



TWEEDY, BROWNE
GLOBAL VALUE FUND

SEMI-ANNUAL

SEPTEMBER 30, 1997



TWEEDY, BROWNE
AMERICAN VALUE FUND

TWEEDY, BROWNE FUND INC.

Investment Manager's Report

To Our Shareholders:

We are pleased to present the semi-annual report for Tweedy, Browne Global Value Fund and Tweedy, Browne American Value Fund. The performance of your Funds for the six months and twelve months ended September 30, 1997 is presented in the table below.



Will Browne, John Spears and Chris Browne

	Tweedy, Browne American Value	S&P 500	Tweedy, Browne Global Value	EAFE (U.S. Dollar)	EAFE (Hedged)
6 months	28.67%	26.26%	15.91%	12.18%	15.58%
12 months	45.01	40.44	31.00	12.18	24.45
Annualized since Inception	22.98	23.54	17.36	9.57	12.37

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

It has clearly been a good time to be invested, and any time we can see our net worth increase in a year by 45% or 31%, we are happy. We cannot and will not claim that we could foresee this year's rise in the stock market, but we are happy we were there to enjoy it. If forced to make a

prediction a year ago about what we thought the stock market might do for the next twelve months, we can assure you that we would not have guessed that the Standard & Poor's 500 Stock Index ("S&P 500") would have risen 40%. Fortunately for us and you, we do not engage in such speculation. So long as we can find the kind of investment opportunities we like, and we like what we own, we plan to stay fully invested. This is a lesson we learned in the late 1980s. Ten years ago we were concerned that the stock market was too high and we became cautious about putting money to work. Although we have always professed to be strictly bottom-up stock pickers who paid no attention to macro-economic issues, we were in fact, as one client described us, "closet market timers." Without realizing it, our own fears that after so many good years the stock market was bound to correct, led us to build up significant cash positions in our managed portfolios. When we found a cheap stock, such as American Broadcasting Company which was selling at 60% of its intrinsic business value, we bought a 1% position rather than a full 3% position which was our customary practice. We thought we would be able to buy more at an even cheaper price after the stock market corrected.

We cannot even lay claim to predicting the "Crash of '87" because our timidity began long before and persisted long after that event. We actually took some perverse pleasure in the crash after we realized the world was not going to unravel because we were able to finally put some money to work in stocks that had suddenly become 20% or 30% cheaper for reasons about which we can only speculate. Fortunately, our research into the behavior of stock markets led us to conclude that we could not and never would be able to predict whether the stock market would go up or down in some short-term foreseeable time period. We also had a few smart clients who told us they hired us to buy stocks, not hold cash. They would determine how much cash they thought they needed. They liked the stocks we bought and wanted to own more of them. We further concluded that, between 1926 and 1996, on average the stock market rises perhaps 70% of the time on an annual basis. These are pretty good odds, but the major portion of the stock market's advance comes in perhaps 5% of the time measured by days. Trying to figure out which 5% of the days would produce most of our return was a futile exercise. Moreover, trading in and out of the market with the expectation of selling at a high and buying back at a lower price only seemed to benefit brokers and the Internal Revenue Service ("IRS"). While we like the brokers we use, we cannot make the same statement about the IRS.



Taking intellectual comfort from the empirical evidence, we decided to be more fully invested with that portion of our assets we would not need in the near future for the rent or college bills or a new car. We began this process in the early 1990s, which took perhaps more courage (or stupidity), given the horrible relative and absolute investment results experienced by “value managers” in 1989 and 1990. In 1989, the U.S. economy was thought to be on the brink of recession and investors flooded into “quality” growth stocks like Coca-Cola and Merck while mundane stocks owned by the value set just languished. Our own client composite rose only 13.2% in 1989, as compared to a gain of 31.7% in the S&P 500. Then, to add insult to injury, in 1990 the cheap financial stocks, such as banks and insurance companies that the value managers owned in great abundance, had a disastrous year while the large cap growth stocks did not do so badly. Our client composite sank 12.3% while the S&P 500 fell only 3.1%. However, being gluttons for punishment and investors of limited scope, we moved back into stocks and are glad to report we have never been happier. We consider that decision one of but a few “defining moments” in our collective investment careers.

As we have said in the past, (our ears are ringing with, “Here they go again”) we know we cannot predict where the stock market is going in the short run. On average over long periods of time, stock markets have risen as economies grow, and stocks have beaten bonds and cash. Stocks possessing investment characteristics described in our booklet, *What Has Worked in Investing*, such as low price/earnings ratio or low price-to-book value ratios, have beaten most stocks and the stock market indices. We sometimes think the greatest benefit we have provided our clients over time is the advice to stay invested in periods of uncertainty. We recently received a letter from a client who wrote to tell us that his wife of 47 years had passed away, which saddened us. This client, a retired college professor, then went on to tell us that in the late 1960s he gave a modest sum of money to Tweedy, Browne to manage because he knew one of our now retired partners, Ed Anderson. (The term “modest” is the clients, not ours. We happen to believe any sum of money one invests is important.) Through the years, this investment put two children through college and graduate school, and enabled our client and his wife to go around the world on the QE II and spend a few months each winter for several years of their retirement in the Virgin Islands. That “modest” investment made a significant difference in their lives. To say his words make us feel good is an understatement. When we look back on the past 30 years, we can remember more than a few times when stock market



pundits would have advised our client to get out of the stock market because the bears were on a rampage. Whether due to dumb luck, misplaced trust or long-term thinking, our client “stayed in” through the bear market of the early 1970s, the gloomy days of recession and record-high interest rates of the early 1980s, the Crash of 1987 and our own disappointing performance in 1989 and 1990. Stories such as this are helpful reminders of the long-term benefit of investing in stocks especially when a chorus of bears is singing.

As we write this letter, today is the tenth anniversary of the Crash of '87. So what? Well, it is a news event and an opportunity to write stories comparing today's stock market with the stock market of ten years ago. It is an opportunity for reporters and pundits alike to conjure up fears of eminent financial disaster. Articles which give rise to feelings of fear or greed seem to sell magazines and newspapers as well as articles about the lifestyles of rock stars and movie stars. Both topics in our opinion are equally relevant, or irrelevant as the case may be, to your financial health. But articles that advise people to invest their money in stocks for thirty years and ignore any shorter-term fluctuations do not sell newspapers. Instead we are fed a daily diet of economic signals which could predict a continuation of the bull market or the onset of the next crash. And the signals are different each day. If it were so easy to read the tea leaves of the economy, someone would do it and we would all know whether to cash in our chips today and wait until the market bottoms out before going back in. At times it seems as if the whole future of the world economy hinges on what Alan Greenspan thinks... *“Greenspan has Argument with Wife, Stocks Plummet.”* While we do not know Alan Greenspan, one of us does know his wife, Andrea Mitchell, and we do not mean to imply that they argue. We think Alan Greenspan has been a terrific head of the Federal Reserve and that Andrea Mitchell is a lovely lady and great White House correspondent, but we do not think daily ruminations about his views of the economy are particularly relevant to our investments in the long run.

Some day in the future the Federal Reserve will raise interest rates and the stock market will likely react negatively. They could also lower rates before raising them and stocks could rise even higher than they are today. Some day the stock market will go down; actually it goes down on a lot of days and we accept the fact that there could be a real bear market for reasons we cannot not now foresee. However, if the stock market went down 25% from where it is today, we would only be giving up a portion of the gains



we made in the past twelve months, and we presume it would resume its longer term trend of going up. Listening to the merchants of doom who seem to appear almost daily on financial talk shows, one could conclude that the stock market is a zero sum game, that stocks fall as much as they rise, and that over time the trend line for stocks is flat. This is a disservice to the public, although no more of one than that of promoters who would have us believe that stocks will always provide returns of 20% or 30% each year. Over long periods, as measured by the S&P 500, which is as good a proxy for the market as exists, stocks have compounded at about 10% per year. There is no magic to this number; it is quite easy to understand. Over long periods of time, corporate profits have grown 6% per year which is the sum of 3% growth due to inflation and 3% growth attributable to growth in the Gross Domestic Product. Monetary authorities, the guys who can wreak havoc on stock prices by raising interest rates, have historically been happy with inflation at 3% and real growth at 3%. Economies do not seem to get out of hand at those levels of growth. The balance of the stock market's return has come from dividends which over long periods of time have been at a yield of 4%. If you are willing to wait and are happy with compounding at 10%, you can probably get it from an index fund *before taxes*.

Ten percent may not sound like a very big number, but consider this real life story. We know an individual who was lucky enough to have inherited about \$15 million in the early 1960s. This was a princely sum, no doubt, although not so great today considering the size of NBA contracts or Jim Carrey's fee for a single movie. This inheritance was in trust and in one stock. Perhaps because of a low cost basis and capital gains rates that have been historically higher than today's 20% rate, the trustees never sold any shares. Luckily, this one stock was one of the great, well-managed growth companies of our day. (We have chosen not to mention the name of the company as it would then be rather easy to determine who this individual is and we would be betraying a confidence.) Our lucky fellow lived on his dividends, which we estimate have averaged 2% per year. The stock has risen and fallen, but today is worth more than \$500 million. The rate of compounding of \$15 million to \$500 million over 34 years is 10.86%. Adding back the dividend yield of 2%, Mr. Lucky had a total return *before taxes* of about 12.86%. Not having realized any gains has so far saved this person about \$100 to \$200 million depending on whether the shares were sold today or at some time in the past. It does not take high-risk hedge fund



returns to get to be rich; you just have to live long enough. In terms of a 3% rate of inflation over this period, the original \$15 million would have to be nearly \$41 million to be worth the same amount. Instead, our friend is 12 times richer. Were he to pass away tomorrow (which we sincerely hope he will not), he would leave enough money even after paying inheritance taxes of 55% to give five children the same inheritance he received, but in 1997 dollars. Each child would receive approximately \$45 million after all inheritance taxes had been paid. Had his trustees sold his shares and invested his inheritance in bonds for safe, secure income, he would still only have \$15 million and would have enjoyed the privilege of paying taxes on that income at rates ranging from a high of 90% in the early 1960s to a now forgotten low of 28% in the Reagan years. Moreover, \$15 million today is only worth 37% of what it was worth in 1963.

Inflation is a somewhat hidden but highly insidious form of taxation. While few, if any of us, would shed tears for someone who inherits \$15 million today, pretend instead that the sum is \$1 million and this is the amount of money that has been set aside in your 401K for retirement. If the entire amount is invested in bonds and the income is spent, your net worth is *declining* 3% every year, assuming the historic rate of inflation. If you live for 30 years after retirement, which is now quite possible, you will find yourself with the equivalent of \$370,000 which may be less than you consider comfortable. Fortunately, stocks have a built-in antidote to inflation. On average, corporate America raises prices to keep up with inflation and adds a premium to this through gains in productivity and overall economic growth. Between 1925 and 1996, the pre-tax return on the S&P 500 has not been less than inflation in any 20-year period. The pre-tax returns from U.S. government bonds and treasury bills beat inflation in 31% and 54% of the 20-year periods, respectively. This is why we personally do not like bonds or treasury bills and why we are quite comfortable owning stocks for the long term. If over the long term we can improve our returns above the passive returns of an index fund, so much the better. In our example above, the difference our friend earned at 12.86% versus the 10% return for the index added \$116 million to his net worth.

It appears obvious to us that one would want to own stocks if one wants their net worth to stay up with or even grow faster than inflation. If only there were no down turns in the stock market, one could invest their money knowing it would always grow. Unfortunately, stock markets do go down from time to time, and even though in the long run you are likely to



profit if you stay invested in stocks, the short run possibility of loss is greater than some can tolerate. Behavioral psychologists have found that the disutility of loss is twice as great as the utility of gain. Somehow we cannot help but be human. Overcoming these human instincts is important for your financial well being. For instance, let us say that you decided to finally take the plunge and invest your nest egg the day before the crash of 1987. Unless you left that night for some remote island where there was no communication with the outside world, you might well be scared into selling everything and putting your money back in the bank just like Aunt Harriet told you to do in the first place. However, if for some reason you decided to stay in, you would have been amply rewarded ten years later. The October 17, 1997, issue of **The Wall Street Journal** carried a table entitled *The '87 Crash Anniversary*, which presented certain statistics comparing today to the market close the day before the crash. On that Friday, October 16, 1987, the Dow Jones Industrial Average ("DJIA") closed at 2246.74. The following Monday, it sank 508 points for a one day loss of 22.46%. On Thursday, October 16, 1997, the DJIA was at 7938.88, 3.5 times higher for an annually compounded rate of return of 13.45% before dividends, which we estimate contributed another 3%-plus to the annually compounded rate of return. Entering the market the day before one of its most significant declines still produced rates of return ten years later that exceeded the long-term rate of return of the S&P 500 by more than 60%.

Statistics can be revealing and they can be misleading. In the aforementioned chart in **The Wall Street Journal**, there is an implication that the stock market is once again at a level from which a crash could occur. We agree that the popular stock market averages are fundamentally higher than their historic norms, but do not conclude that it will take a crash to bring them back to earth. While the DJIA has increased 250% before dividends over the ten-year period, the underlying earnings of the companies in the average have also increased 204% for a compounded growth rate of nearly 11.8%. This has been an extraordinary ten years for corporate America. In 1987 the price/earnings ratio of the DJIA was 17.8 times its trailing twelve-month earnings. Today it is 20.67 times trailing earnings. The price/earnings ratio has increased 16%. However, in 1987 the 30-year treasury bond yield was 10.22% and had been rising all summer. Today it is 6.41%. If the treasury bond yield were a price/earnings ratio, it would have increased by 60% as compared to the 16% increase in the price/earnings ratio of the DJIA. If the DJIA were to decline so that its price/earnings ratio was at its



historic ratio of 14.5 times earnings, the averages would go down approximately 30%. This would be painful but not terminal. Alternatively, the DJIA could stay where it is and if earnings grew at the pace they have over the past ten years, the price/earnings ratio would be back to 14.5 in four years.

Another statistic market forecasters like to watch is the dividend yield on the averages. In 1987 the dividend yield of the DJIA was a healthy 3.07%. Today it is only 1.68%. Historically, we are told, a dividend yield of less than 2% is an indication of a topy market. However, in 1987, the companies in the DJIA were paying out 54.6% of their earnings in dividends, which is only slightly less than the 58% of earnings they would be paying if the averages yielded their historic 4% and sold at 14.5 times earnings. Today, the payout ratio of the DJIA is only 34.7%. Corporate America is choosing to retain a greater portion of its earnings rather than pay them out to shareholders in the form of dividends. This has been a smart decision because the return on capital for the companies in the averages may well be at an all-time high. Simply stated, corporations are making more money keeping their earnings in the business than we as shareholders could be making if they turned the earnings over to us. If the dividend payout ratio today was 58%, the yield on the DJIA would be a more comfortable 2.8%. Although shareholders like to see dividends because they view it as money they are allowed to spend rather than as invading capital, which would be the case if one sold some stock to get cash, it is not tax efficient. Dividends are taxed at the highest rates in the tax tables. Capital gains are taxed at the lowest rates. As shareholders, we would be better off with no dividends and be forced to sell some shares when we needed money to buy a new car or house. In this way, shareholders could decide when they wanted to pay their taxes on their pro-rata share of the corporations' earnings rather than being forced to turn over a significant portion of their earnings to the IRS. And so long as the corporation is able to earn high returns on its reinvested capital, we are better off leaving it in the company. If the company does not have a use for the earnings that will produce satisfactory returns, they could always use the money to buy back their shares. Share buy-backs increase the earnings of each remaining share of stock that is outstanding because overall corporate earnings are divided among a smaller number of shares. By buying back shares, the corporation is also giving the shareholders the choice of taking out part of their earnings and choosing to pay their share of taxes at the lower capital gains rate, or not as the case may be. Warren Buffett learned this bit of math a long time ago, and the fact that



his company, Berkshire Hathaway, pays no dividend has not hurt its share price or the wealth of its shareholders. We doubt that corporate America is going to decide not to pay dividends any time soon, despite the fact it would be in our best interests. Dividends are simply ingrained in our shareholder culture.

Another sign that stock market pundits point to as an indication of imminent financial collapse is the growth of assets invested in mutual funds. Again referring to **The Wall Street Journal** chart, the compounded rate of growth of money invested in stock mutual funds over the past ten years has been 17.3%, which is about 2% compounded greater than the rate of return of the DJIA after including the reinvestment of dividends. This means there has been a shift in the proportion of corporate America owned by individuals through mutual funds. But is this bad? We do not think so. Ten years ago it was more common for someone retiring to receive a pension rather than a lump sum distribution of the money that would otherwise provide for that pension. If you lived to be 100, you made out OK. If, on the other hand, you died a year later the corporation made out because they were relieved of the obligation to pay you your pension. With a lump sum distribution you have something to leave to your heirs if you are unfortunate enough to suffer an early demise. Moreover, pensions were generally a fixed amount so that the above-mentioned insidious inflation tax was eroding your income. If you live long enough, your pension might not be sufficient to maintain your lifestyle in your later years. With a lump sum, you at least have the chance of seeing your retirement nest egg keep pace with inflation. Investors are acting rationally by investing their retirement assets in stocks, which over time have historically beaten bonds and cash. However, listening to the market pundits, you could come away with the impression that individual investors are gambling in some high stakes casino that has no reasonable chance of turning a profit. So far, score one for the investors.

The pundits further caution that when the inevitable bear market or crash occurs, these same investors will make a stampede for the door, further exaggerating a stock market drop. It seems to us a bit arrogant on their part to assume that all those people who have invested in mutual funds are so dumb that they will sell everything at the first sign of trouble. In the crash of '87, the opposite was true. Mutual funds did not report any such mad rush on the part of shareholders to redeem while it was the supposedly rational professionals who were doing all the selling. Some day the stock market will go down. It will probably take some future government's mis-



guided economic policy to do it or some unpredictable world political problem. This does not mean it will not then recover, as it has every time in the past, and continue to compound at its more historic rate. It is a bit like going to the dentist: no one looks forward to it, everyone tries to put it off as long as possible, but after it's over, it was never as bad as the anticipation.

The average mutual fund investor is probably someone over the age of forty who has experienced some ups and downs in the market. Unfortunately, the same apparently cannot be said for the typical mutual fund manager. As more and more funds have been created to cater to every segment of the market, more and more fund managers are needed. The number of U.S. stock mutual funds has grown from 2,129 in 1987 to 6,685 today. In an article from the June 13, 1997, issue of **The Wall Street Journal**, it was reported that the average fund manager is 28 years old. This means that they were not even around the market in the crash of '87. The concern should not be how the shareholders will react but how the fund managers will react. In the old days, mutual fund managers achieved star status after years of beating the averages. Today, they are packaged by marketing people and given aggressive personalities, as if mountain climbing or race car driving provided the stamina needed to navigate through today's treacherous markets. Like NBA teams, mutual fund companies bid for the best players. This can create an environment where the managers start acting like heavy metal band members. **The Wall Street Journal** reported on September 11, 1997, what happened at a mutual fund managers gathering, entitled *What Next for Closed-End Bond Funds*, last December in Vail, Colorado. The hotel manager was told to put out eight tons of M&M's but remove all the yellow ones. It seems yellow is a color associated with bears. A few yellow M&M's slipped through the filtering process, and some of the younger fund managers flew into a rage and trashed the hotel to the tune of \$220,000. It would be difficult if not impossible to imagine John Templeton, John Neff or Peter Lynch engaging in similar behavior.

Mere youth is not a reason not to invest with someone, nor is it reason to invest. Maturity is not a character trait found only in people of a certain age. After all, when Chris Browne, Will Browne and John Spears took over the principle task of managing money at Tweedy, Browne, their ages were, 30, 32, and 28, respectively. We did have what we believe is the advantage of having worked for then partners Tom Knapp and Ed Anderson for whom we still manage money, and for Howard Browne who passed away in 1994. Now that we are in our very early 50s, we like to think we have been around



long enough to have weathered some pretty ugly stock markets, but still have many productive years ahead. If we use Walter Schloss as a role model, our best years are still to come. Today, Walter is 81 and still beating most of the competition in the money management business.

We began writing this letter on Monday, October 20, 1997. The previous Thursday and Friday, the DJIA declined 210.95 points, or 2.6%. The following Monday it rose 74.41 points, and on Tuesday it rose 139 points, for a two-day gain of 2.7%. Whatever spooked the market the previous week was forgotten two days later. On Thursday, October 23, the DJIA went down 187 points. We bought stocks. We are at a loss to explain why it goes down so much one day and up so much the next. However, we do not believe it is worth our time and energy to speculate on the stock market's gyrations. We would rather just buy stocks when others want to get rid of them. As far as we can tell, nothing so momentous has occurred to account for such dramatic swings in investor sentiment.

All of this self-indulgent discussion is not without its purpose, which is to tell our fellow shareholders not to worry about all the talk one hears of the impending crash. If you look at stock prices rationally, the only time that stock prices really matter is when you want to sell. Stock price fluctuations are an advantage to the investor because they provide an opportunity to buy partial interests in businesses, or shares, at low prices and sell at high prices in relation to value. In between, you own interests in real businesses — think of owning a local store — which generate profits every day that are largely reinvested in the business for your benefit, and partially paid out as dividends and share buy-backs. If you anticipate having a need for cash from your portfolio 20 years from now, what matters is your portfolio's value then, when you will sell. All the fluctuation in between buying and selling may be entertaining, but it isn't what counts. Remember why you invested, remember that market timing is infrequently successful and probably the result of luck not skill, and that you can get rich if you maintain a long-term perspective.



Your Funds Today

After gains over the past twelve months of 45% in the Tweedy, Browne American Value Fund and 31% in Tweedy, Browne Global Value Fund, we cannot say our portfolios are as cheap as they were a year ago. Portfolio characteristics in terms of price/earnings ratios and price-to-book value ratios are statistics we like to look at. As of September 30, 1997, 41% of the assets of Tweedy, Browne Global Value Fund were invested in stocks based on a low price/earnings ratio. The weighted average price/earnings ratio of these stocks was 11.5 times which is the cheapest 13% of stocks in the Worldscope database. An additional 29% of the portfolio was invested in stocks selected on the basis of a low price-to-book value ratio. These stocks had a weighted average price-to-book value ratio of 85.8% which is the cheapest 8% of the stocks in the Worldscope database. In Tweedy, Browne American Value Fund, approximately 50% of the portfolio was invested in stocks with an average price/earnings ratio of 12.8 times, which is the cheapest 8% of stocks in the Bloomberg database. A further 22.4% of the portfolio was invested in stocks with a weighted average price-to-book value ratio of 98.5% which represents the cheapest 2% of all stocks in the Bloomberg database.

We are often asked where are we finding value these days. The answer we have is all over the place, though not in as great abundance as we did a year or two ago. For example, we recently purchased shares of John H. Harland, the check printing company at around \$20 per share. The stock is down from a twelve-month high of \$33. The CEO has been buying shares this year to the tune of \$1 million and the company is going through a major restructuring and consolidation of factories with the expectation that it could earn \$3 per share down the road. We have also been buying shares in Pharmacia & Upjohn Inc. Of all the major pharmaceutical companies, this one sells at the lowest price to sales ratio and again has been the object of significant insider buying. We are also beginning to look more closely at companies in Southeast Asia, as we are sure the significant declines in those markets have resulted in some babies being thrown out with the bath water. For your information, prior to this debacle, the Tweedy, Browne Global Value Fund had only 2.6% of its assets invested in Hong Kong, Singapore and Thailand with the currency almost fully hedged. As our portfolio turnover has been extremely low, we do not need



a great number of ideas to stay invested. And as we stated before, we have an aversion to creating taxable gains.

We recently ran across an article by Gary Gentile in the May 1997 issue of **Financial Planning Magazine** entitled *Performance Anxiety*. This article examined the turnover rates of growth stocks versus value stocks and found that growth stocks have a significantly higher turnover rate than value stocks on both The New York Stock Exchange and the NASDAQ stock market. The article further presented evidence that low turnover stocks and value stocks had returns 3.86% compounded higher than growth stocks over a 30-year period beginning January 1, 1967 and ending December 31, 1996. While we believe we are members in good standing of the value club and spend little time observing our brethren in the growth camp, we found this news quite amazing. We always thought the purpose of buying growth stocks was to invest in companies that would grow faster and longer than the overall market and therefore let investors hang on for the long ride. One of the perceived drawbacks of value investing was that you bought stocks that were temporarily depressed and realized gains when they hopefully reverted back to some more reasonable level. The opposite seems to be the case. Value investors can buy stocks that others may call growth stocks, we just do not buy “growth stocks” that are more dream than reality like internet surfers and coffee shop chains at sky high price/earnings ratios. We in fact own a number of stocks we think have good growth prospects but are selling at reasonable prices. Warren Buffett is the dean of value investors, but Berkshire Hathaway’s portfolio is comprised almost exclusively of stocks that could be called growth stocks. Other of our value peers whom we hold in high esteem own mostly better businesses in their portfolios such as Ruane, Cunniff’s Sequoia Fund, Southeastern Management’s Long Leaf Partners and Pacific Financial Research’s Clipper Fund. A better business bought at a reasonable price is perhaps the best investment of all. You can invest in a cheap stock that may stay cheap while rising because the share price never catches up to the intrinsic value. It is too bad there are not more of them. Some stocks that we have held for years include Capital Cities/ABC until its sale to Disney, Popular Inc., the largest bank in Puerto Rico, Nestle, TransAtlantic Holdings, and Freddie Mac to name a few. When we can find them we buy them. Value investors do not only own tired old rust belt America industrial companies as the growth managers would have you believe. Warren Buffett has said, “Value and growth are joined at the hip.” It’s only a function of price.



What we do not own are stocks selling at some nearly infinite multiple of a business plan that can crash if earnings for the quarter come in one cent below estimates. That may account in part for why we do not get upset on a day when the stock market goes down 50, 100 or 150 points. Just like flying, some times it is smooth and some times you hit turbulence. But if the pilot keeps his cool, you ultimately arrive at your destination.

We are pleased to report that the shareholders of Tweedy, Browne Fund Inc. approved new investment advisory contracts with Tweedy, Browne Company LLC on September 29, 1997. Following this approval, a majority interest in our company was acquired by Affiliated Managers Group, Inc. We wish to thank our shareholders for voting in favor of the new agreements and thereby expressing confidence in our affiliation with AMG. We are pleased to report that the nice folks at AMG have done exactly what they said they would, which is to leave us alone to continue doing what we have been doing for our shareholders and clients for many years. Nothing has changed at Tweedy, Browne, and, God willing, nothing will change for many years to come.

We are extremely sorry to report that Daniel J. Loventhal, an independent director of Tweedy, Browne Fund Inc., passed away on October 18, 1997. Dan was a truly lovely and gentle human being and a friend of ours for more than twenty years. He combined a delightful sense of humor with great business acumen. As an independent director of our Funds, he represented the interests of our shareholders with intelligence and integrity. Our sincerest sympathies are extended to his wife, children and grandchildren. He will be sorely missed by all who knew him.

Just as we were about to put this letter to bed, the “stock market correction of ’97” began, so we decided to delay your semi-annual report for a day or two to permit us to express our opinion on this event. On Monday, October 27, 1997, the DJIA dropped 554 points, or 7.18%. The next day, the average declined another 175 points or so in the morning and then turned around. As we write, the average is up about 115 points. Where it will close is anybody’s guess. At the risk of this letter being “out of date” in the next few hours or days, we will stick our necks out and



offer our comments. As we watched the news on Monday night, we were struck by the fact that the average individual investor was non-plussed by the day's events. Reports from stockbrokers and mutual fund companies indicated that the individual investor was not rushing for the door. So who is doing all this selling? Presumably, it is the professional money managers who were trying to dump all their stocks.

As investors in mutual funds, you pay your managers generous fees to do something you must believe they can do better than you. You pay people like us to manage your investments presumably because we devote all our working hours to researching stocks and making investment decisions. And we believe you should also expect us to "maintain our cool" when things get a bit bumpy. So why did the stock market drop 554 points in a single day? The economy is doing just fine. Interest rates are low and going lower. Inflation does not seem to be a problem, and the people in charge of the Federal Reserve and the Department of the Treasury are as capable as any we have seen. Three cheers for Alan Greenspan and Robert Rubin!

Amazingly to us, the people who should remain cool are the very ones causing the turmoil. The "small investor" apparently sat on the sidelines and took the day's decline in stride, while the professional money managers, or at least enough of them to cause a 500-point drop, ran around like chickens with their heads cut off. Maybe people have a better long-term perspective when it comes to their own money than do the managers who are working with other people's money. One would have thought that the increasing institutionalization of investments with the increased professional management of money would lead to more rational behavior. We guess not. Maybe we are not professional money managers because we did what the average man in the street reportedly did, which was very little. We took advantage of this "irrational exuberance" in reverse to buy some stocks which we wanted to buy for a while. Although we do not see why markets should have such dramatic fluctuations, we guess we are glad they do. If we cannot change the behavior of money managers, we can at least



take advantage of it. Hopefully, this will prove to be beneficial to us and the investors who have entrusted their money to us.

Sincerely,

Christopher H. Browne

William H. Browne

John D. Spears

Managing Directors

TWEEDY, BROWNE COMPANY LLC

Investment Adviser to the Fund

October 23, 1997



TWEEDY, BROWNE FUND INC.

Results of Shareholder Meeting

The special shareholder meeting held September 29, 1997 resulted in approval of all items proposed.

For the Tweedy, Browne Global Value Fund a total of 53,517,057.051 votes were cast in favor of the proposal to approve a new investment advisory agreement, 931,019.618 were cast against the proposal and 1,154,809.336 abstained. For the Tweedy, Browne American Value Fund, a total of 17,234,771.028 voted for the proposal, 243,848.213 voted against the proposal and 277,352.265 votes abstained.

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

	<u>In favor</u>	<u>Withheld</u>
Bruce A. Beal	72,302,907.440	1,056,471.071
Christopher H. Browne	72,317,305.642	1,042,072.869
William H. Browne	72,316,960.267	1,042,418.244
Arthur Lazar	72,239,762.640	1,119,615.871
Daniel J. Loventhal	72,252,310.610	1,107,067.901
Richard Salomon	72,319,995.833	1,039,382.678

Also at the meeting, shareholders ratified the selection of Ernst & Young LLP as independent auditors for each Fund for the fiscal year ending March 31, 1998. A total of 71,848,893.856 votes were cast for the proposal and 551,169.680 votes were cast against the proposal and 959,314.975 votes abstained.

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)



<u>Shares</u>		<u>Market Value</u> (Note 1)
	COMMON STOCKS—86.4%	
	Australia—0.0%††	
96,353	Carillon Development Ltd.	\$ 146,890
	Belgium—0.5%	
526	Fabrium de Fer de Charleroi	2,596,106
1,440	Glaces de Charleroi	3,593,090
3,940	Ibel	192,301
2,458	Spadel SA	2,692,544
3,252	Uco Textiles SA	374,511
		<hr/> 9,448,552
	Canada—2.2%	
196,891	BRL Enterprises Inc.†	712,212
60,000	Canadian Western Bank	824,742
166,500	Corby Distilleries Ltd., Class A	7,709,170
104,600	Corby Distilleries Ltd., Class B	4,457,182
1,728,361	Kaufel Group NV, Class B	5,001,587
260,700	Melcor Developments Ltd.	3,064,840
1,391,000	National Bank of Canada, Toronto	19,472,491
247,800	Shirmax Fashions	806,728
785,883	Westfield Minerals Ltd.†	938,113
		<hr/> 42,987,065
	Denmark—0.2%	
11,390	Nordvestbank	1,252,597
30,271	Spar Nord Holding A/S	1,722,985
		<hr/> 2,975,582
	Finland—3.3%	
8,000	Atria OY	75,625
507,027	Huhtamaki Group, Class I	19,938,860
794,900	Kesko Ord	11,196,304
257,555	Kone Corporation, Class B	33,355,424
		<hr/> 64,566,213
	France—5.1%	
32,222	Bongrain SA	12,057,485
24,763	Centenaire-Blanzay SA	1,891,666
5,229	Christian Dior, SA	705,996
79,419	Compagnie Financiere de Paribas	5,890,177
57,700	Compagnie Lebon SA	2,305,024
188,692	Dollfus Mieg & Cie	3,011,998
1,150	Fiat France SA	25,200
14,896	Fin Marc de Lacharriere SA	1,275,512
60,931	Fonciere Financiere Et de Participation†	2,608,695
42,900	Groupe Danone	6,761,144
2,022	Idianova SA†	23,858
52,218	Klepierre	6,909,413

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
France—(Continued)		
33,293	La Concorde†	\$ 6,936,217
5,229	LVMH Moët Hennessey	1,111,437
137,188	Lyonnaise des Eaux – Dumez†	15,308,244
21,145	Mecelec SA	210,821
2,509	Nordon Et Cie	161,553
36,372	NSC Groupe	5,125,364
38,018	Paluel Marmont SA	1,954,521
9,073	Paris Orleans	412,920
97,700	Peugeot SA	12,878,124
9,164	Precia	216,254
11,136	Rallye†	628,818
13,082	Sediver	358,326
8,590	Signaux Girod	153,479
49,723	Siparex	1,001,559
63,700	Societe Generale	9,223,248
		<hr/> 99,147,053
Germany—1.3%		
15,018	Axel Springer Verlag, Class A	12,836,987
61,660	Kaufring AG	3,106,473
41,360	Linder Holding	760,918
33,968	Sinn AG	7,691,376
3,755	Tiag Tabbert-Industrie AG	265,702
		<hr/> 24,661,456
Hong Kong—2.0%		
4,081,000	Jardine Strategic Holdings Ltd.†	15,997,520
2,067,953	Semi-Tech (Global) Ltd.	3,006,523
8,891,000	Sing Tao Holdings	4,136,418
973,000	Swire Pacific Ltd., Class A	7,450,278
5,150,000	Swire Pacific Ltd., Class B	7,620,509
		<hr/> 38,211,248
Ireland—0.4%		
1,873,618	Crean (James) PLC	4,216,766
1,105,000	Unidare PLC	3,529,813
		<hr/> 7,746,579
Italy—5.5%		
3,099,291	Arnoldo Mondadori Editore SPA	22,659,127
150,000	Banca Popolare di Novara†	877,676
2,750,400	Banca Toscana†	5,927,346
741,850	Banco di Sardegna Risp†	6,468,060
472,500	Bassetti SPA	3,038,409
2,061,730	Cartiere Burgo Ord	13,377,387
447,000	Cementerie di Augusta†	748,388
323,000	Cementerie di Barletta Ord	1,075,949
1,156,450	Cristeria Artistica	4,140,348

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Italy—(Continued)		
380,100	Ericsson Italia	\$ 10,899,951
529,750	IMI SPA	5,683,730
620,862	Industrie Zignago	5,071,491
1,234,000	Maffei SPA	1,537,004
237,000	Marangoni SPA	617,162
2,233,300	Merloni	8,409,727
7,910,735	Montefibre SPA	6,553,516
2,371,500	Tecnost SPA	5,399,296
1,825,000	Vianini Industria SPA	1,057,266
493,000	Zucchi	3,113,113
		<hr/>
		106,654,946
Japan—16.9%		
218,000	Agro-Kanesho Company Ltd.	1,741,543
735,000	Aichi Electric Manufacturing	1,748,115
627,000	Amada Sonoike Company Ltd.	1,974,476
484,000	Bunka Shutter Company Ltd.	1,736,737
196,600	Chiyoda Company	2,069,131
763,240	Chofu Seisakusho Company	10,815,782
178,000	Daido Metal Company	708,047
763,000	Daiichi Cement Company Ltd.	1,606,049
798,000	Danto Corporation	6,117,096
426,000	Denkyosha	2,524,157
1,765,000	Dowa Fire & Marine Insurance Company	7,020,801
12,600	Exedy Corporation	113,815
770,000	Fuji Coca-Cola Bottling Company	7,274,385
618,000	Fuji Photo Film Ltd.	25,504,599
299,000	Fujicco Company Ltd.	2,725,615
1,996,000	Fujisawa Pharmaceutical Company	17,037,209
40,000	Fujitec Company Ltd.	417,668
539,000	Fukuda Denshi	8,040,110
947,000	Gakken Company Ltd.	3,099,901
1,784,000	Hitachi Koki	10,201,044
306,000	Hitachi Medical Corporation	3,271,236
29,000	Katsuragawa Electric Company	122,566
218,000	Kawagishi Bridge Works	650,369
3,000	Kinki Coca-Cola Bottling Company	36,546
141,000	Kita Kyushu Coca-Cola Bottling	3,131,516
680,000	Koa Fire & Marine Insurance Company	3,657,247
493,000	Koito Manufacturing	3,166,280
313,000	Kokura Enterprises Company	2,827,298
264,000	Koyosha Inc.†	1,465,816
567,000	Mandom Corporation	4,792,741
1,941,000	Matsushita Electric Industrial Company	35,065,716
22,000	Matsumoto Yushi-Seiyaku Company	417,502
200,000	Meito Sangyo Company	1,988,895
2,911,000	Mitsubishi Electric Corporation	11,458,730

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Japan—(Continued)		
423,000	Morito	\$ 2,769,288
342,000	Nankai Plywood Company Ltd.	2,324,024
663,000	Nippon Cable System	5,604,210
751,000	Nippon Konpo Unyu Soko	4,972,644
1,016,400	Nissan Fire & Marine Insurance Company	4,169,371
674,000	Nisshinbo Industries	4,462,799
409,000	Nittetsu Mining	2,270,904
482,000	Nitto FC Co.	3,554,985
516,000	Oak	1,710,450
669,000	Osaka Securities Finance	1,918,240
81,500	Osaka Steel Company Ltd.	594,348
580,000	Riken Vitamin	4,950,692
452,000	Sangetsu Company Ltd.	7,304,218
147,000	Sanko Sangyo	1,193,834
388,000	Sankyo Company Ltd.	13,440,292
317,760	Sanyo Shinpan Finance Company, Ltd.	15,431,123
659,100	Shikoku Coca-Cola Bottling	6,991,365
1,470,000	Shin Nikkei Company Ltd.	2,619,127
452,000	SK Kaken Co., Ltd.	7,866,081
434,000	Sonton Food Industry	4,279,937
261,000	Sotoh Company Ltd.	1,687,081
507,000	Suzuki Motor Corporation	4,873,788
183,000	Taisei Fire & Marine Insurance Company	591,448
546,000	Takeda Chemical Industries	16,379,548
377,000	Takigami Steel Construction	1,234,068
166,000	Teikoku Hormone Manufacturing Company	1,341,261
246,000	Tomita Electric Company Ltd.	1,661,473
379,000	Torii Company Ltd.	2,512,638
772,000	Torishima Pump Manufacturing	5,949,780
114,000	Toso Company, Ltd.	529,046
11,000	Totech Corporation	61,076
675,000	Toyo Technical Company Ltd.	4,754,703
591,000	U-Shin	3,110,011
257,000	Zojirushi	2,172,371
		<hr/>
		329,814,962
Netherlands—4.8%		
193,400	Akzo NV Ord	33,054,596
68,158	European Vinyls Corporation	1,609,843
39,310	Heineken Holdings NV, Class A	6,035,080
309,124	Holdingmaatschappij De Telegraaf NV	6,524,553
207,100	Unilever NV CVA	44,211,307
133,750	Wegener NV	2,688,577
		<hr/>
		94,123,956

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
New Zealand—1.0%		
3,388,000	Independent Newspaper	\$ 19,534,696
164,600	Radio Pacific Limited	369,078
		<hr/> 19,903,774
Norway—1.6%		
20,000	Nycomed, ASA, ADR, Class B	425,000
435,000	Nycomed, Class A	9,857,975
835,600	Nycomed, Class B	17,936,631
232,300	Schibsted	4,054,558
		<hr/> 32,274,164
Singapore—0.6%		
2,527,500	Robinson and Company Ord	12,145,881
Spain—1.8%		
279,497	Argentaria	16,720,762
10,227	Banco Pastor SA	729,668
333,000	Corporacion Financiera Reunida	1,885,074
151,997	Fabrica Auto Renault de Espana	3,665,768
199,014	Grupo Anaya SA	4,219,731
31,598	Indo Internacional SA	1,369,592
51,846	Omsa	258,761
80,898	Prim SA†	411,888
31,783	Roberto Zubiri†	74,523
250,996	Unipapel SA	6,112,216
		<hr/> 35,447,983
Sweden—0.8%		
124,085	BRIO AB, Class B	1,235,141
80,600	Invik & Company AB, Class A	3,878,627
19,179	Kinnevik Investment AB, Class B	428,594
236,033	Marieberg Tidnings AB, Class A	6,534,948
19,179	Modern Times Group AB, Class A	146,657
55,200	Nolato AB, Class B	1,681,130
69,200	VLT AB, Class B	1,122,177
		<hr/> 15,027,274
Switzerland—11.5%		
20,010	Attisholz Holding AG†	8,805,280
33	Bank of International Settlements America	225,763
16,428	Banque Cantonale Vaudoise	4,224,472
2,415	Daetwyler Holding, Bearer	4,151,196
46,540	Danzas Holding AG, Registered	9,935,829
80,068	Edipresse SA, Bearer	23,176,999
8,225	Edipresse SA, Registered	475,041
3,525	Forbo Holding AG	1,369,379
2,200	Golay Buchel Holding, Bearer	1,966,447
4,984	Grand Magasin Jelmoli	801,881

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
Switzerland—(Continued)		
12,150	Helvetia Patria Holding	\$ 7,435,025
300	Industrie Holding, Cham Registered	241,130
6,248	Jelmoli, Bearer	5,026,238
21,015	Liechtenstein Global Trust	11,414,913
29,327	Loeb Holding PC	4,436,152
1,815	Metallwaren Holding	1,347,772
52,089	Nestle SA, Registered	72,560,722
6,698	Novartis, AG, Bearer	10,315,952
10,329	Novartis, AG, Registered	15,837,232
1,180	Sarna Kunsstoff Holding AG, Registered	1,419,829
6,783	Sig Schweiz Industrie, Registered	10,003,806
9,035	Swissair AG, Registered†	12,082,697
23,075	Swisslog Holding AG	1,761,087
200	UMS Schweizerische Metalwerke	16,089
3,355	Vetropack Holding AG PC	611,300
16,455	Zehnder Holding, Bearer	7,693,482
11,224	Zschokke Holding AG, Registered†	2,701,045
7,340	Zuercher Ziegeleien	5,652,365
		<hr/> 225,689,123
Thailand—0.0%††		
132,300	S & J Enterprises	59,969
United Kingdom—8.9%		
19,562,822	Aggregate Industries PLC	17,029,056
1,029,500	Bernard Matthews PLC	1,742,533
455,000	British Mohair Holdings PLC	744,462
2,115,000	British Steel Ord	6,077,224
7,144,000	BTR PLC	28,963,080
758,000	Carlo Engineering Group PLC	2,657,625
2,103,400	Concentric PLC	4,357,028
1,470,000	Courtaulos Textiles Ord	8,566,254
1,408,668	Dyson (J&J) PLC, Class A, Non-voting	3,179,084
40,860	EIS Group PLC	184,426
803,000	Folkes Group PLC	860,800
554,000	Gibbs Mew PLC	2,250,482
427,800	Glaxo Wellcome PLC Units, ADR	19,224,263
905,000	Glynwed International PLC	4,004,573
887,000	Guinness PLC	8,357,443
2,191,698	Harrisons & Crosfield PLC	4,345,614
515,000	Intercare Group PLC	601,881
350,000	Johnston Group PLC	1,833,651
4,545,154	McAlpine (Alfred) PLC	10,367,412
1,177,800	Molins PLC	8,496,301
584,000	Partridge Fine Art Ord	701,349
4,845,000	Pilkington PLC	12,261,928
3,493,490	Sherwood Group PLC	1,914,713

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS		
United Kingdom—(Continued)		
369,200	SmithKline Beecham, PLC Units, ADR	\$ 18,044,650
779,500	Swan Hill Group PLC	1,118,334
175,000	Thistle Hotels PLC	394,940
600,000	Union PLC	677,040
1,495,000	Watmoughs Holdings PLC	4,675,287
		<hr/> 173,631,433
United States—18.0%		
221,000	American Express Company	18,094,375
75,700	American National Insurance Company	7,579,463
257,400	Chase Manhattan Corporation	30,373,200
81,500	Coca-Cola Bottling Company	4,706,625
232,200	Comerica, Inc.	18,329,287
313,000	Darden Restaurants Inc.	3,619,063
230,400	Federal Home Loan Mortgage Corporation	8,121,600
240,000	Fingerhut Companies, Inc.	5,400,000
205,616	First Chicago Corporation	15,472,604
35,000	GATX Corporation	2,364,688
31,590	Great Atlantic & Pacific Tea Company	1,002,983
129,462	Hasbro Inc.	3,641,119
65,700	Household International Inc.	7,436,419
125,000	Kmart Stores	1,750,000
505,400	Lehman Brothers Holdings Inc.	27,102,075
363,800	McDonald's Corporation	17,325,975
48,750	Mercantile Bancorporation, Inc.	3,711,094
150,000	NAC Re Corporation	7,706,250
1,527,000	Pharmacia & Upjohn Inc.	55,369,089
219,600	Philip Morris Companies Inc.	9,127,125
298,000	Popular, Inc.	15,719,500
460,000	PNC Bank Corporation	22,453,750
169,000	Ryland Group Inc.	2,999,750
118,400	Standard Motor Products, Inc.	2,767,600
185,000	Sun Healthcare Group Inc.†	3,804,063
160,000	Syms Corporation	2,360,000
294,600	Transatlantic Holdings Inc.	21,100,725
20,000	Tremont Corporation	1,167,500
546,000	UST Inc.	16,687,125
52,500	Wells Fargo & Company	14,437,500
		<hr/> 351,730,547
	TOTAL COMMON STOCKS	
	(Cost \$1,358,564,061)	<hr/> 1,686,394,650
PREFERRED STOCK—1.0% (Cost \$14,666,725)		
113,662	Villeroy & Boch AG	<hr/> 19,495,393

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCK WARRANTS—0.0%††	
105,920	Franco Tosi, Strike 20,000, Expires 11/30/97†	\$ 13,745
9,073	Paris Orleans, Strike 330, Expires 4/30/98†	6,653
	TOTAL COMMON STOCK WARRANTS	<hr/>
	(Cost \$6,931)	20,398
		<hr/>
<u>Face Value</u>		
	CONVERTIBLE CORPORATE BONDS—0.0%††	
ESP 29,870,000	Grupo Anaya SA, 7.000% due 3/18/98	201,358
JPY 9,000,000	Shikoku Coca-Cola Bottling, 2.400% due 3/29/02	78,686
	TOTAL CONVERTIBLE CORPORATE BONDS	<hr/>
	(Cost \$323,113)	280,044
		<hr/>
	COMMERCIAL PAPER—1.3%	
\$ 10,000,000	Ford Motor Company, 6.200% due 10/1/97	10,000,000
16,419,000	General Electric Capital Corporation, 6.450% due 10/1/97	16,419,000
	TOTAL COMMERCIAL PAPER	<hr/>
	(Cost \$26,419,000)	26,419,000
		<hr/>
	U.S. TREASURY BILL—0.1% (Cost \$2,871,859)	
3,000,000	5.576%** due 7/23/98	2,871,859
		<hr/>
	REPURCHASE AGREEMENT—6.7%	
	(Cost \$130,000,000)	
130,000,000	Agreement with UBS Securities, Inc., 6.030% dated 9/30/97, to be repurchased at \$130,021,775 on 10/1/97, collateralized by \$50,000,000 U.S. Treasury Notes, 5.125% due 2/28/98, \$50,000,000 U.S. Treasury Notes, 6.250% due 5/31/99 and \$27,192,000 U.S. Treasury Bonds, 7.500% due 11/15/16 (market value \$49,142,000, \$50,367,000 and \$30,491,000, respectively)	130,000,000
		<hr/>
	TOTAL INVESTMENTS (Cost \$1,532,851,689*)	95.5% 1,865,481,344
	OTHER ASSETS AND LIABILITIES (Net)	4.5 86,948,121
	NET ASSETS	<hr/> <u>100.0%</u> <u>\$1,952,429,465</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

Ord—Ordinary Share

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Sector Diversification</u>	<u>Percentage of Net Assets</u>	<u>Market Value (Note 1)</u>
COMMON STOCKS:		
Pharmaceuticals	10.0%	\$ 195,209,101
Food and Beverages	9.6	188,588,594
Banking	9.5	187,854,760
Financial Services	6.7	129,904,512
Printing and Publishing	5.7	110,926,932
Manufacturing	4.5	88,365,522
Consumer Durables	3.6	70,327,814
Machinery	3.5	68,014,523
Retail	3.4	65,533,176
Chemicals	2.8	54,798,066
Holdings	2.7	52,133,981
Insurance	2.6	51,055,272
Consumer Non-Durables	2.5	49,004,048
Engineering and Construction	2.4	45,998,697
Electronics	2.2	42,070,231
Transportation	2.2	42,061,957
Textiles	1.8	35,411,444
Autos	1.7	33,335,287
Forest Products	1.4	28,610,536
Restaurants	1.1	20,945,038
Mining and Metal Fabrication	1.0	19,742,441
Tobacco	0.9	16,687,125
Real Estate	0.7	12,720,127
Telecommunications	0.6	10,899,951
Wholesale	0.5	10,073,506
Construction Materials	0.4	8,441,573
Building Materials	0.3	6,811,676
Other	2.1	40,868,760
Total Common Stocks	86.4	1,686,394,650
Preferred Stock	1.0	19,495,393
Common Stock Warrants	0.0††	20,398
Convertible Corporate Bonds	0.0††	280,044
Commercial Paper	1.3	26,419,000
U.S. Treasury Bill	0.1	2,871,859
Repurchase Agreement	6.7	130,000,000
Other Assets and Liabilities (Net)	4.5	86,948,121
Net Assets	100.0%	\$1,952,429,465

†† 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, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO BUY		
10,356,200 Austrian Schilling	10/31/97	\$ 834,437
560,978 Belgian Franc	10/1/97	15,382
30,268,000 Belgian Franc	10/31/97	831,500
1,812 Canadian Dollar	10/2/97	1,311
11,325 Canadian Dollar	10/3/97	8,193
39,903,000 Danish Krona	10/31/97	5,941,409
849,541 French Franc	10/3/97	143,202
19,057 French Franc	10/31/97	3,219
2,207,400 German Mark	10/31/97	1,252,350
360,507 Great Britain Pound Sterling	10/7/97	581,165
1,147,558 Hong Kong Dollar	10/6/97	148,284
1,500,000 Irish Punt	4/30/98	2,178,580
105,342,574 Japanese Yen	10/1/97	872,980
123,313,608 Japanese Yen	10/2/97	1,021,929
51,170,858 Japanese Yen	10/3/97	424,083
5,531,939 Netherlands Guilder	10/3/97	2,780,090
1,648,500 Netherlands Guilder	10/31/97	830,240
18,562,000 Netherlands Guilder	3/6/98	9,419,222
2,816,550 Netherlands Guilder	4/30/98	1,433,612
54,000,000 Swedish Krona	2/5/98	7,152,015
374,211 Swiss Franc	10/2/97	257,300
5,783,685 Swiss Franc	10/3/97	3,976,886
TOTAL FORWARD EXCHANGE CONTRACTS TO BUY (Contract Amount \$39,843,282)		\$ 40,107,389
FORWARD EXCHANGE CONTRACTS TO SELL		
10,356,200 Austrian Schilling	10/31/97	\$ (834,437)
236,289 Belgian Franc	10/1/97	(6,478)
5,184,400 Belgian Franc	10/2/97	(142,156)
10,902,195 Belgian Franc	10/15/97	(299,194)
30,268,000 Belgian Franc	10/31/97	(831,500)
30,820,000 Belgian Franc	11/14/97	(847,313)
48,045,000 Belgian Franc	1/20/98	(1,326,027)
32,990,000 Belgian Franc	2/5/98	(911,343)
50,850,000 Belgian Franc	2/17/98	(1,405,675)
34,130,000 Belgian Franc	3/6/98	(944,376)
34,122,000 Belgian Franc	4/6/98	(945,788)
27,656,000 Belgian Franc	5/15/98	(768,227)
44,070,000 Belgian Franc	6/15/98	(1,226,261)
34,675,000 Belgian Franc	7/15/98	(966,394)
3,172,800 Canadian Dollar	10/15/97	(2,297,569)
3,272,750 Canadian Dollar	10/31/97	(2,372,388)
3,950,700 Canadian Dollar	11/14/97	(2,865,950)
2,007,450 Canadian Dollar	3/6/98	(1,464,272)
9,608,900 Canadian Dollar	5/15/98	(7,026,736)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
9,510,900 Canadian Dollar	5/22/98	\$ (6,956,765)
1,761,890 Canadian Dollar	6/15/98	(1,289,760)
1,352,600 Canadian Dollar	7/15/98	(991,114)
8,750,950 Canadian Dollar	8/28/98	(6,420,977)
3,408,750 Canadian Dollar	9/30/98	(2,503,643)
821,100 Canadian Dollar	10/13/98	(603,405)
9,546,400 Canadian Dollar	11/16/98	(7,025,373)
1,894,300 Danish Krona	10/2/97	(281,519)
39,903,500 Danish Krona	10/31/97	(5,941,409)
5,777,500 Danish Krona	11/14/97	(860,898)
11,906,000 Danish Krona	1/20/98	(1,780,593)
9,459,750 Danish Krona	2/17/98	(1,416,652)
4,433,500 Finnish Markka	10/15/97	(839,001)
18,018,000 Finnish Markka	11/14/97	(3,416,548)
24,854,500 Finnish Markka	11/28/97	(4,716,513)
9,274,000 Finnish Markka	1/20/98	(1,765,427)
44,262,900 Finnish Markka	3/13/98	(8,448,724)
4,940,300 Finnish Markka	3/27/98	(943,617)
4,914,500 Finnish Markka	4/14/98	(939,557)
22,459,500 Finnish Markka	4/30/98	(4,297,322)
5,039,000 Finnish Markka	5/15/98	(964,869)
22,344,750 Finnish Markka	6/15/98	(4,285,055)
55,441,100 Finnish Markka	7/15/98	(10,645,967)
25,543,500 Finnish Markka	9/15/98	(4,916,433)
21,202,000 Finnish Markka	9/30/98	(4,083,257)
38,137,400 Finnish Markka	10/13/98	(7,349,698)
33,759,300 Finnish Markka	11/16/98	(6,517,295)
15,039,900 French Franc	10/15/97	(2,537,664)
22,494,600 French Franc	10/31/97	(3,799,816)
10,173,000 French Franc	11/14/97	(1,719,934)
86,596,950 French Franc	1/20/98	(14,703,242)
13,936,250 French Franc	3/6/98	(2,372,546)
18,419,610 French Franc	4/6/98	(3,141,368)
5,544,500 French Franc	4/14/98	(946,024)
8,431,500 French Franc	4/30/98	(1,439,938)
36,130,250 French Franc	5/29/98	(6,180,456)
45,410,400 French Franc	7/15/98	(7,788,016)
39,662,000 French Franc	8/14/98	(6,813,123)
8,729,250 French Franc	9/15/98	(1,502,027)
30,139,000 French Franc	9/30/98	(5,190,180)
45,982,500 French Franc	10/13/98	(7,924,670)
186,307,800 French Franc	11/16/98	(32,173,407)
2,215,650 German Mark	10/15/97	(1,255,570)
2,207,400 German Mark	10/31/97	(1,252,350)
2,243,700 German Mark	11/14/97	(1,274,100)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
1,552,250 German Mark	1/20/98	\$ (885,128)
4,003,750 German Mark	2/5/98	(2,285,256)
5,749,240 German Mark	2/17/98	(3,283,910)
8,266,000 German Mark	3/27/98	(4,731,949)
2,463,000 German Mark	4/14/98	(1,411,445)
9,189,675 German Mark	4/30/98	(5,271,086)
3,353,400 German Mark	5/15/98	(1,925,110)
9,547,380 German Mark	5/29/98	(5,485,247)
4,927,800 German Mark	6/15/98	(2,833,833)
8,600,000 German Mark	9/15/98	(4,970,110)
3,570,600 German Mark	9/30/98	(2,065,202)
5,451,000 German Mark	10/13/98	(3,155,253)
5,155,500 German Mark	11/16/98	(2,990,271)
2,187,637 Great Britain Pound Sterling	10/15/97	(3,527,309)
3,350,798 Great Britain Pound Sterling	11/28/97	(5,406,562)
1,208,971 Great Britain Pound Sterling	12/31/97	(1,951,719)
906,098 Great Britain Pound Sterling	1/20/98	(1,463,240)
1,244,400 Great Britain Pound Sterling	2/5/98	(2,010,070)
9,568,905 Great Britain Pound Sterling	2/17/98	(15,459,526)
6,179,324 Great Britain Pound Sterling	3/13/98	(9,987,157)
6,609,801 Great Britain Pound Sterling	3/27/98	(10,685,288)
1,554,533 Great Britain Pound Sterling	4/14/98	(2,513,734)
3,707,709 Great Britain Pound Sterling	4/30/98	(5,996,977)
4,028,509 Great Britain Pound Sterling	5/15/98	(6,517,358)
2,771,960 Great Britain Pound Sterling	5/29/98	(4,485,459)
4,014,576 Great Britain Pound Sterling	7/15/98	(6,500,790)
12,905,162 Great Britain Pound Sterling	9/15/98	(20,916,052)
8,561,430 Great Britain Pound Sterling	9/30/98	(13,878,981)
9,483,396 Great Britain Pound Sterling	10/13/98	(15,376,651)
8,191,244 Great Britain Pound Sterling	10/29/98	(13,284,793)
4,117,573 Great Britain Pound Sterling	11/16/98	(6,679,838)
7,746,300 Hong Kong Dollar	1/20/98	(995,796)
7,763,500 Hong Kong Dollar	4/30/98	(994,330)
69,795,000 Hong Kong Dollar	5/29/98	(8,932,774)
23,290,500 Hong Kong Dollar	6/15/98	(2,979,774)
97,411,250 Hong Kong Dollar	7/31/98	(12,444,679)
68,819,100 Hong Kong Dollar	10/29/98	(8,763,508)
13,407,900 Hong Kong Dollar	11/16/98	(1,706,238)
4,178,183 Irish Punt	4/30/98	(6,068,337)
2,307,489 Irish Punt	6/15/98	(3,350,408)
891,111,000 Italian Lira	10/1/97	(516,242)
18,472,800,000 Italian Lira	10/15/97	(10,696,854)
4,608,750,000 Italian Lira	10/31/97	(2,667,473)
9,171,420,000 Italian Lira	11/14/97	(5,306,560)
16,382,835,000 Italian Lira	1/20/98	(9,470,528)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
7,321,950,000 Italian Lira	2/5/98	\$ (4,232,118)
2,548,875,000 Italian Lira	3/6/98	(1,473,100)
15,423,300,000 Italian Lira	3/27/98	(8,913,891)
1,709,300,000 Italian Lira	4/14/98	(988,044)
14,500,150,000 Italian Lira	4/30/98	(8,383,426)
6,894,040,000 Italian Lira	5/15/98	(3,986,865)
5,050,500,000 Italian Lira	5/29/98	(2,921,554)
13,527,200,000 Italian Lira	6/15/98	(7,828,199)
2,561,400,000 Italian Lira	7/15/98	(1,483,346)
5,184,000,000 Italian Lira	9/15/98	(3,007,481)
10,800,000,000 Italian Lira	9/30/98	(6,267,927)
33,352,500,000 Italian Lira	10/29/98	(19,359,339)
4,881,800,000 Italian Lira	11/16/98	(2,833,874)
1,197,405,000 Japanese Yen	10/15/97	(9,945,010)
1,064,200,000 Japanese Yen	10/31/97	(8,861,635)
1,620,300,000 Japanese Yen	11/14/97	(13,518,462)
1,513,680,000 Japanese Yen	11/28/97	(12,651,522)
920,405,500 Japanese Yen	12/30/97	(7,733,781)
1,440,270,000 Japanese Yen	1/20/98	(12,138,914)
635,855,000 Japanese Yen	2/5/98	(5,371,379)
3,521,700,000 Japanese Yen	2/27/98	(29,841,473)
3,487,500,000 Japanese Yen	3/6/98	(29,580,317)
2,198,110,000 Japanese Yen	4/6/98	(18,724,778)
2,902,375,000 Japanese Yen	4/14/98	(24,753,544)
1,960,488,750 Japanese Yen	4/30/98	(16,760,357)
2,154,780,000 Japanese Yen	5/15/98	(18,462,668)
3,037,500,000 Japanese Yen	5/22/98	(26,053,282)
1,749,760,000 Japanese Yen	6/15/98	(15,096,171)
2,098,590,000 Japanese Yen	7/31/98	(18,190,826)
3,742,550,000 Japanese Yen	8/14/98	(32,509,902)
1,894,820,000 Japanese Yen	9/30/98	(16,577,935)
1,313,820,000 Japanese Yen	10/13/98	(11,517,589)
1,060,836,500 Japanese Yen	10/29/98	(9,322,641)
314,020,000 Japanese Yen	11/16/98	(2,767,253)
1,648,500 Netherlands Guilder	10/31/97	(830,240)
8,386,000 Netherlands Guilder	11/14/97	(4,227,168)
16,164,900 Netherlands Guilder	2/5/98	(8,189,238)
5,898,240 Netherlands Guilder	2/17/98	(2,990,158)
18,562,000 Netherlands Guilder	3/6/98	(9,419,222)
5,578,200 Netherlands Guilder	4/6/98	(2,835,510)
2,816,550 Netherlands Guilder	4/30/98	(1,433,612)
12,241,400 Netherlands Guilder	5/15/98	(6,235,898)
11,118,000 Netherlands Guilder	5/29/98	(5,667,877)
7,399,600 Netherlands Guilder	6/15/98	(3,775,649)
1,888,300 Netherlands Guilder	7/15/98	(965,026)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
28,109,700 Netherlands Guilder	8/28/98	\$ (14,398,314)
5,823,600 Netherlands Guilder	10/29/98	(2,993,002)
4,345,307 New Zealand Dollar	10/15/97	(2,789,851)
13,060,514 New Zealand Dollar	11/28/97	(8,434,240)
1,457,938 New Zealand Dollar	4/14/98	(955,083)
3,637,951 New Zealand Dollar	5/29/98	(2,393,466)
3,021,604 New Zealand Dollar	8/28/98	(2,004,530)
785,793 New Zealand Dollar	9/30/98	(522,837)
1,617,599 New Zealand Dollar	11/16/98	(1,081,437)
12,790,000 Norwegian Krone	11/28/97	(1,806,275)
9,625,950 Norwegian Krone	2/5/98	(1,364,375)
70,495,000 Norwegian Krone	7/15/98	(10,066,979)
18,201,250 Norwegian Krone	9/15/98	(2,606,358)
11,203,500 Norwegian Krone	9/30/98	(1,605,390)
2,385,100 Singapore Dollar	3/6/98	(1,567,391)
1,413,000 Singapore Dollar	4/14/98	(929,711)
1,412,900 Singapore Dollar	4/30/98	(930,225)
2,840,400 Singapore Dollar	5/15/98	(1,871,182)
1,404,500 Singapore Dollar	6/15/98	(926,435)
2,101,950 Singapore Dollar	8/14/98	(1,387,791)
726,250 Singapore Dollar	9/30/98	(479,597)
4,501,500 Singapore Dollar	10/13/98	(2,973,741)
1,514,400 Singapore Dollar	10/29/98	(1,000,870)
192,810,000 Spanish Peseta	10/15/97	(1,291,861)
129,350,000 Spanish Peseta	11/14/97	(867,024)
130,645,000 Spanish Peseta	11/28/97	(875,914)
398,190,000 Spanish Peseta	1/20/98	(2,672,855)
426,864,000 Spanish Peseta	2/17/98	(2,867,188)
819,432,000 Spanish Peseta	3/27/98	(5,509,411)
571,600,000 Spanish Peseta	4/14/98	(3,845,146)
114,960,000 Spanish Peseta	4/30/98	(773,718)
144,420,000 Spanish Peseta	5/14/98	(972,433)
567,440,000 Spanish Peseta	5/29/98	(3,822,716)
568,680,000 Spanish Peseta	6/15/98	(3,833,364)
289,040,000 Spanish Peseta	7/15/98	(1,950,497)
370,075,000 Spanish Peseta	8/28/98	(2,501,625)
440,730,000 Spanish Peseta	11/16/98	(2,987,152)
2,343,257 Swedish Krona	10/1/97	(308,937)
13,449,000 Swedish Krona	11/28/97	(1,777,012)
6,832,000 Swedish Krona	1/20/98	(904,388)
60,983,250 Swedish Krona	2/5/98	(8,076,909)
75,152,000 Swedish Krona	4/14/98	(9,974,341)
23,018,400 Swedish Krona	5/15/98	(3,057,796)
48,906,000 Swedish Krona	5/29/98	(6,499,280)
18,871,250 Swedish Krona	6/15/98	(2,509,025)

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
26,754,700 Swedish Krona	8/28/98	\$ (3,563,543)
39,267,500 Swedish Krona	9/30/98	(5,234,084)
39,676,000 Swedish Krona	10/13/98	(5,290,609)
22,499,700 Swedish Krona	10/29/98	(3,001,680)
22,322 Swiss Franc	10/1/97	(15,348)
9,704,000 Swiss Franc	10/15/97	(6,684,282)
14,691,600 Swiss Franc	10/31/97	(10,140,649)
5,008,400 Swiss Franc	11/14/97	(3,462,551)
7,628,100 Swiss Franc	11/28/97	(5,281,747)
42,586,500 Swiss Franc	12/31/97	(29,606,731)
10,588,600 Swiss Franc	1/20/98	(7,377,988)
13,715,000 Swiss Franc	2/5/98	(9,573,336)
11,137,600 Swiss Franc	2/27/98	(7,792,755)
38,460,960 Swiss Franc	3/13/98	(26,950,185)
5,595,200 Swiss Franc	4/6/98	(3,930,580)
7,682,400 Swiss Franc	4/14/98	(5,401,521)
6,302,475 Swiss Franc	4/30/98	(4,438,966)
14,063,000 Swiss Franc	5/15/98	(9,920,820)
22,743,600 Swiss Franc	5/22/98	(16,056,580)
24,949,100 Swiss Franc	6/30/98	(17,686,206)
10,988,800 Swiss Franc	7/31/98	(7,815,241)
9,586,500 Swiss Franc	8/14/98	(6,827,846)
13,213,550 Swiss Franc	8/28/98	(9,424,759)
14,477,000 Swiss Franc	9/30/98	(10,361,311)
10,845,200 Swiss Franc	10/29/98	(7,787,327)
TOTAL FORWARD EXCHANGE CONTRACTS TO SELL		
(Contract Amount \$1,354,519,975)		<u><u>\$(1,307,749,229)</u></u>

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Assets and Liabilities

September 30, 1997 (Unaudited)

ASSETS

Investments, at value (Cost \$1,532,851,689) (Note 1)	
<i>See accompanying schedule</i>	\$1,865,481,344
Cash and foreign currency (Cost \$29,598,738)	29,542,863
Net unrealized appreciation of forward exchange contracts (Note 1)	47,034,853
Receivable for Fund shares sold	17,832,360
Dividends and interest receivable	5,374,227
Receivable for investment securities sold	3,068,377
Prepaid expenses	26,629
Unamortized organization costs (Note 5)	14,897
Total Assets	<u>1,968,375,550</u>

LIABILITIES

Payable for investment securities purchased	\$12,500,674
Investment advisory fee payable (Note 2)	1,939,694
Payable for Fund shares redeemed	676,366
Administration fee payable (Note 2)	66,987
Custodian fees payable (Note 2)	62,819
Transfer agent fees payable (Note 2)	30,982
Accrued Directors' fees and expenses (Note 2)	3,423
Accrued expenses and other payables	<u>665,140</u>
Total Liabilities	<u>15,946,085</u>

NET ASSETS \$1,952,429,465

NET ASSETS consist of

Undistributed net investment income	\$ 23,984,033
Accumulated net realized gain on securities, forward exchange contracts and foreign currencies	107,133,852
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets	379,526,698
Par value	10,894
Paid-in capital in excess of par value	<u>1,441,773,988</u>
Total Net Assets	<u><u>\$1,952,429,465</u></u>

NET ASSET VALUE, offering and redemption price per share

($\$1,952,429,465 \div 108,935,552$ shares of common stock
outstanding) \$17.92

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Statement of Operations

For the six months ended September 30, 1997 (Unaudited)

INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$2,610,926)	\$ 20,584,424
Interest (net of foreign withholding taxes of \$92)	3,811,108
Total Investment Income	<u>24,395,532</u>

EXPENSES

Investment advisory fee (Note 2)	\$10,809,805	
Administration fee (Note 2)	388,086	
Custodian fees (Note 2)	358,915	
Transfer agent fees (Note 2)	78,651	
Legal and audit fees	60,504	
Directors' fees and expenses (Note 2)	12,551	
Amortization of organization costs (Note 5)	11,174	
Other	734,364	
Waiver of fees by administrator (Note 2)	(86,035)	
Total Expenses		<u>12,368,015</u>

NET INVESTMENT INCOME	<u>12,027,517</u>
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

(Notes 1 and 3):

Net realized gain on:		
Securities		33,059,276
Forward exchange contracts		50,089,986
Foreign currencies and net other assets		339,591
Net realized gain on investments during the period		<u>83,488,853</u>
Net change in unrealized appreciation (depreciation) of:		
Securities	168,047,722	
Forward exchange contracts	(15,428,618)	
Foreign currencies and net other assets	145,786	
Net unrealized appreciation on investments during the period		<u>152,764,890</u>

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	<u>236,253,743</u>
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$248,281,260</u>
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■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■

TWEEDY, BROWNE GLOBAL VALUE FUND

Statements of Changes in Net Assets

	Six Months Ended 9/30/97 (Unaudited)	Year Ended 3/31/97
Net investment income	\$ 12,027,517	\$ 8,308,612
Net realized gain on securities, forward exchange contracts and currency transactions during the period . .	83,488,853	120,005,899
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets during the period	<u>152,764,890</u>	<u>54,898,049</u>
Net increase in net assets resulting from operations	248,281,260	183,212,560
Distributions:		
Dividends to shareholders from net investment income . . .	—	(14,614,831)
Dividends in excess of net investment income	—	(28,673,453)
Distributions to shareholders from net realized gain on investments	—	(44,555,478)
Net increase in net assets from Fund share transactions (Note 4)	<u>262,937,713</u>	<u>394,930,728</u>
Net increase in net assets	511,218,973	490,299,526
NET ASSETS		
Beginning of period	<u>1,441,210,492</u>	<u>950,910,966</u>
End of period (including undistributed net investment income of \$23,984,033 and \$11,956,516, respectively) . .	<u>\$1,952,429,465</u>	<u>\$1,441,210,492</u>

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each period.

	Six Months Ended 9/30/97 (Unaudited)	Year Ended 3/31/97	Year Ended 3/31/96(a)	Year Ended 3/31/95	Year Ended 3/31/94(a)(b)
Net asset value, beginning of period	\$ 15.46	\$ 14.28	\$ 11.52	\$ 12.26	\$ 10.00
Income from investment operations:					
Net investment income (loss)(c)	0.09	0.12	0.15	0.10	(0.00)(d)
Net realized and unrealized gain (loss) on investments	2.37	2.18	2.81	(0.68)	2.26
Total from investment operations	2.46	2.30	2.96	(0.58)	2.26
Distributions:					
Dividends from net investment income	—	(0.19)	—	—	—
Dividends in excess of net investment income	—	(0.36)	—	—	—
Distributions from net realized gains	—	(0.57)	(0.05)	(0.06)	—
Distributions in excess of net realized gains	—	—	(0.15)	(0.10)	—
Total distributions	—	(1.12)	(0.20)	(0.16)	—
Net asset value, end of period	\$ 17.92	\$ 15.46	\$ 14.28	\$ 11.52	\$ 12.26
Total return(e)	15.91%	16.66%	25.88%	(4.74)%	22.60%
Ratios/Supplemental Data:					
Net assets, end of period (in 000's)	\$1,952,429	\$1,441,210	\$950,911	\$655,035	\$297,434
Ratio of operating expenses to average net assets(f)	1.43%(g)	1.58%	1.60%	1.65%	1.73%(g)
Ratio of net investment income (loss) to average net assets	1.39%(g)	0.73%	1.15%	1.08%	(0.00)%(g)(h)
Portfolio turnover rate	8%	20%	17%	16%	14%
Average commission rate (per share of security)(i)	\$ 0.0195	\$ 0.0249	\$ 0.0206	N/A	N/A

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

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

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

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

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

(f) Annualized expense ratio before the waiver of fees by the administrator and/or investment advisor for the six months ended September 30, 1997, the year ended March 31, 1997 and for the 7.5-month period ended March 31, 1994 was 1.44%, 1.58% and 1.83%, respectively.

(g) Annualized.

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

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

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

1. Significant Accounting Policies

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

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



Notes to Financial Statements (Unaudited)

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

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

Foreign Currency The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period, and purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions. Unrealized gains and losses which result from changes in foreign currency exchange rates have been included in the unrealized appreciation (depreciation) of currencies and net other assets. Net realized foreign currency gains and losses resulting from changes in exchange rates



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

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

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

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



Notes to Financial Statements (Unaudited)

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



TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

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 \$28.4 million of their own money invested in the Fund.

The Company, on behalf of the Fund, has entered into an administration agreement (the "Administration Agreement") with First Data Investor Services Group, Inc. ("the Administrator"), a wholly owned subsidiary of First Data Corporation. Under the Administration Agreement, the Company pays the Administrator an administrative fee and a fund accounting fee computed daily and payable monthly at the following annual rates of the value of the average daily net assets of the Fund:

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

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

For the period from April 1, 1997 to May 15, 1997, the Administrator voluntarily waived administration and fund accounting fees of \$86,035. For the period from May 16, 1997 to September 30, 1997, the Administrator did not waive any administration fees.

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

TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

No officer, director or employee of Tweedy, Browne, the Administrator or any parent or subsidiary of those corporations receives any compensation from the Company for serving as a director or officer of the Company. The Company pays each director who is not an officer, director or employee of Tweedy, Browne, the Administrator 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"). On May 12, 1997, First Data Investors Services Group, Inc. replaced Unified Advisors, Inc. as the Fund's transfer agent. Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

For the six months ended September 30, 1997, the Fund incurred total brokerage commissions of \$1,239,060.

3. Securities Transactions

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the six months ended September 30, 1997, aggregated \$360,510,702 and \$121,382,504, respectively.

At September 30, 1997, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$430,569,520 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$97,939,865.

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:



TWEEDY, BROWNE GLOBAL VALUE FUND

Notes to Financial Statements (Unaudited)

	Six Months Ended 9/30/97		Year Ended 3/31/97	
	Shares	Amount	Shares	Amount
Sold	25,447,993	\$428,366,720	35,117,166	\$522,414,402
Reinvested	—	—	5,409,129	78,324,194
Redeemed	(9,750,119)	(165,429,007)	(13,856,018)	(205,807,868)
Net increase	15,697,874	\$262,937,713	26,670,277	\$394,930,728

5. Organization Costs

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

6. Foreign Securities

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

7. Line of Credit

The Company and Mellon Bank, N.A. have entered into a Line of Credit Agreement (the "Agreement") which provides the Fund with a \$50 million line of credit, primarily for temporary or emergency purposes, including the meeting of redemption requests that might otherwise require the untimely disposition of securities. The Fund may borrow up to the lesser of \$50 million or one-third of its net assets. Interest is payable at the bank's Money Market Rate plus 0.75% on an annualized basis. Under the Agreement, the Fund is charged a facility fee equal to 0.10% annually of the unutilized credit. The Agreement requires, among other provisions, the Fund to maintain a ratio of net assets (not including funds borrowed pursuant to the Agreement) to aggregated amount of indebtedness pursuant to the Agreement of no less than three to one. For the six months ended September 30, 1997, the Fund did not borrow under this Agreement.

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)



<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—DOMESTIC—87.9%	
	Advertising—0.4%	
6,680	Grey Advertising Inc.	\$ 2,324,640
	Apparel/Textiles—0.1%	
45,900	Chic by H.I.S. Inc.†	324,169
9,400	Garan Inc.	220,900
2,000	Thomaston Mills, Inc., Class A	18,500
		<hr/> 563,569
	Automotive Parts—0.8%	
170,400	Standard Motor Products, Inc.	3,983,100
23,300	Standard Products Company	613,081
5,200	Woodward Governor Company	184,275
		<hr/> 4,780,456
	Banking—14.2%	
56,700	BancFirst Corporation	1,885,275
10,200	Cape Cod Bank & Trust Company	353,175
179,407	Chase Manhattan Corporation	21,170,026
75,100	Comerica, Inc.	5,928,206
4,500	Community Financial Group – Bank of Nashville	52,312
156,110	First Chicago NBD Corporation	11,747,277
20,400	First Mortgage Corporation†	77,775
33,900	Mercantile Bancorporation, Inc.	2,580,638
40,855	Mid-America Bancorporation	1,348,215
18,000	Peoples Bank Corporation of Indianapolis	600,750
246,700	PNC Bank Corporation	12,042,044
381,860	Popular, Inc.	20,143,115
36,000	Wells Fargo & Company	9,900,000
		<hr/> 87,828,808
	Basic Industries—3.4%	
100,500	ACX Technologies Inc.†	2,675,812
25,000	Blessings Corporation	381,250
121,700	Gorman-Rupp Company	2,418,787
61,400	Monarch Machine Tool Company	598,650
70,200	Sequa Corporation, Class A†	4,047,469
78,000	Tremont Corporation†	4,553,250
30,200	Unilever NV, ADR	6,421,275
		<hr/> 21,096,493
	Business and Commercial Services—0.6%	
129,000	Harland (John H.) Company	2,975,062
1,300	IIC Industries Inc.†	56,225
12,500	Paris Corporation†	24,219
38,600	PriceSmart, Inc.†	692,388
		<hr/> 3,747,894

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Chemicals—1.6%		
202,400	Lilly Industries Inc., Class A	\$ 4,250,400
222,900	Oil-Dri Corporation of America	3,775,369
77,500	Stepan Company	2,068,281
		<hr/> 10,094,050
Consumer Non-Durables—12.5%		
142,400	Bairnco Corporation	1,441,800
130,400	Coca-Cola Bottling Company	7,530,600
209,200	EKCO Group Inc.†	1,634,375
76,800	Fuji Photo Film Company Ltd., ADR	3,163,200
334,535	Great Atlantic & Pacific Tea Company, Inc.	10,621,486
19,000	Hyde Athletic Industries Inc., Class A†	89,062
25,000	Hyde Athletic Industries Inc., Class B†	121,875
184,000	Nestle, ADR	12,815,732
49,800	OroAmerica Inc.†	277,012
509,250	Philip Morris Companies, Inc.	21,165,703
8,800	TCC Industries Inc.†	39,050
567,000	UST Inc.	17,328,938
57,200	Village Super Market Inc., Class A†	521,950
		<hr/> 76,750,783
Consumer Services—1.7%		
460,400	Jones Intercable Inc., Class A†	5,783,775
193,350	Pinkerton's, Inc.	4,447,050
		<hr/> 10,230,825
Electronic Equipment—0.0%††		
8,000	Espey Manufacturing and Electronics Corporation	135,000
Engineering and Construction—2.9%		
12,700	Atkinson (Guy F.) Company California†	40,481
42,700	Devcon International Corporation†	213,500
107,300	Harding Lawson Associates Group†	1,026,056
150,500	Hovnanian Enterprises, Inc.†	1,175,781
14,100	Liberty Homes, Inc.	132,188
61,300	M/I Schottenstein Homes Inc.†	946,319
4,080	Oilgear Company	77,520
42,000	Oriole Homes Corporation, Class A†	273,000
91,500	Oriole Homes Corporation, Class B†	571,875
459,700	Ryland Group, Inc.	8,159,675
489,300	Standard-Pacific Corporation	5,137,650
		<hr/> 17,754,045
Financial Services—12.8%		
224,230	American Express Company	18,358,831
511,280	Federal Home Loan Mortgage Corporation	18,022,620

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Financial Services—(Continued)		
126,800	Household International Inc.	\$ 14,352,175
18,600	HPSC Inc.†	123,225
20,800	Kent Financial Services Inc.†	119,600
345,550	Lehman Brothers Holdings Inc.	18,530,119
10,000	Letchworth Independent Bancshares Corporation	455,000
391,000	Phoenix Duff & Phelps Corporation	3,030,250
109,030	ReliaStar Financial Corporation	4,340,757
29,800	Value Line Inc.	1,193,863
1,604	Whitney Holding Corporation	75,488
		<hr/> 78,601,928
Food and Beverages—0.0%††		
2,177	United Foods, Inc., Class A†	5,987
3,269	United Foods, Inc., Class B†	8,990
		<hr/> 14,977
Furniture—0.9%		
29,900	Flexsteel Industries Inc.	363,472
35,250	O'Sullivan Corporation	378,938
364,800	O'Sullivan Industries Holdings, Inc.†	4,560,000
		<hr/> 5,302,410
Health Care—8.7%		
163,670	Glaxo Wellcome PLC, Sponsored ADR	7,354,921
33,412	Johnson & Johnson	1,925,367
10,666	Novartis AG, ADR	817,697
287,900	Nycomed ASA, ADR, Class B	6,117,875
23,700	Pharmacia & Upjohn, Inc.	865,050
385,600	Pharmacia & Upjohn, Inc., Depository Shares	13,980,408
515,200	Regency Health Services, Inc.†	11,270,000
557,000	Sun Healthcare Group Inc.†	11,453,313
7,500	Trans Leasing International, Inc.	69,844
8,000	Wyant Corporation†	49,000
		<hr/> 53,903,475
Insurance—11.2%		
15,200	Allstate Financial Corporation†	88,350
269,100	American Annuity Group Inc.	5,785,650
90,450	American General Corporation	4,692,094
77,400	American Indemnity Financial Corporation	1,146,488
115,125	American National Insurance Company	11,526,891
225,692	Integon Corporation	5,867,992
14,160	Kansas City Life Insurance Company	1,200,060
21,600	Merchants Group Inc.	402,300
111,200	MMI Companies, Inc.	2,932,900

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Insurance—(Continued)		
51,900	National Western Life Insurance Company†	\$ 5,313,263
239,200	NAC Re Corporation	12,288,900
13,200	RLI Corporation	594,000
240,800	Transatlantic Holdings, Inc.	17,247,300
		<hr/> 69,086,188
Leisure and Entertainment—1.1%		
140,400	C-TEC Corporation†	6,984,900
Metals and Metal Products—0.0%††		
14,000	American Metals Service, Inc.†	11,944
Oil and Gas—1.0%		
80,000	Isramco, Inc.†	76,250
5,600	Lufkin Industries, Inc.	173,250
41,460	Matrix Service Company†	288,924
175,200	Penn Virginia Corporation	5,201,250
10,000	Wiser Oil Company	171,250
		<hr/> 5,910,924
Real Estate—1.9%		
439,400	American Real Estate Partners Ltd.	4,833,400
26,100	Arizona Land Income Corporation, Class A	141,103
18,012	Atlantic Realty Trust Inc.†	217,270
102,000	Koger Equity Inc.	2,078,250
13,200	Mays (J.W.), Inc.†	114,675
154,400	Price Enterprises Inc.	2,967,375
3,623	Public Storage, Inc.	107,331
36,025	Ramco-Gershenson Properties	713,745
20,000	Reading Entertainment†	249,375
		<hr/> 11,422,524
Restaurant Chains—4.5%		
766,500	Darden Restaurants Inc.	8,862,656
374,000	McDonald's Corporation	17,811,750
83,400	Vicorp Restaurants Inc.†	1,316,156
		<hr/> 27,990,562
Retail—5.0%		
82,500	Burlington Coat Factory Warehouse	1,742,812
1,000	Dart Group Corporation, Class A	107,375
119,300	Discount Auto Parts Inc.†	2,863,200
117,900	EZCORP Inc., Class A†	1,223,212
407,100	Fingerhut Companies, Inc.	9,159,750
90,100	Government Technology Services, Inc.	473,025
654,000	Jan Bell Marketing Inc.†	1,757,625
164,000	Kmart Corporation†	2,296,000

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—DOMESTIC		
Retail—(Continued)		
9,900	Mercantile Stores Company Inc.	\$ 623,081
89,600	Penney (J.C.) Company, Inc.	5,219,200
52,100	Seaman Furniture Company†	1,266,681
130,100	Swiss Army Brands, Inc.†	1,374,181
158,700	Syms Corporation†	2,340,825
138,000	United Retail Group, Inc.†	414,000
		<hr/> 30,860,967
	Technology—0.0%††	
44,600	Astrosystems Inc.	44,600
	Telecommunications—0.0%††	
15,300	TCI International Inc.†	90,844
	Transportation/Transportation Services—2.6%	
225,200	GATX Corporation	15,215,075
53,100	KLLM Transport Services Inc.†	657,113
		<hr/> 15,872,188
	TOTAL COMMON STOCKS—DOMESTIC	
	(Cost \$367,839,941)	<hr/> 541,404,994
COMMON STOCKS—FOREIGN—3.5%		
Finland—0.4%		
11,000	Huhtamaki Group, Class I	432,575
15,500	Kone Corporation, Class B†	2,007,373
		<hr/> 2,439,948
France—0.2%		
900	Bongrain SA	336,780
2,725	Klepierre	360,568
3,512	Lyonnais des Eaux—Dumez†	391,890
2,300	Peugeot SA	303,170
		<hr/> 1,392,408
Hong Kong—0.1%		
100,000	Jardine Strategic Holdings Ltd.	392,000
250,000	Swire Pacific Ltd., Class B	369,928
		<hr/> 761,928
Italy—0.1%		
72,100	Arnoldo Mondadori Editore SPA	527,128
Japan—1.0%		
63,000	Aichi Electric Company Ltd.	149,838
49,000	Amada Sonoike Company Ltd.	154,305
62,000	Bunka Shutter Company Ltd.	222,475
15,200	Chofu Seisakusho Company	215,397

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
COMMON STOCKS—FOREIGN		
Japan—(continued)		
35,000	Danto Corporation	\$ 268,294
58,000	Dowa Fire & Marine Insurance Company	230,712
17,000	Fuji Photo Film Ltd.	701,583
28,000	Fujisawa Pharmaceutical Company	238,999
30,000	Gakken Company Ltd.	98,202
50,000	Hitachi Koki	285,904
23,000	Hitachi Medical Corporation	245,877
6,000	Katsuragawa Electric Company	25,358
50,000	Koito Manufacturing	321,124
53,000	Koyosha Inc.	294,274
19,000	Matsushita Electric Industrial Company	343,250
54,000	Mitsubishi Electric Corporation	212,563
32,000	Morito	209,497
45,150	Nissan Fire & Marine Insurance Company	185,210
36,000	Oak	119,334
62,000	Osaka Securities Finance	177,774
19,000	Sangetsu Company Ltd.	307,036
15,000	Sankyo Company Ltd.	519,599
25,000	Shikoku Coca-Cola Bottling	265,186
99,000	Shin Nikkei Company Ltd.	176,390
32,000	Toyot Technical Company Ltd.	225,408
		<hr/> 6,193,589
Netherlands—0.3%		
10,000	Heineken Holdings NV, Class A	1,535,253
15,000	Holdingmaatschappij De Telegraaf NV	316,599
		<hr/> 1,851,852
Singapore—0.1%		
79,000	Robinson and Company Ord	379,634
Spain—0.1%		
7,600	Argentaria	454,666
16,000	Unipapel SA	389,629
		<hr/> 844,295
Switzerland—0.3%		
2,000	Danzas Holding AG PC	426,980
2,000	Edipresse SA, Bearer	578,933
500	Swissair AG, Registered†	668,660
		<hr/> 1,674,573
United Kingdom—0.9%		
177,800	BTR Ord	720,834
50,000	Carclo Engineering Group PLC	175,305
172,000	Concentric PLC	356,284
100,000	Harrisons & Crosfield PLC	198,276
189,385	McAlpine (Alfred) PLC	431,984

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Portfolio of Investments

September 30, 1997 (Unaudited)

<u>Shares</u>		<u>Market Value (Note 1)</u>
	COMMON STOCKS—FOREIGN	
	United Kingdom—(Continued)	
65,000	SmithKline Beecham, PLC Units, ADR	\$ 3,176,875
150,000	Thistle Hotels PLC	338,520
		<u>5,398,078</u>
	TOTAL COMMON STOCKS—FOREIGN	
	(Cost \$18,023,888)	<u>21,463,433</u>
	COMMON STOCK RIGHTS—0.0%†† (Cost \$1,143)	
87,880	American Real Estate Partners Ltd.†	<u>1,373</u>
	COMMERCIAL PAPER—3.5%	
\$ 5,000,000	Ford Motor Company, 6.200% due 10/1/97	5,000,000
17,050,000	General Electric Capital Corporation, 6.450% due 10/1/97	<u>17,050,000</u>
	TOTAL COMMERCIAL PAPER	
	(Cost \$22,050,000)	<u>22,050,000</u>
	U.S. TREASURY BILLS—0.1%	
315,000	5.508%** due 10/16/97	314,315
200,000	5.870%** due 4/30/98	<u>193,494</u>
	TOTAL U.S. TREASURY BILLS	
	(Cost \$507,809)	<u>507,809</u>
	REPURCHASE AGREEMENT—4.9%	
	(Cost \$30,000,000)	
30,000,000	Agreement with UBS Securities, Inc., 6.030% dated 9/30/97, to be repurchased at \$30,005,025 on 10/1/97, collateralized by \$29,782,000 U.S. Treasury Notes, 6.250% due 5/31/99 (market value \$30,000,000)	<u>30,000,000</u>
	TOTAL INVESTMENTS (Cost \$438,422,781*)	99.9% 615,427,609
	OTHER ASSETS AND LIABILITIES (Net)	0.1 758,952
	NET ASSETS	<u>100.0%</u> <u>\$616,186,561</u>

* Aggregate cost for Federal tax purposes.

** Rate represents annualized yield at date of purchase.

† Non-income producing security.

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

Abbreviations:

ADR—American Depository Receipt

Ord—Ordinary Share

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO BUY		
11,172,218 Japanese Yen	10/1/97	\$ 92,585
29,165,781 Japanese Yen	10/2/97	241,704
8,284,122 Japanese Yen	10/3/97	<u>68,655</u>
TOTAL FORWARD EXCHANGE CONTRACTS TO BUY (Contract Amount \$402,168)		<u>\$ 402,944</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
1,721,335 Finnish Markka	3/13/98	\$ (328,561)
2,994,600 Finnish Markka	4/30/98	(572,976)
5,298,500 Finnish Markka	10/29/98	(1,021,943)
1,002,660 French Franc	10/15/97	(169,178)
4,739,600 French Franc	10/29/98	(817,604)
125,008 Great Britain Pound Sterling	10/15/97	(201,560)
1,813,456 Great Britain Pound Sterling	12/31/97	(2,927,578)
466,650 Great Britain Pound Sterling	2/5/98	(753,776)
617,932 Great Britain Pound Sterling	3/13/98	(998,716)
945,239 Great Britain Pound Sterling	9/30/98	(1,532,332)
629,683 Great Britain Pound Sterling	10/29/98	(1,021,238)
423,335,000 Italian Lira	10/15/97	(245,136)
190,496,250 Japanese Yen	10/15/97	(1,582,161)
75,798,100 Japanese Yen	12/30/97	(636,900)
29,050,000 Japanese Yen	3/13/98	(246,634)
116,095,000 Japanese Yen	4/14/98	(990,142)
83,172,250 Japanese Yen	4/30/98	(711,045)
107,930,000 Japanese Yen	7/15/98	(933,286)
114,850,000 Japanese Yen	9/30/98	(1,004,832)
248,355 Netherlands Guilder	10/15/97	(124,935)
3,407,800 Netherlands Guilder	12/31/97	(1,722,713)
1,857,800 Netherlands Guilder	3/13/98	(943,103)
3,968,000 Netherlands Guilder	10/29/98	(2,039,328)
4,812,975 Norwegian Krone	2/5/98	(682,188)
418,260 Singapore Dollar	10/15/97	(273,646)
38,562,000 Spanish Peseta	10/15/97	(258,372)
6,767,000 Swedish Krona	12/30/97	(895,148)
34,537,500 Swedish Krona	7/15/98	(4,595,452)
10,091,900 Swedish Krona	10/29/98	(1,346,358)
242,600 Swiss Franc	10/15/97	(167,107)
3,871,500 Swiss Franc	12/31/97	(2,691,521)
1,371,500 Swiss Franc	2/5/98	(957,333)
1,068,360 Swiss Franc	3/13/98	(748,616)
2,064,000 Swiss Franc	7/15/98	(1,465,465)
2,794,900 Swiss Franc	9/30/98	(2,000,334)

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Schedule of Forward Exchange Contracts

September 30, 1997 (Unaudited)

<u>Contracts</u>	<u>Contract Value Date</u>	<u>Market Value (Note 1)</u>
FORWARD EXCHANGE CONTRACTS TO SELL		
2,425,900 Swiss Franc	10/29/98	\$ (1,741,902)
TOTAL FORWARD EXCHANGE CONTRACTS TO SELL		
(Contract Amount \$40,525,000)		<u>\$ (39,349,119)</u>

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Assets and Liabilities

September 30, 1997 (Unaudited)

ASSETS

Investments, at value (Cost \$438,422,781) (Note 1)	
<i>See accompanying schedule</i>	\$615,427,609
Cash and foreign currency (Cost \$7,489,794)	7,481,986
Receivable for Fund shares sold	1,423,059
Net unrealized appreciation of forward exchange contracts (Note 1)	1,176,657
Dividends and interest receivable	824,422
Unamortized organization costs (Note 5)	22,688
Prepaid expenses	7,297
Total Assets	<u>\$626,363,718</u>

LIABILITIES

Payable for investment securities purchased	\$9,348,191
Investment advisory fee payable (Note 2)	594,094
Payable for Fund shares redeemed	53,834
Administration fee payable (Note 2)	22,043
Transfer agent fees payable (Note 2)	12,483
Custodian fees payable (Note 2)	5,812
Accrued Directors' fees and expenses (Note 2)	1,327
Accrued expenses and other payables	<u>139,373</u>
Total Liabilities	10,177,157

NET ASSETS \$616,186,561

NET ASSETS consist of

Undistributed net investment income	\$ 3,021,750
Accumulated net realized gain on securities, forward exchange contracts and foreign currencies	6,885,340
Net unrealized appreciation on securities, forward exchange contracts, foreign currencies and net other assets	178,178,345
Par value	2,952
Paid-in capital in excess of par value	<u>428,098,174</u>
Total Net Assets	<u>\$616,186,561</u>

NET ASSET VALUE, offering and redemption price per share
($\$616,186,561 \div 29,519,221$ shares of common stock outstanding) \$20.87

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Statement of Operations

For the six months ended September 30, 1997 (Unaudited)

INVESTMENT INCOME

Dividends (net of foreign withholding taxes of \$66,587)	\$ 4,208,864
Interest	<u>1,072,482</u>
Total Investment Income	<u>5,281,346</u>

EXPENSES

Investment advisory fee (Note 2)	\$2,972,409
Administration fee (Note 2)	113,566
Transfer agent fees (Note 2)	102,712
Custodian fees (Note 2)	28,489
Legal and audit fees	15,812
Amortization of organization costs (Note 5)	9,761
Directors' fees and expenses (Note 2)	3,766
Other	180,930
Waiver of fees by investment adviser and administrator (Note 2)	<u>(128,268)</u>
Total Expenses	<u>3,299,177</u>

NET INVESTMENT INCOME	<u>1,982,169</u>
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

(Notes 1 and 3)

Net realized gain (loss):	
Securities	423,462
Forward exchange contracts	1,079,981
Foreign currencies and net other assets	<u>(33,493)</u>
Net realized gain on investments during the period	<u>1,469,950</u>
Net change in unrealized appreciation (depreciation) of:	
Securities	114,117,386
Forward exchange contracts	(303,875)
Currencies and net other assets	<u>27,743</u>
Net unrealized appreciation of investments during the period	<u>113,841,254</u>

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	<u>115,311,204</u>
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$117,293,373</u>
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■ ■ ■ ■ ■ ■ ■ SEE NOTES TO FINANCIAL STATEMENTS ■ ■ ■ ■ ■ ■ ■

TWEEDY, BROWNE AMERICAN VALUE FUND

Statements of Changes in Net Assets

	Six Months Ended 9/30/97 <u>(Unaudited)</u>	Year Ended 3/31/97 <u> </u>
Net investment income	\$ 1,982,169	\$ 2,332,921
Net realized gain on securities, forward exchange contracts and currency transactions during the period	1,469,950	11,510,445
Net unrealized appreciation of securities, forward exchange contracts, foreign currencies and net other assets during the period	<u>113,841,254</u>	<u>26,815,015</u>
Net increase in net assets resulting from operations	117,293,373	40,658,381
Distributions:		
Distributions to shareholders from net investment income . .	—	(2,924,069)
Distributions to shareholders from net realized gain on investments	—	(7,097,006)
Net increase in net assets from Fund share transactions (Note 4)	<u>156,425,809</u>	<u>110,231,566</u>
Net increase in net assets	273,719,182	140,868,872
NET ASSETS		
Beginning of period	<u>342,467,379</u>	<u>201,598,507</u>
End of period (including undistributed net investment income of \$3,021,750 and \$1,039,581, respectively)	<u>\$616,186,561</u>	<u>\$342,467,379</u>

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Financial Highlights

For a Fund share outstanding throughout each period.

	Six Months Ended 9/30/97 (Unaudited)	Year Ended 3/31/97	Year Ended 3/31/96(a)	Year Ended 3/31/95(a)	Period Ended 3/31/94(b)
Net asset value, beginning of period	\$ 16.22	\$ 14.29	\$ 10.71	\$ 9.71	\$ 10.00
Income from investment operations:					
Net investment income(c) . . .	0.05	0.13	0.15	0.13	0.01
Net realized and unrealized gain (loss) on investments	4.60	2.39	3.56	0.93	(0.30)
Total from investment operations	4.65	2.52	3.71	1.06	(0.29)
Distributions:					
Dividends from net investment income	—	(0.17)	(0.11)	(0.06)	—
Distributions from net realized gains	—	(0.42)	(0.02)	—	—
Total distributions	—	(0.59)	(0.13)	(0.06)	—
Net asset value, end of period . .	\$ 20.87	\$ 16.22	\$ 14.29	\$ 10.71	\$ 9.71
Total return(d)	28.67%	17.75%	34.70%	11.02%	(2.90)%
Ratios/Supplemental Data:					
Net assets, end of period (in 000's)	\$616,187	\$342,467	\$201,599	\$ 58,856	\$ 16,133
Ratio of operating expenses to average net assets(e)	1.39%(f)	1.39%	1.39%	1.74%	2.26%(f)
Ratio of net investment income to average net assets	0.83%(f)	0.92%	1.13%	1.25%	0.64%(f)
Portfolio turnover rate	1%	16%	9%	4%	0%(g)
Average commission rate (per share of security)(h) . . .	\$ 0.0272	\$ 0.0302	\$ 0.0341	N/A	N/A

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

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

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

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

(e) Annualized expense ratios before the waiver of fees by the investment adviser and/or administrator and/or custodian for the six months ended September 30, 1997, the years ended March 31, 1997, 1996, and 1995 and the 3.75-month period ended March 31, 1994 were 1.44%, 1.52%, 1.61%, 1.94% and 3.51%, respectively.

(f) Annualized.

(g) Amount rounds to less than 1.0%.

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

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

1. Significant Accounting Policies

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

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



Notes to Financial Statements (Unaudited)

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

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

Foreign Currency The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period, and purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions. Unrealized gains and losses which result from changes in foreign currency exchange rates have been included in the unrealized appreciation (depreciation) of currencies and net other assets. Net realized foreign currency gains and losses resulting from changes in exchange rates

Notes to Financial Statements (Unaudited)

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

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

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

Notes to Financial Statements (Unaudited)

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

TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

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, 1997, Tweedy, Browne voluntarily waived fees of \$105,729.

The current and retired general partners and their families, as well as employees of Tweedy, Browne, the investment adviser to the Fund, have approximately \$29.5 million of their own money invested in the Fund.

The Company, on behalf of the Fund, has entered into an administration agreement (the "Administration Agreement") with First Data Investor Services Group, Inc. ("the Administrator"), a wholly owned subsidiary of First Data Corporation. Under the Administration Agreement, the Company pays the Administrator an administrative fee and a fund accounting fee computed daily and payable monthly at the following annual rates of the value of the average daily net assets of the Fund.

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

For the period from April 1, 1997 to May 15, 1997, the Administrator voluntarily waived administration fees of \$22,539. For the period from May 16, 1997 to September 30, 1997, the Administrator did not waive any administration fees.

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

Notes to Financial Statements (Unaudited)

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

No officer, director or employee of Tweedy, Browne, the Administrator or any parent or subsidiary of those corporations receives any compensation from the Company for serving as a director or officer of the Company. The Company pays each director who is not an officer, director or employee of Tweedy, Browne, the Administrator 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, 1997, Boston Safe did not waive any custody fees. On May 12, 1997, First Data Investors Services Group, Inc. replaced Unified Advisors, Inc. as the Fund's transfer agent. Tweedy, Browne also serves as the distributor to the Fund and pays all distribution fees. No distribution fees are paid by the Fund.

For the six months ended September 30, 1997, the Fund incurred total brokerage commissions of \$155,206.

3. Securities Transactions

Cost of purchases and proceeds from sales of investment securities, excluding short-term investments for the six months ended September 30, 1997, aggregated \$139,819,150 and \$3,979,460, respectively.

At September 30, 1997, the aggregate gross unrealized appreciation for all securities, in which there was an excess of value over tax cost, was \$179,619,727 and the aggregate gross unrealized depreciation for all securities, in which there was an excess of tax cost over value, was \$2,614,899.



TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

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 9/30/97		Year Ended 3/31/97	
	Shares	Amount	Shares	Amount
Sold	10,744,899	\$200,600,716	9,381,470	\$146,286,093
Reinvested	—	—	599,957	9,419,276
Redeemed	(2,344,768)	(44,174,907)	(2,966,055)	(45,473,803)
Net Increase	8,400,131	\$156,425,809	7,015,372	\$110,231,566

5. Organization Costs

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

6. Line of Credit

Effective October 1, 1996, the Company and Mellon Bank, N.A. have entered into a Line of Credit Agreement (the "Agreement") which provides the Fund with a \$50 million line of credit, primarily for temporary or emergency purposes, including the meeting of redemption requests that might otherwise require the untimely disposition of securities. The Fund may borrow up to the lesser of \$50 million or one-third of its net assets. Interest

TWEEDY, BROWNE AMERICAN VALUE FUND

Notes to Financial Statements (Unaudited)

is payable at the bank's Money Market Rate plus 0.75% on an annualized basis. Under the Agreement, the Company is charged a facility fee equal to 0.10% annually of the unutilized credit. The Agreement requires, among other provisions, the Fund to maintain a ratio of net assets (not including funds borrowed pursuant to the Agreement) to aggregated amount of indebtedness pursuant to the Agreement of no less than three to one. For the six months ended September 30, 1997, the Fund did not borrow under this Agreement.

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