TWEEDY, BROWNE VALUE FUND

ANNUAL

MARCH 31, 1994

Investment Manager's Report

To our Shareholders in Tweedy, Browne Value Fund:

We are pleased to present our first Annual Report to shareholders of Tweedy, Browne Value Fund ("TBVF") for the fiscal year ended March 31, 1994. As the Fund commenced operations on December 8, 1993, this report covers three months and three weeks rather than a full year. Investment results for this period show a decline in net asset value of 2.9% with a per share net asset value of $9.71. On March 31, 1994, the Fund was approximately 77% invested in 61 different issues. The four general partners of Tweedy, Browne Company L.P., the investment adviser to the Fund, have approximately $7 million of their own money invested in TBVF.*

The rather choppy stock market we have experienced in the first three months of 1994, with the Standard & Poor's 500 Stock Index (the "S&P 500") first rising and then falling, resulting in a 3.8% decline as of March 31, 1994, helped us to invest the assets of your Fund. In our opinion, the popular averages had gotten ahead of investment fundamentals and the current correction is healthy over the longer term. The correction also provides buying opportunities for our style of investment management.

As of April 12, 1994, the investment characteristics of our holdings are far cheaper than the broader market indices. Investments fall into two broad categories of undervaluation in relation to intrinsic value: (i) issues based on a low market price in relation to book value; i.e., what the respective companies themselves have paid for their own assets; and (ii) issues based on a low market price in relation to current or estimated earnings.

Among the stocks which are undervalued primarily on the basis of book value, you own shares of Repossession Auction, Inc., a company based in Miami, Florida, which sells used cars and trucks through

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

auctions. At the current stock price, the company's total market value, $4.125 million, is 40% of book value, which was $10.118 million as of September 30, 1993. The company's total liabilities are $145,000, and cash of $5.94 million is 44% more than the total market value of the company's stock. In addition, the company has an inventory of used cars and trucks carried at $3.537 million, which should be worth more than this figure at auction, and accounts receivable and miscellaneous other current assets of $336,000. The total current assets, net of all liabilities, appear to be worth their stated book value, $8.816 million, which is 114% more than the current stock market price. In October 1993, the Chief Executive Officer of the company invested $149,000 of his own money to buy Repossession Auction's stock at about the current price.

You also own shares of American National Insurance Company, a company based in Galveston, Texas, with a total market value of $1.3 billion. At the current stock price, $50 per share, the company is priced at 66% of book value and 9.5x earnings, which is an earnings yield of 10.5% if American National were to pay out 100% of its earnings as a dividend. In acquisition transactions, life insurance companies similar to American National Insurance Company have been valued at somewhat more than book value.

At April 12, 1994, approximately 21% of your money was invested in 34 stocks which were valued in the stock market at much less than book value. The weighted average stock price in relation to book value for these holdings was 67% of book value, a 33% discount. Less than 1% of the 2,885 Securities and Exchange Commission ("SEC") filing companies with a market capitalization above $100 million are priced at less than 67% of book value. The S&P's 500 is 320% of book value.

Among companies that are undervalued primarily on the basis of current and prospective earnings, we bought Chase Manhattan Corporation's stock at 110% of book value and 7.2x earnings, an earnings yield of 13.9%. Recent bank acquisition valuations have been 15x-20x earnings and 150%-250% of book value. Chase is also inexpensive in relation to other bank stocks and to the S&P 500, which, as we mentioned, is 320% of book value and 21x earnings, or an earnings yield of 4.8%. Less than 3% of the 2,885 SEC filing companies with a market capitalization in excess of $100 million are currently priced at less than 7.2x earnings.

Chase also meets Benjamin Graham's criteria for stocks which are valued on earnings, an earnings yield of at least 2x the long-term bond yield.

At April 12, 1994, about 53% of your money was invested in 23 stocks which were priced low in relation to earnings. The weighted average price/earnings multiple for these stocks was 8.2x current year earnings. If all of these companies were to pay out 100% of their earnings to us as a dividend, the earnings yield would be 12.2%. We get part of this earnings yield paid out to us as a dividend, and the remaining part builds up for us within the companies while we sleep.

There are three reasons why we continue to invest our own money, with enthusiasm, in this diverse portfolio of intrinsic value bargains:

1. Investing in bargains appeals to common sense, at least to ours. The stock market is the only general area of business that we are aware of where pieces of companies can be acquired at much less than what the underlying assets or earning power are truly worth. Investing at bargain prices seems like a low risk way to invest in stocks, especially when combined with broad diversification. Any stock(s) can decline in price, but having stock(s) which analysis indicates are worth much more than the quoted price helps to reduce stress when a decline occurs, and keeps one from selling at low prices. Part of the reason why clear-cut bargains like Repossession Auction exist is that you—as a minority shareholder—cannot walk into Repossession Auction's headquarters on any given day and say, "I'm a shareholder. Please give me my share of the cash. Also, I would like the monetary value of my share of the cars and trucks in your inventory." (If you were the controlling shareholder you could do this, forcing the company to sell off its assets and distribute the cash.) Because you cannot get your hands on the intrinsic value whenever you want to, like a checking account, some shareholders may be inattentive to the true underlying pro rata value of what they own. They may need to sell their shares, even if they are cheap. They may think of stocks as pieces of paper, or gambling chips, not interests in real businesses with real value. This sort of mindset on the part of sellers creates opportunities to buy bargains.

2. Investing in lots of bargains, hundreds of them, has worked well for us over the years. We never know which particular stocks will work well or when, but lots of bargains have produced favorable overall results for our entire portfolio.

3. Academic research and studies have indicated an historical statistical correlation between the investment characteristics, listed below, and above average investment rates of return over long measurement periods. Most investments in Tweedy, Browne portfolios have one or more of these investment characteristics: low price in relation to book value, low price to earnings ratio, low price to cash flow, above average dividend yield, low price to sales ratio as compared to other companies in the same industry, low corporate leverage, low share price, purchases of the company's own stock by the company's officers and directors, company share repurchases, a stock price which has declined significantly from its previous high price and/or small market capitalization.

We have seen much written in the press and discussed on financial talk shows about the difficulty of achieving superior investment returns in an environment where the stock market averages are trading at historically high levels and cash earns a mere 3%. A number of money managers have cautioned their investors or fund shareholders that the returns experienced in the 1980s cannot be repeated in the 1990s. For the most part, they are probably correct because the stock market averages ten years ago were at historically low levels and today are at the opposite end of the cycle. However, we believe such warnings aimed at reducing expectations are less motivated by a desire to provide sound advice to their clients than to retain their clients in an environment of mediocre performance. We guess if you assume you will not perform well, your assumption will come true. While we agree that the easy money has been made in the popular stock market averages, we are not ready to throw in the towel for the foreseeable future.

Another response to the question of where superior investment returns can be achieved in the 1990s has been hedge funds. Certain hedge funds have enjoyed spectacular performance in the past, which has lead to a proliferation of new hedge funds started by managers whose investment record is far shorter than the star performers. We believe that, in many instances, the investor does not appreciate the risks of hedge funds. Theoretically, hedge funds should be able to make money in up and down markets because they can go long or short stocks. That is the way they used to operate. However, the major contributor to the performance of hedge funds today is leverage. In the late 1960s when these funds were also popular, they employed leverage but it was limited. For every dollar of capital, a fund might be long or short $1.50 worth of stock. Leverage on stocks is limited by Federal Reserve regulations governing the amount of credit a bank or brokerage firm can extend on stocks or bonds. The creation of derivatives, sometimes arcane options, futures, puts, calls, etc., on everything from stocks and bonds to currencies and interest rates, has dramatically increased the ability of a hedge fund manager to employ leverage. Today, $1 million of capital can control five or ten times that amount of pounds, deutsche marks, pork bellies, or whatever else you can convince your broker to let you bet on. If the price of whatever the manager has bet on moves in the right direction, a small change in price can mean a big gain because of the leverage employed. We have seen the annual report of a hedge fund that, with $3.5 billion of capital, held $16 billion of assets. If the $16 billion of assets appreciates 10% and the $12.5 billion of leverage has been borrowed at 5%, the return on the $3.5 billion of investors' money is a hefty 28%. However, there is another side to leverage. If the value of the above $16 billion portfolio declines 10%, and the leveraged borrowings cost 5%, the investor would see his $3.5 billion investment shrink by 64%. We are not saying that all hedge funds are a disaster waiting to happen, like the Big Earthquake that will someday free Los Angeles from its ties to the mainland, but we do think investors should understand the risks they are taking. An investment in a hedge fund is very definitely a bet on the ability of a particular money manager to make large, highly leveraged investments rather than a style of investment such as value or growth. And as capital flows into hedge funds, as with every other investment fad, the risks will increase and the returns ultimately decline. For our own money, we would rather not be in a position where we could wake up one morning to find the Bank of England has taken some action that has changed the pound/dollar relationship with the effect of wiping out a major part of our net worth.

Some hedge funds claim to overcome this risk by employing "market neutral strategies." A "market neutral strategy" implies that the fund can make money no matter which way the stock market or the bond market or interest rates move. These "risk free" strategies also promise returns between 15% and 20% per year. It sounds great—maybe almost too good to be true. *The Wall Street Journal*, on March 30, 1994, and *The New York Times*, on April 5, 1994, each had an article on one such hedge fund, Granite Partners. From 1990 through 1993, Granite Partners produced returns ranging from 13% to 18%, investing in "rare and volatile mortgage-backed securities under a market neutral strategy." In 1994, Granite Partners lost everything as interest rates moved against their highly leveraged positions. We do not believe returns in the high teens should carry the risk of a 100% loss when the S&P 500 is down 2%. We are simple people. We are not smart enough to discover or even understand these complex investment strategies. We are therefore skeptical of promises of 15% to 20% returns with no downside risk year in and year out. In our opinion, if it were truly possible to achieve this investment goal, there are more than enough whiz-kid rocket scientists sitting at their computers who could figure it out, raise half a billion dollars, and go into the money management business. Maybe what the hedge fund managers are saying is that the risk is remote; i.e., not likely to occur, but if it does, watch out!

We spent a fair amount of time investigating ways investors can insulate their portfolios from a major drop in the stock market. Our approach assumed one could tolerate a 10% dip in the popular averages. Like medical insurance, we did not look for coverage for routine colds and flu, but wanted insurance against a major, costly illness. Just such an instrument does exist. Actually, the brokerage community can customize any instrument the investor could possibly dream of, but at a price. In this situation one could purchase a twelve-month put against the S&P 500 at a price 10% below its current level for 3%. Translated, this means that if you have $1,000 invested in the S&P 500 and the value of your holdings falls below $900 at the end of the twelve months, the broker will pay you the difference between the value of your S&P 500 stocks and $900. Effectively, if your portfolio was the S&P 500 you could lose no more than 10%. For this protection, you would pay 3%, or $30.00, which means the S&P 500 would really have to decline 13% before you made money on the put option. It all sounds quite reasonable; a smart thing to do if there is a major crack in the stock market. However, on closer examination the arithmetic does not work. We assumed that we could purchase the put option each January 1 and collect our winnings or allow the option to expire worthless each December 31. We did not assume we could time the stock market to only purchase the options at a market peak because we consider market timing a futile exercise (see discussion below). Moreover, we assumed that we computed the value of the portfolio annually at the end of each year. What happened in the intervening months was irrelevant so long as year to year the portfolio was ahead. Looking at the record of an assumed investment in the S&P 500 from January 1, 1959 to December 31, 1993, a fairly representative total of 35 years, we found that the option would have paid off in only two accounting periods, 1973 and 1974. Surprisingly, on a year-to-year basis, only twice did the S&P 500 decline by more than 13%. In 1987, the year of the crash, the averages lost more than 30% from August through October, but actually gained 5% on a full-year basis. The S&P 500 had an overall annually compounded rate of return of 10.4% before fees for the 35 years ended December 31, 1993. If we had owned S&P 500 puts over that period, our annual compounded rate of return would have been 8.22% after adding the benefits gained in 1973 and 1974 and subtracting the 3% cost of the option each year for 35 years. The value of $10,000 compounded at 10.4% is $319,762 vs. $158,827 compounded at 8.22%. Over long periods, small differences in the rate of compounding can mean large differences in absolute dollars earned.

Market timing would help if only it were humanly possible. In an industry with hundreds if not thousands of pundits making predictions about stocks, indices, interest rates, etc., someone will always be right at some point in time. However, to win in the investment business you need to be right more than 50% of the time. Personally, we have never placed much faith in investment oracles. Charles Ellis, a financial author and a partner of Greenwich Associates, a leading financial services consulting firm, believes marketing timing is futile. He determined that in the period between 1982 and 1990, if an investor was out of the market for the ten best days, *we repeat, days,* the investor's annual rate of return would have been reduced from 18% to 12%. Now, the average investor is not trying to avoid the ten best days, but the ten worst days. Either way, picking the ten best or worst days out of 2,500 is an odds play no one will win. As Charles Schwab's mutual fund newsletter states: "The lesson: once you're in, stay in. Don't try to time the market, because no one knows when the best days will come."

Rates of return are not earned in stocks as they are in certificates of deposit in a predictable, steady way. There is much more variability year to year or even decade to decade. While the S&P 500 has compounded on average at 10% per annum, in the 1960s the average was 6.5%, in the 1970s it was 7.5%, and in the 1980s it was 17%+. Moreover, if you have a portfolio of undervalued stocks like we do, there is no assurance that in the short run an overall decline in the stock market will not reduce your stated net worth. The investor's goal should be to own stocks that over time have the fundamental investment characteristics to produce superior rates of return. We think we have that. And, as it is impossible to predict when the next ten best days will occur in the stock market over the next ten years, we conclude that, as long as we can find enough bargains, we must stay invested realizing that in the short run the stock market can reduce our net worth. As Ben Graham said, ''In the short run, the stock market is a voting machine. In the long run, it is a weighing machine.''

Sincerely,

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

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

April 12, 1994

TWEEDY, BROWNE VALUE FUND

Portfolio of Investments

March 31, 1994

Shares		Market Value (Note 1)
	COMMON STOCKS—76.9%	
	Banking—17.5%	
8,800	BanPonce Corporation, New	$ 277,200
1,000	Calcasieu Marine National Bank	55,000
16,800	Chase Manhattan Corporation	543,900
17,400	Comerica, Inc.	441,525
12,500	First Chicago Corporation	600,000
2,800	Mercantile Bancorporation, Inc.	134,050
12,000	Salomon Inc.	580,500
4,300	Suffolk Bancorp	101,050
600	Wells Fargo & Company	83,625
		2,816,850
	Consumer Non-Durables—13.9%	
19,500	Great Atlantic & Pacific Tea Company	477,750
3,000	Heineken Holdings, Class A	318,655
10,060	Nestle ADR	445,155
13,000	Polaroid Corporation	414,375
17,200	Reebok International Ltd.	589,100
		2,245,035
	Financial Services—11.6%	
15,500	American Express Company	428,188
10,100	Federal Home Loan Mortgage Corporation	512,575
17,300	Household International Inc.	512,513
3,300	HPSC Inc.	11,137
6,000	Jefferies Group Inc.	222,000
4,500	Kent Financial Services Inc.	23,625
19,900	Lomas Financial Corporation, New†	159,200
		1,869,238
	Insurance—7.8%	
15,000	Allstate Financial Corporation	80,625
9,025	American National Insurance Company	428,687
375	Amwest Insurance Group Inc.	4,781
6,100	Independent Insurance Group Inc.	96,075
5,500	Laurentian Capital Corporation, New†	46,063
8,600	Merchants Group Inc.	124,700
6,600	National Western Life Insurance Company	244,200
13,700	USLICO Corporation	236,325
		1,261,456
	Health Care—6.5%	
6,000	Continental Medical Systems†	62,250
8,500	Johnson & Johnson	320,875
3,400	Medical Care America Inc.†	72,250
44,300	National Health Labs, Inc.	592,513
		1,047,888

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TWEEDY, BROWNE VALUE FUND

Portfolio of Investments

March 31, 1994

Shares		Market Value (Note 1)
	COMMON STOCKS	
	Retail—4.0%	
13,200	Ben Franklin Retail Stores	$ 67,650
1,000	Dart Group, Class A	85,000
21,800	K Mart Stores	395,125
1,700	Mercantile Stores	65,025
7,500	Repossession Auction, Inc.	11,250
3,300	Syms Corporation	28,050
		652,100
	Technology—2.8%	
13,900	Digital Equipment Corporation†	410,050
7,600	LDI Corporation	38,950
		449,000
	Chemicals—2.5%	
8,000	Philip Morris Companies Inc.	406,000
	Real Estate—1.6%	
12,800	American Real Estate Partners Ltd.	96,000
9,700	Reading Company, Class A	98,819
15,300	RPS Realty Trust	59,287
		254,106
	Paper—1.4%	
7,900	Champion International Corporation	229,100
	Engineering and Construction—1.0%	
6,500	Atkinson (Guy F.) Company California†	57,687
15,000	Devcon International Corporation	105,000
		162,687
	Telecommunications—0.7%	
10,400	Falcon Cable Systems Company Ltd.†	110,500
	Basic Industries—0.6%	
2,735	Binks Manufacturing Company	60,512
5,000	Tremont Corporation, New†	31,875
		92,387
	Oil and Gas—0.5%	
12,000	Pool Energy Services Company†	82,500
	Printing and Publishing—0.5%	
15,000	Advanced Marketing Services Inc.†	76,875

Portfolio of Investments

March 31, 1994

Shares			Market Value (Note 1)
	COMMON STOCKS		
	Business Services—0.4%		
7,000	Duplex Products Inc.†		$ 70,875
	Freight—0.2%		
2,930	Carolina Freight Corporation		33,329
	Other—3.4%		
5,000	AEL Industries Inc., Class A†		42,500
7,700	Guinness PLC, Sponsored ADR		264,495
5,900	Hasbro Inc.		205,025
5,400	TeleCom Corporation†		18,225
1,000	Trico Products Corporation		19,000
			549,245
	TOTAL COMMON STOCKS (Cost $12,952,219)		12,409,171
	PREFERRED STOCK—0.1% (Cost $16,100)		
1,400	Grant Geophysical Inc., Pfd.		17,500
Face Value			
	COMMERCIAL PAPER—10.1%		
$ 812,000	Ford Motor Credit Corporation, 3.550% due 4/4/94		812,000
812,000	General Electric Capital Corporation, 3.550% due 4/4/94		812,000
	TOTAL COMMERCIAL PAPER (Cost $1,624,000)		1,624,000
	REPURCHASE AGREEMENTS—15.5%		
1,690,000	Agreement with Morgan Stanley & Company, 3.450%, dated 3/31/94, to be repurchased at $1,690,648 on 4/4/94, collateralized by $1,155,000 U.S. Treasury Notes, 12.75% due 11/15/10		1,690,000
812,000	Agreement with Union Bank of Switzerland, 3.500%, dated 3/31/94, to be repurchased at $812,316 on 4/4/94, collateralized by $790,000 U.S. Treasury Notes, 8.625% due 1/15/95		812,000
	TOTAL REPURCHASE AGREEMENTS (Cost $2,502,000)		2,502,000
TOTAL INVESTMENTS (Cost $17,094,319*)		102.6%	16,552,671
OTHER ASSETS AND LIABILITIES (Net)		(2.6)	(419,588)
NET ASSETS		100.0%	$16,133,083

* *Aggregate cost for Federal tax purposes.*

† *Non-income producing security.*

SEE NOTES TO FINANCIAL STATEMENTS

Statement of Assets and Liabilities

March 31, 1994

ASSETS		
Investments, at value (Cost $17,094,319) (Note 1)		
See accompanying schedule:		
Investment securities	$14,050,671	
Repurchase agreements	2,502,000	$16,552,671
Cash		3,002
Receivable for Fund shares sold		83,944
Unamortized organization costs (Note 5)		77,980
Dividends and interest receivable		32,272
Total Assets		16,749,869
LIABILITIES		
Payable for investment securities purchased	486,195	
Organization costs payable	83,550	
Accrued Directors' fees and expenses (Note 2)	5,000	
Administration fee payable (Note 2)	4,947	
Transfer agent fees payable (Note 2)	500	
Accrued expenses and other payables	36,594	
Total Liabilities		616,786
NET ASSETS		$16,133,083
NET ASSETS consist of		
Undistributed net investment income		$ 19,099
Unrealized depreciation of investments		(541,648)
Par value		166
Paid-in capital in excess of par value		16,655,466
Total Net Assets		$16,133,083
NET ASSET VALUE, offering and redemption price per share ($16,133,083 ÷ 1,660,873 shares of common stock outstanding)		$9.71

Statement of Operations

For the period ended March 31, 1994*

INVESTMENT INCOME		
Dividends		$ 51,408
Interest		35,377
Total Investment Income		86,785
EXPENSES		
Investment advisory fee (Note 2)	$ 37,497	
Legal and audit fees	24,000	
Registration and filing fees	10,000	
Administration fee (Note 2)	6,244	
Shareholder reports expense	6,000	
Transfer agent fees (Note 2)	6,000	
Amortization of organization costs (Note 5)	5,570	
Directors' fees and expenses (Note 2)	5,000	
Other	4,840	
Waiver of fees by investment adviser (Note 2)	(37,497)	
Total expenses		67,654
NET INVESTMENT INCOME		19,131
REALIZED AND UNREALIZED LOSS ON INVESTMENTS (Notes 1 and 3)		
Net realized gain/(loss) on:		
Forward exchange contracts		3,985
Foreign currencies		(4,017)
Net realized loss on investments during the period		(32)
Net unrealized depreciation of investments during the period		(541,648)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS		(541,680)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		$(522,549)

** The Fund commenced operations on December 8, 1993.*

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

Statement of Changes in Net Assets

	Period Ended 3/31/94*
Net investment income	$ 19,131
Net realized loss on forward exchange contracts and foreign currencies during the period	(32)
Net unrealized depreciation of investments during the period	(541,648)
Net decrease in net assets resulting from operations	(522,549)
Net increase in net assets from Fund share transactions (Note 4)	14,135,632
Net increase in net assets	13,613,083
NET ASSETS	
Beginning of period	2,520,000
End of period (including undistributed net investment income of $19,099)	$16,133,083

** The Fund commenced operations on December 8, 1993.*

Financial Highlights

For a Fund share outstanding throughout the period.

	Period Ended 3/31/94*(a)*
Net asset value, beginning of period	$ 10.00
Income from investment operations:	
Net investment income*(c)*	0.01
Net realized and unrealized loss on investments	(0.30)
Total from investment operations	(0.29)
Net asset value, end of period	$ 9.71
Total return*(d)*	(2.90)%
Ratios/Supplemental Data:	
Net assets, end of period (in 000's)	$16,133
Ratio of operating expenses to average net assets*(e)*	2.26%*(b)*
Ratio of net investment income to average net assets	0.64%*(b)*
Portfolio turnover rate	0%

(a) The Fund commenced operations on December 8, 1993.
(b) Annualized.
(c) Net investment loss for a Fund share outstanding, before the waiver of fees by the investment adviser was $0.01 for the period ended March 31, 1994.
(d) Total return represents aggregate total return for the period indicated.
(e) Annualized expense ratio before waiver of fees by investment adviser was 3.51% for the period ended March 31, 1994.

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

1. Significant Accounting Policies

Tweedy, Browne 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 following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

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

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

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

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

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

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

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

For the period ended March 31, 1994, permanent reclassification adjustments for forward exchange contracts and currency transactions were made between undistributed net investment income and accumulated net realized gains.

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.

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

The Company on behalf of the Fund has entered into an investment advisory agreement (the "Advisory Agreement") with Tweedy, Browne Company L.P. ("Tweedy, Browne"). Under the Advisory Agreement, the Company pays Tweedy, Browne a fee at the annual rate of 1.25% of the value of its average daily net assets. The fee is payable monthly, provided the Fund will make such interim payments as may be requested by the adviser not to exceed 75% of the amount of the fee then accrued on the books of the Fund and unpaid. From time to time, Tweedy, Browne may voluntarily waive a portion of its fee otherwise payable to it. For the period from commencement of operations on December 8, 1993 through March 31, 1994, Tweedy, Browne voluntarily waived fees of $37,497.

The four general partners of Tweedy, Browne Company L.P., the investment advisor to the Fund, have approximately $7 million of their own money invested in the Fund.

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

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

	Up to $100 Million	Exceeding $100 Million
Accounting Fees	0.06%	0.04%

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

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

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

Notwithstanding the foregoing, Boston Advisors and Boston Safe have each agreed to limit fees charged pursuant to the Administration Agreement and Custody Agreement to 0.21% of the value of the Fund’s average daily net assets during the Fund’s first 12 months of operation.

3. Purchases and Sales of Securities

Cost of purchases of investment securities, excluding short-term investments, aggregated $12,968,319 for the period from commencement of operations on December 8, 1993 through March 31, 1994. For the same period ended March 31, 1994, there were no sales of investment securities.

At March 31, 1994, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was $159,120 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was $700,768.

4. Capital Stock

The Company is authorized to issue one billion shares of $.0001 par value capital stock. 400,000,000 of the unissued shares have been designated as shares of the Fund. Changes in shares outstanding for the Fund were as follows:

	Period Ended 3/31/94*	
	Shares	**Amount**
Sold	1,425,062	$14,297,308
Redeemed	(16,189)	(161,676)
Net Increase	1,408,873	$14,135,632

** The Fund commenced operations on December 8, 1993.*

5. Organization Costs

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

6. Subsequent Event

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

Report of Ernst & Young, Independent Auditors

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

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments of the Tweedy, Browne Value Fund as of March 31, 1994, and the related statements of operations and changes in net assets and the financial highlights for the period from December 8, 1993 (date of commencement) to March 31, 1994. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Tweedy, Browne Value Fund at March 31, 1994, the results of its operations, the changes in its net assets and financial highlights for the period from December 8, 1993 (date of commencement) to March 31, 1994, in conformity with generally accepted accounting principles.

Ernst & Young

Boston, Massachusetts
May 13, 1994

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