



TWEEDY, BROWNE
GLOBAL VALUE FUND

SEMI-ANNUAL

SEPTEMBER 30, 1998



TWEEDY, BROWNE
AMERICAN VALUE FUND

Tweedy, Browne Fund Inc.

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TWEEDY, BROWNE FUND INC.

Investment Manager's Report



*Chris Browne, John Spears and Will Browne (seated L to R)
Bob Wyckoff and Tom Shrager (back row L to R)*

To Our Shareholders:

Normally we begin our letters to shareholders with the statement, “We are pleased to present . . .”, which for the most recent six months of our fiscal year, seems a bit peculiar. We are pleased to communicate with our shareholders, but we do wish that every time we did we could report that we had more money than we had when we last reported. We all recognize that stocks do not go up in every measured time period despite our wishing they would. Investment results for six months, twelve months and since inception through September 30, 1998, for Tweedy, Browne Global Value Fund and Tweedy, Browne American Value Fund are presented on the following page.

	Tweedy, Browne Global Value	MSCI EAFE ⁽¹⁾ US \$ Hedged		Morningstar Foreign Stock Funds Average ⁽²⁾	Morningstar World Stock Funds Average ⁽³⁾
6 months	(17.54)%	(13.30)%	(16.64)%	(15.87)%	(16.16)%
12 months	(5.33)	(8.34)	(7.20)	(10.92)	(9.93)
Annualized since inception (5.33 years) ⁽⁹⁾	12.69	5.96	8.43	6.95	9.49

	Tweedy, Browne American Value	S&P 500 ⁽⁴⁾	S&P Mid-Cap 400 ⁽⁵⁾	Russell 2000 ⁽⁶⁾	Morningstar Domestic Stock Funds Average ⁽⁷⁾	Morningstar Mid-Cap Value Funds Average ⁽⁸⁾
6 months	(11.98)%	(6.96)%	(16.29)%	(23.89)%	(15.37)%	(19.73)%
12 months	(0.03)	9.06	(6.31)	(18.89)	(6.80)	(11.76)
Annualized since inception (4.83 years) ⁽⁹⁾	17.80	20.37	14.62	8.02*	13.03	12.14

*Does not include the reinvestment of dividends.

Note: The performance shown represents past performance and is not a guarantee of future results. The Funds' 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. See page 20 for footnotes 1 through 9, which describe the indices.

Since the stock market peaked on July 17, the past few months have been unsettling for many investors with the Dow Jones Industrial Average rising or falling hundreds of points on any number of days. Furthermore, the results of the Dow Jones or the Standard & Poor's 500 Stock Index do not tell the full story. Broader indexes, which include smaller stocks, are down much more than the large cap-weighted indexes. For example, the Russell 2000, which is comprised of the 2000 stocks smaller than the 1000 largest stocks in the Russell 3000 Index, is down 23.9% for the six months ended September 30, 1998. For the calendar year nine months, that index is down 16.0%. Given the proportion of our assets that are invested in smaller and mid-cap stocks, we are almost surprised we are not down more than we are. However, we never said the market always goes up. Long term, we have been more than amply rewarded for owning the kinds of stocks we own. We see no reason for that to change in the future. We may be repeating ourselves, but we believe investing is like flying in an airplane. Occasionally, we will encounter some air turbulence, but that does not prevent us from reaching our final destination. In times of turbulence, we merely tighten our seat belts and wait for smoother flying. In times like these, there really is



neither much we can do, nor much we should do. Continuing our airplane analogy, if we told the pilot to land, which would be equivalent to selling our stocks, we would not get to our destination. And while no one enjoys air turbulence, we cannot recall it ever being the cause of a crash. Pilot errors or faulty aircrafts are the more common causes of accidents. The same can be said for stock investing.

We are also very pleased to observe that our clients and investors appear to agree with us. Despite almost daily doses of dire market forecasts, our shareholders have remained extremely stable. Since the stock market peak on July 17, the number of shares outstanding of the Global Value Fund has only declined 3% through September 30. Over the same time period, the number of shares outstanding in the American Value Fund has actually increased 1.9%. This may say something about investors' risk perceptions of U.S. stocks versus foreign stocks, which is a topic we will discuss later in this report. However, the current buzz words in the investment world are the so-called "flight to quality." It may be impossible to measure the amount of time and energy that is being devoted to scaring the daylights out of the individual investor. However, as far as we can tell, it is not working. With the exception of some of the dicier funds, such as emerging market bond funds, mutual funds are not seeing large redemptions. In our opinion, the individual investor is acting rationally in the midst of all the turmoil. (We characterize this behavior as rational because it is the same as ours. One always likes to think of one's self as being rational.) Who then, we ask, is causing the stock markets to fluctuate so widely? Given the number of shares traded, with volume exceeding one billion shares on some days, it can only be the professional money managers. We are at a loss to comprehend what news can cause money managers to sell at near panic rates one day, and rush back into the market the next. Perhaps in another life we will be psychologists and study such behavior. For now, we are seeing enough cheap stocks falling out of this market correction to keep us busy for some time to come.

Much of what has occurred deserved to happen. Many stocks were too high and more rational pricing of future earnings expectations is not all bad. More rational expectations of future earnings is not so bad either. However, as always happens, some babies get thrown out with the bathwater. In a rush to quality, which means the largest companies with the most predictable earnings forecasts, a lot of good merchandise has been put on the market at bargain prices. And even the big, safe stocks have not always been a haven in this market. Almost daily, any company reporting disappointing earnings



can see its stock drop 20% to 30%. The October 12, 1998 issue of *The Wall Street Journal* reported that a number of the best growth stocks had not performed so well when compared to their prior 52-week highs: Lucent Technologies -42%; Gillette -38%; Cisco Systems -29%; Coke -28%; and Home Depot -26%, as compared to declines of 17% for the S&P 500 and 16% for the Dow Jones Industrials. Smaller companies, which may not have the ability to “manage” their earnings to meet analysts’ expectations, are perceived as “riskier” and have in many cases been dumped wholesale by institutional investors. Many bank stocks are also down significantly, and the brokerage stocks have gone into a tailspin. In a panic, liquidity dries up, which accounts for some of the more dramatic price declines. However, there is a silver lining. After bemoaning the lack of investment opportunities for months, if not years, our value brethren are beginning to talk about an increase in cheap stocks. We second that opinion.

When the time rolls around for us to write our shareholder letters, we sometimes wonder what topic we should address. We actually collect stories and articles we believe are instructive, as well as studies of stocks which point to successful investment strategies. We especially like Jonathan Clements’ articles in *The Wall Street Journal* and admire him for his practical, comprehensible observations and advice. This year, with stories of hedge funds blowing up, emerging markets such as Russia and Indonesia imploding, and the general impression that the world has become a riskier place, we thought we would present our interpretation of risk.

The dictionary defines risk as “the possibility of suffering harm or loss.” This definition is a bit simplistic, so the investment community likes to slice and dice the definition into numerous variables. There is market risk, which is fairly easy to understand because, surprise, surprise, stock markets can go down. There is “risk premium,” a mathematical formula, which supposedly measures the excess return investors expect for holding equities rather than less risky bonds. And there is systemic risk, which is the risk that an entire financial system can collapse like it did in Russia and Indonesia. If you are a large institutional investor, you can afford to pay consultants to measure risk for you. They can run the “Monte Carlo Simulation,” which will supposedly tell you what the odds are that your account will be worth less in ten years, and various other formulas that look more like a bunch of letters that fell out of a can of Greek alphabet soup. The financial community loves mathematical wizardry while losing sight of the fact that all these formulas are based on assumptions that just may be “garbage in, garbage out.” For



example, the following mathematical formula is called the Garman-Kohlhagen model for a call option on foreign currency, which appeared in *The Financial Analysts Journal* in March 1996:

$$\begin{aligned}
 c &= Se^{-rt}N(d_1) - Xe^{-rdT}N(d_2) \\
 d_1 &= \frac{\ln(S/X) + [r_d - r_f + (\sigma^2/2)]T}{\sigma\sqrt{T}} \\
 d_2 &= \frac{\ln(S/X) + [r_d - r_f(\sigma^2/2)]T}{\sigma\sqrt{T}} \\
 &= d_1 - \sigma\sqrt{T},
 \end{aligned}$$

No one at Tweedy, Browne was a math major in college. Rather, we were arithmetic majors in elementary school. We tend to glaze over when presented with these formulas and their conclusions. We always try to reduce explanations of what we do to “plain English” that the average person can understand. Rocket scientists prefer explanations that Stephen Hawkings would have to think about. Our guess is that people prefer explanations that they cannot understand on the assumption that the person presenting the explanation must be smarter than they are, and thus worthy of veneration. How else can one explain the success of Long-Term Capital Management, the now infamous hedge fund which blew up last month with a \$3.65 billion bail out, raising money from some of the most “sophisticated” investors in the world. For our own money, we consider only two broad types of risk: the risk of not owning stocks and the risk of permanent capital loss. Everything else is just fluctuation.

The risk of not owning stocks comes from inflation which, generally, is a slow, insidious erosion of your wealth. For example, we have a client whose mother inherited \$1 million when her husband died in 1947, which is a lot of money today and was an enormous amount of money then. To protect his widow, her late husband left his money in trust with a bank and instructed them to invest it in bonds and pay her the interest. At the time, you probably could have received 3% in tax-free municipal bonds, yielding our client’s mother \$30,000 a year tax free on which she could live very comfortably. In 1947 you could buy a great house for \$25,000, which today would cost more than \$1 million. A new Cadillac probably cost \$2,500 and a four-year Harvard education cost less than \$10,000. Today, the Cadillac would cost \$40,000 or \$50,000 (we are guessing because none of us owns a



Cadillac), and four years at Harvard will set you back \$125,000+. (The cost of higher education is something with which we are all too painfully familiar.) God bless her, 51 years later our client's mother is still alive and enjoying life. And she is doubly lucky because her son was very successful and can now afford to contribute to her support, because her trust fund is still worth \$1 million and throws off about \$36,000 a year. If this lady's trust had been invested in the Standard & Poor's 500 Stock Index, the result would have been very different. Over the 50-year period from 1947 to 1997, the S&P 500 compounded at a 12.9% annual rate. Approximately four percentage points came from dividends and one percent came from realized capital gains from stocks that were either taken over or dropped from the index. If we tax the dividends at a 50% rate and the capital gains at a 25% rate, the net return is 10.65%. To give our client's mother money to live on, we will let her spend 3%, which is equivalent to the \$30,000 she received from the municipal bonds in 1947. Her net reinvested rate of compounding would have been 7.65%. Over 50 years, her \$1 million would have grown to \$39,875,000. If she continued to spend 3% per year, the bank would be sending her a check for \$1,196,250 this year and she could probably send her son some money instead of vice versa. Long term, the rate of inflation has been about 3%. To preserve the purchasing power of her original \$1 million, she would need \$4,515,423 in 1998. Instead, the index would have made her 8.8 times that amount of money. If this is enough to make us cry, imagine how her son must feel.

Along the way, returns can be fairly lumpy. Between 1947 and 1972, the S&P 500 compounded at about 13.5%. Reducing this rate by our estimated taxes and the 3% that was taken out for living expenses, the value of our subject's trust would have grown to \$7,256,000. In the bear market of 1973 and 1974, she might have seen the value of the trust drop 37% to \$4,571,280. Adhering to her 3% spending rule, she would have received a check for \$137,000, down from \$217,000 the year before the market went in the tank. However, adjusting her original \$30,000 spendable cash at an inflation rate of 3% would have been \$64,700 in 1974. On an inflation adjusted basis, she could have still maintained her original lifestyle on only one-half of what she would have been given from the trust, even after a nearly 40% drop in the market. Although it would have taken several years for this lady's trust to get back to its previous high net asset value following the 1973-1974 bear market, she would have been so far ahead of inflation from her beginning point in 1947, it would not have mattered. In the entire



50-year period ending in 1997, on an annual basis the stock market was up 40 years, a batting average of 80%. Move over Mark McGwire. In every 20-year period from 1926 to 1995, the S&P 500 Index beat inflation. While the stock market's gyrations and decline in the past two months may be disconcerting, we believe investors should keep count of their wealth on an annual basis, not on a peak-to-trough interim basis. While we all remember the "Crash of 1987," we should also remember the market was up 5.2% on an annual basis for the year. If you had been away and out of touch for that year, you would have returned to find you had a ho-hum investment return in 1987. The important lesson to be taken from this discussion is that by not being invested in stocks, our client's mother saw her fortune decline by 77.8% after adjusting for inflation. That is why we own stocks and not bonds.

University endowment funds and charitable foundations do what we believe our client's mother should have done. They adopt a spending rule, usually between 4% and 5%, which is less than their expected long-term rate of return from their investments. They hope that their rate of return after spending will at least equal if not exceed the rate of inflation. They have the enormous advantage of not paying taxes on their investment gains, which helps significantly, but their principal goal is to maintain the value of the endowment after adjusting for inflation. However, most universities have an additional problem: they are dependent on the income from their endowments to balance their operating budgets. This means they spend everything their spending rule allows. If they adhered to the 4% or 5% spending rule and their investments declined 20% in any given year, it would put a big hole in their budgets. In an attempt to smooth out these possible fluctuations, endowments and foundations have traditionally done two things. First, they invest part of the assets in bonds, which are considered to be less volatile and thus safer than stocks. However, the problem with bonds is that their long-term rate of return has not exceeded inflation by 4% or 5%, which is the amount that is being withdrawn each year. Long term, bonds are a wasting asset. The second thing endowments in general do is calculate their 4% or 5% spending limit on the previous three-year average value of their portfolio. This is a rational way of smoothing out fluctuations in the portfolio, in essence by reserving some of the gains in the boom years to subsidize declines in the bad years. Given the high variability of stock market returns year to year, we think this is a smart thing to do.



There are two other ways by which investors and endowment and foundation trustees attempt to smooth out investment returns. The first is through market timing; i.e., getting out of the market just before you think it is going to fall and getting back in just before you think it is going to go up. Unfortunately, the empirical data more than suggests that this is not possible. More often than not, people get out after the market has fallen, and get back in after it has enjoyed a sustained rise. This is what is happening in the so-called “flight to quality” we read so much about. Now that Russia, Asia and various exotic investment instruments have tanked, everyone wants to own only the 30-year treasury bond. Their appetite for long-term treasuries is so great that the yield has been driven down to a 30-year low of less than 5%. We have to ask ourselves whether a 30-year treasury bond is as riskless as many seem to believe, especially at this point. It is helpful to remember that if interest rates go up, treasury bonds go down. With interest rates at a 30-year low, is there a greater chance that rates may go up or down from this point? We do not have the answer, but it is a bet we do not want to make.

At the risk of repeating ourselves, we believe that attempting to time the market is not something we know how to do. Market timing is often an emotional reaction; we prefer the less stressful course of being dispassionate. An analysis of monthly investment returns of the S&P 500 from 1926 to 1993 by Sanford Bernstein & Co. showed that out of 816 months, which comprised the entire 68-year period, the returns in the 60 best months, or a mere 7% of the time, averaged 11% per month. In the other 756 months, 93% of the time, the average return was only 1/100 of 1% per month. In a study by Nicholas-Applegate Capital Management covering a 10-year period from 1983 through 1992, encompassing 2,526 stock market trading days, the compounded annual return for the S&P 500 was 16.2% per year. In the same study, the investment returns on the 40 best days, a mere 1.6% of the time, accounted for 12.6% of the 16.2% annually compounded rate of return. Without those 40 days, the annually compounded rate of return over the 10-year period falls to 3.6%. Picking the 40 best days out of 2,526 is a lottery no one will win. These odds have not stopped people from attempting to time the market. A few days ago we read a story about one money manager with a large following who chose to sell 75% or 80% of his fund’s stocks late in 1997 only to reverse this decision under pressure from his clients a few months later after the market had risen. He went back in the market just in time to catch the late July and August



downturn. Investing is a field where it is best to be dispassionate, not passionate; to be realistic about what is humanly possible and what is not. Predicting the future movement of the stock market with any specificity, other than long term it probably goes up, is not something we are aware anyone has done with any consistency.

The second way that institutional investors and some wealthy individuals attempt to smooth out their investment returns is by investing in assets that are not correlated to the popular stock market indices. This means finding investments that provide returns independent of whether the S&P 500 is moving up or down. Such investments run the gamut from real estate to venture capital, buyout funds and hedge funds. We do not know much about real estate other than we all own our own homes. Neither do we know much about venture capital because analyzing start-up growth companies is about as far away from what we do as anything. We are also not so sure these two investments are not all that correlated to the stock market. Real estate gains seem to come when the economy is healthy, which seems to correlate to strong stock markets. And venture capital requires a strong stock market so profits on these investments can be realized through a public stock offering. These investments have the advantage that, unlike stocks, they cannot be priced every day the market is open and, therefore, appear less volatile. We have not seen any evidence that these investments as a class produce excess returns over stocks although, as in everything, some do better than others. Furthermore, we do not like the idea of tying up our money for five or 10 years, which is necessary with these investments.

We do know something about buyout funds, but in general have not been rich enough to get into the established ones. Additionally, we are averse to leverage; i.e., borrowing money, for investment. Leverage is a necessary component of successful buyout investing. We also know something about hedge funds; a lot more now than we did a few short months ago. We found out things we thought could never be, as did the people who had invested in them. The granddaddies of the business like George Soros and Julian Robertson buy stocks around the world just like we do. They also make macro-economic bets on interest rates and currencies along with going long and short. And they leverage — they borrow money to make investments greater than the value of the net assets under their management. Because they can invest around the world and go long and short in a wide variety of financial instruments, their performance can be less correlated to the S&P 500. Some, such as Soros and Robertson, have been quite successful



over long periods of time. The problem with hedge funds is that past performance is not necessarily an indication of future performance. Various studies have shown that merely investing in hedge funds that did well in the preceding five years offers little insight into how they will do in the next five years. A particular manager may have merely lucked out betting on a swing in interest rates or the rise or fall of some currency. Like people who make a market prediction that works out, such as predicting the crash of 1987, there is no evidence of future success in making those predictions.

Some consultants recognize this fact and advise their clients who want to invest in hedge funds to look for the “really smart” managers. However, how do you determine if someone is really smart? Is the answer determined by where they went to school and how well they did there? Is it having a Ph.D. or maybe winning a Nobel Prize in economics? Is it their IQ? That would have led you to Greenwich, Connecticut and Long-Term Capital Management, the \$4 billion hedge fund that evaporated in August and September and forced a consortium of banks and investment banks to put up \$3.65 billion to avoid what they must have believed would have been a financial crisis if the fund went through a forced liquidation. As *Fortune* magazine editor, Carol Loomis, wrote in “A House Built on Sand,” “In the Greenwich, Connecticut office of Long-Term Capital Management there may be more IQ points per square foot than in any other institution extant.” All those IQ points did not prevent the fund from blowing up. A friend of ours who knows one of the Nobel laureates on the Board of Long-Term Capital told us this individual was so completely convinced of the validity of their investment theory, he thought it was bulletproof. Our friend offered the following analogy: Isaac Newton was also convinced of the validity of his theory of gravity, and he knew that if he threw a ball into the air, it would return to earth in 10 seconds. However, if a tornado came along and picked up the ball, it might not return to earth for 55 seconds. It would still return to earth, but if you bet your entire net worth that it would not take longer than 15 seconds, it would not matter that you were fundamentally correct. Or, to quote John Maynard Keynes, “Markets can remain irrational longer than you can remain solvent.”

Through the years, we have been presented with numerous investment ideas or strategies that promised superior rates of return (they all do). Some were “sure bets,” some involved complex mathematical formulas we either did not understand or did not think were worth our time to try to understand. Sometimes, we could sense the promoters’ frustration at our apparent



lack of interest. Some even seemed to be thinking, “Maybe these Tweedy guys aren’t as smart as we thought they were.” We probably are not. We have heard about one successful money manager who keeps a “slam dunk” file. Every time one of his traders comes into his office with a proposed trade that is a slam dunk, he makes a note in his file. He figures the average loss on slam dunk trades is about 20%. In any event, we have always believed it was better for us to manage our own money in house, buying the same stocks for ourselves that we buy for our clients and fund shareholders. We do not have to worry about what is best for the client; we have to worry about what is best for us because we all own the same stocks.

What killed Long-Term Capital Management was leverage, and the leverage was on an order never before imagined. On a capital base of \$4 billion, these mathematical wizards had borrowed maybe \$200 billion to support various financial instruments with a face value of \$1 trillion. To put that in perspective, the entire tax collections of the Federal government in 1997 were \$1.72 trillion. However, for their investment theory to produce any kind of decent result, it needed lots of leverage. By their own admission, the gross annual return on each dollar invested was about two-thirds of one percent. On an unleveraged basis, this would not be very appealing. Their strategy was to take advantage of tiny anomalies in the pricing of supposedly related financial paper. They would go long one type of security and short another until this pricing anomaly disappeared and the two securities returned to their traditional price relationship. As someone recently said, “They were picking up dimes in front of a steam roller.” Now, if this pricing anomaly arose between Russian bonds and U.S. Treasuries, you could buy the Russian bonds and sell short the U.S. Treasuries. It did not matter if interest rates went up or down, because your long position and your short position would move in sympathy to each other. You just had to wait for the spread, or difference between the yields on the two securities, to narrow, returning to what the investment model said was their historical relationship. However, as one hedge fund manager said to us, “Just because you are long one security and short another, does not mean you are hedged.” If Russia devalued its currency (which it did), and all the world decided there was too much risk around and rushed to buy U.S. Treasuries, you would be in big trouble. The value of the Russian bonds you owned would go down, producing a loss. The value of the U.S. Treasuries you sold short would rise, producing another loss. Instead of a win-win situation, you would be sitting on a lose-lose situation. Our explanation may be a little simplistic, but you



get the point. Now if you borrow money so you can make a number of these bets on the scale of 25 or 50 times your capital, you can understand the magnitude of the problem if something goes wrong with your theory, even if only temporarily.

Long-Term Capital Management is only one of several of these hedge funds managed by math jockeys which have gone bust in the past couple of months. However, judging from the amounts of capital it had under management before the blowup, it had enormous appeal for some of the most “sophisticated” investors in the world. These investment theories were highly complex. Just to understand them, if indeed the investors did, took a nearly genius IQ. The theory promised well above-average returns at a time when plain vanilla stocks were looking a bit overpriced. And, it was postulated that it was risk free. This absence of risk permitted tremendous leverage and increased returns because nothing could go wrong. Not only were these managers brilliant, lots of other smart people were investing with them, further confirming the validity of their investment theories. Remember this the next time you bemoan the fact that only the big guys get to invest in the great deals.

In our opinion, which nobody asked for, it was all too good to be true. While we could never presume to pass judgment on the investment theory of Long-Term Capital, or probably even win a debate with its principals, leverage of that magnitude cannot be risk free no matter how brilliant the theory. At least George Soros and Julian Robertson understand that what they do includes risk. A few years back, a particularly annoying consultant attempted to rub our faces in what had been back-to-back poor years for value investing, 1989 and 1990, by describing another of these market-neutral, market-independent managers who could produce 15% to 18% returns year in and year out. Our response was, “There is no Santa Claus, Virginia.” When asked what this manager did, we were told it was too complicated to explain and he really did not fully understand it. It worked, but only for a time. The fund was Granite Partners (naming your fund after something as solid as granite is always a good marketing ploy), which experienced a 100%+ loss in a few short weeks when the S&P 500 was down a couple of percentage points. (The + sign after the 100% is not a typographical error.) We do not think that the volatility of the stock market as measured by the S&P 500 is so great as to justify the risk of losing everything. With the exception of 1974, the S&P 500 has not had an annual decline greater than 15% since 1937.



At Tweedy, Browne, we think about risk a great deal. We do not want to wake up one day and find our wealth has evaporated in some unforeseen market blip. It took us too long to get where we are financially – it has been neither inherited, nor is there much in the inheritance pipeline. We do not want to lose what we have. The risk of not owning stocks is a foregone opportunity risk; the pain is inflicted slowly over time. We understand this well and, therefore, choose to stay invested. The risk of permanent capital loss such as the math jockey hedge funds have experienced is much more severe. However, we do not equate stock market declines with permanent capital loss. We accept the fact that on a given day, week, month or year, we could see the value of our stocks decline. We even accept the fact that there could be another bear market like 1973-1974. Having been through periods like that, we realize that we awake to face a new day. The factor that always seems to be present in a total meltdown is leverage. We see this in portfolios and we see it with companies in which we invest. Without leverage, no one with a different agenda or risk tolerance from you can call an end to the game. While leverage can magnify returns on the way up, it can also accelerate the losses. If we do not believe we can time markets, an essential ingredient in the use of leverage, it would be completely inconsistent for us to go on margin to buy stocks.

The hedge fund math jockeys obviously believed that they would never hit the brick wall they hit in August and September. Overconfidence in one's own abilities is well documented by behavioral psychologists. These guys took overconfidence to its penultimate conclusion. Stories abound in the press of how they loved to make bets, big bets, on almost anything. It was as if the bigger the bet, the bigger the high they got from it. Psychologically, we are about as far from these guys as Beijing is from New York. None of us likes to gamble, whether it be on the World Series or the stock market. We like to think we are intelligent, not smart. With a couple of exceptions, our academic careers are not all that stellar. However, Walter Schloss, who has been our tenant for 44 years and whose rate of compounding over that period is 20%+, never even went to college.

We also follow a few other simple rules to try to eliminate permanent capital loss. One is to not invest in companies that are fads. We remember fads of the '70s, like electronics companies and chip makers, that disappeared as technology passed them by. We also avoided the biotechnology and software fads of the '80s, which had similar results. Today, the fad is Internet stocks. Valuations of these companies make no sense to us. Take Ama-



zon.com as an example. The company has a market capitalization of \$4.9 billion. In 1997, it had sales of \$147 million and lost \$27.5 million. We do not think that this one company, with virtually no tangible assets and no earnings, is worth \$1.7 billion more than the combined assets of our two Funds. The biggest most aggressive bookstore chain, Barnes & Noble, is also in the online book selling business, albeit they started later than Amazon.com. However, they recently sold a 50% interest in their Internet business to Bertelsmann AG, the big German publishing and entertainment company, for \$200 million. Some companies in the Internet business will make it big, becoming to that industry what Microsoft became to the software industry. But how many software companies have gone out of business, or are mere shadows of their former market caps? Despite empirical data demonstrating the riskiness of investing in such companies, lots of people still do. What might happen to the market value of Amazon.com if Microsoft announced it was partnering with Barnes & Noble? Remember Netscape, which was going to own the Internet surfing business? It once traded in the high \$70s; now it is around \$20. In our opinion, there is little to no margin for error in owning what we call these “air ball” stocks. And when they return to earth, it is our observation they do not go back up. This is permanent capital loss.

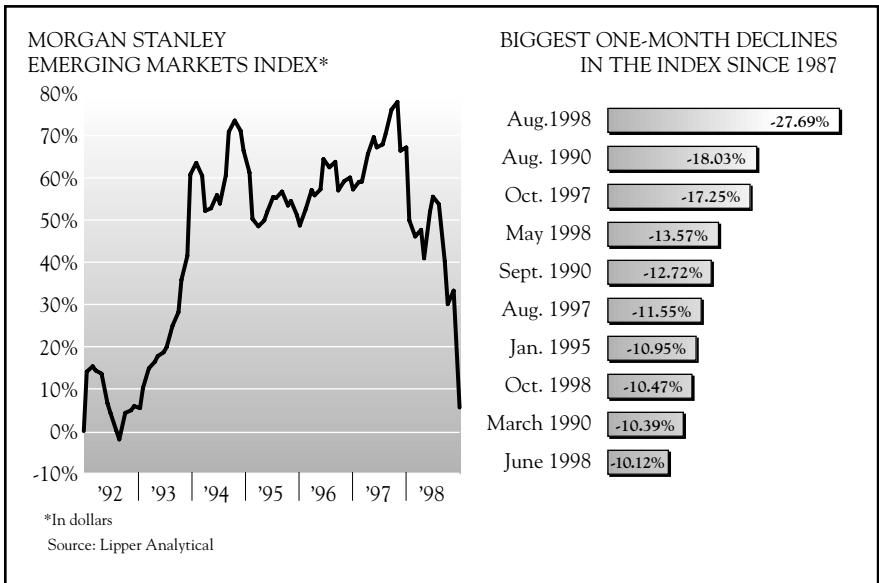
We prefer to think like lending officers at the bank (although not like the ones who loaned all that money to hedge funds). Ben Graham began life as a credit analyst. When he analyzed a stock, he liked to look for value greater than the price he was paying. He called this collateral. He believed if you had enough collateral behind the stock price, your downside was covered, and the upside would take care of itself. The logic is simple. Following his logic prevents you from owning Amazon.com despite the fact that many people have made a lot of money in it. But it also prevents you from owning a whole class of stocks like Amazon.com, which history tells us is a loser’s game.

Another of our rules is to diversify our investments. In general, we adhere to a rule of never investing more than 3% of our money in any one stock. In practice, we are usually far more diversified than that. This means if one of our stocks blows up for some reason we did not foresee, our exposure is only 3% of our net worth. Historically, blowups have not occurred with much frequency, although they are not unknown. Some very successful money managers prefer to make larger, concentrated bets in fewer stocks. Our confidence in our abilities may not be as great as their confidence is in theirs. People should do what they feel comfortable doing. We feel com-



fortable diversifying to a degree others may feel is excessive. When we ask ourselves, “What is the downside of diversification?”, we do not get an answer that makes us want to change that policy.

When we began to invest internationally, we had to confront some additional risks. One is systemic risk which has been in the press lately. This is the risk that the entire system breaks down. The United States is considered to have the least systemic risk in the world, which is why so many investors are fleeing to treasuries. The risk is so low that most people do not even take it into consideration when buying U.S. stocks. In other countries it can be a different story. Generally, and with the vast majority of our international assets, we invest in developed countries. This means countries with a long history of democratic government, laws protecting shareholders, and a viable market for their currency. This keeps us out of emerging markets like Russia, Indonesia, Latin America, and most of the Asian sub-continent. We think these countries are an investment field filled with land mines. One can make big money one year, and crash the next. Moreover, in our estimation, the results of investing in emerging markets have not justified either the risk or the volatility, as the following table illustrates:



Internationally, we also had to deal with the currency risk, or currency fluctuations. We opted to be currency agnostics, by which we mean we hedge our foreign currency exposure back into the dollar. While this means we forego profits in foreign investments if the U.S. dollar declines, it also means we avoid losses in foreign stocks due to a decline in their currencies. We are bottom up stock pickers; we are not global currency speculators.

We have also structured our firm in such a way that no one person can dramatically alter what we do. Unlike the fund manager we described previously, who decided to go 80% into cash in late 1997 only to watch the market rise in early 1998, forcing him back in just in time to catch the decline apparently against the collective judgment of his analysts, no one among us has that kind of power. We vote equally. We think this guards against the “chemical imbalance” factor, which could result in some harmful erratic behavior. It is highly unlikely that two out of three of us on the Management Committee would “go overboard” at the same time. We know the saying that “a camel is a horse designed by a committee,” but we believe we operate with an unusual degree of agreement. We have not assembled a team of people with diverse talents or opinions. We all think the same way; we also always seem to vote in elections the same way. Basically, we are fungible. If, heaven forbid, something happened to one of us, there is little chance of any change in our investment philosophy or approach. Tweedy, Browne is a pretty quiet, boring place. We have no heated debates, just calm discussions. We have an investment process that, hopefully, will continue after us.

Lastly, we derive comfort from the empirical knowledge that the fundamental financial characteristics of the stocks we own have in the past produced excess returns when compared to their respective benchmarks over long periods of time. We believe this is achieved in large measure because we do not concern ourselves with short-term performance, going into panic mode to try to fix our portfolio just because in some shorter period we have underperformed. For those among us who must pay taxes, it is efficient. Nearly all those excess returns earned by hedge funds are short-term capital gains taxed at the highest rate. In our story above, the selling and reinvesting fund manager not only mistimed the stock market, he probably gave his shareholders a big, fat tax bill that might have been greater than the temporary market decline he was attempting to avoid. The fundamental financial characteristics of the Tweedy, Browne Funds are as follows:



In the Global Value Fund, approximately 42% of assets is invested in stocks with a weighted average price/earnings ratio of 10.3 times earnings. If we owned 100% of these companies and paid out all of their earnings to ourselves as a dividend, the earnings yield would be 9.7%. Stocks with a price/earnings ratio of 10.3 times earnings are cheaper than 82% of the 7,072 stocks in the Worldscope database, with market capitalizations above \$100 million in those countries where the Global Value Fund has investments. A further 32% of assets is invested in stocks with a weighted average price/book value ratio of 0.64. Stocks with a price/book value ratio under 0.64 are cheaper than 93% of the issues in the database.

In the American Value Fund, approximately 43% of assets is invested in stocks with a weighted average price/earnings ratio of 10.5 times earnings. We would receive an earnings yield on our money of 9.5% if 100% of the earnings from these stocks was paid out to us as a dividend. This earnings yield compares to long-term treasury bond yields in the United States of about 5%. Stocks with a price/earnings ratio of 10.5 times earnings are cheaper than 84% of the 2,918 stocks in the Worldscope database with market capitalizations above \$100 million that are based in the United States. In addition, 25% of assets is invested in stocks with a weighted average price/book value ratio of 0.63. Stocks with a price/book value ratio under 0.63 are cheaper than 97% of the United States stocks in the database.

The Standard & Poor's 500 Stock Index is priced at 27.1 times earnings before the deduction of write-offs, and 37 times estimated 1998 earnings after the deduction of write-offs. If we owned 100% of the Standard & Poor's 500 Stock Index and paid out all of the earnings to ourselves as a dividend, the earnings yield on our investment would be around 2.7% to 3.7%. The Standard & Poor's 500 Stock Index ratio of price/tangible book value is 5.6.

We were recently asked by a friend of ours who writes for a national magazine, "Why invest outside the U.S. at all?" The answer is that sometimes foreign stocks are cheaper than domestic stocks. As shown in the table on the following page, the cheapest 10% of stocks in Europe and Japan measured on a price/book value basis are less expensive than the cheapest 10% in the U.S. The cheapest 10% of stocks in Europe measured on a price/earnings ratio basis are less expensive than the cheapest 10% in the U.S.



	United States	Europe	Japan
Price/Book Value Ratio for the cheapest 10% of the companies	1.00	0.80	0.52
Price/Earnings Ratio for the cheapest 10% of the companies	8.8	6.6	11.5
Earnings Yield (i.e., earnings divided by stock price) for the cheapest 10% of the companies	11.4%	15.2%	8.7%
Long-term Government Bond Yield	5.0%	5.0%	1.4%
Difference between Earnings Yield and Long-term Government Bond Yield	6.4%	10.2%	7.3%

Source: Bloomberg, October 21, 1998

We wish we could offer our shareholders some magical way to achieve their expected or desired rate of return as if it were a passbook savings account. Unfortunately, we cannot. All we can do, all we know how to do, is what we have been doing for nearly 30 years. Since we started early, statistically, we still have a lot of years ahead of us.

The Year 2000. The problem of what will happen to computers when the year 2000 arrives is on everyone's mind, including ours. At Tweedy, Browne, we hired a software company that partners with our hardware provider, Hewlett-Packard, to rewrite all of our in-house programs. That process is essentially completed and we are well into the testing phase. So far, so good. We have also tested all of our computer hardware for Y2K compliance and are in the process of replacing any machines that are not compliant. We expect to be finished by the end of this year. This task was relatively simple for us as compared to a major corporation. Our database begins in 1970. (Before that we kept records by hand.) Our programs have been written to read any year less than 70 as 2000 and something. Any year greater than 70 will be read as 1900 and something. This solves the problem up until 2070. That should cover most of us. Since the Tweedy, Browne Funds will probably still be in existence in 2070, we have plenty of time to fix that problem for the benefit of your children and our children and their children. We have also had presentations from the Funds' custodian bank, transfer agent, and fund administration and accounting providers. They are confident that they have the situation under control. We are sure there will be many glitches in the computer systems of corporations, some of which will cause temporary disruptions. However, we are not members of the alarmist camp who believe it necessary to stock up on dehydrated food, firewood, bottled water, and guns to protect ourselves from those who did not take



Footnotes to Table on page 2

- (1) MSCI EAFE US\$ is an unmanaged capitalization-weighted index of companies representing the stock markets of Europe, Australasia and the Far East. MSCI EAFE Hedged consists of the results of the MSCI EAFE Index hedged 100% back into U.S. dollars and accounts for interest rate differentials in forward currency exchange rates. Index results are inclusive of dividends and net of foreign withholding taxes.
- (2) Morningstar Foreign Stock Funds Average consists of the average returns of all mutual funds in the Morningstar Universe that invest primarily in equity securities of issuers located outside the U.S.
- (3) Morningstar World Stock Funds Average consists of the average returns of all mutual funds in the Morningstar Universe that invest throughout the world while maintaining a percentage of assets (normally 25%-50%) in the U.S.
- (4) S&P 500 is an unmanaged capitalization-weighted 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.
- (5) S&P Mid-Cap 400 is an unmanaged capitalization-weighted index which assumes reinvestment of dividends and is generally considered representative of the mid-range sector of the U.S. stock market.
- (6) Russell 2000 is an unmanaged capitalization-weighted index, which assumes reinvestment of dividends for most periods, that is comprised of the smallest 2000 companies in the Russell 3000 Index and is generally considered representative of U.S. small capitalization stocks.
- (7) Morningstar Domestic Stock Funds Average consists of the average returns of all domestic equity mutual funds in the Morningstar Universe.
- (8) Morningstar Mid-Cap Value Funds Average consists of the average returns of all mutual funds in the Morningstar Universe classified as value funds with median market capitalizations greater than or equal to \$1 billion but less than or equal to \$5 billion.
- (9) Index information is available at month end only; therefore the closest month end to inception date of the Funds, May 30, 1993 and November 30, 1993, were used except for the Morningstar Domestic Stock Funds Average where the closest date with data available was December 31, 1993.

TWEEDY, BROWNE FUND INC.

Results of Shareholder Meeting

The special shareholder meeting held July 29, 1998 resulted in approval of all items proposed.

For the Tweedy, Browne Global Value Fund a total of 68,591,898.544 votes were cast in favor of the proposal to approve a new investment advisory agreement, 749,253.067 were cast against the proposal and 1,319,161.114 votes abstained. For the Tweedy, Browne American Value Fund, a total of 26,253,729.827 voted for the proposal, 351,271.991 voted against the proposal and 462,019.802 votes abstained.

Additionally, at the meeting, shareholders re-elected the Directors of Tweedy, Browne Fund Inc. The votes were cast as follows:

	<u>In favor</u>	<u>Withheld</u>
Bruce A. Beal	96,463,979.108	1,263,355.237
Christopher H. Browne	96,497,187.748	1,230,146.597
Arthur Lazar	96,369,161.308	1,358,173.037
Richard B. Salomon	96,454,553.673	1,272,780.672
Anthony H. Meyer	96,431,561.323	1,295,773.022

Also at the meeting, shareholders ratified the selection of Ernst & Young LLP as independent auditors for each Fund for the fiscal year ending March 31, 1999. A total of 95,499,001.470 votes were cast for the proposal and 704,405.912 votes were cast against the proposal and 1,523,926.963 votes abstained.

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)



Market
Value
(Note 1)

Shares

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—94.1%	
	Australia—0.0%††	
96,353	Carillon Development Ltd.	\$ 95,061
	Belgium—0.2%	
3,940	Ibel	248,680
2,726	Spadel SA	3,322,461
3,252	Uco Textiles SA	377,481
		3,948,622
	Canada—2.2%	
72,400	Canadian Western Bank	851,930
166,500	Corby Distilleries Ltd., Class A	7,858,665
104,600	Corby Distilleries Ltd., Class B	4,662,755
1,728,361	Kaufel Group NV, Class B	8,780,883
260,700	Melcor Developments Ltd.	2,990,757
1,391,000	National Bank of Canada, Toronto	20,516,897
258,600	Shirmax Fashions	762,857
785,883	Westfield Minerals Ltd.†	772,772
		47,197,516
	Denmark—0.4%	
11,390	Nordvestbank	1,183,936
114,800	Unidanmark A/S, Series A	8,316,875
		9,500,811
	Finland—2.6%	
6,000	Atria OY	43,666
542,027	Huhtamaki Group, Class I	16,525,213
6,200	Huhtamaki Group, Class K	182,927
1,036,900	Kesko Ord	13,664,890
257,555	Kone Corporation, Class B†	25,836,556
		56,253,252
	France—2.8%	
28,459	Bongrain SA	12,197,150
5,229	Christian Dior, SA	420,203
221,260	Compagnie Financiere de Paribas	11,932,662
45,108	Compagnie Fives-Lille	3,004,622
57,700	Compagnie Lebon SA	2,483,249
188,692	Dollfus Mieg & Cie	2,090,849
1,150	Fiat France SA	29,059
35,155	Fin Marc de Lacharriere SA	3,264,509
57,292	Fonciere Financiere Et de Participation†	3,734,344
11,370	Klepierre	1,999,973
5,229	LVMH Moet Hennessey	714,344
21,145	Mecelec SA	325,210
3,115	Nordon Et Cie	226,402
36,372	NSC Groupe	5,163,709
9,073	Paris Orleans	515,235
69,000	Peugeot SA	11,779,706

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS	
	France—(Continued)	
18,699	Precia	\$ 334,257
9,340	Signaux Girod	160,954
49,723	Siparex	1,188,955
		<hr/> 61,565,392
	Germany—0.8%	
15,018	Axel Springer Verlag, Class A	8,993,084
61,660	Kaufring AG	2,473,858
61,140	Linder Holding	1,244,803
37,085	Sinn AG	5,818,300
		<hr/> 18,530,045
	Hong Kong—3.1%	
15,811,309	Asean Resources Holdings Ltd.	1,530,364
26,823,000	CDL Hotels International Ltd.	6,161,591
1,236,000	Dickson Concepts International Ltd.†	965,027
1,004,000	Grand Hotel Holdings Ltd.	207,310
4,602,000	Harbour Ring International Holdings	169,261
5,204,000	Jardine International Motor Holdings Ltd.	1,611,811
13,622,500	Jardine Strategic Holdings Ltd.	14,984,750
23,270,310	Semi-Tech (Global) Ltd.	900,926
10,651,000	Sing Tao Holdings	1,182,100
37,845,000	South China Morning Post (Holdings) Ltd.	14,896,145
1,687,500	Swire Pacific Ltd., Class A	5,313,726
20,093,500	Swire Pacific Ltd., Class B	9,464,856
10,290,500	Wing Hang Bank Ltd.	11,022,500
		<hr/> 68,410,367
	Ireland—0.8%	
2,733,087	Crean (James) PLC	4,288,829
2,895,883	Independent Newspapers PLC	10,386,955
1,105,000	Unidare PLC	3,633,130
		<hr/> 18,308,914
	Italy—3.5%	
1,782,500	Arnoldo Mondadori Editore SPA	20,722,852
150,000	Banca Popolare di Novara†	999,606
741,850	Banco di Sardegna Risparmio†	8,763,866
472,500	Bassetti SPA	4,006,081
1,530,230	Cartiere Burgo Ord	8,584,454
447,000	Cementerie di Augusta†	758,247
323,000	Cementerie di Barletta Ord	1,132,990
1,156,450	Cristalleria Artistica	3,566,068
209,100	Ericsson Italia	7,334,620
265,000	IMI SPA	3,499,833
469,862	Industrie Zignago	4,753,700
1,234,000	Maffei SPA	1,868,961
237,000	Marangoni SPA	717,899

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Italy—(Continued)		
8,072,735	Montefibre SPA	\$ 5,428,610
390,000	Vianini Industria SPA	324,636
493,000	Zucchi	4,674,189
		<hr/> 77,136,612
Japan—17.2%		
220,000	Agro-Kanesho Company Ltd.	1,321,370
735,000	Aichi Electric Manufacturing	1,297,455
440,400	Aiful Corporation	20,322,432
627,000	Amada Sonoike Company Ltd.	1,556,880
445,000	Amatsuji Steel Ball Manufacturing Company	3,031,313
22,000	Autobacs Seven Company, Ltd.†	584,948
323,000	Belluna Company Ltd.	1,656,107
484,000	Bunka Shutter Company Ltd.	992,639
47,000	CCI Corporation	302,948
101,000	Charle Company	666,182
555,500	Chiyoda Company	2,685,442
774,040	Chofu Seisakusho Company	6,945,241
206,200	Cosel Company Ltd.	1,253,587
270,000	Credia Company Ltd.	2,630,287
357,000	Daido Metal Company	996,279
165,000	Daiichi Cement Company Ltd.	145,028
1,356,000	Danto Corporation	5,462,736
526,000	Denkyosha	2,003,443
189,000	Denyo Company Ltd.	815,390
1,765,000	Dowa Fire & Marine Insurance Company	4,240,396
453,500	Exedy Corporation	2,182,381
127,100	Fidelity Japan OTC & Regional Market Fund Ltd.	523,652
650,000	Fidelity Japan Values PLC	262,453
1,095,000	Fuji Coca-Cola Bottling Company	8,156,858
618,000	Fuji Photo Film Ltd.	21,275,224
332,000	Fujicco Company Ltd.	4,146,200
2,380,000	Fujisawa Pharmaceutical Company	21,895,477
2,208,000	Fujitec Company Ltd.	11,288,658
624,000	Fukuda Denshi	5,987,475
2,594,000	Gakken Company Ltd.	2,679,026
2,431,000	Hitachi Koki	6,855,411
585,000	Hitachi Medical Corporation	5,064,787
48,000	Idec Izumi Corporation	200,403
84,000	Inaba Denkisangyo Company Ltd.	682,952
39,900	Kahma Company Ltd.	207,500
1,418,000	Kansai Paint Company Ltd.	2,596,594
128,000	Kansui Kosiado	712,544
117,000	Kato Sangyo	488,482
308,000	Katsuragawa Electric Company	1,127,999
218,000	Kawagishi Bridge Works	534,920
2,500	Keiiyu	12,818

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TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Japan—(Continued)		
3,000	Kinki Coca-Cola Bottling Company	\$ 32,302
155,100	Kita Kyushu Coca-Cola Bottling	3,408,167
524,000	Koa Fire & Marine Insurance Company	1,535,250
1,591,000	Koito Manufacturing	6,409,449
313,000	Kokura Enterprises Company	1,914,338
182,000	Koyosha Inc.†	666,545
764,000	Mandom Corporation	4,532,796
1,941,000	Matsushita Electric Industrial Company	26,372,862
111,000	Matsumoto Yushi-Seiyaku Company	1,723,640
371,000	Meito Sangyo Company	2,907,673
255,000	Mitsubishi Pencil Company Ltd.	1,905,146
495,000	Morito	1,957,883
385,000	Nankai Plywood Company Ltd.	1,579,198
342,000	Nippon Broadcasting System	11,999,121
1,155,000	Nippon Cable System	6,353,452
1,056,000	Nippon Konpo Unyu Soko	5,646,438
271,000	Nippon Typewriter Company Ltd.	617,330
1,016,400	Nissan Fire & Marine Insurance Company	2,732,238
674,000	Nisshinbo Industries	2,221,571
8,000	Nissho Electronics Corporation	47,229
90,000	Nissei Plastic Industrial Company	415,309
242,500	Nissin Company Ltd.	3,373,064
22,000	Nitori Company	157,920
409,000	Nittetsu Mining	994,602
551,000	Nitto FC Company	2,942,164
533,000	Oak	995,532
323,000	Osaka Securities Finance	425,856
319,600	Osaka Steel Company Ltd.	1,097,912
287,103	Prospect Japan Fund Ltd.	1,050,797
867,000	Riken Vitamin	6,953,781
15,000	Rock Paint	67,021
452,000	Sangetsu Company Ltd.	5,181,322
230,000	Sanko Sangyo	1,566,746
32,000	Sanyo Coca-Cola Bottling Company	288,299
605,260	Sanyo Shinpan Finance Company Ltd.	21,856,303
213,000	Sasakura Engineering Company Ltd.	624,062
173,000	Shaddy Company Ltd.	1,115,107
760,600	Shikoku Coca-Cola Bottling	7,248,054
455,000	Shingakukai	1,209,778
1,229,000	Shin Nikkei Company Ltd.	810,181
461,800	Shinki Company Ltd.	4,059,037
2,648,000	Shinogi & Company	15,342,011
452,000	SK Kaken Company, Ltd.	3,972,899
712,000	Sonton Food Industry	4,745,798
406,000	Sotoh Company Ltd.	1,784,289
3,000	Sundrug Company, Ltd.	38,455
507,000	Suzuki Motor Corporation	5,102,494

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Japan—(Continued)		
323,000	Tachi-S	\$ 1,171,104
183,000	Taisei Fire & Marine Insurance Company	361,912
8,100	Takano Company Ltd.	74,162
263,200	Takefuji Corporation	13,263,622
377,000	Tagigami Steel Construction	842,227
261,000	Teikoku Hormone Manufacturing Company	1,338,216
269,000	TENMA Corporation	2,364,402
252,200	Toa Medical Electronics Company	2,179,791
254,000	Tomita Electric Company Ltd.	976,744
197,000	Topre Corporation	679,634
387,000	Torii Company Ltd.	1,354,961
997,000	Torishima Pump Manufacturing	2,972,196
198,000	Toso Company Ltd.	581,564
11,000	Totech Corporation	27,515
675,000	Toyo Technical Company Ltd.	2,595,679
859,500	Tsubaki Nakashima Company Ltd.†	4,904,234
379,200	Tsuchiya Home Company	1,111,005
16,200	Tsutsumi Jewellery Company Ltd.	172,056
793,000	U-Shin	2,375,660
123,500	Yellow Hat Ltd.	877,458
155,000	Yomeishu Seizo Company Ltd.	896,905
9,000	Yonkyu Company Ltd.	83,721
356,000	Zojirushi	1,825,307
		<hr/> 376,803,413
Malaysia—0.3%		
610,000	Sapura Telecommunications Berhad	138,053
5,928,000	Star Publications (Malaysia)	6,474,000
1,833,000	Tractor Malaysia Holdings Berhad	530,605
		<hr/> 7,142,658
Netherlands—5.7%		
773,600	Akzo NV Ord	27,520,748
535,158	European Vinyls Corporation	6,677,576
40,625	Heineken Holdings NV, Class A	1,540,141
873,324	Holdingmaatschappij de Telegraaf	20,124,917
928,935	Koninklijke Bols Wessanen NV	10,160,650
160,568	Twentsche Kabel Holdings	4,944,882
828,400	Unilever NV CVA	52,166,745
124,166	Wegener NV	2,439,346
		<hr/> 125,575,005
New Zealand—1.2%		
17,078,509	Air New Zealand Ltd.	13,504,162
5,742,400	Carter Holt Harvey Ltd.	3,793,394
3,388,000	Independent Newspaper	9,613,623
164,600	Radio Pacific Ltd.	310,962
		<hr/> 27,222,141

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS	
	Norway—0.7%	
1,225,600	Schibsted	\$ 15,249,554
	Singapore—4.6%	
5,000	CarnaudMetalbox Asia Ltd.	3,984
6,334,500	Cycle & Carriage Ltd.	10,244,778
8,271,000	Fraser & Neave Ltd.	17,737,571
90,000	Isetan (Singapore) Ltd.	75,711
1,423,000	Keppel Marine Industries Ltd.	969,461
9,654,000	Overseas Union Bank Ltd.	13,783,258
3,509,000	Robinson and Company Ord	7,899,408
4,482,000	Singapore Press Holdings Ltd.	37,172,986
767,000	Times Publishing	999,645
3,765,000	United Overseas Bank Ltd.	10,973,815
		<hr/>
		99,860,617
	South Africa—0.5%	
3,248,470	Sappi Limited	10,390,240
	Spain—1.0%	
151,997	Fabrica Auto Renault de Espana	4,604,833
190,185	Grupo Anaya SA	11,456,524
31,598	Indo Internacional SA	1,656,315
51,846	Omsa	434,683
80,898	Prim SA†	883,446
376,152	Unipapel SA	3,763,243
		<hr/>
		22,799,044
	Sweden—5.5%	
148,685	BRIO AB, Class B	986,365
59,400	Nolato AB, Class B	591,082
2,349,100	Pharmacia & Upjohn, Inc.	118,076,851
138,400	VLT AB, Class B	1,571,423
		<hr/>
		121,225,721
	Switzerland—15.2%	
13,450	Attisholz Holding AG†	6,869,205
33	Bank of International Settlements America	201,409
36,658	Banque Cantonale Vaudoise	11,286,330
44,480	Compagnie Financiere Richemont AG	57,033,903
2,415	Daetwyler Holding, Bearer	4,198,783
46,540	Danzas Holding AG, Registered	11,682,201
80,068	Edipresse SA, Bearer	19,721,182
8,225	Edipresse SA, Registered	381,339
11,890	Forbo Holding AG	4,651,261
2,450	Fotolabo SA	656,694
2,200	Golay Buchel Holding, Bearer	1,673,428
10,780	Helvetia Patria Holding	8,707,404
23,575	Liechtenstein Global Trust	23,397,385
29,327	Loeb Holding PC	6,277,983

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Switzerland—(Continued)		
57,089	Nestle SA, Registered	\$ 113,896,773
6,698	Novartis, AG, Bearer	10,776,773
10,329	Novartis, AG, Registered	16,603,920
45,175	Sairgroup	9,310,553
1,180	Sarna Kunststoff Holding AG, Registered	1,662,634
13,566	SIG Sheizerishe	7,468,966
3,355	Vetropack Holding AG PC	498,243
17,695	Zehnder Holding, Bearer	6,793,937
11,214	Zschokke Holding AG, Registered†	2,558,976
7,040	Zuercher Ziegeleien	6,119,963
		<hr/> 332,429,245 <hr/>
Thailand—0.0%††		
132,300	S & J Enterprises	43,905
United Kingdom—13.8%		
10,629,545	Aggregate Industries PLC	10,842,768
1,543,688	Alumasc Group PLC	3,661,070
5,787,000	Arjo Wiggins Appleton PLC	9,986,051
2,147,400	Bernard Matthews PLC	3,669,047
455,000	British Mohair Holdings PLC	630,439
7,052,000	British Steel Ord	12,738,418
10,134,983	BTR PLC	18,307,380
458,000	Burtonwood Brewery PLC	1,078,424
10,290,603	Caradon PLC	21,868,806
3,979,658	Carlo Engineering Group PLC	6,799,642
2,103,400	Concentric PLC	5,632,182
1,470,000	Courtaulos Textiles Ord	4,748,377
766,369	Diageo PLC†	7,296,258
7,369,666	Dowding & Mills PLC	5,011,665
1,408,668	Dyson (J&J) PLC, Class A, Non-voting	1,915,900
50,860	EIS Group PLC	436,658
1,741,019	Elementis PLC	2,382,723
1,583,000	European Motor Holdings PLC	1,897,336
803,000	Folkes Group PLC	764,501
427,800	Glaxo Wellcome PLC, Sponsored ADR	24,438,075
1,668,000	Glynwed International PLC	4,026,787
1,098,479	Hardys & Hansons PLC	3,931,136
963,441	HSBC Holdings PLC	17,247,563
100,000	HSBC Holdings PLC	1,873,509
515,000	Intercare Group PLC	656,663
350,000	Johnston Group PLC	1,874,359
4,545,154	McAlpine (Alfred) PLC	8,499,934
2,626,000	Mirror Group PLC	6,428,823
1,777,545	Molins PLC	3,550,853
2,435,237	Norcros PLC	2,401,284
4,052,120	Nycomed Amersham PLC	26,901,567
13,012	Nycomed Amersham PLC, Sponsored ADR	414,758

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
United Kingdom—(Continued)		
	Partridge Fine Art Ord	\$ 704,929
18,562,000	Pilkington PLC	18,145,413
7,151,800	Rexam PLC	22,250,547
3,493,490	Sherwood Group PLC	2,286,623
369,200	SmithKline Beecham, PLC Units, ADR	20,213,700
779,500	Swan Hill Group PLC	742,127
175,000	Thistle Hotels PLC	374,872
3,001,672	Time Products PLC	3,725,292
600,000	Union PLC	627,337
1,537,500	Wolverhampton & Dudley Breweries PLC	10,560,164
		<hr/> 301,543,960
United States—12.0%		
221,000	American Express Company	17,155,125
75,700	American National Insurance Company	6,287,831
514,800	Chase Manhattan Corporation	22,265,100
81,500	Coca-Cola Bottling Company	4,833,969
348,300	Comerica, Inc.	19,091,194
230,400	Federal Home Loan Mortgage Corporation	11,390,400
240,000	Fingerhut Companies, Inc.	2,640,000
205,616	First Chicago Corporation	14,084,696
70,000	GATX Corporation	2,314,375
31,590	Great Atlantic & Pacific Tea Company	766,058
200,000	Harland (John H.) Company	2,712,500
197,100	Household International Inc.	7,391,250
125,000	Kmart Corporation†	1,492,188
505,400	Lehman Brothers Holdings Inc.	14,277,550
20,450	McDonald's Corporation	1,220,609
73,125	Mercantile Bancorporation, Inc.	3,537,422
76,416	Metris Companies Inc.	3,562,896
150,000	NAC Re Corporation	7,387,500
319,600	Philip Morris Companies Inc.	14,721,575
460,000	PNC Bank Corporation	20,700,000
596,000	Popular, Inc.	16,837,000
169,000	Ryland Group Inc.	4,119,375
118,400	Standard Motor Products, Inc.	2,886,000
185,000	Sun Healthcare Group Inc.†	1,202,500
74,100	Syms Corporation	768,788
294,600	Transatlantic Holdings, Inc.	24,378,150
20,000	Tremont Corporation	845,000
551,000	UST Inc.	16,288,938
52,500	Wells Fargo & Company	18,637,500
		<hr/> 263,795,489
	TOTAL COMMON STOCKS	
	(Cost \$2,082,420,914)	<hr/> 2,065,027,584
	PREFERRED STOCK—0.7% (Cost \$20,930,735)	
160,556	Villeroiy & Boch AG	<hr/> 15,238,855

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Sector Diversification</u>	<u>Percentage of Net Assets</u>	<u>Market Value (Note 1)</u>
COMMON STOCKS:		
Food and Beverages	12.3%	\$ 269,976,150
Pharmaceuticals	11.0	240,659,337
Banking	9.6	210,975,312
Printing and Publishing	8.9	196,066,878
Financial Services	8.1	178,029,372
Manufacturing	4.4	95,594,433
Consumer Durables	3.5	76,600,119
Tobacco	3.3	73,322,841
Autos	2.6	56,701,150
Consumer Non-Durables	2.6	56,699,541
Transportation	2.5	54,921,936
Chemicals	2.4	51,969,730
Retail	2.3	50,788,394
Machinery	2.2	49,008,566
Holdings	2.1	46,564,224
Engineering and Construction	2.0	44,461,467
Forest Products	2.0	43,386,586
Insurance	1.8	39,535,777
Building Materials	1.8	39,315,288
Textiles	1.3	29,401,055
Glass Products	1.0	22,209,724
Mining and Metal Fabrication	1.0	20,966,352
Electronics	0.8	17,377,289
Health Care	0.6	12,540,408
Telecommunications	0.6	12,512,616
Construction Materials	0.6	12,433,860
Wholesale	0.5	10,746,237
Real Estate	0.3	5,755,231
Restaurants	0.1	1,220,609
Leisure	0.1	1,155,626
Other	1.8	44,131,476
Total Common Stocks	<u>94.1</u>	<u>2,065,027,584</u>
Preferred Stock	0.7	15,238,855
Convertible Corporate Bonds	0.0††	71,459
Commercial Paper	2.3	50,000,000
U.S. Treasury Bills	0.6	12,745,486
Repurchase Agreement	2.8	60,470,000
Other Assets and Liabilities (Net)	<u>(0.5)</u>	<u>(11,203,063)</u>
Net Assets	<u>100.0%</u>	<u>\$2,192,350,321</u>

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

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO BUY		
821,100 Canadian Dollar	10/13/98	\$ 538,247
3,365,400 Canadian Dollar	11/16/98	2,205,950
7,844,640 Danish Krona	12/23/98	1,236,981
6,300,000 Danish Krona	7/2/99	996,150
38,137,400 Finnish Markka	10/13/98	7,506,127
33,759,300 Finnish Markka	11/16/98	6,656,733
19,084,600 Finnish Markka	11/23/98	3,764,397
10,227,800 Finnish Markka	12/15/98	2,019,678
16,700,000 Finnish Markka	12/23/98	3,299,142
45,982,500 French Franc	10/13/98	8,216,362
186,307,800 French Franc	11/16/98	33,352,524
41,998,360 French Franc	11/23/98	7,520,920
14,159,500 French Franc	12/15/98	2,538,380
5,725,000 French Franc	12/23/98	1,026,741
23,290,000 French Franc	12/24/98	4,177,118
17,602,500 French Franc	1/4/99	3,158,714
111,536,500 French Franc	1/19/99	20,028,167
41,902,000 French Franc	2/12/99	7,531,767
29,930,000 French Franc	3/5/99	5,384,291
17,856,600 French Franc	3/12/99	3,213,184
30,125,500 French Franc	3/26/99	5,423,675
1,100,000 French Franc	3/29/99	198,061
5,451,000 German Mark	10/13/98	3,266,140
2,000,000 German Mark	11/16/98	1,200,634
1,900,000 Great Britain Pound Sterling	10/13/98	3,230,880
6,268,021 Great Britain Pound Sterling	11/23/98	10,667,228
3,027,551 Great Britain Pound Sterling	12/23/98	5,155,384
4,311,407 Great Britain Pound Sterling	12/24/98	7,341,701
68,819,100 Hong Kong Dollar	10/29/98	8,866,963
41,698,400 Hong Kong Dollar	11/16/98	5,364,713
13,370,500 Hong Kong Dollar	11/23/98	1,719,024
41,237,500 Hong Kong Dollar	12/15/98	5,290,543
20,550,000 Hong Kong Dollar	1/4/99	2,631,006
894,973 Irish Punt	10/6/98	1,337,561
430,000 Irish Punt	12/15/98	642,742
33,352,500,000 Italian Lira	10/29/98	20,212,451
9,133,125,000 Italian Lira	11/16/98	5,536,203
6,000,000,000 Italian Lira	11/23/98	3,637,355
7,350,000,000 Italian Lira	12/15/98	4,457,507
6,748,470 Japanese Yen	10/1/98	49,430
771,540 Japanese Yen	10/2/98	5,651
4,027,038 Japanese Yen	10/5/98	29,503

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO BUY		
1,313,820,000 Japanese Yen	10/13/98	\$ 9,638,564
585,500,000 Japanese Yen	10/29/98	4,306,667
943,550,000 Japanese Yen	11/16/98	6,957,955
712,350,000 Japanese Yen	12/15/98	5,275,932
2,222,035,000 Japanese Yen	12/24/98	16,481,878
94,513 Netherlands Guilder	10/1/98	50,183
88,985 Netherlands Guilder	10/5/98	47,252
5,823,600 Netherlands Guilder	10/29/98	3,097,468
16,000,000 Netherlands Guilder	11/16/98	8,518,536
1,617,599 New Zealand Dollar	11/16/98	808,087
7,104,515 New Zealand Dollar	11/23/98	3,549,076
1,440,000 New Zealand Dollar	12/15/98	719,240
20,896,500 Norwegian Krone	11/16/98	2,816,100
4,501,500 Singapore Dollar	10/13/98	2,667,918
1,514,400 Singapore Dollar	10/29/98	898,184
3,183,000 Singapore Dollar	12/15/98	1,889,918
8,740,000 Singapore Dollar	12/24/98	5,190,794
4,273,750 Singapore Dollar	1/4/99	2,538,955
2,772,000 Singapore Dollar	1/19/99	1,647,315
8,662,500 Singapore Dollar	2/26/99	5,151,237
1,500,000 Singapore Dollar	3/12/99	892,157
967,313 South African Rand	10/6/98	164,430
14,300,000 South African Rand	6/8/99	2,206,561
440,730,000 Spanish Peseta	11/16/98	3,109,564
431,692,500 Spanish Peseta	12/15/98	3,049,122
218,340,000 Spanish Peseta	12/23/98	1,542,666
297,080,000 Spanish Peseta	12/24/98	2,099,083
72,000,000 Spanish Peseta	3/12/99	510,319
39,676,000 Swedish Krona	10/13/98	5,063,528
22,499,700 Swedish Krona	10/29/98	2,873,054
33,651,000 Swedish Krona	11/16/98	4,299,187
14,961,800 Swedish Krona	12/15/98	1,913,130
21,300,000 Swedish Krona	12/23/98	2,724,310
15,500,000 Swedish Krona	1/4/99	1,983,177
2,903,645 Swiss Franc	10/2/98	2,103,516
10,845,200 Swiss Franc	10/29/98	7,883,244
10,772,800 Swiss Franc	12/15/98	7,870,441
20,304,750 Swiss Franc	12/23/98	14,846,886
4,900,000 Swiss Franc	12/24/98	3,583,273
5,000,000 Swiss Franc	1/4/99	3,660,585
TOTAL FORWARD EXCHANGE CONTRACTS TO BUY		
(Contract Amount \$366,600,339)		<u>\$ 375,265,420</u>

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
150,871 Australian Dollar	12/24/98	\$ (89,142)
29,690,500 Belgian Franc	12/15/98	(865,033)
36,860,000 Belgian Franc	3/5/99	(1,077,509)
54,990,000 Belgian Franc	6/17/99	(1,613,682)
36,420,000 Belgian Franc	7/15/99	(1,069,826)
821,100 Canadian Dollar	10/13/98	(538,247)
10,927,800 Canadian Dollar	11/16/98	(7,162,947)
7,465,700 Canadian Dollar	11/23/98	(4,893,606)
5,551,200 Canadian Dollar	12/15/98	(3,638,523)
2,094,600 Canadian Dollar	12/23/98	(1,372,864)
2,827,000 Canadian Dollar	12/24/98	(1,852,893)
4,324,200 Canadian Dollar	2/12/99	(2,833,973)
1,399,100 Canadian Dollar	3/26/99	(916,903)
4,198,500 Canadian Dollar	3/29/99	(2,751,491)
2,574,000 Canadian Dollar	5/6/99	(1,686,835)
15,104,775 Canadian Dollar	5/17/99	(9,898,656)
7,920,550 Canadian Dollar	6/1/99	(5,190,577)
1,754,400 Canadian Dollar	7/2/99	(1,149,697)
956,410 Canadian Dollar	7/23/99	(626,726)
7,844,640 Danish Krona	12/23/98	(1,236,981)
67,890,000 Danish Krona	7/2/99	(10,734,703)
5,069,250 Danish Krona	7/23/99	(801,610)
38,137,400 Finnish Markka	10/13/98	(7,506,127)
33,759,300 Finnish Markka	11/16/98	(6,656,733)
19,084,600 Finnish Markka	11/23/98	(3,764,398)
10,227,800 Finnish Markka	12/15/98	(2,019,678)
36,238,300 Finnish Markka	12/23/98	(7,159,000)
10,502,400 Finnish Markka	12/28/98	(2,075,339)
24,537,150 Finnish Markka	1/19/99	(4,853,614)
16,176,000 Finnish Markka	2/12/99	(3,203,045)
26,931,500 Finnish Markka	3/12/99	(5,338,793)
49,074,300 Finnish Markka	3/26/99	(9,733,469)
21,802,800 Finnish Markka	3/29/99	(4,324,880)
16,572,000 Finnish Markka	4/12/99	(3,288,992)
32,566,800 Finnish Markka	4/23/99	(6,465,982)
7,984,500 Finnish Markka	6/8/99	(1,587,695)
20,004,050 Finnish Markka	6/17/99	(3,978,830)
37,579,500 Finnish Markka	7/15/99	(7,481,552)
10,811,000 Finnish Markka	8/27/99	(2,155,451)
45,982,500 French Franc	10/13/98	(8,216,362)
22,214,224 French Franc	10/30/98	(3,973,438)
186,307,800 French Franc	11/16/98	(33,352,524)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
41,998,360 French Franc	11/23/98	\$ (7,520,920)
14,159,500 French Franc	12/15/98	(2,538,380)
5,725,000 French Franc	12/23/98	(1,026,741)
23,290,000 French Franc	12/24/98	(4,177,118)
17,602,500 French Franc	1/4/99	(3,158,714)
111,536,500 French Franc	1/19/99	(20,028,167)
41,902,000 French Franc	2/12/99	(7,531,767)
29,930,000 French Franc	3/5/99	(5,384,291)
17,856,600 French Franc	3/12/99	(3,213,184)
30,125,500 French Franc	3/26/99	(5,423,675)
54,126,000 French Franc	3/29/99	(9,745,672)
45,738,750 French Franc	4/12/99	(8,239,740)
29,957,500 French Franc	4/23/99	(5,398,893)
73,211,250 French Franc	5/17/98	(13,204,759)
105,611,400 French Franc	6/8/99	(19,061,926)
26,799,750 French Franc	6/17/99	(4,838,437)
35,737,800 French Franc	7/2/99	(6,455,216)
34,358,040 French Franc	7/15/99	(6,208,982)
5,451,000 German Mark	10/13/98	(3,266,139)
5,155,500 German Mark	11/16/98	(3,094,934)
2,573,850 German Mark	11/23/98	(1,545,653)
2,736,000 German Mark	12/23/98	(1,645,412)
6,217,400 German Mark	3/5/99	(3,750,602)
6,277,600 German Mark	3/29/99	(3,790,306)
11,260,800 German Mark	5/6/99	(6,808,560)
3,492,000 German Mark	5/17/99	(2,112,153)
12,270,300 German Mark	6/1/99	(7,425,484)
4,619,160 German Mark	6/17/99	(2,796,765)
1,740,350 German Mark	8/2/99	(1,055,363)
815,580 German Mark	8/27/99	(494,981)
2,435,120 Great Britain Pound Sterling	10/6/98	(4,140,114)
9,483,396 Great Britain Pound Sterling	10/13/98	(16,126,168)
8,191,244 Great Britain Pound Sterling	10/29/98	(13,933,744)
4,117,573 Great Britain Pound Sterling	11/16/98	(7,006,583)
6,268,021 Great Britain Pound Sterling	11/23/98	(10,667,228)
3,027,551 Great Britain Pound Sterling	12/23/98	(5,155,384)
8,622,814 Great Britain Pound Sterling	12/24/98	(14,683,403)
3,042,658 Great Britain Pound Sterling	1/4/99	(5,182,283)
4,022,402 Great Britain Pound Sterling	2/12/99	(6,855,802)
19,880,716 Great Britain Pound Sterling	2/26/99	(33,893,168)
6,180,088 Great Britain Pound Sterling	3/12/99	(10,538,546)
10,805,804 Great Britain Pound Sterling	3/26/99	(18,430,944)
15,177,271 Great Britain Pound Sterling	3/29/99	(25,888,469)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
910,747 Great Britain Pound Sterling	5/6/99	\$ (1,554,465)
8,098,679 Great Britain Pound Sterling	5/25/99	(13,827,020)
13,083,297 Great Britain Pound Sterling	6/8/99	(22,342,192)
11,990,408 Great Britain Pound Sterling	7/2/99	(20,486,968)
24,843,949 Great Britain Pound Sterling	7/23/99	(42,496,184)
9,319,664 Great Britain Pound Sterling	8/27/99	(15,974,961)
68,819,100 Hong Kong Dollar	10/29/98	(8,866,963)
41,698,400 Hong Kong Dollar	11/16/98	(5,364,713)
13,370,500 Hong Kong Dollar	11/23/98	(1,719,024)
41,237,500 Hong Kong Dollar	12/15/98	(5,290,543)
20,550,000 Hong Kong Dollar	1/4/99	(2,631,006)
118,093,750 Hong Kong Dollar	3/12/99	(14,996,407)
23,828,400 Hong Kong Dollar	3/29/99	(3,018,622)
23,991,000 Hong Kong Dollar	4/12/99	(3,034,134)
19,833,750 Hong Kong Dollar	4/23/99	(2,505,011)
53,127,650 Hong Kong Dollar	5/6/99	(6,699,259)
77,895,250 Hong Kong Dollar	6/1/99	(9,790,015)
30,765,500 Hong Kong Dollar	7/2/99	(3,850,846)
32,712,400 Hong Kong Dollar	7/23/99	(4,082,536)
93,345,500 Hong Kong Dollar	8/2/99	(11,632,998)
35,110,757 Hong Kong Dollar	9/14/99	(4,347,946)
592,632 Irish Punt	12/15/98	(885,835)
647,757 Irish Punt	12/24/98	(968,181)
542,495 Irish Punt	1/19/99	(810,629)
431,096 Irish Punt	2/12/99	(643,921)
2,616,505 Irish Punt	5/6/99	(3,901,889)
2,639,840 Irish Punt	6/17/99	(3,933,924)
3,289,013 Irish Punt	8/2/99	(4,898,192)
1,339,160 Irish Punt	8/13/99	(1,994,073)
33,352,500,000 Italian Lira	10/29/98	(20,212,450)
9,133,125,000 Italian Lira	11/16/98	(5,536,203)
23,771,190,000 Italian Lira	11/23/98	(14,410,710)
13,490,800,000 Italian Lira	12/15/98	(8,181,679)
6,105,750,000 Italian Lira	1/4/99	(3,704,647)
7,145,400,000 Italian Lira	2/12/99	(4,340,970)
10,662,300,000 Italian Lira	3/5/99	(6,483,010)
44,557,500,000 Italian Lira	3/29/99	(27,122,074)
19,866,000,000 Italian Lira	4/12/99	(12,097,814)
12,119,100,000 Italian Lira	5/17/99	(7,388,814)
5,209,410,000 Italian Lira	6/1/99	(3,177,753)
2,284,399,000 Italian Lira	8/27/99	(1,397,789)
32,045,973 Japanese Yen	10/1/98	(234,726)
10,399,208 Japanese Yen	10/2/98	(76,172)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
8,126,547 Japanese Yen	10/5/98	\$ (59,536)
1,313,820,000 Japanese Yen	10/13/98	(9,638,564)
1,060,836,500 Japanese Yen	10/29/98	(7,803,022)
943,550,000 Japanese Yen	11/16/98	(6,957,955)
712,350,000 Japanese Yen	12/15/98	(5,275,932)
2,222,035,000 Japanese Yen	12/24/98	(16,481,878)
2,849,355,000 Japanese Yen	1/19/99	(21,214,483)
4,788,000,000 Japanese Yen	2/26/99	(35,828,136)
7,629,930,000 Japanese Yen	3/5/99	(57,145,101)
709,890,000 Japanese Yen	3/12/99	(5,321,493)
367,440,000 Japanese Yen	3/29/99	(2,760,216)
3,416,175,000 Japanese Yen	4/12/99	(25,708,499)
3,714,900,000 Japanese Yen	4/23/99	(27,995,544)
4,131,270,000 Japanese Yen	5/6/99	(31,184,003)
3,815,400,000 Japanese Yen	5/25/99	(28,867,149)
5,156,000,000 Japanese Yen	6/1/99	(39,043,230)
2,475,605,000 Japanese Yen	6/8/99	(18,762,056)
379,288,000 Japanese Yen	7/2/99	(2,882,894)
4,761,792,500 Japanese Yen	7/15/99	(36,254,083)
2,407,984,000 Japanese Yen	8/2/99	(18,375,596)
2,302,420,000 Japanese Yen	8/13/99	(17,594,680)
5,823,600 Netherlands Guilder	10/29/98	(3,097,468)
19,233,000 Netherlands Guilder	11/16/98	(10,239,813)
7,729,200 Netherlands Guilder	11/23/98	(4,116,593)
17,159,400 Netherlands Guilder	12/15/98	(9,150,401)
5,591,490 Netherlands Guilder	12/23/98	(2,983,106)
16,064,000 Netherlands Guilder	2/12/99	(8,590,374)
8,012,000 Netherlands Guilder	2/26/99	(4,286,810)
6,007,800 Netherlands Guilder	3/5/99	(3,215,289)
6,030,300 Netherlands Guilder	3/12/99	(3,228,129)
6,073,800 Netherlands Guilder	3/26/99	(3,252,932)
6,148,800 Netherlands Guilder	4/12/99	(3,295,168)
11,812,800 Netherlands Guilder	5/25/99	(6,340,067)
20,743,275 Netherlands Guilder	6/1/99	(11,135,673)
11,410,260 Netherlands Guilder	6/17/99	(6,128,446)
11,613,340 Netherlands Guilder	7/2/99	(6,240,540)
5,380,830 Netherlands Guilder	7/15/99	(2,892,835)
7,063,920 Netherlands Guilder	8/2/99	(3,800,185)
7,595,060 Netherlands Guilder	8/27/99	(4,089,542)
1,617,599 New Zealand Dollar	11/16/98	(808,087)
7,104,515 New Zealand Dollar	11/23/98	(3,549,076)
1,631,854 New Zealand Dollar	12/15/98	(815,066)
10,680,250 New Zealand Dollar	12/23/98	(5,334,185)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
3,516,174 New Zealand Dollar	3/12/99	\$ (1,759,475)
12,435,601 New Zealand Dollar	3/26/99	(6,227,282)
3,354,454 New Zealand Dollar	5/6/99	(1,683,790)
12,514,440 New Zealand Dollar	6/8/99	(6,297,359)
1,829,268 New Zealand Dollar	7/2/99	(922,461)
9,914,733 New Zealand Dollar	8/2/99	(5,015,164)
2,067,825 New Zealand Dollar	8/27/99	(1,048,894)
1,359,487 New Zealand Dollar	9/14/99	(691,103)
20,896,500 Norwegian Krone	11/16/98	(2,816,100)
10,506,000 Norwegian Krone	12/23/98	(1,412,187)
96,660,880 Norwegian Krone	8/27/99	(12,852,618)
4,501,500 Singapore Dollar	10/13/98	(2,667,918)
1,514,400 Singapore Dollar	10/29/98	(898,184)
3,183,000 Singapore Dollar	12/15/98	(1,889,918)
8,740,000 Singapore Dollar	12/24/98	(5,190,794)
4,273,750 Singapore Dollar	1/4/99	(2,538,955)
2,772,000 Singapore Dollar	1/19/99	(1,647,315)
8,662,500 Singapore Dollar	2/26/99	(5,151,237)
6,788,000 Singapore Dollar	3/12/99	(4,037,306)
4,990,500 Singapore Dollar	3/26/99	(2,968,679)
12,864,000 Singapore Dollar	5/6/99	(7,655,439)
10,378,800 Singapore Dollar	5/25/99	(6,177,221)
22,454,900 Singapore Dollar	6/8/99	(13,365,439)
1,262,800 Singapore Dollar	6/17/99	(751,654)
2,620,200 Singapore Dollar	7/2/99	(1,559,675)
56,464,000 Singapore Dollar	7/15/99	(33,611,665)
32,740,200 Singapore Dollar	8/2/99	(19,490,070)
28,210,000 South African Rand	6/8/99	(4,352,943)
35,490,000 South African Rand	6/17/99	(5,459,440)
19,600,000 South African Rand	8/2/99	(2,964,621)
5,865,840 South African Rand	8/27/99	(879,022)
440,730,000 Spanish Peseta	11/16/98	(3,109,564)
431,692,500 Spanish Peseta	12/15/98	(3,049,122)
218,340,000 Spanish Peseta	12/23/98	(1,542,666)
297,080,000 Spanish Peseta	12/24/98	(2,099,083)
454,990,000 Spanish Peseta	3/12/99	(3,224,862)
764,350,000 Spanish Peseta	3/29/99	(5,421,499)
309,840,000 Spanish Peseta	4/12/99	(2,198,763)
194,792,000 Spanish Peseta	5/6/99	(1,383,485)
447,660,000 Spanish Peseta	6/8/99	(3,183,029)
408,321,000 Spanish Peseta	6/17/99	(2,904,194)
128,537,000 Spanish Peseta	7/2/99	(914,683)
150,350,000 Spanish Peseta	7/15/99	(1,070,372)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
5,857,095 Swedish Krona	10/2/98	\$ (747,225)
39,676,000 Swedish Krona	10/13/98	(5,063,528)
22,499,700 Swedish Krona	10/29/98	(2,873,054)
33,651,000 Swedish Krona	11/16/98	(4,299,187)
14,961,800 Swedish Krona	12/15/98	(1,913,131)
34,151,850 Swedish Krona	12/23/98	(4,368,085)
27,328,000 Swedish Krona	1/4/99	(3,496,533)
60,187,500 Swedish Krona	2/26/99	(7,709,401)
9,634,800 Swedish Krona	3/12/99	(1,234,411)
23,798,400 Swedish Krona	3/26/99	(3,049,697)
31,452,000 Swedish Krona	3/29/99	(4,030,654)
31,834,000 Swedish Krona	4/12/99	(4,080,492)
78,088,000 Swedish Krona	4/23/99	(10,010,910)
22,860,000 Swedish Krona	5/25/99	(2,931,793)
34,749,450 Swedish Krona	6/1/99	(4,456,931)
26,928,000 Swedish Krona	6/17/99	(3,454,256)
23,613,000 Swedish Krona	7/2/99	(3,029,406)
37,240,450 Swedish Krona	7/23/99	(4,778,664)
41,257,000 Swedish Krona	8/27/99	(5,295,407)
122,737 Swiss Franc	10/5/98	(88,929)
10,845,200 Swiss Franc	10/29/98	(7,883,244)
10,772,800 Swiss Franc	12/15/98	(7,870,441)
20,304,750 Swiss Franc	12/23/98	(14,846,886)
15,163,500 Swiss Franc	12/24/98	(11,088,758)
34,782,500 Swiss Franc	1/4/99	(25,464,858)
10,076,500 Swiss Franc	1/19/99	(7,388,455)
23,953,000 Swiss Franc	2/12/99	(17,604,979)
25,203,600 Swiss Franc	3/5/99	(18,561,375)
33,720,750 Swiss Franc	3/12/99	(24,850,144)
42,810,000 Swiss Franc	3/26/99	(31,589,014)
45,894,400 Swiss Franc	3/29/99	(33,874,156)
13,987,800 Swiss Franc	4/12/99	(10,336,992)
1,454,300 Swiss Franc	4/23/99	(1,075,748)
32,754,990 Swiss Franc	5/17/99	(24,277,360)
31,281,800 Swiss Franc	6/1/99	(23,213,299)
15,577,650 Swiss Franc	6/8/99	(11,566,039)
5,892,000 Swiss Franc	7/2/99	(4,382,885)
38,899,350 Swiss Franc	7/23/99	(28,987,896)
TOTAL FORWARD EXCHANGE CONTRACTS TO SELL		
(Contract Amount \$1,933,190,843)		<u><u>\$(1,967,099,672)</u></u>

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Assets and Liabilities

September 30, 1998 (Unaudited)

ASSETS

Investments, at value (Cost \$2,226,671,211)	
<i>See accompanying schedule</i>	\$2,203,553,384
Cash and foreign currency (Cost \$7,824,513)	7,834,556
Receivable for investment securities sold	15,512,412
Dividends and interest receivable	8,416,804
Receivable for Fund shares sold	1,429,506
Prepaid expenses	62,781
Total Assets	<u>2,236,809,443</u>

LIABILITIES

Net unrealized depreciation of forward exchange contracts . . .	\$25,243,748
Payable for investment securities purchased	11,532,882
Payable for Fund shares redeemed	5,633,643
Investment advisory fee payable	1,448,683
Transfer agent fees payable	121,071
Custodian fees payable	98,275
Accrued expenses and other payables	<u>380,820</u>
Total Liabilities	<u>44,459,122</u>

NET ASSETS \$2,192,350,321

NET ASSETS consist of

Undistributed net investment income	\$ 35,717,756
Accumulated net realized gain on securities, forward exchange contracts and foreign currencies	190,243,033
Net unrealized depreciation of securities, forward exchange contracts, foreign currencies and net other assets	(46,352,826)
Par value	14,008
Paid-in capital in excess of par value	<u>2,012,728,350</u>
Total Net Assets	<u>\$2,192,350,321</u>

NET ASSET VALUE, offering and redemption price per share
 (\$2,192,350,321 ÷ 140,077,599 shares of common stock
 outstanding) \$15.65

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Operations

For the Six Months Ended September 30, 1998 (Unaudited)

INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$3,915,794)	\$ 31,663,230
Interest (net of foreign withholding taxes of \$85)	<u>5,718,283</u>
Total Investment Income	<u>37,381,513</u>

EXPENSES

Investment advisory fee	\$16,204,604	
Custodian fees	635,229	
Transfer agent fees	457,535	
Administration fee	428,558	
Directors' fees and expenses	25,931	
Legal and audit fees	21,750	
Amortization of organization costs	3,785	
Other	<u>362,041</u>	
Total Expenses		<u>18,139,433</u>

NET INVESTMENT INCOME		<u>19,242,080</u>
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain on:		
Securities		74,736,868
Forward exchange contracts		53,710,893
Foreign currencies		<u>280,159</u>
Net realized gain on investments during the period		<u>128,727,920</u>
Net change in unrealized appreciation (depreciation) of:		
Securities		(528,289,163)
Forward exchange contracts		(103,407,178)
Foreign currencies and net other assets		<u>2,148,156</u>
Net unrealized depreciation of investments during the period		<u>(629,548,185)</u>

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS		<u>(500,820,265)</u>
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NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		<u><u>\$(481,578,185)</u></u>
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■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each period.

	Six Months Ended 9/30/98 (Unaudited)	Year Ended 3/31/98	Year Ended 3/31/97	Year Ended 3/31/96(a)	Year Ended 3/31/95	Period Ended 3/31/94(a)(b)
Net asset value, beginning of period	\$ 18.98	\$ 15.46	\$ 14.28	\$ 11.52	\$ 12.26	\$ 10.00
Income from investment operations:						
Net investment income (loss)(c) . . .	0.13	0.26	0.12	0.15	0.10	(0.00)(d)
Net realized and unrealized gain (loss) on investments	(3.46)	4.62	2.18	2.81	(0.68)	2.26
Total from investment operations	(3.33)	4.88	2.30	2.96	(0.58)	2.26
Distributions:						
Dividends from net investment income	—	(0.79)	(0.19)	—	—	—
Dividends in excess of net investment income	—	(0.08)	(0.36)	—	—	—
Distributions from net realized gains	—	(0.49)	(0.57)	(0.05)	(0.06)	—
Distributions in excess of net realized gains	—	—	—	(0.15)	(0.10)	—
Total distributions	—	(1.36)	(1.12)	(0.20)	(0.16)	—
Net asset value, end of period	\$ 15.65	\$ 18.98	\$ 15.46	\$ 14.28	\$ 11.52	\$ 12.26
Total return(e)	(17.55)%	33.09%	16.66%	25.88%	(4.74)%	22.60%
Ratios/Supplemental Data:						
Net assets, end of period (in 000's)	\$2,192,350	\$2,527,941	\$1,441,210	\$950,911	\$655,035	\$297,434
Ratio of operating expenses to average net assets(f)	1.40%(g)	1.42%	1.58%	1.60%	1.65%	1.73%(g)
Ratio of net investment income (loss) to average net assets	1.48%(g)	1.05%	0.73%	1.15%	1.08%	(0.00%)(g)(h)
Portfolio turnover rate	10%	16%	20%	17%	16%	14%

(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 (loss) for a Fund share outstanding, before the waiver of fees by the administrator and/or investment adviser for the years ended March 31, 1998 and 1997, and the 7.5-month period ended March 31, 1994 was \$0.26, \$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 ratios before the waiver of fees by the administrator and/or investment adviser for the years ended March 31, 1998 and 1997, and the 7.5-month period ended March 31, 1994 were 1.43%, 1.58%, and 1.83%, respectively.

(g) Annualized.

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

■ ■ ■ ■ ■ SEE 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, by the Investment Adviser or, at fair value as determined by or under the direction of the Company’s Board of Directors. Portfolio securities and other assets, listed on a U.S. national securities exchange or through any system providing for same day publication of actual prices (and not subject to restrictions against sale by the Fund on such exchange or system) are valued at the last quoted sale price prior to the close of regular trading. Portfolio securities and other assets listed on a foreign exchange or through any system providing for same day publication of actual prices are valued at the last quoted sale price available before the time when assets are valued. Portfolio securities and other assets for which there are no reported sales on the valuation date are valued at the mean between the last asked price and the last bid price prior to the close of regular trading. When the Investment Adviser determines that the last sale price prior to valuation does not reflect current market value, the Investment Adviser will determine the market value of those securities or assets in accordance with industry practice and other factors considered relevant by the Investment Adviser. All other securities and assets for which current market quotations are not readily available and those securities which are not readily marketable due to significant legal or contractual restrictions will be valued by the Investment Adviser or at fair value as

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

determined by or under the direction of the Board of Directors. Debt securities with a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value, or by reference to other factors (i.e. pricing services or dealer quotations) by the Investment Adviser.

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

Notes to Financial Statements (Unaudited)

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 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 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, Other Related Party Transactions and Administration Fee

The Company, on behalf of the Fund, has entered into an investment advisory agreement (the “Advisory Agreement”) with Tweedy, Browne Company LLC (“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

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

Investment 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 \$31.1 million of their own money invested in the Fund.

The Company, on behalf of the Fund, has entered into an administration agreement (the "Administration Agreement") with First Data Investor Services Group, Inc. (the "Administrator"), a wholly owned subsidiary of First Data Corporation. Under the Administration Agreement, the Company pays the Administrator 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%	

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.

No officer, director or employee of Tweedy, Browne, the administrator 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 Fund pays each director who is not an officer, director or employee of Tweedy, Browne, the administrator or any of their affiliates \$8,000 per annum plus \$500 per Regular or Special Board Meeting attended in person or by telephone, plus out-of-pocket expenses.

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

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”). Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

3. Securities Transactions

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the six months ended September 30, 1998, aggregated \$593,191,749 and \$236,948,503, respectively.

At September 30, 1998, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$431,343,355 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$454,461,182.

For the six months ended September 30, 1998, the Fund incurred total brokerage commissions of \$2,427,475.

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:

	Six Months Ended 9/30/98		Year Ended 3/31/98	
	Shares	Amount	Shares	Amount
Sold	32,825,703	\$ 608,708,120	58,530,975	\$1,007,774,368
Reinvested	—	—	8,222,804	133,167,149
Redeemed	(25,945,539)	(462,720,356)	(26,794,022)	(462,491,491)
Net increase	6,880,164	\$ 145,987,764	39,959,757	\$ 678,450,026

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. At September 30, 1998, all such costs have been fully amortized.

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 Trust, 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



TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

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 Fund 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 six months ended September 30, 1998, the Fund did not borrow under this Agreement.

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)



<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—DOMESTIC—71.9%	
	Advertising—0.2%	
6,680	Grey Advertising Inc.	\$ 2,187,909
	Apparel/Textiles—0.0%††	
45,900	Chic by H.I.S. Inc.†	149,158
9,400	Garan Inc.	263,200
2,000	Thomaston Mills, Inc., Class A	9,375
		<hr/> 421,733
	Automotive Parts—1.4%	
689,000	Dollar Thrifty Automotive Group, Inc.†	8,009,625
170,400	Standard Motor Products, Inc.	4,153,500
23,300	Standard Products Company	407,750
5,200	Woodward Governor Company	117,650
		<hr/> 12,688,525
	Banking—9.3%	
56,700	BancFirst Corporation	2,108,531
20,400	Cape Cod Bank & Trust Company	359,550
541,814	Chase Manhattan Corporation	23,433,455
112,650	Comerica, Inc.	6,174,628
4,500	Community Financial Group—Bank of Nashville	55,969
156,110	First Chicago NBD Corporation	10,693,535
20,400	First Mortgage Corporation†	91,163
50,850	Mercantile Bancorp, Inc.	2,459,869
42,080	Mid-America Bancorp.	1,036,220
18,000	Peoples Bank Corporation of Indianapolis	513,000
246,700	PNC Bank Corporation	11,101,500
802,520	Popular, Inc.	22,671,190
36,000	Wells Fargo & Company	12,780,000
		<hr/> 93,478,610
	Basic Industries—4.8%	
100,500	ACX Technologies Inc.†	1,293,938
219,200	Alamo Group Inc.	3,027,700
121,700	Gorman-Rupp Company	1,916,775
61,400	Monarch Machine Tool Company	429,800
724,000	Rayonier Inc.	28,236,000
70,200	Sequa Corporation, Class A†	3,948,750
66,000	Tecumseh Products Company, Class A	3,238,125
66,100	Tecumseh Products Company, Class B	3,404,150
78,000	Tremont Corporation†	3,295,500
		<hr/> 48,790,738
	Business and Commercial Services—1.4%	
716,000	Harland (John H.) Company	9,710,750
24,400	HUB Services†	384,300
5,200	IIC Industries Inc.†	44,200
51,000	Norwood Promotional Products, Inc.†	962,625
12,500	Paris Corporation†	32,031

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Business and Commercial Services—(Continued)		
38,600	PriceSmart, Inc.†	\$ 605,538
123,000	Wallace Computer Services Inc.	2,206,313
		<u>13,945,757</u>
Chemicals—1.7%		
680,700	Lilly Industries Inc., Class A	11,997,338
232,900	Oil-Dri Corporation of America	2,984,031
77,500	Stepan Chemical Company	2,097,344
		<u>17,078,713</u>
Consumer Non-Durables—9.2%		
142,400	Bairnco Corporation	792,100
130,400	Coca-Cola Bottling Company	7,734,350
209,200	EKCO Group Inc.†	732,200
501,035	Great Atlantic & Pacific Tea Company, Inc.	12,150,099
347,500	M & F Worldwide Corporation†	3,453,281
869,470	Philip Morris Companies, Inc.	40,049,962
910,900	UST Inc.	26,928,481
57,200	Village Super Market Inc., Class A†	1,226,225
		<u>93,066,698</u>
Consumer Services—1.9%		
512,900	Jones Intercable Inc., Class A†	12,726,331
498,550	Pinkerton's, Inc.	6,886,222
		<u>19,612,553</u>
Electronic Equipment—0.1%		
8,000	Espey Manufacturing and Electronics Corporation	103,000
27,000	Regal Beloit	600,750
		<u>703,750</u>
Engineering and Construction—2.5%		
42,700	Devcon International Corporation†	96,075
107,300	Harding Lawson Associates Group†	677,331
150,500	Hovnanian Enterprises, Inc.†	1,410,938
22,900	Liberty Homes, Inc., Class A	280,525
10,000	Liberty Homes, Inc., Class B	126,250
61,300	M/I Schottenstein Homes Inc.†	1,134,050
42,000	Oriole Homes Corporation, Class A†	165,375
91,500	Oriole Homes Corporation, Class B†	343,125
259,000	RDO Equipment Company†	2,347,188
459,700	Ryland Group, Inc.	11,205,188
468,300	Standard-Pacific Corporation	6,614,738
158,000	Washington Homes, Inc.†	799,875
		<u>25,200,658</u>

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Financial Services—12.9%		
382,230	American Express Company	\$ 29,670,604
432,300	Credit Acceptance Corporation†	2,674,856
789,380	Federal Home Loan Mortgage Corporation	39,024,974
493,500	Household International Inc.	18,506,250
18,600	HPSC Inc.†	192,975
20,800	Kent Financial Services Inc.†	130,000
345,550	Lehman Brothers Holdings Inc.	9,761,788
30,000	Letchworth Independent Bancshares Corporation	465,000
137,835	Metris Companies Inc.	6,426,574
142,000	Morgan, (J.P.) & Co.	12,016,750
756,000	Phoenix Investment Partners, Ltd.	5,103,000
18,515	Protective Life Corporation	666,540
109,030	ReliaStar Financial Corporation	4,252,170
29,800	Value Line Inc.	1,128,675
1,604	Whitney Holding Corporation	65,664
		<hr/> 130,085,820
Food and Beverages—0.1%		
40,000	Panamerican Beverages, Inc., Class A	712,500
2,177	United Foods, Inc., Class A†	6,395
3,269	United Foods, Inc., Class B†	9,807
		<hr/> 728,702
Furniture—0.7%		
29,900	Flexsteel Industries Inc.	317,688
152,350	O' Sullivan Corporation	1,294,975
598,400	O' Sullivan Industries Holdings, Inc.†	5,797,000
		<hr/> 7,409,663
Health Care—1.9%		
158,500	Angelica Corporation	2,545,906
33,412	Johnson & Johnson	2,614,489
66,600	Spacelabs Medical Inc.†	1,032,300
2,003,400	Sun Healthcare Group Inc.†	13,022,100
10,666	Wyant Corporation†	48,997
		<hr/> 19,263,792
Insurance—9.7%		
15,200	Allstate Financial Corporation†	51,300
463,500	American Annuity Group Inc.	10,573,594
90,450	American General Corporation	5,777,494
77,400	American Indemnity Financial Corporation	933,638
115,125	American National Insurance Company	9,562,570
8,260	Kansas City Life Insurance Company	676,288
456,500	Leucadia National Corporation	13,381,156
21,600	Merchants Group Inc.	415,800
389,500	MMI Companies, Inc.	6,986,656
97,000	National Western Life Insurance Company†	11,191,375
239,200	NAC Re Corporation	11,780,600

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—DOMESTIC	
	Insurance—(Continued)	
31,500	Navigators Group Inc.†	\$ 456,750
16,500	RLI Corporation	627,000
43,800	SCPIE Holdings Inc.	1,363,275
80,900	TransFinancial Holdings, Inc.†	505,625
290,400	Transatlantic Holdings, Inc.	24,030,600
		<hr/> 98,313,721
	Investment Companies—0.1%	
180,500	Ampal-American Israel Corporation-A†	722,000
10,000	PEC Israel Economic Corporation.†	256,250
		<hr/> 978,250
	Leisure and Entertainment—0.1%	
35,100	Cable Michigan, Inc.†	1,219,725
	Metals and Metal Products—1.6%	
724,100	ASARCO Inc.	13,848,413
4,700	Mestek Inc.†	87,538
165,000	Schnitzer Steel Industries Inc.	2,475,000
		<hr/> 16,410,951
	Oil and Gas—0.4%	
8,000	Isramco, Inc.†	20,250
5,600	Lufkin Industries, Inc.	148,400
41,460	Matrix Service Company†	194,344
175,200	Penn Virginia Corporation	3,848,925
10,000	Wiser Oil Company	53,125
		<hr/> 4,265,044
	Real Estate—1.6%	
716,500	American Real Estate Partners Ltd.	6,000,688
26,100	Arizona Land Income Corporation, Class A	172,913
18,012	Atlantic Realty Trust Inc.†	150,851
296,700	Castle & Cooke Inc.	4,450,500
62,000	Echelon International Corporation†	1,313,625
102,000	Koger Equity Inc.	1,912,500
13,200	Mays (J.W.), Inc.†	118,800
154,400	Price Enterprises Inc.	781,650
3,623	Public Storage, Inc.	97,142
36,025	Ramco-Gershenson Properties Trust	589,909
20,000	Reading Entertainment, Inc.†	168,125
		<hr/> 15,756,703
	Restaurant Chains—4.1%	
434,900	Darden Restaurants Inc.	6,958,400
553,400	McDonald's Corporation	33,031,063
83,400	Vicorp Restaurants Inc.†	1,172,813
		<hr/> 41,162,276

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—DOMESTIC	
	Retail—2.5%	
217,000	Discount Auto Parts Inc.†	\$ 5,221,563
117,900	EZCORP Inc., Class A†	957,938
432,900	Fingerhut Companies, Inc.	4,761,900
90,100	Government Technology Services, Inc.	349,138
654,000	Jan Bell Marketing Inc.†	4,251,000
164,000	Kmart Corporation†	1,957,750
89,600	Penney (J.C.) Company, Inc.	4,026,400
19,000	Saucony Inc., Class A†	90,250
25,000	Saucony Inc., Class B†	114,063
130,100	Swiss Army Brands, Inc.†	1,252,213
158,700	Syms Corporation†	1,646,513
138,000	United Retail Group, Inc.†	1,112,625
		<hr/> 25,741,353
	Technology—0.0%††	
44,600	Astrosystems Inc.	104,531
	Telecommunications—0.6%	
93,600	Commonwealth Telephone Enterprises, Inc.	2,202,525
280,800	RCN Corporation†	3,667,950
15,300	TCI International Inc.†	45,422
		<hr/> 5,915,897
	Transportation/Transportation Services—3.1%	
636,400	GATX Corporation	21,040,975
53,100	KLLM Transport Services Inc.†	441,394
53,600	Maritrans Inc.	380,225
700,000	Wisconsin Central Corporation	9,778,125
		<hr/> 31,640,719
	TOTAL COMMON STOCKS—DOMESTIC	
	(Cost \$628,991,853)	<hr/> 726,172,791
	COMMON STOCKS—FOREIGN—18.0%	
	Finland—0.2%	
18,300	Huhtamaki Group, Class I	557,927
15,500	Kone Corporation, Class B†	1,554,878
		<hr/> 2,112,805
	France—0.1%	
900	Bongrain SA	385,728
2,000	Compagnie Fives-Lille	133,219
2,300	Peugeot SA	392,657
		<hr/> 911,604

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TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—FOREIGN	
	Hong Kong—0.2%	
1,210,000	CDL Hotels International Ltd.	\$ 277,953
478,000	Jardine Strategic Holdings Ltd., ADR	525,800
2,147,200	Semi-Tech (Global) Ltd.	83,130
1,506,000	South China Morning Post (Holdings) Ltd.	592,776
525,000	Swire Pacific Ltd., Class B	247,296
182,000	Wing Hang Bank Ltd.	194,946
		<hr/>
		1,921,901
	Ireland—0.0%††	
202,592	Crean (James) PLC	317,912
	Italy—0.1%	
72,100	Arnoldo Mondadori Editore SPA	838,215
	Japan—6.0%	
56,000	Agro-Kanesho Company Ltd.	336,349
63,000	Aichi Electric Company Ltd.	111,210
78,000	Aiful Corporation	3,599,341
255,000	Amada Sonoike Company, Ltd.	633,181
67,000	Amatsuji Steel Ball Manufacturing Company	456,400
104,000	Belluna Company Ltd.	533,236
62,000	Bunka Shutter Company Ltd.	127,156
33,000	CCI Corporation	212,708
1,000	Charle Company	6,596
89,000	Chiyoda Company	430,251
247,700	Chofu Seisakusho Company	2,222,542
70,500	Credia Company Ltd.	686,797
134,000	Daido Metal Company	373,953
140,000	Danto Corporation	563,999
179,000	Denkyosha	681,780
61,000	Denyo Company Ltd.	263,168
58,000	Dowa Fire & Marine Insurance Company	139,344
101,500	Exedy Corporation	488,449
93,000	Fuji Coca-Cola Bottling Company	692,774
76,800	Fuji Photo Film Company Ltd., ADR	2,635,200
17,000	Fuji Photo Film Ltd.	585,241
86,000	Fujicco Company Ltd.	1,074,016
88,000	Fujisawa Pharmaceutical Company	809,581
326,000	Fujitec Company Ltd.	1,666,713
293,000	Fukuda Denshi	2,811,426
310,000	Gakken Company Ltd.	320,161
206,000	Hitachi Koki	580,919
78,000	Hitachi Medical Corporation	675,305
109,000	Inaba Denkisangyo Company Ltd.	886,211
16,000	Kansai Paint	29,299
112,000	Katsuragawa Electric Company	410,181
269,000	Kawagishi Bridge Works	660,062
130,000	Koito Manufacturing	523,714
53,000	Koyosha Inc.	194,104

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—FOREIGN		
Japan—(Continued)		
389,000	Mandom Corporation	\$ 2,307,929
95,000	Matsumoto Yushi-Seiyaku Company	1,475,188
19,000	Matsushita Electric Industrial Company	258,158
44,000	Meito Sangyo Company	344,845
91,000	Mitsubishi Pencil Company Ltd.	679,875
200,000	Morito	791,064
58,000	Nankai Plywood Company Ltd.	237,905
107,000	Nippon Cable System	588,588
118,000	Nippon Konpo Unyu Soko	630,947
45,150	Nissan Fire & Marine Insurance Company	121,370
19,000	Nissie Plastic Y50	87,676
48,300	Nissin Company Ltd.	671,831
52,000	Nitto FC Company	277,663
139,000	Oak	259,623
116,000	Osaka Steel Company Ltd.	398,491
185,000	Prospect Japan Fund Ltd., ADR	677,100
119,000	Riken Vitamin	954,441
19,000	Sangetsu Company Ltd.	217,799
31,000	Sanko Sangyo Company	211,170
130,600	Sanyo Shinpan Finance Company Ltd.	4,716,045
63,800	Shikoku Coca-Cola Bottling	607,975
99,000	Shin Nikkei Company Ltd.	65,263
82,000	Shinki Company	720,747
192,000	Shinogi & Company	1,112,412
73,000	SK Kaken Company Ltd.	641,641
220,000	Sonton Food Industry	1,466,398
200,000	Sotoh Company Ltd.	878,960
186,000	Tachi-S	674,382
103,700	Takefuji Corporation	5,225,827
1,000	Takigami Steel Construction Company Ltd.	2,234
141,000	Teikoku Hormone Manufacturing Company	722,945
73,000	TENMA Corporation	641,641
125,900	Toa Medical Electronics Company	1,088,167
111,000	Tomita Electric Company Ltd.	426,845
10,000	Torii Company Ltd.	35,012
162,000	Torishima Pump Manufacturing	482,945
64,000	Toso Company Ltd.	187,980
78,000	Toyo Technical Company Ltd.	299,945
188,000	Tsubaki Nakashima Company Ltd.†	1,072,712
220,800	Tsuchiya Home Company	646,914
214,000	U-Shin	641,099
152,000	Yomeishu Seizo Company Ltd.	879,546
45,000	Zojirushi	230,727
		<hr/>
		61,081,392
	Malaysia—0.1%	
485,000	Star Publications (Malaysia)	529,671
		<hr/>

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—FOREIGN	
	Netherlands—1.1%	
21,000	European Vinyls Corporation	\$ 262,033
62,500	Heineken Holdings NV, Class A	2,369,448
36,500	Telegraaf Holdings CVA	841,108
120,800	Unilever NV, ADR	7,399,000
		<hr/> 10,871,589
	New Zealand—0.1%	
712,000	Air New Zealand Ltd.	562,986
	Singapore—0.2%	
518,000	Cycle & Carriage Ltd.	837,761
264,000	Fraser & Neave Ltd.	566,161
266,000	Overseas Union Bank Ltd.	379,775
94,800	Robinson and Company Ord	213,412
		<hr/> 1,997,109
	Spain—0.0%††	
32,000	Unipapel SA	320,147
	Sweden—4.0%	
804,300	Pharmacia & Upjohn, Inc., Depository Shares	40,427,914
	Switzerland—3.3%	
3,650	Compagnie Financiere Richemont AG	4,680,165
2,000	Danzas Holding AG	502,028
2,000	Edipresse SA, Bearer	492,611
269,000	Nestle, ADR	26,833,744
10,666	Novartis AG, ADR	857,282
2,500	Sairgroup	515,249
		<hr/> 33,881,079
	United Kingdom—2.6%	
875,000	British Steel Ord	1,580,561
292,337	BTR PLC	528,064
315,000	Caradon PLC	669,414
274,000	Carlo Engineering Group PLC	468,156
172,000	Concentric PLC	460,557
445,000	Dowding & Mills PLC	302,618
60,000	Elementis PLC	82,115
163,670	Glaxo Wellcome PLC, Sponsored ADR	9,349,649
142,000	Hardys & Hansons PLC	508,177
41,000	HSBC Holdings PLC	733,984
189,385	McAlpine (Alfred) PLC	354,171
50,000	Molins PLC	99,881
187,307	Nycomed ASA, ADR, Class B	5,970,411
494,000	Pilkington PLC	482,913
120,000	Rexam PLC	373,342
65,000	SmithKline Beecham, PLC Units, ADR	3,558,750
150,000	Thistle Hotels PLC	321,319
		<hr/> 25,844,082
	TOTAL COMMON STOCKS—FOREIGN	
	(Cost \$169,352,234)	<hr/> 181,618,406

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1998 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
154,400	PREFERRED STOCK—0.2% (Cost \$1,601,833) Price Enterprises Inc.	<u>\$ 2,065,100</u>
93,600	COMMON STOCK RIGHTS—0.0%†† (Cost \$0.00) Commonwealth Telephone Enterprises, Expires 10/23/98	<u>269,100</u>
	COMMERCIAL PAPER—4.9% (Cost \$50,000,000) General Electric Capital Corporation, 5.750% due 10/1/98	<u>50,000,000</u>
\$50,000,000	U.S. TREASURY BILL—0.1% (Cost \$986,988) 5.089%** due 1/7/99	<u>986,988</u>
1,000,000	REPURCHASE AGREEMENT—4.7% (Cost \$47,333,000) Agreement with UBS Securities, Inc., 5.480% dated 9/30/98, to be repur- chased at \$47,340,205 on 10/1/98, collateralized by \$29,085,000 U.S. Treasury Notes, 12.500% due 8/15/14 (market value \$48,442,683)	<u>47,333,000</u>
	TOTAL INVESTMENTS (Cost \$898,265,908*)	99.8% 1,008,445,385
	OTHER ASSETS AND LIABILITIES (Net)	0.2 1,988,026
	NET ASSETS	<u>100.0% \$1,010,433,411</u>

* Aggregate cost for Federal tax purposes.

** Rate represents annualized yield at date of purchase.

† Non-income producing security.

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

Abbreviations:

ADR—American Depository Receipt

Ord—Ordinary Shares

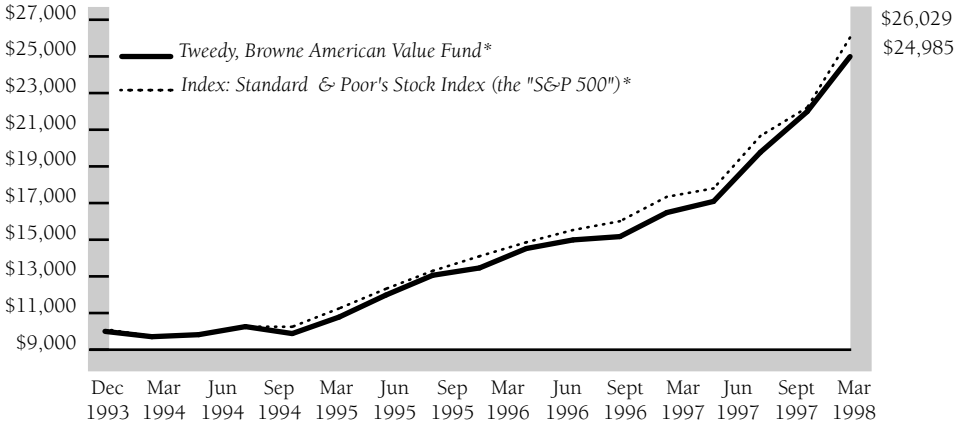
■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio Highlights

March 31, 1998

**Hypothetical Illustration of \$10,000 Invested in
Tweedy, Browne American Value Fund vs.
Standard & Poor's 500 Stock Index 12/8/93 through 3/31/98**



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**	Year Ended 3/31/98	Inception 12/8/93-3/31/98	
Inception (12/8/93) through 3/31/98	23.66%	23.41%	The Fund S&P 500	46.14%	149.85%
Year Ended 3/31/98	46.14%	46.11%		47.96%	160.29%

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.

Perspective On Assessing Investment Results

March 31, 1998

In accordance with rules and guidelines set out by the Securities and Exchange Commission, we have provided a comparison of the historical investment results of Tweedy, Browne American Value Fund to the historical investment results of the most appropriate broad-based securities market index, the Standard & Poor's 500 Stock Index (the "S&P 500"). However, the historical results of the S&P 500 in large measure represent the investment results of stocks that we do not own. Any portfolio which does not own exactly the same stocks in exactly the same proportions as the index to which the particular portfolio is being compared is not likely to have the same results as the index. The investment behavior of a diversified portfolio of undervalued stocks tends to be correlated to the investment behavior of a broad index; *i.e.*, when the index is up, probably more than one-half of the stocks in the entire universe of public companies that are included in the same index will be up, albeit, in greater or lesser percentages than the index. Similarly, when the index declines, probably most of the stocks in the entire universe of public companies that are included in the index will be down in greater or lesser percentages than the index. But it is almost a mathematical truth that "different stocks equal different results."

Favorable or unfavorable historical investment results in comparison to an index are not necessarily predictive of future comparative investment results. In *Are Short-Term Performance and Value Investing Mutually Exclusive?*, Eugene Shahan analyzed the investment performance of seven money managers, about whom Warren Buffett wrote in his article, *The Super Investors of Graham and Doddsville*. Over long periods of time, the seven managers significantly outperformed the market as measured by the Dow Jones Industrial Average (the "DJIA") or the S&P 500 by between 7.7% to 16.5% annually. (The goal of most institutional money managers is to outperform the market by 2% to 3%.) However, for periods ranging from 13 years to 28 years, this group of managers underperformed the market between 7.7% to 42% of the years. Six of the seven investment managers underperformed the market between 28% to 42% of the years. In today's environment, they would have lost many of their clients during their periods



Perspective On Assessing Investment Results

of underperformance. Longer term, it would have been the wrong decision to fire any of these money managers. In examining the seven long-term investment records, unfavorable investment results as compared to either index did not predict the future favorable comparative investment results which occurred, and favorable investment results in comparison to the DJIA or the S&P 500 were not always followed by future favorable comparative results. Stretches of consecutive annual underperformance ranged from one to six years. Mr. Shahan concluded “Unfortunately, there is no way to distinguish between a poor three-year stretch for a manager who will do well over 15 years, from a poor three-year stretch for a manager who will continue to do poorly. Nor is there any reason to believe that a manager who does well from the outset cannot continue to do well, and consistently.”

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO BUY		
5,980,750 Finnish Markka	10/29/98	\$ 1,178,235
4,739,600 French Franc	10/29/98	847,721
942,868 Great Britain Pound Sterling	10/29/98	1,603,869
1,783,000 Great Britain Pound Sterling	12/23/98	3,036,134
8,429,000 Hong Kong Dollar	1/19/99	1,077,387
5,740,000 Hong Kong Dollar	2/12/99	731,590
97,000 Irish Punt	1/19/99	144,943
188,000,000 Italian Lira	10/29/98	113,933
209,531,000 Japanese Yen	10/29/98	1,541,213
1,231,000,000 Japanese Yen	12/24/98	9,130,905
3,210,000 Netherlands Guilder	10/29/98	1,707,342
555,000 New Zealand Dollar	6/8/99	279,280
16,588,800 Norwegian Krone	10/29/98	2,238,550
1,721,500 Singapore Dollar	12/30/98	1,022,596
1,740,000 Singapore Dollar	2/12/99	1,034,483
117,064,000 Spanish Peseta	10/29/98	825,440
14,603,300 Swedish Krona	10/29/98	1,864,739
14,000,000 Swedish Krona	12/23/98	1,790,626
4,690,800 Swiss Franc	10/29/98	3,409,685
560,000 Swiss Franc	12/23/98	409,473
TOTAL FORWARD EXCHANGE CONTRACTS TO BUY (Contract Amount \$33,446,120)		\$ 33,988,144
FORWARD EXCHANGE CONTRACTS TO SELL		
7,879,250 Finnish Markka	10/29/98	\$ (1,552,253)
2,156,800 Finnish Markka	2/12/99	(427,073)
2,726,350 Finnish Markka	3/26/99	(540,748)
2,985,290 Finnish Markka	4/23/99	(592,715)
2,129,200 Finnish Markka	6/8/99	(423,385)
8,051,715 French Franc	10/29/98	(1,440,123)
1,795,800 French Franc	2/12/99	(322,790)
2,097,025 French Franc	4/23/99	(377,922)
1,727,095 French Franc	6/17/99	(311,810)
942,868 Great Britain Pound Sterling	10/29/98	(1,603,869)
6,478,959 Great Britain Pound Sterling	12/23/98	(11,032,521)
1,423,311 Great Britain Pound Sterling	2/12/99	(2,425,899)
1,358,780 Great Britain Pound Sterling	3/5/99	(2,316,768)
740,969 Great Britain Pound Sterling	3/26/99	(1,263,836)
303,545 Great Britain Pound Sterling	3/29/99	(517,769)
373,808 Great Britain Pound Sterling	6/8/99	(638,348)
614,893 Great Britain Pound Sterling	7/2/99	(1,050,614)
558,989 Great Britain Pound Sterling	7/23/99	(956,164)
8,429,000 Hong Kong Dollar	1/19/99	(1,077,387)
10,603,450 Hong Kong Dollar	2/12/99	(1,351,460)
3,971,400 Hong Kong Dollar	3/29/99	(503,104)

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
5,553,450 Hong Kong Dollar	4/23/99	\$ (701,403)
325,497 Irish Punt	1/19/99	(486,377)
861,150,000 Italian Lira	10/29/98	(521,878)
357,270,000 Italian Lira	2/12/99	(217,049)
347,853,675 Italian Lira	6/17/99	(212,313)
209,531,000 Japanese Yen	10/29/98	(1,541,213)
2,765,650,000 Japanese Yen	12/24/98	(20,514,126)
371,655,000 Japanese Yen	1/19/99	(2,767,106)
719,880,000 Japanese Yen	2/12/99	(5,377,004)
731,760,000 Japanese Yen	3/5/99	(5,480,587)
490,800,000 Japanese Yen	3/26/99	(3,685,546)
367,440,000 Japanese Yen	3/29/99	(2,760,216)
681,065,000 Japanese Yen	4/23/99	(5,132,516)
1,877,850,000 Japanese Yen	5/6/99	(14,174,547)
912,065,000 Japanese Yen	6/8/99	(6,912,336)
361,530,000 Japanese Yen	7/23/99	(2,755,349)
3,968,000 Netherlands Guilder	10/29/98	(2,110,508)
1,928,100 Netherlands Guilder	12/23/98	(1,028,657)
3,947,700 Netherlands Guilder	12/30/98	(2,106,975)
3,036,900 Netherlands Guilder	3/26/99	(1,626,466)
2,022,700 Netherlands Guilder	3/29/99	(1,083,396)
1,183,080 Netherlands Guilder	6/8/99	(635,256)
879,428 Netherlands Guilder	8/27/99	(473,526)
1,925,298 New Zealand Dollar	6/8/99	(968,825)
16,588,800 Norwegian Krone	10/29/98	(2,238,550)
1,721,500 Singapore Dollar	12/30/98	(1,022,596)
2,789,600 Singapore Dollar	2/12/99	(1,658,502)
499,050 Singapore Dollar	3/26/99	(296,868)
1,381,840 Singapore Dollar	6/8/99	(822,489)
117,064,000 Spanish Peseta	10/29/98	(825,440)
68,602,500 Spanish Peseta	4/23/99	(487,021)
14,603,300 Swedish Krona	10/29/98	(1,864,739)
28,080,410 Swedish Krona	12/23/98	(3,591,537)
15,597,800 Swedish Krona	12/30/98	(1,995,445)
28,105,000 Swedish Krona	2/12/99	(3,599,023)
19,657,500 Swedish Krona	3/29/99	(2,519,159)
2,376,000 Swedish Krona	6/17/99	(304,787)
43,579,250 Swedish Krona	7/23/99	(5,592,053)
14,027,380 Swedish Krona	8/27/99	(1,800,438)
2,425,900 Swiss Franc	10/29/98	(1,763,357)
2,030,475 Swiss Franc	12/23/98	(1,484,689)
6,252,075 Swiss Franc	12/30/98	(4,574,885)
2,879,000 Swiss Franc	1/19/99	(2,110,987)
1,409,000 Swiss Franc	2/12/99	(1,035,587)
2,854,000 Swiss Franc	3/26/99	(2,105,934)

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1998 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
2,151,300 Swiss Franc	3/29/99	\$ (1,587,851)
1,745,160 Swiss Franc	4/23/99	(1,290,897)
5,381,370 Swiss Franc	6/8/99	(3,995,541)
2,201,850 Swiss Franc	7/23/99	<u>(1,640,824)</u>
TOTAL FORWARD EXCHANGE CONTRACTS TO SELL		
(Contract Amount \$167,150,000)		<u><u>\$(164,208,932)</u></u>

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Assets and Liabilities

September 30, 1998 (Unaudited)

ASSETS

Investments, at value (Cost \$898,265,908)		
<i>See accompanying schedule</i>		\$1,008,445,385
Net unrealized appreciation of forward exchange contracts		3,483,092
Dividends and interest receivable		2,087,390
Receivable for Fund shares sold		1,908,735
Receivable for investment securities sold		1,108,359
Prepaid expenses		25,345
Unamortized organization costs		3,218
Total Assets		<u>1,017,061,524</u>

LIABILITIES

Payable for Fund shares redeemed	\$2,862,454	
Payable for investment securities purchased	2,022,867	
Due to custodian	963,112	
Investment advisory fee payable	660,424	
Transfer agent fees payable	55,573	
Custodian fees payable	14,630	
Accrued expenses and other payables	49,053	
Total Liabilities		<u>6,628,113</u>

NET ASSETS \$1,010,433,411

NET ASSETS consist of

Undistributed net investment income	\$	5,398,538
Accumulated net realized gain on securities, forward exchange contracts and foreign currencies		13,351,825
Net unrealized appreciation on securities, forward exchange contracts, foreign currencies and net other assets		113,702,069
Par value		4,983
Paid-in capital in excess of par value		877,975,996
Total Net Assets		<u>\$1,010,433,411</u>

NET ASSET VALUE, offering and redemption price per share

(\$1,010,433,411 ÷ 49,832,222 shares of common stock outstanding) \$20.28

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Operations

For the Six Months Ended September 30, 1998 (Unaudited)

INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$201,542)	\$ 8,283,280
Interest	2,796,116
Total Investment Income	<u>11,079,396</u>

EXPENSES

Investment advisory fee	\$6,788,518
Administration fee	263,469
Transfer agent fees	179,193
Custodian fees	140,563
Legal and audit fees	33,250
Directors' fees and expenses	15,423
Amortization of organization costs	9,762
Other	<u>114,028</u>
Total Expenses	<u>7,544,206</u>

NET INVESTMENT INCOME	<u>3,535,190</u>
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain on:	
Securities	9,097,506
Forward exchange contracts	817,866
Foreign currencies and other net assets	<u>40,165</u>
Net realized gain on investments during the period	<u>9,955,537</u>
Net change in unrealized appreciation (depreciation) of:	
Securities	(153,702,130)
Forward exchange contracts	(622,822)
Foreign currencies and net other assets	<u>38,533</u>
Net unrealized depreciation of investments during the period	<u>(154,286,419)</u>

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	<u>(144,330,882)</u>
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NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u><u>\$(140,795,692)</u></u>
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■ ■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Statements of Changes in Net Assets

	Six Months Ended 9/30/98 (Unaudited)	Year Ended 3/31/98
Net investment income	\$ 3,535,190	\$ 4,232,973
Net realized gain on securities, forward exchange contracts and currency transactions during the period	9,955,537	15,187,523
Net unrealized appreciation (depreciation) of securities, forward exchange contracts, foreign currencies and net other assets during the period	(154,286,419)	203,651,397
Net increase (decrease) in net assets resulting from operations	<u>(140,795,692)</u>	<u>223,071,893</u>
Distributions:		
Dividends to shareholders from net investment income	—	(5,448,502)
Distributions to shareholders from net realized gain on investments	—	(13,982,759)
Net increase in net assets from Fund share transactions . . .	<u>139,991,383</u>	<u>465,129,709</u>
Net increase (decrease) in net assets	(804,309)	668,770,341
NET ASSETS		
Beginning of period	<u>1,011,237,720</u>	<u>342,467,379</u>
End of period (including undistributed net investment income of \$5,398,538 and \$1,863,348, respectively)	<u>\$1,010,433,411</u>	<u>\$1,011,237,720</u>

TWEEDY, BROWNE AMERICAN VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each period.

	Six Months Ended 9/30/98 (Unaudited)	Year Ended 3/31/98	Year Ended 3/31/97	Year Ended 3/31/96(a)	Year Ended 3/31/95(a)	Period Ended 3/31/94(b)
Net asset value, beginning of period	\$ 23.04	\$ 16.22	\$ 14.29	\$ 10.71	\$ 9.71	\$ 10.00
Income from investment operations:						
Net investment income (c)	0.07	0.11	0.13	0.15	0.13	0.01
Net realized and unrealized gain (loss) on investments	(2.83)	7.31	2.39	3.56	0.93	(0.30)
Total from investment operations	(2.76)	7.42	2.52	3.71	1.06	(0.29)
Distributions:						
Dividends from net investment income	—	(0.17)	(0.17)	(0.11)	(0.06)	—
Distributions from net realized gains	—	(0.43)	(0.42)	(0.02)	—	—
Total distributions	—	(0.60)	(0.59)	(0.13)	(0.06)	—
Net asset value, end of period	\$ 20.28	\$ 23.04	\$ 16.22	\$ 14.29	\$ 10.71	\$ 9.71
Total return(d)	(11.98)%	46.14%	17.75%	34.70%	11.02%	(2.90)%
Ratios/Supplemental Data:						
Net assets, end of period (in 000's)	\$1,010,433	\$1,011,238	\$342,467	\$201,599	\$58,856	\$16,133
Ratio of operating expenses to average net assets(e)	1.39%(f)	1.39%	1.39%	1.39%	1.74%	2.26%(f)
Ratio of net investment income to average net assets	0.65%(f)	0.69%	0.92%	1.13%	1.25%	0.64%(f)
Portfolio turnover rate	3%	6%	16%	9%	4%	0%(g)

(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, 1998, 1997, 1996 and 1995 and the 3.75-month period ended March 31, 1994 was \$0.11, \$0.11, \$0.12, \$0.11 and \$(0.01) per share, 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 custodian for the years ended March 31, 1998, 1997, 1996 and 1995 and the 3.75-month period ended March 31, 1994 were 1.41%, 1.52%, 1.61%, 1.94% and 3.51%, respectively.

(f) Annualized.

(g) Amount rounds to less than 1.0%.

■ ■ ■ ■ ■ ■ SEE 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, by the Investment Adviser or, at fair value as determined by or under the direction of the Company’s Board of Directors. Portfolio securities and other assets, listed on a U.S. national securities exchange or through any system providing for same day publication of actual prices (and not subject to restrictions against sale by the Fund on such exchange or system) are valued at the last quoted sale price prior to the close of regular trading. Portfolio securities and other assets listed on a foreign exchange or through any system providing for same day publication of actual prices are valued at the last quoted sale price available before the time when assets are valued. Portfolio securities and other assets for which there are no reported sales on the valuation date are valued at the mean between the last asked price and the last bid price prior to the close of regular trading. When the Investment Adviser determines that the last sale price prior to valuation does not reflect current market value, the Investment Adviser will determine the market value of those securities or assets in accordance with industry practice and other factors considered relevant by the Investment Adviser. All other securities and assets for which current market quotations are not readily available and those securities which are not readily marketable due to significant legal or contractual restrictions will be valued by the Investment Adviser or at fair value as



Notes to Financial Statements (Unaudited)

determined by or under the direction of the Board of Directors. Debt securities with a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value, or by reference to other factors (i.e. pricing services or dealer quotations) by the Investment Adviser.

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

Notes to Financial Statements (Unaudited)

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 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.

Notes to Financial Statements (Unaudited)

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 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, Other Related Party Transactions and Administration Fee

The Company, on behalf of the Fund, has entered into an investment advisory agreement (the “Advisory Agreement”) with Tweedy, Browne Company LLC (“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 Investment Adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid.



TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

The current and retired general partners and their families, as well as employees of Tweedy, Browne, the Investment Adviser to the Fund, have approximately \$26.5 million of their own money invested in the Fund.

The Company, on behalf of the Fund, has entered into an administration agreement (the “Administration Agreement”) with First Data Investor Services Group, Inc. (the “Administrator”), a wholly owned subsidiary of First Data Corporation. Under the Administration Agreement, the Company pays the Administrator 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%	

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 for a minimum monthly fee of \$3,000 for fund accounting services for the Fund, not to be aggregated with fees for fund administration services.

No officer, director or employee of Tweedy, Browne, the Administrator 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 Fund pays each director who is not an officer, director or employee of Tweedy, Browne, the Administrator or any of their affiliates \$8,000 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 Trust, serves as the Fund’s custodian

TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

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 six months ended September 30, 1998, Boston Safe did not waive any custody fees. Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

3. Securities Transactions

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the six months ended September 30, 1998, aggregated \$179,796,583 and \$26,568,907, respectively.

At September 30, 1998, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$193,281,150 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$83,101,673.

For the six months ended September 30, 1998, the Fund incurred total brokerage commissions of \$280,649.

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:

	<u>Six Months Ended 9/30/98</u>		<u>Year Ended 3/31/98</u>	
	Shares	Amount	Shares	Amount
Sold	14,044,960	\$ 321,385,181	29,306,959	\$ 598,418,949
Reinvested	—	—	854,761	17,761,820
Redeemed	(8,103,242)	(181,393,798)	(7,390,306)	(151,051,060)
Net Increase	5,941,718	\$ 139,991,383	22,771,414	\$ 465,129,709

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 Trust, N.A. have entered into a Line of Credit Agreement (the "Agreement") which provides 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 six months ended September 30, 1998, the Fund did not borrow under this Agreement.

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