



TWEEDY, BROWNE
GLOBAL VALUE FUND

SEMI-ANNUAL

SEPTEMBER 30, 1996



TWEEDY, BROWNE
AMERICAN VALUE FUND

TWEEDY, BROWNE FUND INC.

Investment Manager's Report

To Our Shareholders in
Tweedy, Browne Fund Inc.:

We are pleased to present the semi-annual report for Tweedy, Browne Global Value Fund (the "Global Value Fund") and for Tweedy, Browne American Value Fund (the "American Value Fund") for the six months ended September 30, 1996. With this report, we are experimenting with a combined report for our two funds. Many of you own shares in both Funds as do the people at Tweedy, Browne.



Will Browne, John Spears and Chris Browne

Moreover, our investment philosophy and its application are substantially the same, irrespective of whether we are investing in U.S. stocks or international stocks. We would appreciate your comments on this format.

For the six months ended September 30, 1996, the net asset value of the Global Value Fund's shares increased 3.2%* to \$14.74 per share, as compared to a gain of 1.5% in the Morgan Stanley Capital International

*The Global Value Fund had a total return for the year ended September 30, 1996 of 17.9% and an average annual total return since inception (June 15, 1993) through September 30, 1996 of 13.5%. The total return for the year ended September 30, 1996 for the American Value Fund was 16.1% and the average annual total return since inception (December 8, 1993) through September 30, 1996 was 16.0%. Past performance is not a guarantee of future results and total return and principal value of investments will fluctuate with market changes; and shares, when redeemed, may be worth less than their original cost.

(“MSCI”) Europe, Australasia, Far East (“EAFE”) index in U.S. dollars. The results for the index in local currency were 3.5% over the same period. Many of us think of investment performance on a calendar basis; the results for the Global Value Fund for the nine months ended September 30, show a gain of 13.8%* as compared to a gain of 4.4% for EAFE in U.S. dollars, and 9.1% in local currency. For the same six- and nine-month periods, the net asset value of the American Value Fund rose to \$14.93 per share, a gain of 4.5% and 12.7%*, respectively, as compared to the Standard & Poor’s 500 Stock Index (“S&P 500”), which rose 7.7% and 13.5%, respectively.

Our gains over the past six and nine months cannot be attributed to any particular geographic or sector bets made by us. (“Bet” is not a word in our investment vocabulary.) The composition of the Funds has not changed significantly over the past six months, either in terms of country allocations or number of issues in any particular industry. The total number of issues in the Global Value Fund has increased somewhat to 237 from 223, but in total we have experienced relatively little turnover. In the American Value Fund the total number of issues has increased from 153 to 168. Turnover for the six months was 10% in the Global Value Fund and 0% in the American Value Fund, which means that our gains in 1996 to date have not resulted in much taxable gain.

Portfolio turnover in our opinion should be low in a true value fund. It should also be low in a true growth fund if the manager, as they often claim, buys good, long-term growing companies. In our opinion, high turnover is an indication of “momentum” investing, which we consider to be another form of market timing. While this investment approach can produce good gross performance numbers, it may not produce particularly good net, after tax results. The Federal long-term capital gains tax rate is now 28% and requires a holding period of a year and a day. Short-term gains are taxed at the marginal Federal tax rate of 39.6%. If a fund was up 10% and the results were all realized long-term capital gains, the investor would net 7.2% after tax. If the gains were short-term in nature, the investor would have a net, after tax return of only 6.04%. To the extent the fund manager can avoid realizing gains in any particular year, and thus avoid paying taxes, the investor has the advantage of having all of his unrealized gains “working” in subsequent years to possibly produce further gain. If you are like us, there

*See footnote on previous page.



is a further emotional high which comes from not paying taxes in any particular year, or at least paying as little tax as possible.

We have been asked “When do we sell a stock?” Too often we seem to talk only about our criteria for buying and not our criteria for selling. Obviously, if we are to avoid riding a stock up and back down, we must realize gains from time to time. The criteria for selling a stock depends on the criteria for purchasing a stock. In a very simplistic way, if we bought a stock because it was selling at a discount to book value, such as two-thirds of book value, we would begin to sell as the share price approached book value. If we bought a stock at two-thirds of net current assets per share (current assets less all liabilities divided by the number of shares outstanding) we would sell at a value equal to net current assets per share. If we bought a stock because it had a low price/earnings ratio, say 7 to 10 times, we would sell at a P/E of 10 to 14 times. The range of P/E buy and sell points varies depending on the nature of the business. Businesses with steadier historical earnings and higher relative returns on capital are worth more than highly cyclical companies with lower average returns on capital. A third category of investments are securities bought based on our estimate of intrinsic value of the company or, as it is sometimes called, private business value. This is an estimate of what the company would be worth in the event it were to be sold in an arm’s length transaction between a knowledgeable buyer and a knowledgeable seller. Here, comparisons are made to acquisition prices of similar companies. Our goal is to buy these types of companies at prices equal to or less than 60% of intrinsic value and to begin to sell them at 90% of intrinsic value.

As in life, nothing is ever completely black and white. Some stocks have the characteristics of more than one of the above categories and, therefore, some qualitative judgment comes into play in our buy and sell decisions. However, for the vast majority of our investments the buy and sell criteria are fairly cut and dry. As we have said in the past, we believe our greatest contribution to our investment process is establishing the criteria and adhering to it at all times. The actual execution of our investment process is not that difficult. While we believe we are competent securities analysts, we are not geniuses. The task of securities analysis is not unlike the work performed by any competent newspaper reporter. We gather information by asking questions of management, competitors and experts, some of whom are clients of Tweedy, Browne. There is no magic, no divine inspiration required to read an annual report and ask questions about



accounting treatments, profit margins, product developments or competition. The large, broadly held stocks all have an army of securities analysts covering them, most of whom have degrees from impressive colleges and graduate schools. We do not bring any unique talent to the task of following the quarterly projections of American Express or Nestle and are better off talking with someone who is paid almost exclusively to do so. And we do not think that we will discover anything that a legion of other securities analysts will not have discovered by visiting a research laboratory at Johnson & Johnson. The most important thing we do is to decide which information is important and relevant to an investment decision, and to make that decision in the framework of a proven investment model.

In our humble opinion, entirely too much time and energy is devoted to information that is not relevant to success in investing. Each day, the financial news shows on television and radio devote a great deal of time to stock market pundits who tell us why the market rose or fell that day. To us these are like reports on why your spouse was in a good mood or a bad mood. Maybe they had a headache or maybe they just heard that they won the lottery. These daily mood swings have little to do with your overall opinion of your spouse and would almost certainly not lead you to divorce him or her based on one grumpy day. So why would one day's market activity lead you to sell your portfolio or conversely, mortgage your house and put all the proceeds into the market? The seemingly endless, daily predictions about "where the market is going" are, in our opinion, equally absurd. If anyone could consistently and accurately make these predictions, the world would canonize them. Furthermore, if someone could actually make these predictions, why would they go on TV and tell us? If we were lucky enough to have this great foresight, we would keep it a secret and make zillions trading on our unique expertise. In July, with broad press coverage, one famous pundit reversed her opinion from buy to sell and predicted that the market was going into a period of decline. If you had followed her advice on the day it hit the press, you would have missed a 12% rise in the S&P 500 since then.

At Tweedy, Browne, we spend a significant portion of our time trying to determine how we can add value to the investment process, by which we mean, how can we beat the indexes over long periods of time. We have been working together managing money since the mid-1970s. Along with Jim Clark, who retired in 1995, we have put together a 21-year investment record. Our own experience, together with numerous academic studies on



the fundamental financial characteristics of portfolios that have beaten the relevant stock market index, have brought us to certain conclusions which we would like to share with you.

1. Invest in stocks with the kinds of extreme investment characteristics that have produced market-beating returns in the past. Stocks ranked on price/earnings ratios or price/book value ratios that have been cheaper than 80% to 90% of all stocks have, on average, outperformed most stock market indexes over long measurement periods in the past. Our booklet, *What Has Worked in Investing*, describes more than 40 studies of investment characteristics that have provided above market returns in the past, both in the U.S. stock market and throughout the world. The stocks we own in Global Value Fund and in our American Value Fund are generally in the extreme bottom 10% to 20% “value layer”, which have produced market-beating returns in the past. Furthermore, many of our U.S. stocks have extreme value characteristics with respect to insider buying (i.e., officers and directors) and company share repurchases. These two characteristics have also been associated with above market returns. Recent proprietary empirical research, which has been incorporated into our investment process, has indicated that stocks possessing certain combinations of two or more value characteristics perform even better than the average low P/E or low price/book value approach. This is a bit like breeding a prizewinning show dog by picking out parents that are beautiful, strong and intelligent. For example, we recently purchased shares for the American Value Fund in Transatlantic Holdings, Inc., a leading global reinsurance company that has a compound rate of growth in earnings per share of 16% for the past eight years. It enjoys a high return on capital and one of the lowest expense ratios in its industry. The company is 49% owned by American International Group (AIG) whose well-respected chairman, Maurice Greenberg, is also chairman of Transatlantic Holdings. AIG has also been a consistent buyer of Transatlantic’s shares. The Fund paid approximately ten times estimated earnings for its holdings, which places it in the bottom 10% of all U.S. stocks ranked according to price/earnings ratios. In the Global Value Fund, we recently bought shares in a Swiss paper company named Attisholz Holding AG. Our shares were purchased at 60% of book value, which does not reflect the current value of certain timberlands. At this price, Attisholz is in the bottom 4% of all global stocks on a price/book value basis.

2. Coverage of all market capitalizations including small cap stocks is important. We do not divide the universe of all stocks into market



capitalization segments, and eliminate from consideration stocks that are too big or too small. We have had attractive returns from large and small cap stocks alike. Of the more than 10,000 publicly traded stocks in the U.S., 9,000 have market caps of less than \$1 billion, which means most stocks are small cap. The most extreme areas of undervaluation often are found in small cap stocks. In fact, many stocks are small cap as a result of a depressed stock price. After the stock has gone up, it may no longer be small cap. Small cap stocks are also not as well covered by investment analysts and may therefore fall off the radar screen of the investment community and become even more undervalued for lack of interest. We recently read some conclusions drawn by another investment adviser, J. Carlo Cannell of Cannell Capital Management in San Francisco, which we found interesting. Mr. Cannell found that in the past 18 months about 12,000 U.S. and foreign companies made periodic filings with the Securities and Exchange Commission. Of these, “77% lack consistent research coverage as defined by an analyst ratio of less than two”. The larger the company, the more likely it is to have all financial information quickly reflected in its stock price. Moreover, such companies are less likely to turn up in the realm of extremely undervalued companies because the investment community rewards companies with strong information flow with higher valuations. However, in general, only the largest cap companies have the potential of generating sufficient corporate finance fees or commissions from trading their shares to justify the expense to the investment banking and brokerage firms of having an analyst follow their stock.

Academic research has indicated a long-term statistical association between smaller market capitalization and exceptional investment returns. In our March 1996 Annual Report for the Tweedy, Browne American Value Fund, we cited a study presented in **Barron’s** which showed that over a 69 year-period from 1926 to 1994, small cap value significantly outperformed large cap value, small cap growth or large cap growth. (This article, *The Small Cap Myth*, **Barron’s**, December 4, 1995, was authored by George C. Pierides, an investment adviser with Fox Asset Management in Little Silver, N.J. In our previous report we omitted mention of Mr. Pierides’ name, for which we apologize.) The relatively small quantity of assets under management at Tweedy, Browne provides an advantage over managers of much larger pools of capital in terms of our ability to invest a meaningful portion of our Funds’ assets in small cap companies. Simply stated, size matters and bigger is not necessarily better. Currently, 52% of the Global Value Fund’s



and 44% of the American Value Fund's assets are invested in companies with market capitalizations of less than \$1 billion. The greatest part of this small cap exposure is in companies with market capitalizations below \$500 million; 40% for the Global Value Fund and 37% for the American Value Fund.

The following table shows the universe of companies in the U.S. ranked by market capitalization based on data from Disclosure, and illustrates how much the universe of meaningful investment opportunities shrinks for an adviser with \$20 billion or more under management.

| Market Capitalization | Number of companies at this market cap or above | Portfolio percentage: What 5% of each company represents as a % of a \$20 billion portfolio | Number of issues needed to invest 1% of a \$20 billion portfolio (\$200M) at this portfolio percentage | Company percentage: What 1% of a \$20 billion portfolio (\$200M) represents as a % of each company |
|-------------------------|---|---|--|--|
| \$5 billion and above | 308 | 1.25% | 80 stocks | 4% |
| \$4 billion and above | 381 | 1.00 | 100 | 5 |
| \$3 billion and above | 653 | .50 | 200 | 10 |
| \$1.5 billion and above | 800 | .375 | 267 | 13 |
| \$1.0 billion and above | 1,081 | .250 | 400 | 20 |
| \$500 million and above | 1,701 | .125 | 800 | 40 |
| \$100 million and above | 4,941 | .0125 | 8,000 | 400 |
| \$10 million and above | 6,562 | .0025 | 40,000 | 2,000 |

Most of the academic studies we have seen that conclude that value investment characteristics provide better returns are based on a broader universe of stocks than 500, 750, or even 1,000. There are about 10,000 public companies. Making a case for value investing is not as academically valid if the universe of investment opportunities is reduced to less than a thousand names due to the constraint of too much money under management. In a recent article in *The Wall Street Journal*, a comparison was made of the investment results of value and growth managers. While value beat growth statistically, the individual value managers were not doing as well as the individual growth managers, either relatively or absolutely. One explanation offered is that value managers may not have the courage to actually practice their philosophy when times are at their worst. Will a value manager actually have the courage to buy a truly beaten-up stock for fear it may go bankrupt and make him or her look like a fool? The value index would because the index has no emotions. Such down-trodden stocks may be the ones that

statistically give value an edge, but in practice the manager may not be willing to buy them precisely when they should be bought. We offer another possible explanation: the value edge may be based on a broader universe of stocks than many, if not most, value managers use to find investment opportunities. For example, the price-to-book value ratio of the bottom tenth of all 4,764 stocks in the Bloomberg database with market caps above \$50 million starts at 27% of book value and ends at 116% of book value. This 27% to 116% of book value “shopping aisle” has 470 stocks from which to choose. Among the 69 stocks with market caps over \$20 billion, the lowest price/book value ratio is 151%. As demonstrated in numerous empirical studies that were based on the broad universe of stocks, the advantage of value investing over growth investing may not be statistically significant if a manager of \$20 billion, due to size constraints, can only consider investments in 5% to 10% of the stocks in that broad universe. In practice, the empirical study findings may not apply if 90% to 95% of the broad universe of stocks are not considered for investment because they are too small.

3. Statistics and specifics. While we spend a great deal of time studying the fundamental financial characteristics of groups of stocks that produce better than market returns, what we call our underwriting criteria, we also do company specific research to define further models of value. Over the past twenty some odd years, Tweedy, Browne affiliates have owned and sold five private companies and the partners have been on ten corporate boards of directors. This has provided us with hands on experience in valuing businesses and made us somewhat skeptical of the ability of investment analysts to predict future earnings. We speak to numerous corporate managers and other smart business people, many of whom are our clients. We watch insider purchases of company stock for indications of value and grade the value of this information based on who is doing the buying. The gathering of this information often leads to further insights about what true value is. Companies are generally bought by other companies; i.e., business men and women who hopefully know something about the business they are acquiring. In one case we noticed a smart private investor was accumulating shares in a paper company that was selling well below book value. At the time we had a client who was a competitor of this paper company. We called our client and went through a very detailed valuation of the other company. Who knows better what a company is worth than a likely buyer/competitor? This analysis led us to conclude that the company was indeed worth far more than the market price of its stock despite the fact that it was reporting



little or no earnings at the time. It turned out to be a very profitable investment. This kind of research, what we call appraisal analysis or the specific valuation of a business, is not what Wall Street research is generally all about. Most investing is earnings momentum driven; i.e., will company X earn more or less next quarter or next year? Consequently, most analysts spend their time making earnings predictions rather than placing values on companies. Doing our own research permits us to look for what we believe is important and expands our ability to make specific value judgements.

4. We do not mimic the index. A famous, successful investment manager once said, “If you are going to beat the index, you can’t look like the index”. Today, most institutional money management is measured by comparisons to an index. In the case of Tweedy, Browne Global Value Fund, the comparison is most often made to the Morgan Stanley Capital International (“MSCI”) Europe, Australasia, Far East (“EAFE”) index which can either be calculated in U.S. dollars or local currency. If one chose to hedge the foreign currency exposure as we do, the choice would be the local currency form of the index. In the U.S., the index of choice is the Standard & Poor’s 500 Stock Index as opposed to the Dow Jones Industrial Average, which has only 30 stocks and is considered to be too narrow. There are numerous sub-indexes depending on one’s particular investment style. One year more than ten years ago, we had a client whose account was up approximately 35% as compared to 25% for the S&P 500 who wrote to us and said we had underperformed our reference index, which was up 37%. As we have discussed in previous letters, the anointed reference index becomes the “benchmark” and money managers manage to the benchmark. Standard deviation, which measures the volatility of one’s performance against the benchmark, has become more important than absolute performance. Hence, the money management industry has come to creating portfolios that “mimic” the reference index. Portfolios will always have some representation in every major industrial group so as not to “deviate” significantly from the results of the benchmark. We do not do this. If a particular industry or country has a large number of cheap stocks, we will own a number of companies in that industry or country. If a particular industry or country is in our opinion overvalued, we may not own any stocks in that industry or country. For example, at September 30 we had 14.5% of the Global Value Fund’s assets invested in 26 companies in Switzerland, which is far greater than its EAFE weighting of less than 6%. Similarly, 4.1% of the Global Value Fund’s assets were invested in tiny Finland, which accounts for a mere



0.6% of EAFE, while only 3.2% of the Global Value Fund's assets were invested in the United Kingdom, which accounts for 17% of the index.

The result is that our results tend to be lumpy. We invest for the long term, not the short term. We believe, rightly or wrongly, that it is more important to keep our eye on a ten or twenty year goal than to be obsessed with quarter-to-quarter or even year-to-year results. Over the past 21 years we have significantly beaten the averages, although about one-third of the time the averages have beaten us. Sometimes the averages have beaten us several years in a row. We don't care. We have more than \$100 million of our own money, which represents more than 90% of our liquid net worth, invested alongside our clients, and we have no intention of changing that. Our employees also have a vested interest in the success of our investment style, as the bulk of their profit sharing plan is invested in both our Funds. If we invest in something different than our clients, it is because we are volunteering to be the guinea pigs. If it works, the clients can participate. Our net worth has not been built on our "alternative" investments. What you eat, we eat. And we eat it first. That is how we approached investing internationally. We invested in foreign securities for many years, learning the differences in accounting, stock markets, etc. before we offered this investment alternative to our clients. The partners of Tweedy, Browne who jointly manage the Funds do not run alternative portfolios for their money, nor do we "cherry pick" what we think are the best stocks for our own portfolios.

5. *We want to stay as fully invested as possible.* Empirical research has shown that 80% to 90% of all investment returns occur in short spurts that amount to 2% to 7% of the holding period. The rest of the time, returns have been minimal. As the slogan for the New York Lottery says, "You have to be in it to win it." Another sage said, "It's not timing the market, it's time in the market". In the past the returns we have experienced from investing in value stocks have in the long run beat cash. We have no reason to think that will change. Fortunately, stocks as measured by the S&P 500 or EAFE on average go up over time. As the indexes are merely a reflection of the value of a large portion of corporate wealth, and since corporate wealth on average increases as earnings and economies grow, the indexes should continue to rise. This does not mean that bear markets have been outlawed. Stock markets will from time to time become over-valued and thus be subject to correction. And never underestimate the ability of governments to muck things up in the short run, with the result being a decline in stock prices. However, on average the indexes go up more than they go



down. Determining when the market will rise and when it will fall, and buying and selling in accordance with the ups and downs, would produce a wonderful result. Unfortunately, we do not know anyone who has been able to accomplish this. Therefore, we try to stay fully invested in stocks that have on average beat the market and ignore or suffer through those times when stocks go down. To be honest, in the past we were guilty of sitting on too much cash in our individually managed accounts before empirical research and our own experience convinced us of the error of our ways. In the late 1980s, as one client pointed out, we were closet market-timing by buying less than a full position in many stocks on the assumption that the market might retreat and we would be able to buy more at a cheaper price. Cash and lower investment returns were the result of this inaction. Over the past 21 years, the return on our stocks has beaten the return on the cash in our portfolios by a factor of nearly 3 to 1.

6. Keep turnover low. In the past, our value approach to investing has resulted in an average holding period for a given stock of 3 to 5 years and below average turnover rates. Low turnover reduces total commission costs in a portfolio and the impact that buying and selling can have on share prices. Although low turnover may not have much impact on the reported, pre-tax return of a given portfolio, it can have a significant impact on the after tax return as we discussed earlier in this report. Fortunately, mutual fund monitoring services such as Morningstar report portfolio turnover, and we think investors are wise to pay attention to these numbers. In the past, more than 90% of our realized gains have been taxed at more favorable long-term capital gains rates.

7. Act like an owner. We encourage actions on the part of companies we own which enhance shareholder value, such as share buy-backs, spin-offs, or the sale of all or a part of the company. In one recent example, we, together with other large shareholders of one company, requested and held a meeting with management and certain directors. The purpose of the meeting was to discuss the company's poor performance and to suggest that if management could not improve the company's overall results, they should consider a sale of the company to a competitor who could affect savings through a consolidation of the businesses. The meeting was particularly frank yet friendly. Within several months the company was acquired by a competitor at a 30% premium to the stock price at the time of our meeting. We believe it is important to talk with managements as owners and to voice our opinion when actions are proposed that we do not believe serve the long-term interests of the shareholders.



8. *Focus, focus, focus.* At Tweedy, Browne we only manage equity money, and we only manage it in one way. The three partners who own the firm also make all the investment decisions. After all, we have more than \$100 million of our own money invested alongside our clients and shareholders and we want to see that money grow. Unlike many money management firms, Tweedy, Browne is not run by marketing people who spend their time thinking of new investment products to offer to the world. We do not create bond funds or growth funds or industry specific funds and then go hire a portfolio manager to run them. And as we have grown, we have attempted to control the amount of time that is spent on non-investment activities. We have tried to keep our business rather simple, which makes coming to work all the more enjoyable for us.

9. *Continuous improvement.* We are avid students of the investment process. In recent years we have increased our knowledge, through the use of empirical data, of investment characteristics and patterns that have been associated with above-market returns. Recent proprietary empirical research has indicated that stocks possessing certain combinations of value related investment characteristics have outperformed groups of stocks that only possessed a single characteristic such as low price in relation to book value or a low price/earnings ratio. We incorporate these insights about what works best into our search for investment candidates and our judgment and decision-making process. We are also increasing our use of technology to assist us in the analytical number crunching and information assembly work that in years past was done by hand. For example, since 1990 we have been able to quickly combine daily observation of the investment behavior of “insiders”, corporate officers and directors, comprising thousands of transactions in their particular company’s shares over the course of a typical month, with fundamental financial information for thousands of companies. Computer sifting through this waterfall of information has often identified, like blips on a radar screen, good candidates for further, in-depth research. A process improvement that we are currently developing will enable us to quickly identify for further research those companies within the low price-to-book value, low price/earnings ratio, low price-to-sales and low price-to-private business value layer that show more immediate signs of a significant spurt in earnings and increase in intrinsic value. Empirical research indicates that within the value layer of stocks, companies that are about to experience a significant earnings increase produce exceptional returns. And we are continually looking for new ways that computers and information technology can provide an investment edge.



10. *Enjoy what you do.* We believe it is difficult to succeed at any thing if you do not enjoy it. We truly enjoy the investment process, the search for new bargains and the analysis of a particular business or industry. We work with a fine group of people and strive to create an environment where people like to come to work. After all, we spend more of our waking hours at Tweedy, Browne than anywhere else, so it should be fun.

As a postscript, one shareholder inquired about the cost of mailing to our shareholders the recent article from the Sunday *New York Times* about Tweedy, Browne. The cost of this mailing was not borne by the Funds but was paid for by Tweedy, Browne. All requests for information or a prospectus are also paid by Tweedy, Browne. The only printing and mailing expenses paid by the Funds are for the annual and semi-annual reports and the yearly update of the prospectus, all of which are required to be sent to shareholders. We are not of the opinion that shareholders should have to pay for any marketing of your Funds.

PORTFOLIO REVIEW

As is our custom, we like to review the status of our Funds' portfolios by putting them to what we call the "value test". To do this, we calculate the percent of the portfolio invested in stocks selling below book value and the percent invested in low price/earnings ratio stocks and compare these to a universe of stocks. As of September 30, 1996 the Tweedy, Browne American Value Fund had 26% of its assets invested in 85 stocks selling at a weighted average of 76% of book value. In the Bloomberg database of 3,767 stocks with a market capitalization of \$100 million or more, only 2% of the stocks were this cheap in relation to book value. A further 51% of the portfolio was invested in 45 stocks at a weighted average of 10.4 times actual or estimated earnings. Using the same Bloomberg database, only 10% of the companies are this cheap. Approximately 16% of the American Value Fund's portfolio is invested in stocks that do not fall clearly into either of the above categories, but are selling at discounts to private market value, or at discounts to the value of certain hidden assets such as land or cable television franchises, etc. This category also includes companies that are historically depressed in price but where the insiders, officers and directors are buying shares. The remaining 7% of the portfolio consists of cash and cash equivalents.

In the Tweedy, Browne Global Value Fund, 38% of the assets were invested in 140 stocks selling at a weighted average of 67% of book value.



Of the 7,897 stocks with a market capitalization of \$100 million or more in the Worldscope global database, less than 4% were selling this cheaply in relation to book value. Approximately 41% of the portfolio was invested in 66 stocks selling at a weighted average of 10 times actual or estimated earnings. Only 14% of the stocks in the same Worldscope database were selling for 10 times earnings or less. A further 14% of the Global Value Fund's assets were invested in stocks selling at a discount to private market value or a discount to the value of "hidden" assets. The remaining 7% was invested in cash and cash equivalents.

Morningstar, in its reports on our two Funds, shows an overall higher price/earnings ratio and price-to-book value ratio because they make this calculation for each Fund's entire portfolio. Their calculation is accurate. However, in calculating valuation characteristics for our Funds, we segment each portfolio into two categories: (i) stocks that are purchased at discounts to book value, and (ii) stocks that are purchased at low price/earnings ratios. Some stocks selling at a steep discount to book value have depressed earnings, which results in a much higher price/earnings ratio than may be expected when earnings recover. Conversely, certain low P/E stocks may be selling at a premium to book value. Our price/book value ratios and our price/earnings ratios are less than the indices. As of September 30, the Morgan Stanley Capital International EAFE index was selling at 2.25 times book value and 25.8 times earnings. The MSCI USA index was selling at 3.3 times book value and 18.7 times earnings. Despite reasonably robust stock markets, we have been able to keep our portfolio characteristics at what we believe are the extreme frontiers of value.

Sincerely,

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

General Partners
Tweedy, Browne Company L.P.
Investment Adviser to the Fund

October 15, 1996

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)



| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|---------------|--|--------------------------------------|
| | COMMON STOCKS—89.2% | |
| | Australia—0.0%†† | |
| 96,353 | Carillon Development Ltd. | \$ 127,765 |
| | Austria—0.2% | |
| 48,700 | Bau Holding AG | 2,715,883 |
| | Belgium—0.8% | |
| 788 | Belvuco NV | 182,463 |
| 592 | Fabrique de Fer de Charleroi | 1,135,420 |
| 1,747 | Glaces de Charleroi | 3,542,343 |
| 736 | Henex SA | 1,089,720 |
| 1,969 | Spadel SA | 2,401,754 |
| 3,152 | Uco Textiles SA | 255,648 |
| | | <hr/> 8,607,348 |
| | Canada—2.6% | |
| 196,891 | BRL Enterprises Inc.† | 586,893 |
| 166,500 | Corby Distilleries Ltd., Class A | 5,317,536 |
| 104,600 | Corby Distilleries Ltd., Class B | 3,029,602 |
| 42,900 | E.L. Financial Corporation Ltd. | 4,031,570 |
| 393,000 | Kaufel Group NV, Class B | 908,887 |
| 260,700 | Melcor Developments Ltd. | 2,201,131 |
| 1,210,500 | National Bank of Canada, Toronto | 10,886,990 |
| 181,400 | Shirmax Fashions | 246,386 |
| 785,883 | Westfield Minerals Ltd.† | 859,708 |
| | | <hr/> 28,068,703 |
| | Denmark—1.4% | |
| 23,930 | Gronlandsbanken | 1,061,976 |
| 1,801 | Hojgaard Holdings, Class A | 204,425 |
| 10,700 | Nordvestbank | 913,172 |
| 13,000 | Ove Arkil, Class B | 1,136,088 |
| 235,571 | Spar Nord Holding A/S | 7,398,410 |
| 124,698 | Syd-Sonderjylland Holdings† | 3,980,154 |
| | | <hr/> 14,694,225 |
| | Finland—4.1% | |
| 6,000 | Atria OY | 60,378 |
| 216,314 | Huhtamaki Group, Class I | 8,139,221 |
| 3,200 | Huhtamaki Group, Class K | 116,556 |
| 794,900 | Kesko Ord | 12,868,087 |
| 221,055 | Kone Corporation, Class B | 22,738,025 |
| 55,050 | Wemer Soderstrom, Class B | 1,228,365 |
| | | <hr/> 45,150,632 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value</u> <u>(Note 1)</u> |
|----------------------|--|--|
| COMMON STOCKS | | |
| France—8.0% | | |
| 35,674 | Banque Nationale de Paris | \$ 1,350,854 |
| 904 | Bongrain SA | 411,617 |
| 24,763 | Centenaire-Blanzly SA | 1,680,269 |
| 5,229 | Christian Dior, SA | 611,425 |
| 71,019 | Compagnie Financiere de Paribas | 4,564,574 |
| 226,987 | Compagnie Financiere de Suez | 9,047,841 |
| 57,700 | Compagnie Lebon SA | 1,921,285 |
| 737 | Docks Lyonnais | 22,543 |
| 132,992 | Dollfus Mieg & Cie | 3,733,199 |
| 29,677 | Eurafrance SA | 11,789,218 |
| 1,150 | Fiat France SA | 31,947 |
| 15,860 | Fin Marc de Lacharriere SA | 1,440,004 |
| 60,931 | Fonciere Financiere Et de Participation† | 2,052,462 |
| 9,908 | France SA | 2,579,859 |
| 109 | Gantois | 21,819 |
| 2,022 | Idianova SA† | 30,141 |
| 52,218 | Klepierre | 6,439,428 |
| 32,546 | La Concorde† | 5,355,551 |
| 5,229 | LVMH Moet Hennessey | 1,134,781 |
| 44,973 | Marine-Wendel | 3,769,879 |
| 21,145 | Mecolec SA | 323,387 |
| 3,347 | Monneret Jouets† | 49,698 |
| 2,209 | Nordon Et Cie | 141,550 |
| 28,354 | NSC Groupe | 3,699,660 |
| 38,018 | Paluel Marmont SA | 1,773,756 |
| 9,073 | Paris Orleans | 439,115 |
| 85,300 | Peugeot SA | 9,396,128 |
| 2,232 | Precia | 61,920 |
| 11,136 | Rallye† | 413,922 |
| 49,464 | Salins du Midi, Series A | 4,289,976 |
| 13,082 | Sediver | 355,573 |
| 61,500 | Siparex | 1,119,156 |
| 161,562 | Vallourec† | 7,565,937 |
| | | <hr/> |
| | | 87,618,474 |
| Germany—1.5% | | |
| 15,018 | Axel Springer Verlag, Class A | 8,852,053 |
| 12,284 | Kaufring AG | 707,965 |
| 4,136 | Linder Holding | 739,761 |
| 33,843 | Sinn AG | 6,316,887 |
| 3,755 | Tiag Tabbert-Industrie AG | 275,434 |
| | | <hr/> |
| | | 16,892,100 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|-----------------------|--------------------------------------|--------------------------------------|
| COMMON STOCKS | | |
| Hong Kong—1.5% | | |
| 2,662,500 | Jardine Strategic Holdings Ltd.† | \$ 8,466,750 |
| 2,067,953 | Semi-Tech (Global) Ltd. | 3,422,966 |
| 8,891,000 | Sing Tao Holdings | 3,966,630 |
| | | <hr/> 15,856,346 |
| Italy—6.3% | | |
| 1,975,000 | Arnoldo Mondadori Editore SPA | 14,327,097 |
| 2,750,400 | Banca Toscana† | 4,992,520 |
| 632,850 | Banco di Sardegna Risp† | 3,697,597 |
| 345,500 | Bassetti SPA | 1,111,407 |
| 1,637,730 | Cartiere Burgo Ord | 7,956,148 |
| 187,000 | Cementerie di Augusta† | 306,910 |
| 323,000 | Cementerie di Barletta Ord | 1,145,052 |
| 820,500 | Cementerie di Sardegna SPA | 2,154,604 |
| 465,000 | Cementerie Siciliane SPA | 1,434,761 |
| 125,000 | Ericsson Italia | 1,485,311 |
| 357,500 | Falck Ord† | 1,502,052 |
| 642,920 | Franco Tosi SPA | 3,946,366 |
| 566,750 | IMI SPA | 4,814,538 |
| 113,000 | Industrie Zignago | 604,595 |
| 1,204,000 | Maffei SPA | 1,817,955 |
| 3,254,700 | Magneti Marelli SPA | 3,824,660 |
| 136,000 | Marangoni SPA | 516,947 |
| 2,497,800 | Merloni | 4,509,404 |
| 2,711,500 | Tecnost SPA | 5,162,219 |
| 1,825,000 | Vianini Industria SPA | 1,120,220 |
| 493,000 | Zucchi | 2,168,456 |
| | | <hr/> 68,598,819 |
| Japan—16.3% | | |
| 17,000 | Agro-Kanesho Company Ltd. | 268,052 |
| 496,000 | Aichi Electric Manufacturing | 2,510,661 |
| 611,000 | Amada Sonoike Company Ltd. | 3,694,902 |
| 412,000 | Chofu Seisakusho Company | 9,707,579 |
| 178,000 | Chubu Steel Plate Company Ltd. | 1,028,579 |
| 39,000 | Daidoh Ltd. | 302,231 |
| 819,000 | Daiichi Cement Company Ltd. | 3,962,193 |
| 26,000 | Denkyosha | 232,933 |
| 1,765,000 | Dowa Fire & Marine Insurance Company | 9,076,420 |
| 502,000 | Fuji Coca-Cola Bottling Company | 5,936,571 |
| 618,000 | Fuji Photo Film Ltd. | 18,769,217 |
| 237,000 | Fujicco Company Ltd. | 3,397,241 |
| 56,000 | Gakken Company Ltd. | 406,379 |
| 154,000 | Hitachi Medical Corporation | 2,469,629 |
| 322,000 | Kawagishi Bridge Works | 2,426,106 |
| 3,000 | Kinki Coca-Cola Bottling Company | 41,122 |
| 675,000 | Koa Fire & Marine Insurance Company | 4,239,160 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|--------------------------|--|--------------------------------------|
| COMMON STOCKS | | |
| Japan—(Continued) | | |
| 106,000 | Koito Manufacturing | \$ 787,260 |
| 234,000 | Kokura Enterprises Company | 3,018,814 |
| 257,000 | Koyosha Inc.† | 1,611,718 |
| 669,000 | Matsushita Electric Industrial Company | 11,207,938 |
| 3,000 | Morito | 32,790 |
| 870,000 | Nichimo Co. Ltd.† | 3,538,613 |
| 390,000 | Nippon Cable System | 3,983,157 |
| 968,000 | Nissan Fire & Marine Insurance Company | 6,547,572 |
| 657,000 | Nisshinbo Industries | 6,003,763 |
| 409,000 | Nittetsu Mining | 3,847,429 |
| 149,000 | Nitto FC Co. | 1,468,375 |
| 344,000 | Oak | 2,342,233 |
| 119,000 | Osaka Securities Finance | 650,331 |
| 299,000 | Riken Vitamin | 4,312,758 |
| 250,000 | Sangetsu Company Ltd. | 5,800,932 |
| 378,000 | Sankyo Company Ltd. | 9,651,496 |
| 395,800 | Shikoku Coca-Cola Bottling | 5,141,641 |
| 61,000 | Shin Nikkei Company Ltd. | 390,745 |
| 241,000 | SK Kaken Co., Ltd. | 5,700,054 |
| 163,000 | Sonton Food Industry | 2,161,261 |
| 194,000 | Sotoh Company Ltd. | 2,103,028 |
| 183,000 | Taisei Fire & Marine Insurance Company | 982,055 |
| 630,000 | Takeda Chemical Industries | 11,514,066 |
| 367,000 | Takigami Steel Construction | 3,255,062 |
| 162,000 | Teikoku Hormone Manufacturing Company | 2,177,029 |
| 108,000 | Torii Company Ltd. | 1,141,731 |
| 408,000 | Torishima Pump Manufacturing | 3,399,391 |
| 11,000 | Totech Corporation | 94,705 |
| 478,000 | Toyo Technical Company Ltd. | 4,924,745 |
| 94,000 | U-Shin | 772,245 |
| 40,000 | Zojirushi | 451,532 |
| | | <hr/> |
| | Netherlands—5.6% | 177,483,444 |
| 87,100 | Akzo NV Ord | 10,546,173 |
| 110,812 | Heineken Holdings NV, Class A | 18,126,874 |
| 207,100 | Unilever NV CVA | 32,656,728 |
| | | <hr/> |
| | New Zealand—1.2% | 61,329,775 |
| 3,388,000 | Independent Newspaper | 13,357,670 |
| | | <hr/> |
| | Norway—1.1% | |
| 20,000 | Nycomed ASA, ADR, Class B | 237,500 |
| 423,000 | Nycomed, Class A | 5,039,585 |
| 461,800 | Nycomed, Class B | 5,395,357 |
| 96,300 | Schibsted | 1,406,380 |
| | | <hr/> |
| | | 12,078,822 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|--------------------------|---|--------------------------------------|
| COMMON STOCKS | | |
| Singapore—0.8% | | |
| 2,200,500 | Robinson and Company Ord | \$ 9,219,536 |
| Spain—2.8% | | |
| 265,997 | Argentaria | 11,014,197 |
| 125,927 | Banco de Valencia, Registered | 1,999,464 |
| 10,227 | Banco Pastor SA | 604,960 |
| 1,211,471 | Corporacion Financiera Reunida | 3,196,518 |
| 150,097 | Fabrica Auto Renault de Espana | 2,979,042 |
| 381,818 | Fosforera | 1,188,724 |
| 199,014 | Grupo Anaya SA | 3,702,082 |
| 31,208 | Indo Internacional SA | 1,020,187 |
| 47,943 | Omsa | 172,584 |
| 80,898 | Prim SA† | 283,344 |
| 45,068 | Roberto Zubiri† | 126,280 |
| 244,796 | Unipapel SA | 4,077,393 |
| | | <u>30,364,775</u> |
| Sweden—1.6% | | |
| 711,350 | Atle AB | 6,275,198 |
| 124,085 | BRIO AB, Class B | 972,996 |
| 269,000 | Forsheda AB, Class B | 6,571,364 |
| 80,600 | Invik & Company AB, Class A | 2,479,439 |
| 19,179 | Kinnevik Investment AB, Class B | 500,334 |
| 55,200 | Nolato AB, Class B | 578,512 |
| | | <u>17,377,843</u> |
| Switzerland—14.5% | | |
| 9,890 | Attisholz Holding AG† | 4,136,757 |
| 33 | Bank of International Settlements America | 297,096 |
| 6,200 | Ciba-Geigy AG, Bearer | 7,888,619 |
| 9,375 | Ciba-Geigy AG, Registered | 11,980,640 |
| 2,385 | Daetwyler Holding, Bearer | 3,857,348 |
| 23,610 | Danzas Holding AG PC | 4,533,331 |
| 8,061 | Danzas Holding AG, Registered | 8,413,265 |
| 73,702 | Edipresse SA, Bearer | 15,267,115 |
| 8,025 | Edipresse SA, Registered | 342,061 |
| 2,171 | Golay Buchel Holding, Bearer | 1,262,662 |
| 300 | Industrie Holding, Cham Registered | 164,921 |
| 13,340 | Liechtenstein Global Trust | 6,058,080 |
| 28,627 | Loeb Holding PC | 4,515,911 |
| 26,045 | Magazine Zum Globus PC | 13,176,573 |
| 5,000 | Magazine Zum Globus, Registered | 2,836,314 |
| 1,225 | Metallwaren Holding | 761,264 |
| 27,439 | Nestle SA, Registered | 30,561,863 |
| 200 | Sandoz AG | 239,971 |
| 670 | Sarna Kunsstoff Holding AG, Registered | 635,223 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|--------------------------------|--|----------------------------------|
| COMMON STOCKS | | |
| Switzerland—(Continued) | | |
| 11,003 | Sig Schweiz Industrie, Registered | \$ 12,886,436 |
| 16,235 | Swissair AG, Registered† | 13,335,685 |
| 20,130 | Swisslog Holding AG | 5,372,704 |
| 3,050 | Vetropack Holding AG PC | 687,687 |
| 8,755 | Zehnder Holding, Bearer | 3,431,829 |
| 11,224 | Zschokke Holding AG, Registered† | 3,040,402 |
| 4,836 | Zuercher Ziegeleien | 2,966,753 |
| | | <hr/> |
| | | 158,650,510 |
| United Kingdom—3.8% | | |
| 15,610,000 | Bardon Group | 8,429,847 |
| 1,408,668 | Dyson (J&J) PLC, Class A, Non-voting | 2,216,014 |
| 803,000 | Folkes Group PLC | 754,162 |
| 188,300 | Glaxo Wellcome PLC UNITS, ADR | 5,860,838 |
| 760,500 | Higgs & Hill PLC | 916,616 |
| 515,000 | Intercare Group PLC | 548,168 |
| 350,000 | Johnston Group PLC | 2,547,526 |
| 2,831,333 | McAlpine (Alfred) PLC | 6,647,830 |
| 400,000 | Partridge Fine Art Ord | 510,288 |
| 1,436,739 | Proudfoot Alexander | 517,254 |
| 184,600 | SmithKline Beecham, PLC Units, ADR | 11,237,525 |
| 600,000 | Union PLC | 1,028,402 |
| | | <hr/> |
| | | 41,214,470 |
| United States—15.1% | | |
| 221,000 | American Express Company | 10,221,250 |
| 75,700 | American National Insurance Company | 5,147,600 |
| 298,000 | BanPonce Corporation, New | 8,046,000 |
| 257,400 | Chase Manhattan Corporation | 20,624,175 |
| 68,000 | Coca-Cola Bottling Company | 2,584,000 |
| 232,200 | Comerica, Inc. | 11,958,300 |
| 47,300 | Digital Equipment Corporation† | 1,690,975 |
| 35,000 | Federal Home Loan Mortgage Corporation | 3,425,625 |
| 240,000 | Fingerhut Companies, Inc. | 3,180,000 |
| 205,616 | First Chicago Corporation | 9,304,124 |
| 31,590 | Great Atlantic & Pacific Tea Company | 817,391 |
| 193,100 | Hasbro Inc. | 7,168,838 |
| 98,063 | Horizon/CMS Healthcare Corporation | 1,176,756 |
| 65,700 | Household International Inc. | 5,403,825 |
| 15,000 | Kindercare Learning Centers, Inc.† | 240,000 |
| 125,000 | K mart Stores | 1,281,250 |
| 505,400 | Lehman Brothers Holdings Inc. | 12,887,700 |
| 48,750 | Mercantile Bancorporation, Inc. | 2,535,000 |
| 73,200 | Philip Morris Companies Inc. | 6,569,700 |
| 460,000 | PNC Bank Corporation | 15,352,500 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|----------------|---|--------------------------------------|
| | COMMON STOCKS | |
| | United States—(Continued) | |
| 169,000 | Ryland Group Inc. | \$ 2,513,875 |
| 253,200 | Salomon Inc. | 11,552,250 |
| 185,000 | Sun Healthcare Group Inc.† | 2,405,000 |
| 160,000 | Syms Corporation | 1,320,000 |
| 196,400 | Transatlantic Holdings Inc. | 13,355,200 |
| 20,000 | Tremont Corporation | 682,500 |
| 12,500 | Wells Fargo & Company | 3,250,000 |
| | | <hr/> |
| | | 164,693,834 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$851,338,676) | <hr/> 974,100,974 |
| | PREFERRED STOCK—0.8% (Cost \$9,341,219) | |
| 68,598 | Villero y Boch AG, Preferred | <hr/> 8,311,369 |
| | COMMON STOCK WARRANTS—0.0%†† | |
| 105,920 | Franco Tosi, Strike 20,000, Expires 11/30/97† | 6,814 |
| 9,073 | Paris Orleans, Strike 330, Expires 4/30/98† | 21,078 |
| | | <hr/> |
| | TOTAL COMMON STOCK WARRANTS | |
| | (Cost \$51,141) | <hr/> 27,892 |
| | FACE VALUE | |
| ESP 29,870,000 | CONVERTIBLE CORPORATE BONDS—0.0%†† | |
| JPY 9,000,000 | Grupo Anaya SA, Convertible Bond, 7.000% due 3/18/98 | 225,244 |
| | Shikoku Coca-Cola Bottling, Convertible Bond, 2.400% due 3/29/02 | <hr/> 89,984 |
| | TOTAL CONVERTIBLE CORPORATE BONDS | |
| | (Cost \$321,519) | <hr/> 315,228 |
| | COMMERCIAL PAPER—7.2% | |
| \$ 39,913,000 | General Electric Capital Corporation, 5.800% due 10/1/96 | 39,913,000 |
| 38,700,000 | Prudential Securities, 5.750% due 10/1/96 | <hr/> 38,700,000 |
| | TOTAL COMMERCIAL PAPER | |
| | (Cost \$78,613,000) | <hr/> 78,613,000 |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Face Value</u> | | <u>Market Value (Note 1)</u> |
|-------------------|--|--------------------------------------|
| | U.S. TREASURY BILLS—0.4% | |
| \$ 600,000 | 5.760%** due 5/29/97 | \$ 578,200 |
| 2,000,000 | 5.840%** due 7/24/97 | 1,909,227 |
| 1,000,000 | 5.600%** due 8/21/97 | 952,300 |
| 1,500,000 | 5.840%** due 9/18/97 | <u>1,419,040</u> |
| | TOTAL U.S. TREASURY BILLS | |
| | (Cost \$4,858,767) | <u>4,858,767</u> |
| | TOTAL INVESTMENTS (Cost \$944,524,322*) | 97.6% 1,066,227,230 |
| | OTHER ASSETS AND LIABILITIES (Net) | <u>2.4</u> 25,784,420 |
| | NET ASSETS | <u>100.0%</u> <u>\$1,092,011,650</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

ESP—Spanish Peseta

JPY—Japanese Yen

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Sector Diversification</u> | <u>Percentage of Net Assets</u> | <u>Market Value (Note 1)</u> |
|--|-------------------------------------|--------------------------------------|
| COMMON STOCKS: | | |
| Banking | 11.7% | \$ 127,566,578 |
| Food and Beverages | 9.6 | 104,344,397 |
| Pharmaceuticals | 6.5 | 71,222,624 |
| Financial Services | 6.5 | 70,728,806 |
| Printing and Publishing | 5.8 | 62,855,832 |
| Retail | 5.1 | 56,024,300 |
| Machinery | 4.1 | 44,311,040 |
| Holdings | 4.0 | 43,489,595 |
| Insurance | 3.5 | 37,959,787 |
| Engineering and Construction | 3.3 | 35,743,005 |
| Consumer Durables | 3.2 | 35,247,823 |
| Consumer Non-Durables | 3.0 | 32,656,728 |
| Manufacturing | 2.6 | 28,918,114 |
| Transportation | 2.4 | 26,282,281 |
| Mining and Metal Fabrication | 2.1 | 22,514,426 |
| Textiles | 2.1 | 22,423,469 |
| Chemicals | 2.0 | 22,272,630 |
| Autos | 1.9 | 21,245,681 |
| Forest Products | 1.5 | 16,461,499 |
| Electronics | 1.3 | 14,408,167 |
| Real Estate | 1.2 | 12,613,782 |
| Building Materials | 0.9 | 10,123,740 |
| Leisure | 0.8 | 8,191,532 |
| Wholesale | 0.5 | 5,833,722 |
| Commercial Services | 0.5 | 5,164,745 |
| Health Care | 0.4 | 4,666,572 |
| Other | 2.7 | 30,830,099 |
| Total Common Stocks | <u>89.2</u> | <u>974,100,974</u> |
| Preferred Stock | 0.8 | 8,311,369 |
| Common Stock Warrants | 0.0†† | 27,892 |
| Convertible Corporate Bonds | 0.0†† | 315,228 |
| Commercial Paper | 7.2 | 78,613,000 |
| U.S. Treasury Bills | 0.4 | 4,858,767 |
| Other Assets and Liabilities (Net) | 2.4 | 25,784,420 |
| Net Assets | <u>100.0%</u> | <u>\$1,092,011,650</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, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|--|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO BUY | | |
| 7,411,500 Austrian Schilling | 10/31/96 | \$ 691,381 |
| 16,900,000 Finnish Markka | 10/31/96 | 3,704,473 |
| 2,128,806 French Franc | 10/31/96 | 412,862 |
| 689,800 German Mark | 10/31/96 | 452,735 |
| 2,224,960 German Mark | 11/15/96 | 1,461,706 |
| 3,242,540 German Mark | 11/29/96 | 2,132,029 |
| 281,320 German Mark | 1/16/97 | 185,623 |
| 2,119,350 German Mark | 1/31/97 | 1,399,917 |
| 1,451,500 German Mark | 2/14/97 | 959,747 |
| 30,730,912 Italian Lira | 10/2/96 | 20,174 |
| 549,305,912 Italian Lira | 10/4/96 | 360,589 |
| 36,627,768 Japanese Yen | 10/1/96 | 328,147 |
| 33,143,272 Japanese Yen | 10/2/96 | 296,936 |
| 9,201,736 Japanese Yen | 10/3/96 | 82,443 |
| 1,563,000 Netherlands Guilder | 10/15/96 | 913,480 |
| 4,633,800 Netherlands Guilder | 10/31/96 | 2,711,656 |
| 10,161,775 Netherlands Guilder | 11/15/96 | 5,952,929 |
| 8,819,440 Netherlands Guilder | 11/29/96 | 5,171,479 |
| 2,497,800 Norwegian Krone | 11/15/96 | 384,305 |
| 129,279,010 Spanish Peseta | 10/1/96 | 1,006,219 |
| 3,737,863 Spanish Peseta | 10/7/96 | 29,089 |
| 190,200,000 Spanish Peseta | 10/15/96 | 1,479,259 |
| 4,758,600 Swedish Krona | 10/31/96 | 717,823 |
| 20,143,500 Swedish Krona | 11/29/96 | 3,022,848 |
| 6,803,000 Swedish Krona | 12/16/96 | 1,024,024 |
| 4,445,415 Swedish Krona | 1/16/97 | 671,906 |
| 13,514,600 Swedish Krona | 1/31/97 | 2,043,465 |
| 59,206 Swiss Franc | 10/2/96 | 47,172 |
| 98,784 Swiss Franc | 10/3/96 | 78,707 |
| TOTAL FORWARD EXCHANGE CONTRACTS TO BUY (Contract Amount \$38,158,849) | | <u><u>\$ 37,743,123</u></u> |
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 14,610,000 Austrian Schilling | 10/31/96 | \$ (1,362,892) |
| 7,908,800 Austrian Schilling | 11/15/96 | (738,416) |
| 2,979,000 Austrian Schilling | 1/16/97 | (279,215) |
| 4,989,950 Austrian Schilling | 1/31/97 | (468,153) |
| 7,093,030 Austrian Schilling | 2/28/97 | (666,689) |
| 5,075,500 Austrian Schilling | 8/15/97 | (482,862) |
| 17,268,000 Belgian Franc | 11/15/96 | (550,990) |
| 28,900,000 Belgian Franc | 11/29/96 | (922,925) |
| 11,564,000 Belgian Franc | 1/16/97 | (370,611) |
| 24,709,500 Belgian Franc | 1/31/97 | (792,757) |
| 23,882,400 Belgian Franc | 2/14/97 | (766,991) |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|---|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 29,630,000 Belgian Franc | 2/28/97 | \$ (952,538) |
| 23,795,200 Belgian Franc | 3/26/97 | (766,406) |
| 30,845,000 Belgian Franc | 4/30/97 | (996,065) |
| 40,261,000 Belgian Franc | 5/30/97 | (1,303,094) |
| 30,670,000 Belgian Franc | 6/16/97 | (993,966) |
| 1,077,200 Canadian Dollar | 10/15/96 | (791,345) |
| 1,935,780 Canadian Dollar | 10/31/96 | (1,423,046) |
| 1,428,315 Canadian Dollar | 11/15/96 | (1,050,674) |
| 3,406,250 Canadian Dollar | 11/29/96 | (2,507,204) |
| 956,690 Canadian Dollar | 1/16/97 | (705,794) |
| 342,375 Canadian Dollar | 1/31/97 | (252,745) |
| 688,250 Canadian Dollar | 2/14/97 | (508,370) |
| 1,108,880 Canadian Dollar | 2/28/97 | (819,532) |
| 9,553,600 Canadian Dollar | 4/30/97 | (7,077,501) |
| 4,077,600 Canadian Dollar | 5/15/97 | (3,022,444) |
| 1,707,125 Canadian Dollar | 5/30/97 | (1,266,060) |
| 2,032,650 Canadian Dollar | 6/16/97 | (1,508,388) |
| 6,805,000 Canadian Dollar | 7/15/97 | (5,054,902) |
| 1,351,300 Canadian Dollar | 8/15/97 | (1,004,808) |
| 1,350,000 Canadian Dollar | 9/15/97 | (1,004,828) |
| 38,493,700 Danish Kroner | 11/15/96 | (6,585,832) |
| 12,175,900 Danish Kroner | 11/29/96 | (2,084,486) |
| 4,144,125 Danish Kroner | 1/16/97 | (711,319) |
| 16,575,000 Danish Kroner | 1/31/97 | (2,847,255) |
| 15,926,400 Danish Kroner | 2/14/97 | (2,737,850) |
| 5,589,610 Finnish Markka | 10/15/96 | (1,223,725) |
| 16,900,000 Finnish Markka | 10/31/96 | (3,704,473) |
| 7,655,580 Finnish Markka | 11/15/96 | (1,679,751) |
| 12,640,500 Finnish Markka | 11/29/96 | (2,776,088) |
| 17,228,000 Finnish Markka | 12/16/96 | (3,788,310) |
| 2,146,500 Finnish Markka | 1/16/97 | (473,037) |
| 12,201,300 Finnish Markka | 2/14/97 | (2,694,016) |
| 25,075,050 Finnish Markka | 2/28/97 | (5,541,563) |
| 18,227,200 Finnish Markka | 3/14/97 | (4,031,847) |
| 15,615,060 Finnish Markka | 4/15/97 | (3,461,325) |
| 6,996,000 Finnish Markka | 4/29/97 | (1,552,233) |
| 17,779,440 Finnish Markka | 5/30/97 | (3,953,034) |
| 6,808,500 Finnish Markka | 6/16/97 | (1,515,517) |
| 8,749,800 Finnish Markka | 7/15/97 | (1,951,500) |
| 8,795,600 Finnish Markka | 7/31/97 | (1,963,891) |
| 21,997,500 Finnish Markka | 8/15/97 | (4,916,744) |
| 8,923,000 Finnish Markka | 8/29/97 | (1,996,360) |
| 12,442,500 French Franc | 10/15/96 | (2,410,760) |
| 4,903,000 French Franc | 10/31/96 | (950,891) |
| 14,725,200 French Franc | 11/15/96 | (2,858,103) |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|--|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 5,889,360 French Franc | 11/29/96 | \$ (1,143,909) |
| 48,807,000 French Franc | 1/16/97 | (9,507,534) |
| 10,080,000 French Franc | 2/14/97 | (1,966,729) |
| 7,515,900 French Franc | 2/28/97 | (1,467,567) |
| 34,933,500 French Franc | 3/14/97 | (6,826,368) |
| 6,508,190 French Franc | 3/26/97 | (1,272,591) |
| 5,089,800 French Franc | 4/15/97 | (996,410) |
| 15,351,000 French Franc | 4/30/97 | (3,007,909) |
| 5,111,700 French Franc | 5/15/97 | (1,002,506) |
| 5,137,000 French Franc | 5/30/97 | (1,008,388) |
| 20,302,000 French Franc | 6/16/97 | (3,989,421) |
| 44,524,500 French Franc | 7/15/97 | (8,765,036) |
| 9,991,000 French Franc | 7/31/97 | (1,968,799) |
| 22,421,250 French Franc | 8/15/97 | (4,422,484) |
| 20,203,200 French Franc | 8/29/97 | (3,988,557) |
| 151,680,000 French Franc | 9/15/97 | (29,977,843) |
| 689,800 German Mark | 10/31/96 | (452,735) |
| 2,224,960 German Mark | 11/15/96 | (1,461,707) |
| 3,242,540 German Mark | 11/29/96 | (2,132,030) |
| 281,320 German Mark | 1/16/97 | (185,623) |
| 2,119,350 German Mark | 1/31/97 | (1,399,917) |
| 1,451,500 German Mark | 2/14/97 | (959,747) |
| 4,335,600 German Mark | 3/14/97 | (2,872,630) |
| 2,606,760 German Mark | 3/26/97 | (1,728,692) |
| 8,180,300 German Mark | 4/15/97 | (5,432,884) |
| 1,342,800 German Mark | 4/30/97 | (892,810) |
| 3,016,000 German Mark | 5/15/97 | (2,007,563) |
| 2,112,040 German Mark | 5/30/97 | (1,407,451) |
| 1,192,960 German Mark | 6/16/97 | (796,015) |
| 5,778,000 German Mark | 7/31/97 | (3,868,506) |
| 5,766,400 German Mark | 8/15/97 | (3,865,092) |
| 1,468,500 German Mark | 8/29/97 | (985,343) |
| 897,148 Great Britain Pound Sterling | 10/15/96 | (1,404,047) |
| 1,597,852 Great Britain Pound Sterling | 10/31/96 | (2,500,094) |
| 1,964,637 Great Britain Pound Sterling | 12/16/96 | (3,073,149) |
| 453,838 Great Britain Pound Sterling | 1/16/97 | (709,842) |
| 2,648,831 Great Britain Pound Sterling | 3/26/97 | (4,142,125) |
| 1,647,757 Great Britain Pound Sterling | 4/15/97 | (2,576,480) |
| 1,993,620 Great Britain Pound Sterling | 4/30/97 | (3,117,073) |
| 1,330,495 Great Britain Pound Sterling | 5/15/97 | (2,080,127) |
| 648,004 Great Britain Pound Sterling | 6/16/97 | (1,012,972) |
| 6,137,160 Great Britain Pound Sterling | 7/31/97 | (9,591,380) |
| 641,643 Great Britain Pound Sterling | 8/15/97 | (1,002,692) |
| 642,880 Great Britain Pound Sterling | 9/15/97 | (1,004,434) |
| 10,832,500 Hong Kong Dollar | 10/15/96 | (1,400,800) |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|---|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 11,619,000 Hong Kong Dollar | 12/27/96 | \$ (1,502,344) |
| 100,687,600 Hong Kong Dollar | 6/16/97 | (13,010,517) |
| 262,061,450 Italian Lira | 10/2/96 | (172,039) |
| 21,761,350,000 Italian Lira | 10/15/96 | (14,268,752) |
| 8,370,000,000 Italian Lira | 10/31/96 | (5,480,767) |
| 4,008,480,000 Italian Lira | 11/29/96 | (2,620,264) |
| 5,800,200,000 Italian Lira | 1/16/97 | (3,780,011) |
| 907,775,000 Italian Lira | 1/31/97 | (591,111) |
| 7,488,000,000 Italian Lira | 2/14/97 | (4,872,362) |
| 1,661,620,000 Italian Lira | 2/28/97 | (1,080,452) |
| 6,459,400,000 Italian Lira | 3/14/97 | (4,197,429) |
| 4,432,320,000 Italian Lira | 4/15/97 | (2,876,306) |
| 7,180,150,000 Italian Lira | 4/30/97 | (4,656,825) |
| 7,966,500,000 Italian Lira | 5/30/97 | (5,161,615) |
| 468,105,000 Italian Lira | 6/16/97 | (303,142) |
| 4,658,600,000 Italian Lira | 7/15/97 | (3,014,242) |
| 5,411,875,000 Italian Lira | 8/15/97 | (3,498,447) |
| 18,651,600,000 Italian Lira | 8/29/97 | (12,052,667) |
| 2,612,128 Japanese Yen | 10/1/96 | (23,402) |
| 331,835,000 Japanese Yen | 10/15/96 | (2,979,402) |
| 867,600,000 Japanese Yen | 10/31/96 | (7,810,135) |
| 579,960,000 Japanese Yen | 11/15/96 | (5,231,180) |
| 587,491,000 Japanese Yen | 11/29/96 | (5,307,894) |
| 1,457,850,000 Japanese Yen | 12/16/96 | (13,209,278) |
| 1,385,020,000 Japanese Yen | 1/16/97 | (12,611,465) |
| 279,244,000 Japanese Yen | 1/31/97 | (2,548,116) |
| 354,025,000 Japanese Yen | 2/28/97 | (3,243,109) |
| 405,480,000 Japanese Yen | 3/14/97 | (3,721,564) |
| 1,838,833,750 Japanese Yen | 3/26/97 | (16,904,382) |
| 1,595,877,500 Japanese Yen | 4/15/97 | (14,713,022) |
| 555,747,500 Japanese Yen | 4/30/97 | (5,134,819) |
| 1,654,040,000 Japanese Yen | 5/15/97 | (15,315,758) |
| 725,200,000 Japanese Yen | 5/30/97 | (6,729,686) |
| 313,020,000 Japanese Yen | 6/16/97 | (2,911,918) |
| 2,625,250,000 Japanese Yen | 6/30/97 | (24,471,478) |
| 411,680,000 Japanese Yen | 7/15/97 | (3,845,933) |
| 823,640,000 Japanese Yen | 7/31/97 | (7,712,516) |
| 1,031,700,000 Japanese Yen | 8/15/97 | (9,682,015) |
| 837,440,000 Japanese Yen | 8/29/97 | (7,875,110) |
| 421,120,000 Japanese Yen | 9/15/97 | (3,970,004) |
| 2,841,450 Netherlands Guilder | 10/1/96 | (1,658,853) |
| 1,563,000 Netherlands Guilder | 10/15/96 | (913,480) |
| 4,633,800 Netherlands Guilder | 10/31/96 | (2,711,656) |
| 10,161,775 Netherlands Guilder | 11/15/96 | (5,952,929) |
| 8,819,440 Netherlands Guilder | 11/29/96 | (5,171,479) |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|---|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 3,968,000 Netherlands Guilder | 12/16/96 | \$ (2,329,979) |
| 4,722,900 Netherlands Guilder | 1/16/97 | (2,780,267) |
| 20,155,200 Netherlands Guilder | 1/31/97 | (11,879,010) |
| 11,356,100 Netherlands Guilder | 2/14/97 | (6,700,487) |
| 9,698,400 Netherlands Guilder | 3/14/97 | (5,735,281) |
| 6,669,800 Netherlands Guilder | 4/15/97 | (3,954,271) |
| 6,685,600 Netherlands Guilder | 4/29/97 | (3,967,920) |
| 4,180,000 Netherlands Guilder | 5/15/97 | (2,483,898) |
| 6,722,400 Netherlands Guilder | 5/30/97 | (3,999,284) |
| 1,625,800 Netherlands Guilder | 7/31/97 | (971,872) |
| 11,822,194 New Zealand Dollar | 12/16/96 | (8,189,849) |
| 2,114,804 New Zealand Dollar | 3/26/97 | (1,451,917) |
| 2,005,554 New Zealand Dollar | 5/15/97 | (1,371,859) |
| 1,136,364 New Zealand Dollar | 6/16/97 | (775,724) |
| 1,487,874 New Zealand Dollar | 7/31/97 | (1,013,231) |
| 2,497,800 Norwegian Krone | 11/15/96 | (384,305) |
| 64,785,000 Norwegian Krone | 6/16/97 | (9,995,661) |
| 833,700 Singapore Dollar | 10/15/96 | (592,443) |
| 1,031,400 Singapore Dollar | 2/28/97 | (738,781) |
| 1,652,520 Singapore Dollar | 4/30/97 | (1,186,625) |
| 1,102,000 Singapore Dollar | 5/30/97 | (792,874) |
| 1,381,300 Singapore Dollar | 6/16/97 | (994,982) |
| 1,390,200 Singapore Dollar | 7/31/97 | (1,003,441) |
| 4,848,900 Singapore Dollar | 8/15/97 | (3,501,729) |
| 380,400,000 Spanish Peseta | 10/15/96 | (2,958,519) |
| 190,005,000 Spanish Peseta | 10/31/96 | (1,476,622) |
| 44,478,000 Spanish Peseta | 11/15/96 | (345,458) |
| 37,944,000 Spanish Peseta | 11/29/96 | (294,573) |
| 100,648,000 Spanish Peseta | 1/16/97 | (780,363) |
| 386,850,000 Spanish Peseta | 2/14/97 | (2,996,973) |
| 637,000,000 Spanish Peseta | 3/14/97 | (4,931,508) |
| 747,365,000 Spanish Peseta | 3/26/97 | (5,784,373) |
| 127,840,000 Spanish Peseta | 4/15/97 | (989,026) |
| 130,050,000 Spanish Peseta | 4/30/97 | (1,005,835) |
| 130,550,000 Spanish Peseta | 5/15/97 | (1,009,436) |
| 524,800,000 Spanish Peseta | 5/30/97 | (4,056,876) |
| 194,355,000 Spanish Peseta | 6/16/97 | (1,502,065) |
| 127,490,000 Spanish Peseta | 7/15/97 | (984,911) |
| 126,410,000 Spanish Peseta | 8/15/97 | (976,199) |
| 259,040,000 Spanish Peseta | 9/15/97 | (1,999,846) |
| 4,758,600 Swedish Krona | 10/31/96 | (717,823) |
| 20,143,500 Swedish Krona | 11/29/96 | (3,022,848) |
| 6,803,000 Swedish Krona | 12/16/96 | (1,024,024) |
| 4,445,415 Swedish Krona | 1/16/97 | (671,906) |
| 13,514,600 Swedish Krona | 1/31/97 | (2,043,465) |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|---|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 14,174,000 Swedish Krona | 2/14/97 | \$ (2,143,971) |
| 40,554,000 Swedish Krona | 3/14/97 | (6,139,070) |
| 23,824,850 Swedish Krona | 4/30/97 | (3,611,512) |
| 16,363,700 Swedish Krona | 5/15/97 | (2,481,608) |
| 6,577,300 Swedish Krona | 8/15/97 | (999,949) |
| 6,653,000 Swedish Krona | 8/29/97 | (1,011,785) |
| 666,600 Swiss Franc | 10/15/96 | (531,994) |
| 1,857,250 Swiss Franc | 10/31/96 | (1,485,253) |
| 11,036,500 Swiss Franc | 11/15/96 | (8,840,090) |
| 4,461,600 Swiss Franc | 11/29/96 | (3,578,584) |
| 6,735,000 Swiss Franc | 12/16/96 | (5,413,009) |
| 41,384,500 Swiss Franc | 12/27/96 | (33,305,944) |
| 389,235 Swiss Franc | 1/16/97 | (313,966) |
| 7,828,100 Swiss Franc | 1/31/97 | (6,324,870) |
| 11,541,000 Swiss Franc | 2/28/97 | (9,353,664) |
| 23,020,000 Swiss Franc | 2/28/97 | (18,657,079) |
| 2,301,800 Swiss Franc | 3/26/97 | (1,870,850) |
| 8,370,000 Swiss Franc | 4/15/97 | (6,818,654) |
| 8,344,350 Swiss Franc | 4/30/97 | (6,809,724) |
| 10,440,500 Swiss Franc | 5/15/97 | (8,535,441) |
| 12,315,000 Swiss Franc | 5/30/97 | (10,085,805) |
| 1,828,950 Swiss Franc | 6/16/97 | (1,500,920) |
| 5,817,000 Swiss Franc | 7/31/97 | (4,798,404) |
| 8,650,500 Swiss Franc | 8/15/97 | (7,147,839) |
| 7,726,550 Swiss Franc | 8/29/97 | (6,394,473) |
| TOTAL FORWARD EXCHANGE CONTRACTS TO SELL (Contract Amount \$828,556,266) | | \$(804,220,804) |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Assets and Liabilities

September 30, 1996 (Unaudited)

ASSETS

| | |
|---|----------------------|
| Investments, at value (Cost \$944,524,322) (Note 1) | |
| <i>See accompanying schedule</i> | \$1,066,227,230 |
| Cash and foreign currency (Cost \$1,548,038) | 1,673,103 |
| Net unrealized appreciation of forward exchange contracts (Note 1) | 23,919,736 |
| Receivable for investment securities sold | 3,244,929 |
| Dividends and interest receivable | 2,747,259 |
| Receivable for Fund shares sold | 1,356,266 |
| Unamortized organization costs (Note 5) | 37,182 |
| Prepaid expense | 22,788 |
| Total Assets | <u>1,099,228,493</u> |

LIABILITIES

| | |
|---|------------------|
| Payable for investment securities purchased | \$5,547,367 |
| Investment advisory fee payable (Note 2) | 1,103,780 |
| Custodian fees payable (Note 2) | 152,000 |
| Administration fee payable (Note 2) | 119,935 |
| Transfer agent fees payable (Note 2) | 38,000 |
| Accrued Directors' fees and expenses (Note 2) | 3,333 |
| Accrued expenses and other payables | <u>252,428</u> |
| Total Liabilities | <u>7,216,843</u> |

NET ASSETS \$1,092,011,650

NET ASSETS consist of

| | |
|---|------------------------|
| Undistributed net investment income | \$ 21,757,584 |
| Accumulated net realized gain on securities, forward exchange contracts and foreign currencies | 30,531,648 |
| Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets | 145,749,012 |
| Par value | 7,411 |
| Paid-in capital in excess of par value | 893,965,995 |
| Total Net Assets | <u>\$1,092,011,650</u> |

NET ASSET VALUE, offering and redemption price per share

(\$1,092,011,650 ÷ 74,105,025 shares of common stock
outstanding) \$14.74

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Operations

For the Six Months Ended September 30, 1996 (Unaudited)

INVESTMENT INCOME

| | |
|---|--------------------------|
| Dividends (net of foreign withholding taxes of \$1,634,920) | \$13,580,535 |
| Interest (net of foreign withholding taxes of \$100) | <u>1,962,513</u> |
| Total Investment Income | <u>15,543,048</u> |

EXPENSES

| | |
|---|-------------------------|
| Investment advisory fee (Note 2) | \$6,484,446 |
| Administration fee (Note 2) | 707,739 |
| Custodian fees (Note 2) | 470,394 |
| Transfer agent fees (Note 2) | 271,526 |
| Legal and audit fees | 82,979 |
| Amortization of organization costs (Note 5) | 11,174 |
| Directors' fees and expenses (Note 2) | 4,173 |
| Other | <u>257,066</u> |
| Total Expenses | <u>8,289,497</u> |

NET INVESTMENT INCOME **7,253,551**

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

(Notes 1 and 3):

| | |
|--|---------------------|
| Net realized gain (loss) on: | |
| Securities | 24,946,962 |
| Forward exchange contracts | 25,466,510 |
| Foreign currencies | <u>(379,209)</u> |
| Net realized gain on investments during the period | <u>50,034,263</u> |
| Net change in unrealized appreciation (depreciation) of: | |
| Securities | (23,445,655) |
| Forward exchange contracts | (2,830,502) |
| Foreign currencies and net other assets | <u>161,410</u> |
| Net unrealized depreciation of investments during the period | <u>(26,114,747)</u> |

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS **23,919,516**

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS **\$31,173,067**

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Changes in Net Assets

| | Six Months Ended 9/30/96 (Unaudited) | Year Ended 3/31/96 |
|---|---|--------------------------|
| Net investment income | \$ 7,253,551 | \$ 9,045,946 |
| Net realized gain (loss) on securities, forward exchange contracts and foreign currencies during the period | 50,034,263 | (10,403,439) |
| Net unrealized appreciation (depreciation) of securities, forward exchange contracts, foreign currencies and net other assets during the period | <u>(26,114,747)</u> | <u>184,687,996</u> |
| Net increase in net assets resulting from operations | 31,173,067 | 184,330,503 |
| Distributions: | | |
| Dividends to shareholders from net investment income . . . | — | (3,341,225) |
| Distributions to shareholders from net realized gain on investments | — | (9,099,176) |
| Net increase in net assets from Fund share transactions (Note 4) | <u>109,927,617</u> | <u>123,986,313</u> |
| Net increase in net assets | 141,100,684 | 295,876,415 |
| NET ASSETS | | |
| Beginning of period | <u>950,910,966</u> | <u>655,034,551</u> |
| End of period (including undistributed net investment income of \$21,757,584 and \$14,504,033, respectively) | <u>\$1,092,011,650</u> | <u>\$950,910,966</u> |

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each period.

| | Six Months Ended 9/30/96 (Unaudited) | Year Ended 3/31/96 ^(h) | Year Ended 3/31/95 | Period Ended 3/31/94 ^(a) (h) |
|---|---|---|--------------------------|---|
| Net asset value, beginning of period | \$ 14.28 | \$ 11.52 | \$ 12.26 | \$ 10.00 |
| Income from investment operations: | | | | |
| Net investment income (loss) | 0.08 | 0.15 | 0.10 | (0.00) ^(c) (f) |
| Net realized and unrealized gain (loss) on investments | 0.38 | 2.81 | (0.68) | 2.26 |
| Total from investment operations | 0.46 | 2.96 | (0.58) | 2.26 |
| Distributions: | | | | |
| Distributions from net realized gains | — | (0.05) | (0.06) | — |
| Distributions in excess of net realized gains | — | (0.15) | (0.10) | — |
| Total distributions | — | (0.20) | (0.16) | — |
| Net asset value, end of period | \$ 14.74 | \$ 14.28 | \$ 11.52 | \$ 12.26 |
| Total return ^(d) | 3.22% | 25.88% | (4.74)% | 22.60% |
| Ratios/Supplemental Data: | | | | |
| Net assets, end of period (in 000's) | \$1,092,012 | \$950,911 | \$655,035 | \$297,434 |
| Ratio of operating expenses to average net assets | 1.60% ^(b) | 1.60% | 1.65% | 1.73% ^(b) (e) |
| Ratio of net investment income (loss) to average net assets | 1.40% ^(b) | 1.15% | 1.08% | (0.00)% ^(b) (g) |
| Portfolio turnover rate | 10% | 17% | 16% | 14% |
| Average commission rate (per share of security) ⁽ⁱ⁾ | \$ 0.0226 | \$ 0.0206 | N/A | N/A |

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

(b) Annualized.

(c) Net investment loss for a Fund share outstanding, before the waiver of fees by the investment adviser was \$(0.01) for the 7.5-month period ended March 31, 1994.

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

(e) Annualized expense ratio before the waiver of fees by the investment adviser was 1.83% for the 7.5-month period ended March 31, 1994.

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

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

(h) 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.

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

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

Repurchase Agreements The Fund engages in repurchase agreement transactions. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of

Notes to Financial Statements (Unaudited)

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 and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amount actually received. The portion of foreign currency gains and losses related to fluctuation in the exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gains and losses on investment securities sold.

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



Notes to Financial Statements (Unaudited)

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. The Fund currently enters into such contracts with Mellon Bank Corporation ("Mellon Bank") and Brown Brothers Harriman & Co.

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, Administration Fee and Other Related Party Transactions

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

The current and retired general partners and their families, as well as employees of Tweedy, Browne, the investment adviser to the Fund, have approximately \$20.9 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



TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

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

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

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

Under the terms of the Administration Agreement, the Company will pay for Fund Administration Services, a minimum fee of \$40,000 per Fund per annum, not to be aggregated with fees for Fund Accounting Services. The Company will pay for Fund Accounting Services a minimum fee of \$20,000 per Fund per annum, not to be aggregated with fees for Fund Administration Services.

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

Boston Safe Deposit and Trust Company (“Boston Safe”), an indirect wholly owned subsidiary of Mellon Bank, serves as the Fund’s custodian pursuant to a custody agreement (the “Custody Agreement”). Unified Advisers, Inc., serves as the Fund’s transfer agent. Tweedy, Browne also serves

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

For the six months ended September 30, 1996, the Fund incurred total brokerage commissions of \$974,550.

3. Purchases and Sales of Securities

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the six months ended September 30, 1996, aggregated \$215,609,501 and \$91,596,361, respectively.

At September 30, 1996, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$166,085,364 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$44,382,456.

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 9/30/96 | | Year Ended 3/31/96 | |
|--------------|--------------------------|---------------|--------------------|---------------|
| | Shares | Amount | Shares | Amount |
| Sold | 15,178,664 | \$221,384,168 | 29,891,616 | \$381,433,296 |
| Reinvested | — | — | 854,225 | 11,062,218 |
| Redeemed | (7,641,040) | (111,456,551) | (21,057,222) | (268,509,201) |
| Net increase | 7,537,624 | \$109,927,617 | 9,688,619 | \$123,986,313 |

5. Organization Costs

The Fund bears all costs in connection with its organization including the fees and expenses of registering and qualifying its shares for distribution under Federal and state securities regulations. All such costs have been deferred and are being amortized over a five-year period using the straight-line method from the commencement of operations of the Fund. In the event that any of the initial shares of the Fund are redeemed during such

amortization period, the Fund will be reimbursed for any unamortized organization costs in the same proportion as the number of shares redeemed bears to the number of initial shares held at the time of redemption.

6. Foreign Securities

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

7. Line of Credit

The Fund and Mellon Bank, N.A. have entered into a Line of Credit Agreement (the "Agreement") which provides the Fund with a \$50 million line of credit, primarily for temporary or emergency purposes, including the meeting of redemption requests that might otherwise require the untimely disposition of securities. The Fund may borrow up to the lesser of \$50 million or one-third of its net assets. Interest is payable at the bank's Money Market Rate plus 0.75% on an annualized basis. Under the Agreement, the 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 not less than three to one. For the six months ended September 30, 1996, the Fund did not borrow under this Agreement. On October 1, 1996, the Agreement was amended to make the \$50 million aggregate principal amount of the line of credit available to Tweedy, Browne American Value Fund. No other substantive changes to the Agreement were effected.

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)



Shares

Market
Value
(Note 1)

COMMON STOCKS—DOMESTIC—87.4%

Banking—17.4%

| | | |
|---------|---|--------------|
| 55,000 | BancFirst Corporation | \$ 1,347,500 |
| 306,560 | BanPonce Corporation, New | 8,277,120 |
| 10,000 | Cape Cod Bank & Trust Company | 207,500 |
| 86,507 | Chase Manhattan Corporation | 6,931,373 |
| 78,900 | Comerica, Inc. | 4,063,350 |
| 4,500 | Community Financial Group—Bank of Nashville | 48,375 |
| 111,410 | First Chicago NBD Corporation | 5,041,303 |
| 20,400 | First Mortgage Corporation† | 104,550 |
| 32,900 | Mercantile Bancorporation, Inc. | 1,710,800 |
| 25,000 | Mid-America Bancorporation | 418,750 |
| 9,000 | Peoples Bank Corporation of Indianapolis | 297,000 |
| 223,700 | PNC Bank Corporation | 7,465,987 |
| 70,760 | Salomon Inc. | 3,228,425 |
| 4,300 | Suffolk Bancorp | 143,513 |
| 18,125 | Transworld Bancorp† | 253,750 |
| 10,600 | Wells Fargo & Company | 2,756,000 |
| | | <hr/> |
| | | 42,295,296 |

Financial Services—13.4%

| | | |
|---------|---|------------|
| 164,930 | American Express Company | 7,628,012 |
| 101,370 | Federal Home Loan Mortgage Corporation | 9,921,588 |
| 46,800 | Household International Inc. | 3,849,300 |
| 18,300 | HPSC Inc.† | 118,950 |
| 387,600 | Jan Bell Marketing Inc.† | 847,875 |
| 20,100 | Kent Financial Services Inc.† | 152,006 |
| 335,150 | Lehman Brothers Holdings Inc. | 8,546,325 |
| 10,000 | Letchworth Independent Bancshares Corporation | 292,500 |
| 6,965 | Norex American Inc.† | 186,314 |
| 106,615 | Stifel Financial Corporation | 50,853 |
| 23,100 | Value Line Inc. | 811,388 |
| 1,604 | Whitney Holding Corporation | 52,531 |
| | | <hr/> |
| | | 32,457,642 |

Insurance—12.0%

| | | |
|---------|--|-----------|
| 15,000 | Allstate Financial Corporation† | 82,500 |
| 115,000 | American Annuity Group Inc. | 1,538,125 |
| 75,100 | American Indemnity Financial Corporation | 769,775 |
| 106,625 | American National Insurance Company | 7,250,500 |
| 600 | Amwest Insurance Group Inc. | 6,975 |
| 20,600 | Kansas City Life Insurance Company | 1,143,300 |
| 20,900 | Merchants Group Inc. | 386,650 |
| 50,100 | National Western Life Insurance Company† | 3,738,713 |
| 30,500 | Provident Companies Inc. | 1,143,750 |
| 13,000 | RLI Corporation | 338,000 |
| 74,000 | Security-Connecticut Corporation | 2,321,750 |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|-----------------------------------|--|----------------------------------|
| COMMON STOCKS—DOMESTIC | | |
| Insurance—(Continued) | | |
| 107,800 | Transatlantic Holdings, Inc. | \$ 7,330,400 |
| 106,700 | USLIFE Corporation | 3,201,000 |
| | | <hr/> 29,251,438 |
| Consumer Non-Durables—7.1% | | |
| 138,100 | Bairnco Corporation | 880,388 |
| 60,700 | Coca-Cola Bottling Company | 2,306,600 |
| 202,900 | EKCO Group Inc. | 938,412 |
| 76,600 | Fuji Photo Film Company Ltd., ADR | 2,315,250 |
| 42,235 | Great Atlantic & Pacific Tea Company, Inc. | 1,092,831 |
| 19,000 | Hyde Athletic Industries Inc., Class A† | 90,250 |
| 25,000 | Hyde Athletic Industries Inc., Class B† | 118,750 |
| 118,035 | Nestle, ADR | 6,558,320 |
| 49,800 | OroAmerica Inc.† | 311,250 |
| 49,559 | Polaroid Corporation | 2,180,595 |
| 10,800 | TCC Industries Inc.† | 20,250 |
| 55,500 | Village Super Market Inc., Class A† | 520,312 |
| | | <hr/> 17,333,208 |
| Retail—5.7% | | |
| 110,914 | Ben Franklin Retail Stores Inc.† | 31,195 |
| 85,000 | Best Products Corporation Inc.† | 29,219 |
| 80,000 | Burlington Coat Factory Warehouse† | 880,000 |
| 1,000 | Dart Group Corporation, Class A | 95,063 |
| 114,300 | EZCORP Inc., Class A† | 742,950 |
| 218,500 | Fingerhut Companies, Inc. | 2,895,125 |
| 40,000 | Good Guys Inc.† | 320,000 |
| 19,000 | Government Technology Services, Inc. | 116,375 |
| 159,000 | Kmart Corporation | 1,629,750 |
| 32,300 | Luria (L) and Sons Inc.† | 145,350 |
| 9,700 | Mercantile Stores Company Inc. | 523,800 |
| 52,000 | Penney (J.C.) Company, Inc. | 2,814,500 |
| 17,500 | Seaman Furniture Company† | 323,750 |
| 126,200 | Swiss Army Brands, Inc. | 1,609,050 |
| 153,900 | Syms Corporation† | 1,269,675 |
| 136,000 | United Retail Group, Inc. | 391,000 |
| | | <hr/> 13,816,802 |
| Health Care—5.3% | | |
| 10,000 | Ciba-Geigy AG, Sponsored ADR | 636,250 |
| 30,000 | Glaxo Wellcome PLC, Sponsored ADR | 933,750 |
| 65,735 | Horizon/CMS Healthcare Corporation† | 788,820 |
| 8,000 | Hosposable Products, Inc. | 40,000 |
| 33,412 | Johnson & Johnson | 1,712,365 |
| 205,600 | Nycomed ASA, ADR, Class B | 2,441,500 |
| 135,000 | Regency Health Services, Inc. | 1,501,875 |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|--|--|--------------------------------------|
| COMMON STOCKS—DOMESTIC | | |
| Health Care—(Continued) | | |
| 367,400 | Sun Healthcare Group Inc.† | \$ 4,776,200 |
| 7,500 | Trans Leasing International, Inc. | 27,187 |
| | | <hr/> 12,857,947 |
| Basic Industries—4.8% | | |
| 97,400 | ACX Technologies Inc.† | 1,692,325 |
| 5,235 | Binks Manufacturing Company | 115,824 |
| 25,000 | Blessings Corporation | 225,000 |
| 48,300 | Gorman-Rupp Company | 670,163 |
| 59,500 | Monarch Machine Tool Company | 595,000 |
| 25,000 | Sequa Corporation, Class A† | 1,115,625 |
| 75,700 | Tremont Corporation† | 2,583,262 |
| 29,800 | Unilever NV, ADR | 4,697,225 |
| | | <hr/> 11,694,424 |
| Chemicals—4.8% | | |
| 172,300 | Lilly Industries Inc., Class A | 2,864,488 |
| 96,550 | Philip Morris Companies Inc. | 8,665,363 |
| | | <hr/> 11,529,851 |
| Leisure and Entertainment—3.5% | | |
| 143,000 | Alliance Entertainment Corporation† | 804,375 |
| 136,100 | C-TEC Corporation† | 3,538,600 |
| 105,743 | Hasbro Inc. | 3,925,709 |
| 48,103 | Savoy Pictures Entertainment Inc.† | 120,258 |
| | | <hr/> 8,388,942 |
| Engineering and Construction—2.8% | | |
| 12,500 | Atkinson (Guy F.) Company California† | 151,563 |
| 22,000 | Devcon International Corporation† | 151,250 |
| 104,000 | Harding Lawson Associates Group | 624,000 |
| 15,000 | Hovnanian Enterprises, Inc.† | 88,125 |
| 4,080 | Oilgear Company | 61,710 |
| 40,700 | Oriole Homes Corporation, Class A† | 315,425 |
| 43,800 | Oriole Homes Corporation, Class B† | 339,450 |
| 151,600 | Ryland Group, Inc. | 2,255,050 |
| 474,500 | Standard-Pacific Corporation | 2,728,375 |
| | | <hr/> 6,714,948 |
| Real Estate—2.2% | | |
| 220,000 | American Real Estate Partners Ltd. | 1,980,000 |
| 25,700 | Arizona Land Income Corporation, Class A | 138,137 |
| 18,012 | Atlantic Realty Trust Inc.† | 168,863 |
| 13,200 | Mays (J.W.), Inc.† | 155,100 |
| 130,800 | Price Enterprises Inc.† | 2,109,150 |
| 3,623 | Public Storage, Inc. | 81,970 |
| 36,025 | Ramco-Gershenson Properties | 607,922 |
| 19,700 | Reading Company, Class A† | 206,850 |
| | | <hr/> 5,447,992 |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|--|---|--------------------------------------|
| COMMON STOCKS—DOMESTIC | | |
| Consumer Services—2.2% | | |
| 186,000 | Jones Intercable Inc., Class A† | \$ 2,534,250 |
| 119,400 | Pinkerton's, Inc. | 2,835,750 |
| | | <hr/> 5,370,000 |
| Oil and Gas—2.1% | | |
| 80,000 | Isramco, Inc.† | 47,500 |
| 1,900 | Lufkin Industries, Inc. | 39,425 |
| 155,400 | Matrix Service Company† | 893,550 |
| 84,900 | Penn Virginia Corporation | 3,056,400 |
| 2,245 | Resource America, Inc., Class A | 28,624 |
| 71,400 | Wiser Oil Company | 1,026,375 |
| | | <hr/> 5,091,874 |
| Business and Commercial Services—1.5% | | |
| 1,300 | IIC Industries Inc.† | 49,400 |
| 226,400 | Kinder Care Learning Centers, Inc.† | 3,622,400 |
| 12,500 | Paris Corporation† | 48,438 |
| | | <hr/> 3,720,238 |
| Technology—0.5% | | |
| 44,600 | Astrosystems Inc.† | 267,600 |
| 28,800 | Digital Equipment Corporation† | 1,029,600 |
| | | <hr/> 1,297,200 |
| Restaurant Chains—0.5% | | |
| 80,900 | Vicorp Restaurants Inc.† | 1,173,050 |
| Advertising—0.4% | | |
| 4,280 | Grey Advertising Inc. | 1,014,360 |
| Metals and Metal Products—0.3% | | |
| 14,000 | American Metals Service, Inc.† | 12,600 |
| 108,600 | Proler International Corporation† | 733,050 |
| | | <hr/> 745,650 |
| Automotive Parts—0.3% | | |
| 23,000 | Standard Products Company | 580,750 |
| 1,300 | Woodward Governor Company | 122,200 |
| | | <hr/> 702,950 |
| Transportation/Transportation Services—0.2% | | |
| 51,500 | KLLM Transport Services Inc.† | 605,125 |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|-------------------------------------|---|--------------------------------------|
| COMMON STOCKS—DOMESTIC | | |
| Apparel/Textiles—0.1% | | |
| 44,400 | Chic by H.I.S. Inc.† | \$ 194,250 |
| 8,700 | Garan Inc. | 145,725 |
| 2,000 | Thomaston Mills, Inc., Class A | 21,000 |
| | | <hr/> 360,975 |
| Furniture—0.1% | | |
| 29,000 | Flexsteel Industries Inc. | <hr/> 340,750 |
| Food and Beverages—0.1% | | |
| 40,000 | United Foods, Inc., Class A† | 77,500 |
| 25,000 | United Foods, Inc., Class B† | 48,437 |
| 7,000 | Western Beef Inc.† | 66,500 |
| | | <hr/> 192,437 |
| Electronic Equipment—0.1% | | |
| 8,000 | Espey Manufacturing and Electronics Corporation | <hr/> 126,000 |
| Telecommunications—0.0%†† | | |
| 15,000 | TCI International Inc.† | <hr/> 99,375 |
| TOTAL COMMON STOCKS—DOMESTIC | | |
| | (Cost \$174,877,433) | <hr/> 212,628,474 |
| COMMON STOCKS—FOREIGN—5.8% | | |
| Japan—1.7% | | |
| 63,000 | Aichi Electric Company Ltd. | 318,894 |
| 49,000 | Amada Sonoike Company Ltd. | 296,318 |
| 12,000 | Chofu Seisakusho Company | 282,745 |
| 58,000 | Dowa Fire & Marine Insurance Company | 298,262 |
| 17,000 | Fuji Photo Film Ltd. | 516,305 |
| 53,000 | Koyosha Inc.† | 332,378 |
| 19,000 | Matsushita Electric Industrial Company | 318,312 |
| 32,000 | Morito | 349,758 |
| 43,000 | Nissan Fire & Marine Insurance Company | 290,853 |
| 36,000 | Oak & Company | 245,117 |
| 62,000 | Osaka Securities Finance | 338,828 |
| 15,000 | Sankyo Company Ltd. | 382,996 |
| 5,000 | Shikoku Coca-Cola Bottling | 64,953 |
| 19,000 | Toyo Technical Company Ltd. | 195,753 |
| | | <hr/> 4,231,472 |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|---------------|--|--------------------------------------|
| | COMMON STOCKS—FOREIGN | |
| | United Kingdom—1.0% | |
| 145,000 | McAlpine (Alfred) PLC | \$ 340,453 |
| 32,000 | SmithKline Beecham, PLC Units, ADR | 1,948,000 |
| | | <u>2,288,453</u> |
| | Switzerland—0.8% | |
| 2,000 | Danzas Holding AG PC | 384,018 |
| 1,000 | Edipresse SA, Bearer | 414,293 |
| 1,500 | Magazine Zum Globus PC | 758,873 |
| 500 | Swissair AG, Registered† | 410,708 |
| | | <u>1,967,892</u> |
| | Netherlands—0.7% | |
| 10,900 | Heineken Holdings NV, Class A | 1,783,046 |
| | Finland—0.7% | |
| 15,500 | Kone Corporation, Class B | 1,594,352 |
| | France—0.4% | |
| 7,200 | Compagnie Financiere de Suez | 286,996 |
| 2,725 | Klepierre | 336,042 |
| 2,300 | Peugeot SA | 253,354 |
| | | <u>876,392</u> |
| | Italy—0.2% | |
| 71,000 | Arnoldo Mondadori Editore SPA | 515,050 |
| 15,000 | Franco Tosi SPA | 92,073 |
| | | <u>607,123</u> |
| | Spain—0.2% | |
| 5,000 | Argentaria | 207,036 |
| 16,000 | Unipapel SA | 266,501 |
| | | <u>473,537</u> |
| | Singapore—0.1% | |
| 78,000 | Robinson and Company Ord | 326,800 |
| | TOTAL COMMON STOCKS—FOREIGN | |
| | (Cost \$12,325,800) | <u>14,149,067</u> |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1996 (Unaudited)

| <u>Shares</u> | | <u>Market Value (Note 1)</u> |
|---------------|--|---|
| | PREFERRED STOCK—0.0%†† | |
| | (Cost \$16,100) | |
| 1,400 | Grant Geophysical Inc., Preferred | \$ 26,075 |
| | COMMERCIAL PAPER—6.2% | |
| \$ 3,750,000 | General Electric Capital Corporation, 5.800% due 10/1/96 | 3,750,000 |
| 11,300,000 | Prudential Securities, 5.750% due 10/1/96 | <u>11,300,000</u> |
| | TOTAL COMMERCIAL PAPER | |
| | (Cost \$15,050,000) | <u>15,050,000</u> |
| | U.S. TREASURY BILLS—0.2% | |
| 200,000 | 5.630%** due 5/1/97 | 193,722 |
| 350,000 | 5.600%** due 8/1/97 | <u>333,305</u> |
| | TOTAL U.S. TREASURY BILLS | |
| | (Cost \$527,027) | <u>527,027</u> |
| | TOTAL INVESTMENTS (Cost \$202,796,360*) | 99.6% 242,380,643 |
| | OTHER ASSETS AND LIABILITIES (Net) | 0.4 870,230 |
| | NET ASSETS | <u>100.0%</u> <u>\$243,250,873</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.

Abbreviation:

ADR—American Depository Receipt

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1996 (Unaudited)

| <u>Contracts</u> | <u>Contract Value Date</u> | <u>Market Value (Note 1)</u> |
|---|------------------------------------|--------------------------------------|
| FORWARD EXCHANGE CONTRACTS TO SELL | | |
| 911,820 Finnish Markka | 2/28/97 | \$ (201,511) |
| 2,147,265 Finnish Markka | 4/15/97 | (475,975) |
| 4,464,000 Finnish Markka | 8/29/97 | (998,739) |
| 980,600 French Franc | 10/31/96 | (190,178) |
| 3,029,280 French Franc | 8/29/97 | (598,047) |
| 127,828 Great Britain Pound Sterling | 10/31/96 | (200,007) |
| 418,500,000 Italian Lira | 10/31/96 | (274,038) |
| 544,148,500 Italian Lira | 8/29/97 | (351,629) |
| 192,800,000 Japanese Yen | 10/31/96 | (1,735,585) |
| 100,600,000 Japanese Yen | 12/27/96 | (913,313) |
| 30,345,000 Japanese Yen | 2/28/97 | (277,981) |
| 55,814,250 Japanese Yen | 4/15/97 | (514,574) |
| 67,990,000 Japanese Yen | 8/29/97 | (639,364) |
| 231,690 Netherlands Guilder | 10/31/96 | (135,583) |
| 482,550 Netherlands Guilder | 2/28/97 | (285,041) |
| 750,353 Netherlands Guilder | 4/15/97 | (444,856) |
| 1,972,080 Netherlands Guilder | 8/29/97 | (1,181,545) |
| 6,478,500 Norwegian Krone | 6/16/97 | (999,566) |
| 414,900 Singapore Dollar | 10/31/96 | (295,054) |
| 38,001,000 Spanish Peseta | 10/31/96 | (295,324) |
| 218,500 Swiss Franc | 10/31/96 | (174,736) |
| 1,010,070 Swiss Franc | 12/27/96 | (812,897) |
| 173,115 Swiss Franc | 2/28/97 | (140,305) |
| 951,040 Swiss Franc | 8/29/97 | (787,078) |
| TOTAL FORWARD EXCHANGE CONTRACTS TO SELL | | |
| (Contract Amount \$13,500,000) | | <u><u>\$(12,922,926)</u></u> |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Assets and Liabilities

September 30, 1996 (Unaudited)

ASSETS

| | |
|---|----------------------|
| Investments, at value (Cost \$202,796,360) (Note 1) | |
| <i>See accompanying schedule</i> | \$242,380,643 |
| Cash and foreign currency (Cost \$19,848) | 9,687 |
| Net unrealized appreciation of forward exchange contracts (Note 1) | 577,074 |
| Dividends and interest receivable | 386,097 |
| Receivable for Fund shares sold | 175,414 |
| Unamortized organization costs (Note 5) | 42,157 |
| Prepaid expense | 4,732 |
| Total Assets | <u>\$243,575,804</u> |

LIABILITIES

| | |
|---|----------------|
| Investment advisory fee payable (Note 2) | \$221,022 |
| Administration fee payable (Note 2) | 25,694 |
| Accrued shareholder reports expense | 21,095 |
| Custodian fees payable (Note 2) | 16,276 |
| Transfer agent fees payable (Note 2) | 6,700 |
| Accrued Directors' fees and expenses (Note 2) | 3,333 |
| Accrued expenses and other payables | <u>30,811</u> |
| Total Liabilities | <u>324,931</u> |

NET ASSETS \$243,250,873

NET ASSETS consist of

| | |
|---|----------------------|
| Undistributed net investment income | \$ 1,358,798 |
| Accumulated net realized gain on securities, forward exchange contracts and foreign currencies | 8,359,911 |
| Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets | 40,151,083 |
| Par value | 1,629 |
| Paid-in capital in excess of par value | <u>193,379,452</u> |
| Total Net Assets | <u>\$243,250,873</u> |

NET ASSET VALUE, offering and redemption price per share
($\$243,250,873 \div 16,290,092$ shares of common stock outstanding) \$14.93

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Operations

For the six months ended September 30, 1996 (Unaudited)

INVESTMENT INCOME

| | |
|--|------------------|
| Dividends (net of foreign withholding taxes of \$42,859) | \$ 2,059,797 |
| Interest | 459,123 |
| Total Investment Income | <u>2,518,920</u> |

EXPENSES

| | |
|---|------------------|
| Investment advisory fee (Note 2) | \$1,378,435 |
| Administration fee (Note 2) | 162,412 |
| Transfer agent fees (Note 2) | 44,703 |
| Custodian fees (Note 2) | 30,577 |
| Legal and audit fees | 16,159 |
| Amortization of organization costs (Note 5) | 9,761 |
| Directors' fees and expenses (Note 2) | 3,946 |
| Other | 62,412 |
| Waiver of fees by investment adviser, administrator and custodian (Note 2) | <u>(177,084)</u> |
| Total Expenses | <u>1,531,321</u> |

| | |
|------------------------------------|----------------|
| NET INVESTMENT INCOME | <u>987,599</u> |
|------------------------------------|----------------|

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

(Notes 1 and 3)

| | |
|--|------------------|
| Net realized gain on: | |
| Securities | 5,579,247 |
| Forward exchange contracts | 514,358 |
| Foreign currencies | 4,825 |
| Net realized gain on investment during the period | <u>6,098,430</u> |
| Net change in unrealized appreciation (depreciation) of: | |
| Securities | 2,636,140 |
| Forward exchange contracts | 2,961 |
| Foreign currencies and net other assets | <u>(10,094)</u> |
| Net unrealized appreciation of investments during the period | <u>2,629,007</u> |

| | |
|---|------------------|
| NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS .. | <u>8,727,437</u> |
|---|------------------|

| | |
|---|---------------------------|
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u><u>\$9,715,036</u></u> |
|---|---------------------------|

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Changes in Net Assets

| | Six Months Ended 9/30/96 (Unaudited) | Year Ended 3/31/96 |
|--|---|--------------------------|
| Net investment income | \$ 987,599 | \$ 1,550,882 |
| Net realized gain on securities, forward exchange contracts and foreign currencies during the period | 6,098,430 | 2,569,270 |
| Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets during the period | <u>2,629,007</u> | <u>34,254,651</u> |
| Net increase in net assets resulting from operations | 9,715,036 | 38,374,803 |
| Distributions: | | |
| Dividends to shareholders from net investment income | — | (1,344,358) |
| Distributions to shareholders from net realized gain on investments | — | (253,652) |
| Net increase in net assets from Fund share transactions (Note 4) | <u>31,937,330</u> | <u>105,965,682</u> |
| Net increase in net assets | 41,652,366 | 142,742,475 |
| NET ASSETS | | |
| Beginning of period | <u>201,598,507</u> | <u>58,856,032</u> |
| End of period (including undistributed net investment income of \$1,358,798 and \$371,199, respectively) | <u>\$243,250,873</u> | <u>\$201,598,507</u> |

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each period.

| | Six Months Ended 9/30/96 (Unaudited) | Year Ended 3/31/96(f) | Year Ended 3/31/95(f) | Period Ended 3/31/94(a) |
|--|---|-----------------------------|-----------------------------|-------------------------------|
| Net asset value, beginning of period | \$ 14.29 | \$ 10.71 | \$ 9.71 | \$ 10.00 |
| Income from investment operations: | | | | |
| Net investment income(c) | 0.06 | 0.15 | 0.13 | 0.01 |
| Net realized and unrealized gain (loss) | | | | |
| on investments | 0.58 | 3.56 | 0.93 | (0.30) |
| Total from investment operations | 0.64 | 3.71 | 1.06 | (0.29) |
| Distributions: | | | | |
| Dividends from net investment income | — | (0.11) | (0.06) | — |
| Distributions from net realized gains . . | — | (0.02) | — | — |
| Total distributions | — | (0.13) | (0.06) | — |
| Net asset value, end of period | \$ 14.93 | \$ 14.29 | \$ 10.71 | \$ 9.71 |
| Total return(d) | 4.48% | 34.70% | 11.02% | (2.90)% |
| Ratios/Supplemental Data: | | | | |
| Net assets, end of period (in 000's) | \$243,251 | \$201,599 | \$58,856 | \$16,133 |
| Ratio of operating expenses | | | | |
| to average net assets(e) | 1.39%(b) | 1.39% | 1.74% | 2.26%(b) |
| Ratio of net investment income | | | | |
| to average net assets | 0.90%(b) | 1.13% | 1.25% | 0.64%(b) |
| Portfolio turnover rate | 0% | 9% | 4% | 0% |
| Average commission rate | | | | |
| (per share of security)(g) | \$ 0.0327 | \$ 0.0341 | N/A | N/A |

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

(b) Annualized.

(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 six months ended September 30, 1996, the years ended March 31, 1996 and 1995 and the 3.75-month period ended March 31, 1994 was \$0.05, \$0.12, \$0.11 and \$(0.01), respectively.

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

(e) Annualized expense ratios before the waiver of fees by the investment adviser and/or administrator and/or custodian for the six months ended September 30, 1996, the years ended March 31, 1996 and 1995 and the 3.75-month period ended March 31, 1994 were 1.55%, 1.61%, 1.94% and 3.51%, respectively.

(f) 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.

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

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

Repurchase Agreements The Fund engages in repurchase agreement transactions. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of

Notes to Financial Statements (Unaudited)

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

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

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



Notes to Financial Statements (Unaudited)

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

The use of forward exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's investment securities, but it does establish a rate of exchange that can be achieved in the future. Although forward exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. The Fund currently enters into such contracts with Mellon Bank Corporation ("Mellon Bank") and Brown Brothers Harriman & Co.

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.

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, Administration Fee and Other Related Party Transactions

The Company on behalf of the Fund has entered into an investment advisory agreement (the "Advisory Agreement") with Tweedy, Browne Company L.P. ("Tweedy, Browne"). Under the Advisory Agreement, the Company pays Tweedy, Browne a fee at the annual rate of 1.25% of the value of its average daily net assets. The fee is payable monthly, provided the Fund will make such interim payments as may be requested by the adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid. From time to time, Tweedy, Browne may voluntarily waive a portion of its fee otherwise payable to it. For the six months ended September 30, 1996, Tweedy, Browne voluntarily waived fees of \$155,340.

The current and retired general partners and their families, as well as employees of Tweedy, Browne, the investment adviser to the Fund, have approximately \$20.8 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. ("FDISG"), a wholly owned subsidiary of First Data

TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

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

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

For the six months ended September 30, 1996, FDISG voluntarily waived administration fees of \$18,303.

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

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

Boston Safe Deposit and Trust Company ("Boston Safe"), an indirect wholly owned subsidiary of Mellon Bank, serves as the Fund's custodian pursuant to a custody agreement (the "Custody Agreement"). From time to time, Boston Safe may voluntarily waive a portion of its fee otherwise payable to it. For the six months ended September 30, 1996, Boston Safe

TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

voluntarily waived fees of \$3,441. Unified Advisers, Inc., serves as the Fund's transfer agent. Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

For the six months ended September 30, 1996, the Fund incurred total brokerage commissions of \$87,294.

3. Purchases and Sales of Securities

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the six months ended September 30, 1996, aggregated \$50,026,381 and \$13,287,463, respectively.

At September 30, 1996, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$43,650,134 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$4,065,851.

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:

| | Six Months Ended 9/30/96 | | Year Ended 3/31/96 | |
|--------------|--------------------------|--------------|--------------------|---------------|
| | Shares | Amount | Shares | Amount |
| Sold | 3,561,559 | \$51,838,584 | 12,329,516 | \$153,231,522 |
| Reinvested | — | — | 112,691 | 1,493,159 |
| Redeemed | (1,375,185) | (19,901,254) | (3,834,573) | (48,758,999) |
| Net Increase | 2,186,374 | \$31,937,330 | 8,607,634 | \$105,965,682 |

5. Organization Costs

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

6. Subsequent Event

Effective October 1, 1996, the Company and Mellon Bank, N.A. amended a Line of Credit Agreement (the "Agreement") with respect to Tweedy, Browne Global Value Fund to include the Fund. The Agreement provides the Fund with a \$50 million line of credit, primarily for temporary or emergency purposes, including the meeting of redemption requests that might otherwise require the untimely disposition of securities. The Fund may borrow up to the lesser of \$50 million or one-third of its net assets. Interest is payable at the bank's Money Market Rate plus 0.75% on an annualized basis. Under the Agreement, the 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.



This report is for the information of the shareholders of Tweedy, Browne Fund Inc. Its use in connection with any offering of the Company's shares is authorized only in a case of a concurrent or prior delivery of the Company's current prospectus. Tweedy, Browne Company L.P. is a member of the NASD and is the Distributor of the Company.



TWEEDY, BROWNE FUND INC.
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