

TWEEDY, BROWNE  
GLOBAL VALUE FUND

**ANNUAL**

MARCH 31, 1994

# TWEEDY, BROWNE GLOBAL VALUE FUND

## *Investment Manager's Report*

To our Shareholders in Tweedy, Browne Global Value Fund:

We are pleased to present our first Annual Report to shareholders of Tweedy, Browne Global Value Fund ("TBGVF") for the fiscal year ended March 31, 1994. As the Fund commenced operations on June 15, 1993, this report covers nine months and two weeks rather than a full year. Investment results for this period show an increase in net asset value of 22.6% with a per share net asset value of \$12.26. At year end, the Fund was approximately 86% invested in 152 different issues in 17 countries. At more than 60% of net assets and 110 issues, Europe continues to represent the majority of our investments. However, we have expanded our portfolio beyond Europe to include Asia and Australia with approximately 16% of net assets and 19 issues, and the U.S. at approximately 12% of net assets with 23 issues. The four general partners of Tweedy, Browne Company L.P., the investment adviser to the Fund, have approximately \$8 million of their own money invested in TBGVF.\*

In the past year there was much talk in the financial press about investing abroad to the point where it became the "in" thing to do. The investment community is constantly searching for new products to sell to the investor, perhaps more for the reason of justifying their existence than in providing sound financial advice. Non-U.S. securities are a legitimate area of investment as long as the investor is aware of the particular risks involved. Unlike Tweedy, Browne Global Value Fund, many, if not most of the funds that invest abroad, do not provide a hedge against currency fluctuations. In essence, the unhedged investor in non-U.S. securities is making two investments: first, he or she is buying a share of stock in a business in a market that may have different economic fundamentals than a similar U.S. company in U.S. markets; and second, the investor is speculating in currency. The first part of the decision is fairly easy to equalize vis-à-vis a U.S. company once the particular accounting rules have been mastered. The second part of the decision, the currency, is in

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\* Investment in shares of TBGVF should not be considered a complete investment program, which for many investors may include cash and fixed income investments.



our estimation, is a roll of the dice. Investment decisions that in large measure are dependent on political considerations are difficult, if not impossible, to make. A government, or a central bank, may choose to defend or devalue a nation's currency based upon internal political considerations, which may well have no rational economic foundation. For this reason, we choose to remain fully hedged at all times. As we like to say, if you think the British pound is cheap, go to London and buy a raincoat.

The process of hedging our exposure to stocks in London or Paris or Zurich does not involve some arcane trading strategies or esoteric financial derivatives. It is actually quite simple and merely involves selling forward an amount of a particular currency equivalent to the market value of our stocks in that country. Therefore, if the pound rises against the dollar; i.e., it takes more dollars to buy a British pound, we lose money on our forward pound position, but the value of our British stocks has increased in dollar terms by an equivalent amount, assuming the local stock price has not changed. The same happens in reverse. Remaining fully hedged against currency fluctuations permits us to analyze companies free of concern about the future prospects for the value of their home currency. It reduces the research process to something akin to a New York-based investor looking at companies based in New Jersey or Delaware. The major effect on our research is to increase the number of potential investment opportunities from 9,000 U.S. companies to 16,000 companies domiciled in developed countries. We say "developed countries" because we are not investing in emerging markets, countries with per capita income below a specified level. We interpret this to mean poor countries with little history of political stability, or a lot of history of political instability. While the party in power can change in European countries, or Japan, or Canada, there is little chance the army will take over the government, impose currency controls, or nationalize corporate assets. The political risk to our universe of global investments, in our opinion, is not significantly different than in the U.S.

We have been fortunate to have started auspiciously with TBGVF. We have also been fortunate in achieving a nearly 86% level of investment, much of which is in small or medium capitalization companies, in the midst of a rising stock market. We believe much of our success in the first year is due to the fact that small and medium capitalization companies were particularly depressed last year, and began to rise as interest rates in



Europe began to decline. However, as of March 31, 1994, the fundamental investment characteristics of our holdings are far cheaper than the broader market indices. Investments fall into two broad categories of undervaluation in relation to intrinsic value: (i) issues based on a low market price in relation to book value; i.e., what the respective companies themselves have paid for their own assets; and (ii) issues based on a low market price in relation to current or estimated earnings.

Among the stocks which are undervalued primarily on the basis of book value, you own shares of Banco di Napoli, a bank based in Naples, Italy, with over 200 branch offices in Italy, Asia and the United States. At April 7, 1994, Banco di Napoli's stock price, 2,103 Italian lira ("ITL"), was 49% of book value, 4,253 ITL per share, and 9.6x earnings, which is an earnings yield of 10.4% if 100% of earnings were to be paid out to us as a dividend. If earnings recover to the level attained in 1990, 395 ITL per share, the current price would be 5.3x earnings, an 18.9% earnings yield. The current dividend yield is 6.7%. Banks have often been valued at prices in excess of book value in acquisition transactions.

At April 7, 1994, approximately 48% of your money was invested in 89 stocks, which were valued in the stock market at much less than book value. The weighted average stock price in relation to book value for these holdings was 72% of book value, a 28% discount. By comparison, according to Euro Equities, the average European stock is priced at 290% of book value. The Standard & Poor's 500 Stock Index (the "S&P 500") is 320% of book value. In our global database, less than 2% of the 5,777 companies throughout the world with a market value in excess of \$100 million are priced at less than 72% of book value.

Among companies that are valued primarily on the basis of current and prospective earnings (cash flow), we acquired shares of Heineken Holdings N.V., a holding company whose primary asset is shares of Heineken N.V., the Netherlands-based company whose beer is sold in over 150 countries. Through Heineken Holdings N.V., we have acquired shares of Heineken N.V. at 9.5x earnings. Heineken N.V. has the following "good business/franchise business" characteristics: a branded product which has provided enough competitive advantage to allow the company to earn more than 30% pretax on the money it has invested in its business; real cash earnings which we could take out of the business and put in our pocket (or reinvest) if we owned the whole company; steady



historical earnings per share growth above 10% over the last five years; and a favorable outlook for growth in earnings and intrinsic value as the company expands in new markets around the world. At our price, 9.5x earnings, the earnings yield on Heineken Holdings N.V., 10.5%, compares favorably to long-term bond yields in the Netherlands, 6.2%. This earnings yield seems likely to increase with the passage of time. Branded consumer product companies with business characteristics similar to Heineken have been valued at more than 20x earnings in corporate acquisitions. Since making our initial investment, Heineken's price has increased to 11.5x earnings, and we have continued to add to our holdings.

At April 7, 1994, about 36% of your money was invested in 50 stocks, which were priced low in relation to earnings. The weighted average price/earnings multiple for these stocks was 10x current year earnings. If all of these companies were to pay out 100% of their earnings to us as a dividend, the earnings yield would be 10%. We get part of this earnings yield paid out to us as a dividend, and the remaining part builds up for us within the companies while we sleep. In addition to being undervalued in relation to earnings, our holdings are inexpensive in relation to most other public companies in Europe and the United States. According to Euro Equities, the average European stock is 21.6x earnings, which is an earnings yield of 4.6%. The S&P 500 is 21x earnings, which is an earnings yield of 4.8%. In our global database, less than 8% of the 5,777 companies throughout the world with a market value in excess of \$100 million are priced at under 10x earnings.

In summary, we are pleased with the fundamentals of our portfolio and confident they will yield positive returns in time. What we cannot predict is when the market will agree with our appraisals of value. Market timing would help if only it were humanly possible. In an industry with hundreds if not thousands of pundits making predictions about stocks, indices, interest rates, etc., someone will always be right at some point in time. However, to win in the investment business you need to be right more than 50% of the time. Personally, we have never placed much faith in investment oracles. Charles Ellis, a financial author and a partner in Greenwich Associates, a leading financial services consulting firm, believes market timing is futile. He determined that in the period between 1982 and 1990, if an investor was out of the market for the ten best days, *we repeat, days*, the investor's annual rate of return would have been reduced



from 18% to 12%. Now, the average investor is not trying to avoid the ten best days, but the ten worst days. Either way, picking the ten best or worst days out of 2,500 is an odds play no one will win. As Charles Schwab's mutual fund newsletter states: "The lesson: once you're in, stay in. Don't try to time the market, because no one knows when the best days will come."

In our view, common stocks continue to be the best long-term investment as compared to bonds or short-term cash investments. Over long periods of time, stocks as measured by the S&P 500 have compounded at approximately 10% per annum. This result is understandable when we examine the components that make up this return. The 10% return is composed of the following: 3% real growth, which approximates the average growth in U.S. Gross Domestic Product; 3% inflation, which is passed along in higher prices; and 4%, which has been the average dividend yield of the S&P 500 over long periods of time.

Since we have dismissed market timing as a viable alternative to beating the market, we will examine the other two principal alternatives available to the investor. One approach is to buy companies growing faster than the average return of the S&P 500 of 10% per year on the assumption that their growth will be reflected in increases in the stock price. While we are not opposed to owning growth stocks, we see several pitfalls. More often than not, the higher growth rate is already reflected in the stock price; i.e., the stock market has already discounted the future growth in earnings thereby increasing investor risk if the company is unable to achieve the investment community's expectations. This has happened on numerous occasions in the past. Few, if any, businesses grow forever. By this we mean companies that can sustain high growth rates over long periods of time. While certain businesses can grow rapidly in their early stages, the task of compounding an ever larger sales and earnings base eventually leads to a slower growth rate. In our estimation, the difficulty of finding very many great businesses, at reasonable prices, which are likely to sustain fairly high earnings growth rates over a long period of time is demonstrated by the holdings of Berkshire Hathaway, the company managed by Warren Buffett, one of this century's most successful investors. Warren Buffett's ability to invest in good businesses which generate cash earnings and earnings growth has produced outstanding results for his shareholders. However, just nine stocks make up the vast majority of the value of Berkshire Hathaway's equity holdings. In our



opinion, this small number of significant holdings reflects the lack of true, long-term growth stock opportunities.

The second approach to outperforming the market is generally described as the “value approach to investing.” Value investing opportunities occur either because of a wholesale undervaluation of stocks versus bonds, which is not the case today, but was very definitely the case in the mid-1970s and the early 1980s, or because of negative perceptions about the future prospects of a particular company, industry or country. These negative perceptions often result in excessive selling pressure on certain stocks, which gives rise to significant discrepancies between market price and a more normal valuation of a company’s assets or earning power. If the discrepancies are wide enough and the market corrects them soon enough, the investor can beat the average 10% return of the S&P 500. Broadly stated, value investing involves buying stocks at a low ratio of price-to-book value on the assumption that in time the assets will be worth at least their stated book value, or a low price/earnings ratio. If a stock is purchased at a price/earnings ratio of 8, the investor would enjoy a return of 12.5% if all the earnings were paid out. This is the earnings yield of a stock. If the earnings yield exceeds the long-term performance of the S&P 500, one should expect to ultimately outperform the stock market. If the company is also able to grow its earnings and/or reinvest the earnings to produce future earnings growth in excess of 10%, there is additional profit potential.

In a market environment such as today, these are the kinds of investment opportunities we seek. The ability to look for opportunities globally merely increases our chances of finding undervalued stocks. Unlike growth stock investing, which may require a high degree of concentration given the small number of truly great businesses, value investing requires broad diversification. We cannot determine, on a stock-by-stock basis, when a company will go from being undervalued to being fairly valued. Historical data will provide averages but the stock-by-stock variations can be dramatic.

Rates of return are not earned in stocks as they are in certificates of deposit in a predictable, steady way. There is much more variability year to year or even decade to decade. While the S&P 500 has compounded on average at 10% per annum, in the 1960s the average was 6.5%, in the 1970s it was 7.5%, and in the 1980s it was 17%+. Moreover, if you have a



portfolio of undervalued stocks like we do, there is no assurance that in the short run an overall decline in the stock market will not reduce your stated net worth. The investor's goal should be to own stocks that over time have the fundamental investment characteristics to produce superior rates of return. We think we have that. And, as it is impossible to predict when the next ten best days will occur in the stock market over the next ten years, we conclude that, as long as we can find enough bargains, we must stay invested realizing that in the short run the stock market can reduce our net worth. As Ben Graham said, "In the short run, the stock market is a voting machine. In the long run, it is a weighing machine."

Sincerely,

Christopher H. Browne  
William H. Browne  
James M. Clark, Jr.  
John D. Spears

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

April 7, 1994



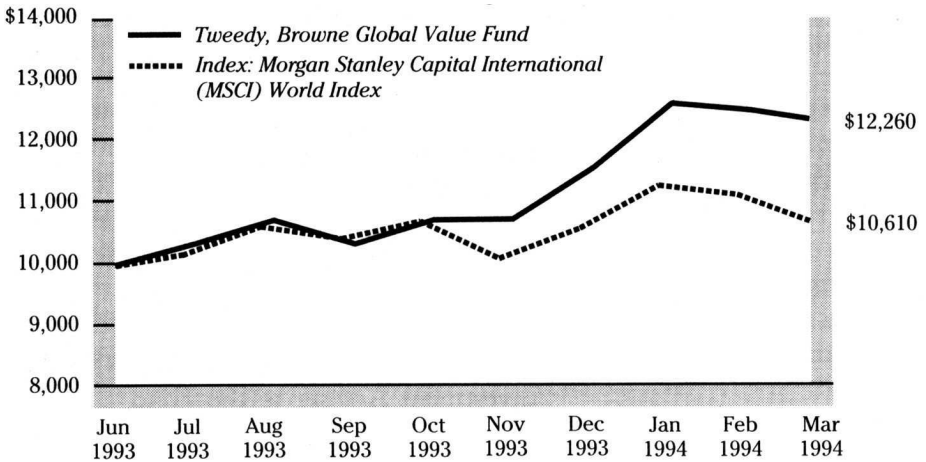


# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio Highlights

March 31, 1994

Hypothetical Illustration of \$10,000 Invested in  
Tweedy, Browne Global Value Fund vs. Morgan Stanley  
Capital International (MSCI) World Index  
6/15/93 through 3/31/94



The Morgan Stanley Capital International (MSCI) World Index represents the monthly change in market capitalizations of Europe, Australia and the Far East (EAFE) plus Canada, the U.S. and South African Gold Mines, including dividends reinvested monthly, net after withholding taxes for foreigners.

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

AGGREGATE TOTAL RETURN		
	<u>Actual</u>	<u>Without Waivers*</u>
Inception (6/15/93) through 3/31/94	22.60%	22.51%

The Fund had an aggregate total return of 22.60% for the period from inception (June 15, 1993) through March 31, 1994. The Fund's benchmark index, the Morgan Stanley Capital International (MSCI) World Index, had an aggregate total return for the same period of 6.10%.

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

\* See Note 2 to Financial Statements.

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio Highlights

March 31, 1994

In accordance with rules and guidelines set out by the Securities and Exchange Commission, we have provided a comparison of the historical investment results of Tweedy, Browne Global Value Fund to the historical investment results of an index, the Morgan Stanley Capital International (MSCI) World Index, which in large measure represents the investments results of stocks that we do not own. Any portfolio which does not own exactly the same stocks in exactly the same proportions as the index to which the particular portfolio is being compared is not likely to have the same results as the index. The investment behavior of a diversified portfolio of undervalued stocks tends to be correlated to the investment behavior of a broad index; i.e., when the index is up, probably more than one-half of the stocks in the entire universe of public companies in all the countries that are included in the same index will be up, albeit, in greater or lesser percentages than the index. Similarly, when the index declines, probably most of the stocks in the entire universe of public companies in all countries that are included in the index will be down in greater or lesser percentages than the index. But it is almost a mathematical truth that “different stocks equals different results.”

Favorable or unfavorable historical investment results in comparison to an index are not necessarily predictive of future comparative investment results. In *Are Short-Term Performance and Value Investing Mutually Exclusive? The Hare and the Tortoise Revisited* (an article in the Spring 1986 issue of Columbia University’s *Hermes* magazine), V. Eugene Shahan analyzed the investment records of seven investment managers with exceptional long-term track records. This sample of investment managers had investment results which exceeded either the Dow Jones Industrial Average (the “DJIA”) or the Standard & Poor’s 500 Stock Index (the “S&P 500”) by between 7.7% and 16.5% per year over periods ranging from 13 years to 28.25 years. None of the seven managers outperformed the S&P 500 each year. Six of the seven investment managers underperformed either the DJIA or the S&P 500 from between 28.3% to 42.1% of the years covered. In examining the seven long-term

*Portfolio Highlights*

March 31, 1994

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994

<u>Shares</u>		<u>Market Value (Note 1)</u>
	<b>COMMON STOCKS—85.5%</b>	
	<b>Australia—0.9%</b>	
7,635,500	Bridge Oil Ord .....	\$ 2,623,280
	<b>Austria—0.8%</b>	
3,800	Sca Laakirchen AG .....	1,437,234
16,233	Waagner Biro AG .....	1,006,429
		<u>2,443,663</u>
	<b>Belgium—1.0%</b>	
453	Fabrique de Fer de Charleroi .....	1,015,444
934	Glaces de Charleroi .....	1,810,873
31	Spadel .....	40,881
605	UCO .....	246,576
		<u>3,113,774</u>
	<b>Denmark—4.2%</b>	
56,070	Difko Holding, Class B .....	1,230,795
51,000	Girobank A/S .....	2,301,202
23,930	Gronlandsbanken .....	930,199
9,728	Nordvestbank .....	565,480
29,268	Ove Arkil, Class B .....	1,806,928
46,356	Spar Nord Holdings .....	1,773,669
124,698	Syd Sonderjylland Holdings† .....	4,010,835
		<u>12,619,108</u>
	<b>Finland—1.5%</b>	
513,000	Kesko Ord .....	4,419,577
2,800	Wemer Soderstrom, Class B .....	189,900
		<u>4,609,477</u>
	<b>France—3.4%</b>	
4,650	Agache (Ste Financiere) .....	733,523
12,475	Centenaire Blanz .....	814,301
903	Fiat France SA .....	23,767
38,010	Fonciere Financiere Et De Participation .....	2,301,009
921	France S.A. .....	394,160
13,170	Gan S.A. .....	1,097,693
10,554	Guillard Musique .....	374,085
1,174	La Concorde .....	245,141
1,758	Monneret Jouets .....	30,847
9,491	Siparex .....	153,215
78,400	Vallourec .....	3,989,472
		<u>10,157,213</u>

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# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994

<u>Shares</u>		<u>Market Value (Note 1)</u>
<b>COMMON STOCKS</b>		
<b>Germany—1.5%</b>		
16,868	Sinn AG .....	\$ 3,872,936
3,069	Tiag Tabbert-ind AF .....	447,076
		<hr/> 4,320,012
<b>Hong Kong—1.1%</b>		
1,756,000	Semi Tech (Global) .....	3,385,750
		<hr/>
<b>Italy—8.7%</b>		
232,400	Avir Finanziaria SPA .....	1,048,280
1,225,000	Banca Toscana .....	2,803,179
265,100	Banco di Sardegna .....	2,556,492
1,490,700	Banco di Napoli .....	1,923,544
2,567,500	Banco di Napoli di Risp .....	2,696,410
13,000	Bassetti SPA .....	68,336
87,000	Cementerie di Augusta .....	184,198
113,000	Cementerie di Barletta Ord .....	407,765
556,000	Cementerie di Sardegna Ord .....	1,902,569
459,000	Cementerie Sicilia .....	1,556,082
575,000	Falck Ord .....	1,884,589
834,000	Fidis Ord .....	2,642,150
257,800	Franco Tosi .....	3,614,140
625,000	Gilardini Industrie .....	1,398,308
127,500	Maffei SPA .....	351,571
42,500	Marangoni SPA .....	143,050
38,000	Serfi SPA .....	136,652
1,010,000	Vianini Industria .....	690,593
		<hr/> 26,007,908
<b>Japan—13.1%</b>		
170,000	Amada Sonoike Company .....	1,369,629
98,000	Chofu Seisakusho .....	2,402,149
96,000	Chobu Steel Plate Company .....	525,000
278,000	Daiichi Cement Company .....	1,669,629
505,000	Dowa Fire & Marine Insurance Company .....	3,195,703
143,000	Fuji Photo Film Ltd. Ord .....	3,197,949
247,000	Inabata & Company .....	2,120,244
577,000	Kirin Brewery Company .....	6,536,328
170,000	Koa Fire & Marine Insurance Company .....	1,145,508
268,000	Matsuo Electric .....	1,190,820
362,000	Nichido Fire & Marine Insurance .....	3,040,234
104,000	Nichimo .....	457,031
497,000	Nissan Fire & Marine Insurance Company .....	3,445,996
414,000	Nisshinbo Industries .....	4,204,688
341,000	Nittetsu Mining .....	2,930,469

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# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994

<u>Shares</u>	<u>Market Value (Note 1)</u>
<b>COMMON STOCKS</b>	
<b>Japan—(Continued)</b>	
90,000	
123,000	\$ 610,840
	Taisei Fire & Marine Insurance . . . . . 749,531
	<hr/> 38,791,748
<b>Netherlands—9.8%</b>	
2,500	Akzo NV Ord. . . . . 289,298
1,050	Beers Zonen . . . . . 83,507
39,850	Berghuizer Papier . . . . . 965,674
31,350	Crown Van Gelder CVA . . . . . 2,560,208
97,000	Econosto . . . . . 1,263,304
22,050	Gelderse Papier . . . . . 860,344
3,500	Giessen Noord . . . . . 859,354
310,700	Hal Trust Units . . . . . 3,565,546
102,684	Heineken Holdings NV . . . . . 10,906,921
26,734	Nedschroef Holdings . . . . . 1,043,104
7,000	N.K.F. Holdings Certificates . . . . . 747,265
30,915	Polynorm NV . . . . . 2,887,710
28,600	Unilever NV CVA . . . . . 3,017,998
	<hr/> 29,050,233
<b>Norway—0.8%</b>	
115,390	D.N.L. Ord, Class B† . . . . . 2,448,999
	<hr/>
<b>Spain—4.4%</b>	
66,035	Banco Herrero SA . . . . . 2,090,177
100,400	Cordoracino Financiera Reunida . . . . . 317,053
42,601	Grupo Anaya . . . . . 1,081,880
119,700	Grupo Fosforera . . . . . 1,141,049
53,122	Hullas C. Cortes . . . . . 1,270,861
17,584	Indo Internacional . . . . . 550,107
160,446	Interclisa . . . . . 1,122,000
40,043	Moulinex Espana SA . . . . . 972,704
18,743	Omsa . . . . . 100,027
54,055	Prim Grupo . . . . . 407,850
19,960	Roberto Zubiri . . . . . 104,318
9,200	Tableros de Fibras SA . . . . . 70,430
105,495	Unipapel . . . . . 3,145,048
26,000	Unipapel NV 93 . . . . . 526,316
	<hr/> 12,899,820
<b>Sweden—2.1%</b>	
618,360	Bure Forvaltning AB† . . . . . 2,848,109
221,440	Hidef Capital . . . . . 793,280
550,520	Partnerinvesteringar . . . . . 1,866,516
172,500	Vencap AB Ord† . . . . . 595,889
	<hr/> 6,103,794

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# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994

<u>Shares</u>		<u>Market Value (Note 1)</u>
<b>COMMON STOCKS</b>		
<b>Switzerland—12.7%</b>		
	Bank of International Settlements America	\$ 245,073
1,044	Bobst AG, Bearer	1,236,072
3,800	Ciba-Geigy AG	2,349,238
2,085	Daetwyler, Bearer	3,584,633
100	Danzas Holding, Namen	99,256
4,430	Georg Fischer AG, Bearer	4,082,949
6,580	Immuno International AG, Bearer	2,799,007
18,577	Loeb Holdings PS	2,897,512
12,289	Nestle SA, Registered	10,333,041
3,300	Rieter Holding PC AG	699,539
1,627	Rig Rentsch, Bearer	2,422,333
100	Saurer N, Registered	43,247
80	Saurer I, Bearer	164,481
2,320	Sig Schweiz Industrie, Namen (Reg)	2,442,538
4,635	Sprecher N, Registered	1,265,136
1,900	Vetropack PC	707,196
4,524	Zschokke, Reg	2,429,585
		<hr/> 37,800,836
<b>United Kingdom—7.9%</b>		
500,000	Albert Fisher Group PLC	457,714
15,000	Baldwin PLC	21,658
1,912,000	British Steel Ord	4,041,339
753,000	Folkes Group NV	448,336
1,950	French Property Trusts	2,656
833,465	Guinness PLC	5,787,460
507,000	Higgs & Hill	1,018,804
350,000	Johnston Group PLC	817,931
590,000	McAlpine (Alfred) PLC	2,371,182
815,000	Owners Abroad	1,443,622
1,308,978	Proudfoot Alexander	1,344,406
496,225	Tesco PLC	1,573,285
770,000	Triton Europe PLC	372,497
346,300	Zeneca	3,737,141
		<hr/> 23,438,031
<b>United States—11.6%</b>		
71,000	American Express Company	1,961,375
22,700	American National Insurance Company	1,078,250
46,000	BanPonce Corporation, New	1,449,000
84,500	Chase Manhattan Corporation	2,735,688
50,000	Comerica Inc.	1,268,750
111,700	Continental Medical Systems†	1,158,887
67,300	Digital Equipment Corporation†	1,985,350
35,000	Federal Home Loan Mortgage Corporation	1,776,250
20,000	First Chicago Corporation	960,000
84,000	Great Atlantic & Pacific Tea Company	2,058,000

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# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994

<u>Shares</u>	<u>Market Value (Note 1)</u>
<b>COMMON STOCKS</b>	
<b>United States—(Continued)</b>	
60,000	Hasbro Inc. . . . . \$ 2,085,000
65,700	Household International Inc. . . . . 1,946,363
20,000	Independent Insurance Group Inc. . . . . 315,000
13,000	Jefferies Group Inc. . . . . 481,000
50,000	K Mart Stores . . . . . 906,250
60,500	Medical Care America, Inc.† . . . . . 1,285,625
32,500	Mercantile Bancorporation, Inc. . . . . 1,555,938
141,000	National Health Labs, Inc. . . . . 1,885,875
50,000	Philip Morris Companies Inc. . . . . 2,537,500
15,000	Polaroid Corporation . . . . . 478,125
44,500	Reebok International Ltd. . . . . 1,524,125
39,200	Salomon Inc. . . . . 1,896,300
7,500	Wells Fargo & Company . . . . . 1,045,312
	34,373,963
	<b>TOTAL COMMON STOCKS</b>
	(Cost \$223,555,909) . . . . . <u>254,187,609</u>
	<b>PREFERRED STOCK—0.3%</b>
	(Cost \$754,067)
1,595	Stuttgarter Hofbrau, Preferred . . . . . <u>784,066</u>
	<b>COMMON STOCK RIGHTS—0.0%</b>
	(Cost \$64,091)
373,994	Proudfoot Alexander, Rights, Expires 4/13/94 . . . . . <u>50,102</u>
	<b>FACE VALUE</b>
	<b>CONVERTIBLE CORPORATE BOND—0.1%</b>
	(Cost \$176,125)
\$24,500,000	Grupo Anaya, Convertible Bond, 7.000% due 3/18/98 . . . . . <u>180,346</u>
	<b>U.S. TREASURY BILLS—0.6%</b>
255,000	3.200%** due 6/9/94 . . . . . 253,310
510,000	3.380%** due 8/11/94 . . . . . 503,243
1,020,000	3.854%** due 9/1/94 . . . . . <u>1,004,163</u>
	<b>TOTAL U.S. TREASURY BILLS</b>
	(Cost \$1,760,946) . . . . . <u>1,760,716</u>

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



# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994

<u>Face Value</u>		<u>Market Value (Note 1)</u>
	<b>COMMERCIAL PAPER—9.4%</b>	
	(Cost \$28,130,000)	
\$28,130,000	General Electric Capital Corporation, 3.550% due 4/4/94 . . . . .	\$ 28,130,000
	<b>REPURCHASE AGREEMENT—4.6%</b>	
	(Cost \$13,816,000)	
13,816,000	Agreement with Union Bank of Switzerland, 3.500%, dated 3/31/94, to be repurchased at \$13,821,373 on 4/4/94, collateralized by \$13,800,000 U.S. Treasury Notes, 6.000% due 11/30/94 . . . . .	13,816,000
	<b>TOTAL INVESTMENTS (Cost \$268,257,138*)</b> . . . . .	100.5% 298,908,839
	<b>OTHER ASSETS AND LIABILITIES (Net)</b> . . . . .	(0.5) (1,474,659)
	<b>NET ASSETS</b> . . . . .	<u>100.0%</u> <u>\$297,434,180</u>

\* Aggregate cost for Federal tax purposes.

\*\* Rate represents annualized yield at date of purchase (unaudited).

† Non-income producing security.

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Portfolio of Investments

March 31, 1994 (Unaudited)

<u>Sector Diversification</u>	<u>Percentage of Net Assets</u>	<u>Market Value (Note 1)</u>
<b>COMMON STOCKS:</b>		
Banking .....	19.5%	\$ 58,131,326
Food and Beverages .....	10.0	29,726,671
Financial Services .....	7.6	22,684,445
Engineering and Construction .....	5.3	15,659,436
Mining and Metal Fabrication .....	4.1	12,232,141
Consumer Non-Durables .....	3.9	11,556,577
Chemicals .....	2.9	8,623,879
Textiles .....	2.7	8,077,623
Retail .....	2.7	8,021,666
Transportation .....	2.3	6,973,154
Paper .....	2.1	6,408,300
Multi-Industries .....	1.9	5,656,347
Health Care .....	1.8	5,234,989
Machinery .....	1.6	4,760,220
Electronics .....	1.6	4,650,886
Iron and Steel .....	1.2	3,425,033
Consumer Durables .....	1.1	3,197,949
Oil and Gas .....	1.0	2,995,777
Technology and Computers .....	1.0	2,857,027
Medical Research and Supplies .....	1.0	2,852,362
Printing and Publishing .....	0.9	2,750,108
Autos .....	0.6	1,845,384
Consumer Services .....	0.5	1,573,284
Leisure .....	0.5	1,496,127
Closed-End Funds .....	0.0	2,656
Other .....	7.7	22,794,242
<b>Total Common Stocks .....</b>	<b>85.5</b>	<b>254,187,609</b>
Preferred Stock .....	0.3	784,066
Common Stock Rights .....	0.0	50,102
Convertible Corporate Bond .....	0.1	180,346
U.S. Treasury Bills .....	0.6	1,760,716
Commercial Paper .....	9.4	28,130,000
Repurchase Agreement .....	4.6	13,816,000
Other Assets and Liabilities (Net) .....	(0.5)	(1,474,659)
<b>Total Investment Portfolio .....</b>	<b>100.0%</b>	<b>\$297,434,180</b>

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Schedule of Forward Exchange Contracts

March 31, 1994

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
<b>FORWARD EXCHANGE CONTRACTS TO BUY</b>		
5,777,707 French Franc .....	4/29/94	\$ 1,011,794
292,032 Great Britain Pound Sterling .....	4/5/94	434,662
1,304,695,000 Italian Lira .....	4/29/94	808,820
41,753,519 Japanese Yen .....	4/1/94	407,749
18,629,547 Japanese Yen .....	4/4/94	181,929
26,167,804 Japanese Yen .....	4/5/94	255,545
372,113 Swedish Krona .....	4/7/94	47,594
579,404 Swiss Franc .....	4/5/94	410,768
4,354,945 Swiss Franc .....	4/29/94	<u>3,085,922</u>
<b>TOTAL FORWARD EXCHANGE CONTRACTS TO BUY</b>		
(Contract Amount \$6,516,139) .....		<u>\$ 6,644,783</u>
<b>FORWARD EXCHANGE CONTRACTS TO SELL</b>		
2,466,115 Australian Dollar .....	11/30/94	\$ (1,719,248)
661,041 Australian Dollar .....	12/30/94	(460,534)
448,846 Australian Dollar .....	1/31/95	(312,450)
962,209 Australian Dollar .....	2/28/95	(669,331)
7,875,000 Austrian Schilling .....	4/5/94	(671,532)
6,210,737 Austrian Schilling .....	6/30/94	(527,615)
6,221,272 Austrian Schilling .....	7/29/94	(528,134)
13,526,209 Austrian Schilling .....	11/30/94	(1,147,026)
1,252,000 Austrian Schilling .....	12/30/94	(106,178)
2,575,185 Austrian Schilling .....	2/28/95	(218,539)
7,366,600 Belgian Franc .....	5/31/94	(213,587)
8,492,291 Belgian Franc .....	6/30/94	(245,827)
8,513,522 Belgian Franc .....	7/29/94	(246,089)
11,662,875 Belgian Franc .....	11/30/94	(335,612)
10,976,975 Belgian Franc .....	12/30/94	(315,635)
21,154,800 Belgian Franc .....	1/31/95	(607,894)
19,413,776 Belgian Franc .....	2/28/95	(557,622)
20,387,450 Belgian Franc .....	3/31/95	(585,306)
4,387,500 Danish Krona .....	5/31/94	(665,838)
6,974,683 Danish Krona .....	6/30/94	(1,056,785)
10,861,182 Danish Krona .....	7/29/94	(1,643,297)
2,752,000 Danish Krona .....	8/31/94	(415,818)
12,934,858 Danish Krona .....	11/30/94	(1,949,224)
11,462,755 Danish Krona .....	12/30/94	(1,726,452)
2,293,830 Danish Krona .....	1/31/95	(345,356)
25,145,729 Danish Krona .....	2/28/95	(3,785,361)
5,906,109 Danish Krona .....	3/31/95	(888,946)
1,057,040 Finnish Marrka .....	5/31/94	(193,353)
1,963,807 Finnish Marrka .....	6/30/94	(358,973)

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Schedule of Forward Exchange Contracts

March 31, 1994

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
<b>FORWARD EXCHANGE CONTRACTS TO SELL</b>		
3,591,166 Finnish Marrka .....	7/29/94	\$ (656,075)
2,044,000 Finnish Marrka .....	8/31/94	(373,251)
4,576,937 Finnish Marrka .....	11/30/94	(835,183)
1,382,400 Finnish Marrka .....	12/30/94	(252,232)
7,380,465 Finnish Marrka .....	1/31/95	(1,346,346)
4,579,237 Finnish Marrka .....	2/28/95	(835,234)
10,399,305 French Franc .....	6/30/94	(1,814,797)
9,261,353 French Franc .....	7/29/94	(1,614,040)
4,924,885 French Franc .....	11/30/94	(855,233)
5,591,858 French Franc .....	12/30/94	(970,720)
26,112,035 French Franc .....	3/31/95	(4,531,077)
231,593 German Mark .....	5/31/94	(138,382)
1,188,355 German Mark .....	6/30/94	(709,185)
1,436,532 German Mark .....	7/29/94	(856,466)
922,996 German Mark .....	11/30/94	(549,294)
1,449,897 German Mark .....	12/30/94	(862,903)
1,310,223 German Mark .....	2/28/95	(780,035)
1,969,549 German Mark .....	3/31/95	(1,172,872)
138,720 Great Britain Pound Sterling .....	4/18/94	(206,321)
2,314,772 Great Britain Pound Sterling .....	5/31/94	(3,436,740)
552,173 Great Britain Pound Sterling .....	6/30/94	(819,066)
545,824 Great Britain Pound Sterling .....	7/29/94	(808,930)
1,707,801 Great Britain Pound Sterling .....	11/30/94	(2,523,516)
2,168,165 Great Britain Pound Sterling .....	12/30/94	(3,201,931)
3,470,263 Great Britain Pound Sterling .....	1/31/95	(5,122,068)
1,747,862 Great Britain Pound Sterling .....	2/28/95	(2,578,767)
1,702,997 Great Britain Pound Sterling .....	3/31/95	(2,511,429)
3,036,362,500 Italian Lira .....	5/31/94	(1,874,727)
3,289,822,903 Italian Lira .....	6/30/94	(2,024,938)
3,456,464,867 Italian Lira .....	7/29/94	(2,120,906)
27,769,229,677 Italian Lira .....	8/31/94	(16,982,280)
4,266,102,000 Italian Lira .....	9/30/94	(2,601,491)
169,818,750 Japanese Yen .....	5/31/94	(1,662,723)
330,504,838 Japanese Yen .....	6/30/94	(3,241,179)
201,835,100 Japanese Yen .....	7/29/94	(1,982,559)
85,158,000 Japanese Yen .....	8/31/94	(838,164)
469,099,600 Japanese Yen .....	11/30/94	(4,646,432)
520,999,600 Japanese Yen .....	12/30/94	(5,172,444)
967,250,700 Japanese Yen .....	1/31/95	(9,625,419)
973,805,000 Japanese Yen .....	2/28/95	(9,711,353)
179,506,550 Japanese Yen .....	3/31/95	(1,794,390)
1,158,176 Netherland Guilder .....	5/31/94	(616,505)

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Schedule of Forward Exchange Contracts

March 31, 1994

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
<b>FORWARD EXCHANGE CONTRACTS TO SELL</b>		
5,901,927 Netherland Guilder .....	6/30/94	\$ (3,138,727)
5,909,589 Netherland Guilder .....	7/29/94	(3,140,318)
5,179,084 Netherland Guilder .....	11/30/94	(2,747,560)
2,385,273 Netherland Guilder .....	12/30/94	(1,265,369)
11,526,595 Netherland Guilder .....	1/31/95	(6,115,592)
8,494,557 Netherland Guilder .....	2/28/95	(4,508,092)
11,005,500 Netherland Guilder .....	3/31/95	(5,842,368)
773,161 Norwegian Krone .....	6/30/94	(106,082)
774,395 Norwegian Krone .....	7/29/94	(106,139)
1,367,640 Norwegian Krone .....	8/31/94	(187,263)
3,108,787 Norwegian Krone .....	11/30/94	(424,915)
4,609,780 Norwegian Krone .....	12/30/94	(629,897)
1,450,270 Norwegian Krone .....	1/31/95	(198,132)
2,338,228 Norwegian Krone .....	2/28/95	(319,433)
3,688,350 Norwegian Krone .....	3/31/95	(503,861)
67,302,750 Spanish Peseta .....	5/31/94	(491,711)
254,181,162 Spanish Peseta .....	6/30/94	(1,851,563)
293,103,306 Spanish Peseta .....	7/29/94	(2,128,908)
824,629,035 Spanish Peseta .....	8/31/94	(5,971,340)
377,957,950 Spanish Peseta .....	9/30/94	(2,729,904)
4,109,890 Swedish Krona .....	5/31/94	(522,848)
6,831,179 Swedish Krona .....	6/30/94	(866,885)
9,456,434 Swedish Krona .....	7/29/94	(1,197,582)
6,217,324 Swedish Krona .....	11/30/94	(781,973)
7,586,931 Swedish Krona .....	12/30/94	(952,881)
3,534,088 Swedish Krona .....	1/31/95	(443,212)
9,051,617 Swedish Krona .....	2/28/95	(1,133,841)
2,592,928 Swedish Krona .....	3/31/95	(324,380)
20,927,329 Swiss Franc .....	4/29/94	(14,829,141)
5,417,165 Swiss Franc .....	5/31/94	(3,838,068)
6,491,012 Swiss Franc .....	6/30/94	(4,598,923)
6,223,219 Swiss Franc .....	7/29/94	(4,410,121)
2,946,350 Swiss Franc .....	11/30/94	(2,093,684)
7,191,918 Swiss Franc .....	12/30/94	(5,115,824)
2,036,876 Swiss Franc .....	1/31/95	(1,450,514)
<b>TOTAL FORWARD EXCHANGE CONTRACTS TO SELL</b>		
(Contract Amount \$204,644,981) .....		<u><u>\$(212,722,216)</u></u>

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Statement of Assets and Liabilities

March 31, 1994

### ASSETS

Investments, at value (Cost \$268,257,138) (Note 1)	
See accompanying schedule .....	\$298,908,839
Cash and foreign currency (Cost \$1,061,952) .....	1,061,471
Receivable for Fund shares sold .....	9,353,631
Receivable for investment securities sold .....	878,069
Dividends and interest receivable .....	513,200
Unamortized organization costs (Note 5) .....	92,926
<b>Total Assets</b> .....	<u>310,808,136</u>

### LIABILITIES

Net unrealized depreciation of forward exchange contracts (Note 1) .....	\$7,948,591
Payable for investment securities purchased .....	4,051,409
Investment advisory fee payable (Note 2) .....	566,354
Payable for Fund shares redeemed .....	520,160
Administration fee payable (Note 2) .....	132,392
Transfer agent fees payable (Note 2) .....	9,124
Accrued Directors' fees and expenses (Note 2) .....	5,201
Accrued expenses and other payables .....	140,725
<b>Total Liabilities</b> .....	<u>13,373,956</u>

**NET ASSETS** .....

\$297,434,180

### NET ASSETS consist of

Accumulated net investment loss (Note 1) .....	\$ (221,223)
Net realized gain on securities .....	4,648,606
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets .....	22,669,868
Par value .....	2,425
Paid-in capital in excess of par value .....	<u>270,334,504</u>
<b>Total Net Assets</b> .....	<u>\$297,434,180</u>

### NET ASSET VALUE, offering price and redemption price

per share ( $\$297,434,180 \div 24,253,112$  shares

of common stock outstanding) .....

\$12.26

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Statement of Operations

For the period ended March 31, 1994\*

### INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$162,519) .....	\$ 1,168,707
Interest .....	<u>783,379</u>
<b>Total Investment Income</b> .....	<u>1,952,086</u>

### EXPENSES

Investment advisory fee (Note 2) .....	\$1,411,338
Administration fee (Note 2) .....	355,116
Registration and filing fees .....	128,748
Transfer agent fees (Note 2) .....	39,585
Legal and audit fees .....	32,000
Amortization of organization costs (Note 5) .....	18,500
Directors' fees and expenses (Note 2) .....	15,000
Other .....	65,419
Waiver of fees by investment adviser (Note 2) .....	<u>(109,577)</u>

**Total Expenses** .....

	<u>1,956,129</u>
--	------------------

**NET INVESTMENT LOSS** .....

	<u>(4,043)</u>
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### REALIZED AND UNREALIZED GAIN ON INVESTMENTS (Notes 1 and 3)

Net realized gain/(loss) on:	
Securities .....	4,648,606
Forward exchange contracts .....	(1,652,123)
Foreign currencies .....	<u>(203,549)</u>
Net realized gain on investments during the period .....	<u>2,792,934</u>
Net change in unrealized appreciation/(depreciation) of:	
Securities .....	30,651,701
Forward exchange contracts .....	(7,948,591)
Foreign currencies and net other assets .....	<u>(33,242)</u>

Net unrealized appreciation of investments during the period .....

	<u>22,669,868</u>
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**NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS** .....

	<u>25,462,802</u>
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**NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS** ...

	<u>\$25,458,759</u>
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\* The Fund commenced operations on June 15, 1993.

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Statement of Changes in Net Assets

	Period Ended <u>3/31/94*</u>
Net investment loss . . . . .	\$ (4,043)
Net realized gain on securities, forward exchange contracts and foreign currencies during the period . . . . .	2,792,934
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets during the period . . . . .	<u>22,669,868</u>
Net increase in net assets resulting from operations . . . . .	25,458,759
Net increase in net assets from Fund share transactions (Note 4) . . . . .	<u>271,875,421</u>
Net increase in net assets . . . . .	297,334,180
<b>NET ASSETS</b>	
Beginning of period . . . . .	<u>100,000</u>
End of period (including accumulated net investment loss of \$221,223) . . . . .	<u><u>\$297,434,180</u></u>

\* The Fund commenced operations on June 15, 1993.

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



# TWEEDY, BROWNE GLOBAL VALUE FUND

## Financial Highlights

For a Fund share outstanding throughout the period.

	Period Ended <u>3/31/94(a) (h)</u>
Net asset value, beginning of period .....	\$ 10.00
Income from investment operations:	
Net investment loss(c) .....	(0.00) (f)
Net realized and unrealized gain on investments .....	<u>2.26</u>
Total from investment operations .....	<u>2.26</u>
Net asset value, end of period .....	<u>\$ 12.26</u>
Total return(d) .....	<u>22.60%</u>
Ratios/Supplemental Data:	
Net assets, end of period (in 000's) .....	\$297,434
Ratio of operating expenses to average net assets(e) .....	1.73%(b)
Ratio of net investment loss to average net assets .....	(0.00)%(b) (g)
Portfolio turnover rate .....	14%

(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 period ended March 31, 1994.

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

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

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

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

(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.

# TWEEDY, BROWNE GLOBAL VALUE FUND

## *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 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 current 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 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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## *Notes to Financial Statements*

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

# TWEEDY, BROWNE GLOBAL VALUE FUND

## *Notes to Financial Statements*

contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

**Securities Transactions and Investment Income** Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

**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.

For the period ended March 31, 1994, permanent reclassification adjustments for forward exchange contracts and currency transactions were made between accumulated net investment loss and accumulated net realized gains. In addition permanent differences incurred resulting from a tax basis net operating loss were reclassified to paid-in-capital.

**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.

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Notes to Financial Statements

### 2. Investment Advisory Fee, Administration Fee and Other 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 period from commencement of operations on June 15, 1993 through March 31, 1994, Tweedy, Browne voluntarily waived fees of \$109,577.

The four general partners of Tweedy, Browne Company L.P., the investment advisor to the Fund, have approximately \$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 The Boston Company Advisors, Inc. ("Boston Advisors"), an indirect wholly owned subsidiary of Mellon Bank Corporation ("Mellon"). Under the Administration Agreement, the Company pays Boston Advisors 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 portfolio per

# TWEEDY, BROWNE GLOBAL VALUE FUND

## *Notes to Financial Statements*

annum, not to be aggregated with fees for Fund Accounting Services and the Company will pay for Fund Accounting Services a minimum fee of \$20,000 per portfolio per annum, not to be aggregated with fees for Fund Administration Services.

No officer, director or employee of Tweedy, Browne, Boston Advisors 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, Boston Advisors 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, 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 as the distributor to the Fund.

Notwithstanding the foregoing, Boston Advisors and Boston Safe have each agreed to limit fees charged pursuant to the Administration Agreement and Custody Agreement to 0.42% of the value of the Fund’s average daily net assets during the Fund’s first 12 months of operation.

### **3. Purchases and Sales of Securities**

Cost of purchases and proceeds from sales, excluding short-term investments, for the period from commencement of operations on June 15, 1993 through March 31, 1994 aggregated \$235,878,009 and \$15,976,423, respectively.

At March 31, 1994, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$34,734,565 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$4,082,864.

# TWEEDY, BROWNE GLOBAL VALUE FUND

## Notes to Financial Statements

### 4. Capital Stock

The Company is authorized to issue one billion shares of \$.0001 par value capital stock. 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:

	Period Ended 3/31/94*	
	Shares	Amount
Sold	26,617,894	\$300,748,974
Redeemed	(2,374,782)	(28,873,553)
Net Increase	24,243,112	\$271,875,421

\* The Fund commenced operations on June 15, 1993.

### 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. Subsequent Events

On May 6, 1994, Boston Advisors sold the assets comprising their third party mutual fund administration business to The Shareholder Services Group, Inc. ("TSSG"), a wholly-owned subsidiary of First Data Corporation. Effective as of close of business on that day, TSSG became the Fund's administrator pursuant to an assignment to TSSG by Boston Advisors of the Fund's administration agreement.

On April 29, 1994, the Fund and Mellon Bank, N.A. entered into a Line of Credit Agreement (the "Agreement") which provides the Fund with a \$30 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 \$30 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 aggregate amount of indebtedness pursuant to the Agreement of no less than three to one.



# TWEEDY, BROWNE GLOBAL VALUE FUND

## *Report of Ernst & Young, Independent Auditors*

To the Shareholders and Board of Directors  
Tweedy, Browne Global Value Fund

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments of the Tweedy, Browne Global Value Fund as of March 31, 1994, and the related statements of operations and changes in net assets and the financial highlights for the period from June 15, 1993 (date of commencement) to March 31, 1994. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 1994, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Tweedy, Browne Global Value Fund at March 31, 1994, the results of its operations, the changes in its net assets and financial highlights for the period from June 15, 1993 (date of commencement) to March 31, 1994, in conformity with generally accepted accounting principles.

*Ernst & Young*

Boston, Massachusetts  
May 13, 1994

TWEEDY, BROWNE FUND INC.

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