of the contract of the time that it was closed.

The use of forward exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's investment securities, but it does establish a rate of exchange that can be achieved in the future. Although forward exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

Securities Transactions and Investment Income Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Dividend income and interest income may be subject to foreign withholding taxes. The Fund's custodian applies for refunds where available. If the Fund meets the requirements of Section 853 of the Internal Revenue Code of 1986, as amended, the Fund may elect to pass through to its shareholders credits for foreign taxes paid.

Dividends and Distributions to Shareholders Dividends from net investment income, if any, and distributions from realized capital gains after utilization of capital loss carryforwards, if any, will be declared and paid annually. Additional distributions of net investment income and capital gains from the Fund may be made at the discretion of the Board of Directors in order to avoid the application of a 4% non-deductible Federal excise tax on certain undistributed amounts of ordinary income and capital gains. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally



Notes to Financial Statements

accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund.

Federal Income Taxes The Fund intends to qualify as a regulated investment company, if such qualification is in the best interest of its shareholders, by complying with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and by distributing substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

Expenses Expenses directly attributable to each Fund as a diversified series of the Company are charged to that Fund. Other expenses of the Company are allocated to each Fund based on the average net assets of each Fund.

2. Investment Advisory Fee, Administration Fee and Other Related Party Transactions

The Company on behalf of the Fund has entered into an investment advisory agreement (the "Advisory Agreement") with Tweedy, Browne Company L.P. ("Tweedy, Browne"). Under the Advisory Agreement, the Company pays Tweedy, Browne a fee at the annual rate of 1.25% of the value of its average daily net assets. The fee is payable monthly, provided the Fund will make such interim payments as may be requested by the adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid. From time to time, Tweedy, Browne may voluntarily waive a portion of its fee otherwise payable to it. For the year ended March 31, 1997, Tweedy, Browne voluntarily waived fees of \$284,262.

The current and retired general partners and their families, as well as employees of Tweedy, Browne, the investment adviser to the Fund, have approximately \$22.8 million of their own money invested in the Fund.

The Company on behalf of the Fund has entered into an administration agreement, as amended on February 15, 1997 (the "Administration Agreement") with First Data Investor Services Group, Inc. ("FDISG"), a



TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements

wholly owned subsidiary of First Data Corporation. Under the Administration Agreement, the Company pays FDISG an administrative fee and a fund accounting fee computed daily and payable monthly at the following annual rates of the value of the average daily net assets of the Fund.

	Fees on Assets		
	Up to \$500 Million	Between \$500 and \$1 Billion	Exceeding \$1 Billion
Administration Fees	0.06%	0.04%	0.02%
	Up to \$100 Million	Exceeding \$100 Million	
Accounting Fees	0.03%	0.01%	

For the period from April 1, 1996 through February 14, 1997, FDISG voluntarily waived administration fees of \$32,914. For the period from February 15, 1997 through March 31, 1997, FDISG voluntarily waved administration and fund accounting fees of \$21,979.

Under the terms of the Administration Agreement, the Company will pay for Fund Administration Services a minimum fee of \$40,000 per annum, not to be aggregated with fees for Fund Accounting Services. The Company will pay a minimum monthly fee of \$3,000 for Fund Accounting Services for the Fund, not to be aggregated with fees for Fund Administration Services.

Prior to February 15, 1997, the Company paid FDISG an administrative fee and a fund accounting fee computed daily and paid monthly at the annual rates of the value of the average daily net assets of the Fund as follows:

TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements

	Fees on Assets		
	Up to \$200 Million	Between \$200 and \$500 Million	Exceeding \$500 Million
Administration Fees	0.10%	0.08%	0.06%
	Up to \$100 Million	Exceeding \$100 Million	
Accounting Fees	0.06%	0.04%	

For the period April 1, 1996 through February 14, 1997, the Company paid for Fund Administration Services a minimum fee of \$40,000 per Fund per annum, not to be aggregated with fees for Fund Accounting Services and a minimum fee of \$40,000 per Fund per annum, not to be aggregated with fees for Fund Administration Services.

No officer, director or employee of Tweedy, Browne, FDISG or any parent or subsidiary of those corporations receives any compensation from the Company for serving as a director or officer of the Company. The Company pays each director who is not an officer, director or employee of Tweedy, Browne, FDISG or any of their affiliates \$2,000 per annum plus \$500 per Regular or Special Board Meeting attended in person or by telephone, plus out-of-pocket expenses.

Boston Safe Deposit and Trust Company ("Boston Safe"), an indirect wholly owned subsidiary of Mellon Bank, serves as the Fund's custodian pursuant to a custody agreement (the "Custody Agreement"). From time to time, Boston Safe may voluntarily waive a portion of its fee otherwise payable to it. For the year ended March 31, 1997, Boston Safe voluntarily waived fees of \$4,604. Unified Advisers, Inc., serves as the Fund's transfer agent. Effective May 12, 1997, FDISG will replace Unified Advisers, Inc. as the Fund's transfer agent. Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

For the year ended March 31, 1997, the Fund incurred total brokerage commissions of \$223,652.

Notes to Financial Statements

3. Securities Transactions

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the year ended March 31, 1997, aggregated \$131,396,987 and \$36,926,371, respectively.

At March 31, 1997, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$63,617,578 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$706,212.

4. Capital Stock

The Company is authorized to issue one billion shares of \$0.0001 par value capital stock, of which 400,000,000 of the unissued shares have been designated as shares of the Fund. Changes in shares outstanding for the Fund were as follows:

	Year Ended 3/31/97		Year Ended 3/31/96	
	Shares	Amount	Shares	Amount
Sold	9,381,470	\$146,286,093	12,329,516	\$153,231,522
Reinvested	599,957	9,419,276	112,691	1,493,159
Redeemed	(2,966,055)	(45,473,803)	(3,834,573)	(48,758,999)
Net Increase	7,015,372	\$110,231,566	8,607,634	\$105,965,682

5. Organization Costs

The Fund bears all costs in connection with its organization including the fees and expenses of registering and qualifying its shares for distribution under Federal and state securities regulations. All such costs have been deferred and are being amortized over a five-year period using the straight-line method from the commencement of operations of the Fund. In the event that any of the initial shares of the Fund are redeemed during such amortization period, the Fund will be reimbursed for any unamortized organization costs in the same proportion as the number of shares redeemed bears to the number of initial shares held at the time of redemption.

6. Line of Credit

Effective October 1, 1996, the Company and Mellon Bank, N.A. have entered into a Line of Credit Agreement (the "Agreement") which provides the Fund with a \$50 million line of credit, primarily for temporary or emergency purposes, including the meeting of redemption requests that might otherwise require the untimely disposition of securities. The Fund may borrow up to the lesser of \$50 million or one-third of its net assets. Interest is payable at the bank's Money Market Rate plus 0.75% on an annualized basis. Under the Agreement, the Company is charged a facility fee equal to 0.10% annually of the unutilized credit. The Agreement requires, among other provisions, the Fund to maintain a ratio of net assets (not including funds borrowed pursuant to the Agreement) to aggregated amount of indebtedness pursuant to the Agreement of no less than three to one. For the year ended March 31, 1997, the Fund did not borrow under this Agreement.

TWEEDY, BROWNE AMERICAN VALUE FUND

Report of Ernst & Young LLP, Independent Auditors

To the Shareholders and Board of Directors of
Tweedy, Browne Fund Inc.:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments and schedule of forward exchange contracts, of Tweedy, Browne American Value Fund (the "Fund") (one of a series of Tweedy, Browne Fund Inc.) as of March 31, 1997, the related statement of operations for the year then ended, and the related statement of changes in net assets for each of the two years in the period then ended and financial highlights for each of the three years in the period then ended and for the period from December 8, 1993 (commencement of operations) to March 31, 1994. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of March 31, 1997, by correspondence with the custodian and brokers and other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Tweedy, Browne American Value Fund, a series of Tweedy, Browne Fund Inc., at March 31, 1997, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and financial highlights for each of the three years in the period then ended and for the period from December 8, 1993 to March 31, 1994, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
May 2, 1997

TWEEDY, BROWNE AMERICAN VALUE FUND

Tax Information (unaudited)

Year Ended March 31, 1997

For the fiscal year ended March 31, 1997, the amount of long-term capital gain distributed to shareholders by the Fund was \$4,309,940.

Of the ordinary income (including short-term capital gain) distributions made by the Fund during the fiscal year ended March 31, 1997, 62.17% qualify for the dividend received deduction available to corporate shareholders.

TWEEDY, BROWNE FUND INC.
2 Vanderbilt Avenue, NY, NY 10017
800-432-4789 or 800-873-8242