Tweedy, Browne

ValueInvestor INSIGHT

March 31, 2022

The Leading Authority on Value Investing

Collective Experience

There is a "tectonic shift" going on in markets today, says Tweedy, Browne Co., whose leadership offers insight into how they're positioned to benefit from it.

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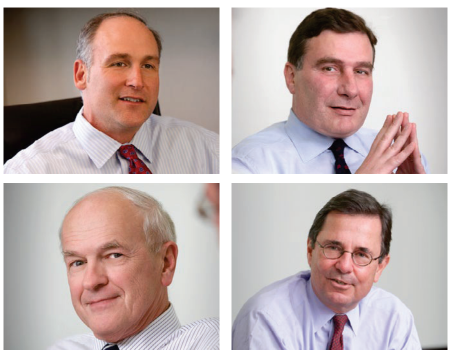
Members of Tweedy, Browne Co.'s investment team describe what's reminiscent about today's investing environment and unsettling times in the past, the quantitative indicator on which they're putting increased emphasis, why their portfolio cash is at historically low levels, and why they see mispriced value today in Industrias Bachoco, Haitian, FMC and Rubis.

INVESTOR INSIGHT



Tweedy, Browne Co.
(*clockwise*) Jay Hill, Thomas Shrager, Bob Wyckoff and John Spears

Investment Focus: Seek companies whose stocks for temporary reasons are objectively cheap on an absolute basis and relative to their private-market values.

Many investment firms counsel calm and rationality in the face of unsettling times, but few do it with the credibility of Tweedy, Browne Co., which in its most recent letter to clients explained the underpinning of its basic approach: "A vital benefit of successfully operating for over 100 years is having a balanced perspective when markets are highly reactive."

The firm's $6.3 billion International Value Fund since inception in 1993 has earned a net annualized 8.7%, vs. 5.4% for the MSCI EAFE Index (US$). Looking to "take advantage of inevitable pricing opportunities presented by challenging markets," says Managing Director Bob Wyckoff, the investment team sees upside in such areas as poultry, crop chemicals, industrial equipment and fuel distribution.

You wrote in a recent client letter about the importance for investors to have a balanced perspective when markets are as volatile as they are. At a basic level, what does that mean for you today?

Bob Wyckoff: At the same time we recognize how unsettling the current environment is, we're also cognizant of the fact that we've been through a lot of unsettling times before and that the best response has been to remain calm and draw on our experience to assess rationally on a case-by-case basis what's in front of us. Warren Buffett has been quite articulate in pointing out that through all of the serious conflicts and economic shocks we've been through over the past 80 years, markets have weathered the blow and gone on to prosper each and every time.

In our experience these types of environments generally result in more and better investment opportunities. Over the past two years we've added close to 40 new positions to our portfolios, which is significantly more than is typical for us. Our cash positions, which are residual to the opportunity set available and have been on rare occasions as high as 25% or so, are now around 5% or less. That's not to minimize any of the challenges we face as investors today, but I think it does reflect the balanced perspective we try to have.

John Spears: Our approach really comes back to the time-honored value investing principle that a stock is a fractional ownership of a real company. Good businesses run by smart managers keep plugging along and don't worry much about the vagaries of the stock market. They're responding to what's going on in the business and if they do that well should continue to create shareholder value over time. When the market marks down the price inappropriately against that value, that's when we should take advantage.

Is today's market environment particularly reminiscent for you of other unsettling times in the past?

BW: Every environment is unique, but today rhymes a bit for me both with the correction of the "Nifty Fifty" stocks in the mid-1970s and with the bursting of the technology bubble of 2000. With respect to the Nifty Fifty, in part from the establishment of Lyndon Johnson's Great Society programs and the unprecedented fiscal spending that went along with that, you saw creeping inflation pressure in the late 1960s and early 1970s. Then there was a shock to the system from the Arab oil embargo and oil prices quadrupled almost overnight. Equity markets came tumbling down and the so-called one-decision stocks of those days – which looked a lot then like the big tech stocks in the U.S. do today – got dramatically re-rated. It took a very long time for most of those securities to come back and a number of them never did.

People talk today about the bubble bursting in 2000 as being about nascent technology, at companies like Pets.com and eToys and any number of pie-in-the-sky firms that got ludicrously overvalued before crashing down or disappearing. There's an element of that in what we're seeing today, of course, but then it was also about really great companies – think Microsoft, Intel, Cisco, Hewlett-Packard and IBM – whose stock prices also got way ahead of themselves and fell by 40%, 50% and even 80% after the market started to correct in March of 2000. Nobody seems to think that's possible today, but I'd argue we're entering a period where we're going to be reminded in no uncertain terms that price once again matters and there is in fact a difference between a great company and a great investment.

It looks to us as if there's one of those tectonic shifts going on in markets right now. When the cost of money goes to nothing – which was more or less the path since the 2008 financial crisis – almost anything looks like a value. If we're now entering a prolonged period of rising inflationary expectations and rising interest rates, we think we're on the other side of that. If that's right, we believe the values we're finding today – which are not based on growth assumptions with seemingly no bounds – are likely to fare both relatively and absolutely quite well.

You're known for research into what empirically has been associated with above-average investment returns over long periods, described in your classic white paper, "What Has Worked in Investing." After a fairly long period where some of those empirical markers have been called into question, have you rethought any of that original work in identifying attractive ideas?

BW: The basic empirical framework is still vital to the work we do. I think the bad rap some of the more quantitative characteristics have gotten of late is due to the poor performance since the financial crisis of book value as a marker for undervaluation. You always have to evolve where you put emphasis. We're much less focused on book value in our analysis today, for example, than we are on private market values as indicated by acquirers' multiples of EV/EBIT, EV/EBITA and EV/EBITDA.

JS: We've actually updated some of our empirical work recently around insider purchases. That's always been interesting to us, but we're putting even more emphasis on it now as we continue to see a strong correlation between corporate officers and directors purchasing their own companies' shares and stock outperformance. The correlation is even higher when insider buying is combined with stocks trading at low prices in relation to the private market values Bob just spoke about. Actions of intelligent people, who almost by definition are going to have insight into a business that we can't, often speak even louder than words.

ON INSIDER BUYING:

Actions of people who are very likely to have insight into a business we can't often speak louder than words.

You've said your portfolios weren't very exposed to the invasion of Ukraine, but have you reacted to it with respect to any of your holdings?

Sean McDonald: We should talk about energy, which has been somewhat of a struggle for us as a sector for some time. If you trace the ups and downs of the industry it often comes down to what the so-called OPEC Plus is doing or is going to do, and as an outsider it's very difficult to form an investment thesis when that's the case, particularly when key members of the cartel are Saudi Arabia and Russia.

That said, we have owned some exploration and production companies, a prominent one today being TotalEnergies [Paris: TTE], which we think is one of the best-managed and best-diversified players in the industry. Its shares haven't done much since the build-up to the invasion began, probably with the positive of higher oil prices being offset by the fact that roughly 5% of its cash flow is tied to Russia.

Frank Hawrylak: Our basic thesis for the company is based on our belief that energy sources will have to transition slowly from fossil fuels to renewables, which could set up for a reasonably long period of higher oil prices that would benefit a well-run company like TotalEnergies that has worked hard to get its cash breakeven levels relative to oil prices down. Then there are the mathematics. The P/E ratio [at today's price of €47] is less than 10x. The dividend yield is 5.7%, when 30-year U.S. Treasuries yield 2.5% and the company's own A-rated 10-year bonds are at less than 2%. We don't know how the situation in Ukraine is going to play out, but for now our longer-term view on Total is still largely intact.

SM: Another relevant holding to mention in this context would be BAE Systems [London: BA], the U.K.-based defense contractor. We've owned a stake in the company for many years and would say it's been solid but sleepy, staying interest-ing because it still trades at a pretty steep discount to peers.

We met earlier this month in Manhattan with BAE's chief financial officer, and from the company's perspective the trajectory of its entire business has changed. If they were expecting low- to mid-single-digit revenue growth prior to the invasion, they now believe longer term that growth will be at least in the mid- to high-single digits going forward as the defense-spending equation in Europe changes. These are long-cycle projects so it doesn't show up right away, but that kind of growth in a business with good economies of scale could be interesting.

Even with the stock moving up in the past month, at today's price [of £7.30] it trades at only 10x trailing EV/EBITDA, versus the 12.5x we typically use to calculate intrinsic value for defense companies. BAE got new management in 2019 and we think it had already laid out a reasonable plan to close that valuation discount. With the trajectory of the business now also potentially changing quite a bit for the better, this is something we're more than happy to hold.

You invest mostly outside the U.S. Are there any geographic tilts to what you've been finding interesting?

Thomas Shrager: All of our work is very bottoms-up oriented, but I would highlight three areas – China, Japan and Mexico – where we've been finding relatively more of interest.

The story is different in each case. In China after a long period of relatively lax regulation, the government has taken steps to re-regulate the economy in ways that some perceive as heavy-handed and anti-business. That has clearly scared many investors and we would not at all say that investing in China today doesn't include risks beyond those purely of a business and economic nature. But we actually see some of the steps being taken as making a fair amount of sense, and we generally don't ascribe to the view that the Chinese government is out to destroy the economic miracle of the last quarter century in the country.

We're demanding more substantial discounts from our estimates of intrinsic value in China and we're not overly concentrating in any single issue, but at today's prices we believe we're being more than adequately compensated for the risks assumed.

Amelia Koh: To highlight one representative example, Alibaba [BABA] is by far the leading e-commerce company in China, with 40% market share, and also has a number of ancillary businesses like Alibaba Cloud that appear to have long growth runways. The company has been impacted by regulatory changes and economic challenges to its business in the short term, but we don't believe these fundamentally alter its prospects in what for a long time should be a vibrant e-commerce market in a still high-growth economy.

There are a number of ways to evaluate Alibaba because it has many different parts, but in the simplest terms this is a company that in many ways is analogous to Amazon in the U.S, but its stock trades at around 10x earnings when Amazon's trades at closer to 60x. Alibaba's cloud business, the leader in China, in our view is valued today at zero. The narrative for many investors seems to be that this stock is uninvestable – at the current price, we just don't believe that's true. [*Note*: Off more than 60% from their October 2020 high, Alibaba's U.S.-traded ADRs traded recently at around $117.]

TS: In Japan, our high-level view is that corporate governance has been improving, but not at a pace that suits the time horizon of most investors. In addition, many of the export-oriented companies we tend to favor there have had pandemic and supply-chain issues to contend with, leaving many stocks trading at what we consider attractive multiples of normalized earnings.

ON MEXICO:

Election cycles come and go and the economic environment and equity culture can change for the better.

What's a typical example?

Olivier Berlage: One good one would be Sumitomo Heavy Industries [Tokyo: 6302]. If you just take a quick look at the company's website, you'll see they're in an extremely wide variety of manufacturing businesses. They make excavators, cranes and forklifts. They make injection molding machines. They make ion implantation systems used in semiconductor manufacturing. They're very big in boilers, in electric motors, in steam turbines and even in waste-to-energy plants. It's a long list.

Cheap as it is, the fact that the stock [at a recent ¥2,840] trades at less than 7x what we consider normalized operating profit less amortization isn't anything particularly special for Japan. What is special is that the company has a fairly strong record of top-line growth over the past ten years and has generated returns on equity of up to 10% – still unremarkable internationally, but already much better than many comparable Japanese companies. We respect them as operators. The cherry on top would be real improvement in governance, which in this case would likely focus on thoughtful portfolio management around the various businesses – investing in some, divesting in others. That could potentially unlock considerable shareholder value.

How likely is a change in mindset? The company is not so big that activists can't get involved. It's not that protected by a major shareholder. Their management should feel some pressure from competitors taking more prominent steps to improve governance and increasingly focus on shareholder value. We don't expect progress to happen overnight, but the potential upside if it does is a nice option on an investment with a growth profile and dividend yield (over 3%) that helps protect us while waiting for better things to happen.

What's behind the incremental opportunity you see in Mexico?

Jay Hill: Investors seem to have given up to a great degree on the Mexican market, in no small part because the country has a president who is seen as being anti-business. There have been very few new IPOs there in recent years, and any exciting private companies are likely to try to list in the U.S. In general, valuation multiples on Mexican companies are significantly lower. In your last issue of *VII* one of the investors talked about Gruma [Mexico City: GRUMAB], which is a high-quality consumer-products business that earns the bulk of its profits in the U.S. Just because it's listed in Mexico the stock trades at three to four multiple points lower.

Our basic view is that election cycles come and go and the economic environment and the equity culture can change for the better, as it has many times in the past. Currently the stocks of a number of high-quality businesses with strong growth prospects are extremely cheap, inappropriately so in our opinion.

A typical example here?

Andrew Ewert: Over the past year we have built a position in Megacable [Mexico City: MEGACPO], Mexico's second-largest cable company selling pay-TV and broadband Internet service to what we consider to be an underpenetrated target market. It has dominant shares in the geographies in which it competes, a conservative balance sheet, is more profitable than many international peers – its EBITDA margin in 2020 was just under 50% – and consistently earns high returns on tangible capital.

But the shares today [at a recent price of just under 61 Mexican pesos] sell for less than 5x EBITDA on an enterprise value basis. That compares with the 10-12x at which comparable companies like Comcast and Charter Communications currently trade in the U.S. That's also at a sharp discount to the 9-10x EBITDA paid in recent M&A deals. So we think we're getting a significant valuation opportunity in a company that has been more profitable than peers, has higher growth potential and, by the way, has an expected dividend yield of nearly 4%. We think in the not-too-distant future its share price will much better reflect the company's underlying intrinsic value than it does today.

Describe your general approach to discerning what appears inexpensive.

JH: We typically describe our valuation methodology as a two-part test. We want to buy at 70% or less of what we think a rational buyer would pay on a per-share basis to acquire the entire business in a negotiated transaction. At the same time, we generally want to engage only when the owner-earnings yield – defined as net operating profit after tax divided by enterprise value – is in excess of 8%. We spend a lot of time arriving at what we believe are appropriate private-market values, but we always want to marry that relative approach to valuation with an absolute one as well. That helps keep us from being too enamored with something just because it appears relatively cheap.

You typically hold 90 or more positions at a time, a level of diversification that seems to have contributed to keeping your portfolios' return volatility relatively low. Is that a goal, or just a side effect?

BW: One thing we often say is that we're 100% concentrated in value, so it makes sense to diversify by industry, country and market cap simply to reflect our humility about how well we can underwrite any single opportunity correctly. We also retain the flexibility to invest in medium-sized and smaller companies, which actually over the past two years has been where we've been finding more opportunity.

That our approach does seem to have a positive impact on volatility is by design. It allows our investors, as we say, to more easily "stay on the bus" when they might otherwise want to jump off. That's very important to our mutual success in this business.

We had planned to talk at length about your case for Mexico's Industrias Bachoco [Mexico City: BACHOCOB], but we've been somewhat beaten to the punch, so to speak, as the company's founding Robinson Bours family last Friday made a tender offer for the outstanding shares of the company it doesn't already own. Let's still discuss why you – and, apparently, the Robinson Bours family – have found the shares to be undervalued and whether you think the buyout offer on the table is fair and reasonable.

JH: To give some background on the company, it was founded 70 years ago and is Mexico's largest breeder, processor and marketer of chicken, which accounts for the significant majority of its sales. It's the low-cost producer in the country and is the market leader in chicken, with an approximately 35% share. The U.S. accounts for maybe 25% of sales, but Bachoco is not a big player here and we think its U.S. business isn't making money.

Consumption of chicken in Mexico per capita has grown at 3% per year, as it is the dominant protein source in the country and is cheaper than pork and beef. The company has by far the best distribution system, a significant competitive advantage both because it translates into structurally lower costs but also because 90% of the chickens sold in Mexico are sold fresh, often the whole bird.

The business is cyclical, but two companies control 60% of the market and the more-concentrated structure helps make the Mexican industry consistently more profitable than it is in the United States. Over the past 10 years, after excluding the giant net cash position on the balance sheet, the company has earned an average return on equity of close to 18%. Tangible book value per share over that time, plus dividends, has compounded in pesos at 13% per year.

The Robinson Bours family is offering 81.66 Mexican pesos per share for the approximately 27% of the shares it doesn't own. First of all, did that surprise you? Second of all, how fair do you consider the price?

JH: Our biggest concern prior to the latest news was capital allocation, namely the fact that nearly 50% of the market capitalization before the recent rise in share price was in net balance sheet cash that the company didn't need. Given the undervaluation we saw in the shares, we had engaged with management and the board about the company buying back shares for the benefit of all remaining shareholders. We did not anticipate that rather than the company buying back shares, the family would try to take it private at what we consider a low-ball price.

At the roughly 66 peso share price before the offer was announced, the stock net of cash traded at only 4.7x the company's 10-year average EBIT and 3.8x 10-year average EBITDA. Our rule-of-thumb valuation for a cyclical business like this is around 10x EBIT on an average or normalized basis, which would translate into a minimum valuation of 105 pesos per share. Using the valuation multiples paid on a variety of metrics by a joint venture between Cargill and Continental Grain last year in buying Sanderson Farms – a

INVESTMENT SNAPSHOT

Industrias Bachoco
(Mexico City: BACHOCOB)

Business: One of the two large breeders, distributors and marketers of poultry and eggs in Mexico; founding Robinson Bours family still owns more than 70% of the shares.

Share Information
(@3/30/22, Exchange Rate: $1= 19.9 Mexican Pesos):

Price	**MXN 77.36**
52-Week Range	MXN 64.57– MXN 79.82
Dividend Yield	0.0%
Market Cap	MXN 46.5 billion

Financials (TTM):

Revenue	MXN 81.70 billion
Operating Profit Margin	7.4%
Net Profit Margin	6.2%

Valuation Metrics
(@3/30/22):

	BACHOCOB	S&P 500
P/E (TTM)	9.2	24.8
Forward P/E (Est.)	n/a	19.8

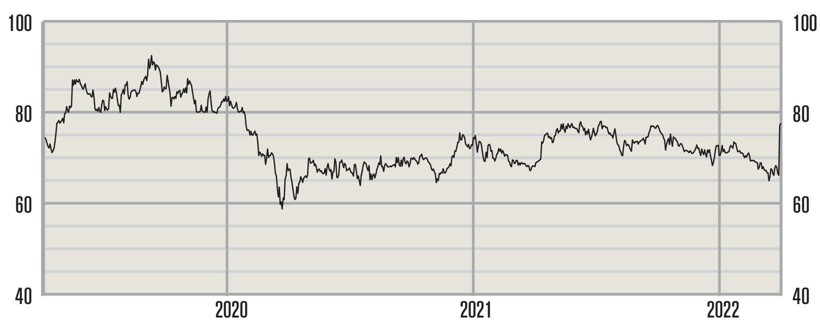
Largest Institutional Owners
(@12/31/21 or latest filing):

Company	% Owned
GBM Administradora de Activos	2.1%
Norges Bank Inv Mgmt	1.4%
Tweedy, Browne	1.0%
Vanguard Group	0.7%
Caisse de depot et placement Quebec	0.4%

Short Interest (as of 3/15/22):

Shares Short/Float	n/a

BACHOCOB PRICE HISTORY



THE BOTTOM LINE

The 81.66 peso per share offer made earlier this month by the founding Robinson Bours family to buy out minority shareholders does not reflect a fair assessment of the company's intrinsic value, says Jay Hill. He argues that fair value is a minimum of 105 per share and that the value in a negotiated transaction would be closer to 160. "Stay tuned," he says.

Sources: Company reports, other publicly available information

U.S. poultry company quite comparable to Bachoco – the implied private market value for Bachoco would be at least 160 pesos per share.

So, no, we aren't thrilled with the price being offered. As far as we can tell from the press release announcing the offer, the 81.66 peso price was arrived at by just adding a 20% premium to the average trading price over the last 30 days, not by making any fair assessment of underlying intrinsic value. The reason we invested in the company is precisely because we felt the publicly traded stock price was substantially below any reasonable estimate of private market value – and that at some point the gap would close.

We're in the process of trying to communicate our displeasure with the company. If the family's objective is to take the company private, fine, then make a realistic offer that reflects the inherent value of the business. To take the company private and delist would require roughly 130 million shares of the 160 million total float to tender their shares. At the 81.66 price, we don't think a deal happens. Stay tuned.

Coming back to China, explain why you're high on the investment prospects for industrial-equipment manufacturer Haitian [Hong Kong: 1882].

AK: Haitian is the largest manufacturer of plastic injection molding machines in the world, with 40% market share in China and around 13% globally. Its machines are used to create plastic parts, with the two largest end markets being automotive and home appliances, which account for approximately half of all revenues. The rest of the customer base is a diversified mix of packaging, medical, electronics and other manufacturers. In China it is considered the high-quality provider in terms of technology and durability, translating into higher margins than peers. Globally it competes with mostly Japanese and European competitors, more so on cost effectiveness than quality.

The company has been gaining share globally – from 10% in 2015 to 13% today – and plastics overall for automotive and industrial end uses have been increasing share penetration because they're more malleable, corrosion resistant and relatively light weight. As a key example, management cites the fact that the premium on using the lightest parts possible is translating into a 20% increase in plastics use in electric vehicles versus in cars with internal combustion engines.

Haitian's margins have been expanding over the last decade from a change in product mix toward higher-end machines and from operating efficiency gains that come along with scale, both trends we expect to continue. All of that has translated into solid increases in both revenue and profitability. EBIT since 2007 has compounded at 12% annually. Gross margins are over 30%, EBIT margins are over 20%, and return on assets has averaged 11% over the last five years. ROA would be even higher if we excluded from equity the net cash on the balance sheet, which is now close to 40% of the current market cap.

There is a cyclical aspect to our interest as well. The Chinese auto market even before the pandemic was soft and we believe there is pent-up demand there post-pandemic. Supply-chain bottlenecks in autos and other industrial sectors globally

INVESTMENT SNAPSHOT

Haitian
(Hong Kong: 1882)

Business: Largest Chinese manufacturer of plastic injection molding machines, serving a global customer base of automotive, home-appliance and other diversified end users.

Share Information
(@3/30/22, Exchange Rate: $1 = HK$7.83):

Price	**HK$20.10**
52-Week Range	HK$16.26 – HK$32.55
Dividend Yield	4.7%
Market Cap	HK$32.48 billion

Financials (TTM):

Revenue	HK$16.02 billion
Operating Profit Margin	21.7%
Net Profit Margin	19.0%

Valuation Metrics
(@3/30/22):

	1882	S&P 500
P/E (TTM)	8.7	24.8
Forward P/E (Est.)	8.4	19.8

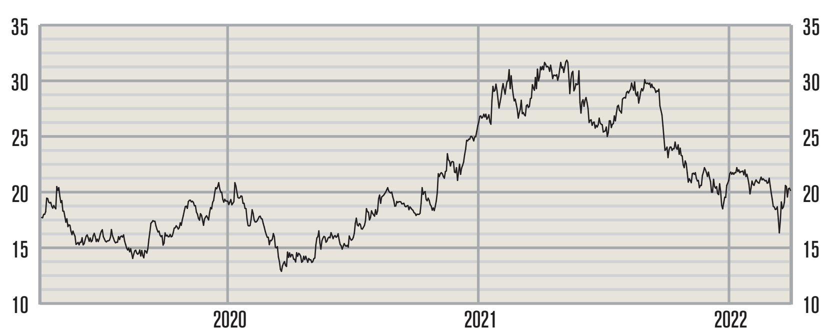
Largest Institutional Owners
(@12/31/21 or latest filing):

Company	% Owned
Schroder Inv Mgmt	4.7%
Fidelity Mgmt & Research	2.0%
Kayne Anderson Rudnick	1.4%
Vanguard Group	1.2%
Value Partners	0.9%

Short Interest (as of 3/15/22):

Shares Short/Float	n/a

HAITIAN PRICE HISTORY



THE BOTTOM LINE

The company is increasing share in a secularly growing global market while also expanding margins through a change in product mix to higher-end machines and from efficiency gains that come with scale, says Amelia Koh. At what she would consider a reasonable 10-11x multiple of normalized EBIT, the shares would trade at HK$28-30.

Sources: Company reports, other publicly available information

have also incrementally depressed demand for Haitian's machines more recently. We don't consider those permanent issues either and that should translate into a cyclical recovery in global end markets as well.

We spoke earlier about your general views on regulatory and corporate governance in China. How would you characterize those issues in Haitian's specific case?

AK: As Tom said, we generally don't believe the Chinese government is out to damage the competitiveness of its global companies. Big manufacturers like Haitian also haven't been particularly targeted with regulatory action.

The company is closely held, with founding-family management in charge and employee trusts owning nearly 60% of the available shares. Out of 11 board members, only four are considered independent. That's a negative, but the track record of the family would indicate that they are good operators and prudent and conservative stewards of capital. They likely don't need as much cash as they have, but it does position the company well to weather economic difficulty and build its advantage through any tough markets.

We like that there's been some insider buying. Both Jianfeng Zhang, who is an executive director and also the Chairman's son, and a holding company affiliated with the controlling Zhang family have bought shares on the open market in recent months. They paid between HK$19 and HK$21 per share, which is right around the current market price.

How are you looking at valuation at that current market price of HK$20.10?

AK: The stock at today's price trades at about 5.7x our estimate of normalized EBIT, which equates to a 14% owner-earnings yield. If you want to be more conservative and use the average EBIT over the last five years, the EBIT multiple is 6.3x – cheap in any event. On top of that the stock has a 4.7% dividend yield.

At the 10-11x normalized EBIT multiple we would consider perfectly reasonable, the stock would trade at HK$28-30. This for a company that in addition to trading at a material discount to our estimate of intrinsic value has also historically compounded value very well. There will be some cyclicality, but we think the forward-looking trend over time can be similarly positive.

You invest mostly internationally, but describe your interest today in U.S.-based FMC Corp. [FMC].

AE: The company provides crop chemicals – including insecticides, pesticides and fungicides – to the global agriculture industry. The top-five global players control around 70% of the market and FMC is currently #5, distinguished by the fact that it's a pure-play chemical company that doesn't also produce seeds and by its diversity by geography and by crop.

There are several things we like about the crop-chemicals business. These are patented products that are highly regulated and expensive and difficult to develop, putting up significant barriers to competitive entry and giving the big players in many cases a high degree of pricing power. FMC last year earned a 26% EBITDA margin and its return on equity was nearly 30%. We also like the long-term growth profile of the business, as farmers worldwide need to continue to improve crop yields to feed a growing population with rising disposable incomes. Crop chemicals play an important role in that.

We think FMC is well situated to benefit from the health of the broader market. It has very strong new-product development, including in biologicals, which are made from living or naturally occurring materials and are more environmentally friendly than traditional synthetic crop chemicals. A lot of the existing product portfolio and the development pipeline are also weighted to more specialized products, which are taking share from traditional broad-spectrum chemicals that try to nuke everything and are often considered more hostile to the environment. One last thing I would mention is that the company still has opportunity to roll out a number of existing products more broadly geographically and to expand its market penetration in a number of areas. That also adds to what we think will be above-market growth potential.

Given all that, management is targeting 5-7% annual revenue growth and 7-9% annual EBITDA growth through 2023. We don't think those are stretch goals. That's particularly true given the unusually strong increase in agricultural commodity prices following the invasion of Ukraine. That's at least a short-term positive for FMC's business and a countercyclical benefit in today's world, but it's not at all a fundamental part of our investment case.

Genetically modified seeds increasingly incorporate traits meant to fight insects, and insecticides account for roughly 60% of FMC's revenues. Is that a concern for the company going forward?

AE: It is certainly an issue to consider, but there are a few mitigating factors for FMC. First of all, GMO seeds are not universally popular, especially in developed markets like Europe. They are in much more common use for large row crops like corn and soybeans, where FMC is not as highly exposed as most competitors. GMO seeds tend to increase herbicide demand, which could benefit that part of FMC's business. Finally, the company is fully aware of this competitive threat and has steered much of its new-product pipeline toward developing herbicides and fungicides over insecticides.

FMC's stock has been strong as the outlook for the agricultural economy has improved. Describe how you're looking at upside from today's price of $132.75?

AE: The stock has moved up from the latter part of last year, when it sold off due to what we thought were overdone concerns about raw-material inflation and confusion about the company planning to emphasize volume and market share over price. We were comfortable that they had plenty of pricing power and were planning to utilize it. But the concerns allowed us to buy in at roughly 10.5x then-estimated forward EBITDA and just over 12x forward earnings.

Earnings estimates for 2022 have increased, but the shares today trade at about 14x forward EV/EBITDA, at the low end of recent comparable industry

INVESTMENT SNAPSHOT

FMC
(NYSE: FMC)

Business: Global development, production and distribution of insecticides, herbicides and fungicides used by farmers to protect and enhance the yield of their planted acreage.

Share Information (@3/30/22):

Price	**132.77**
52-Week Range	87.27 – 136.63
Dividend Yield	1.6%
Market Cap	$16.45 billion

Financials (TTM):

Revenue	$5.05 billion
Operating Profit Margin	22.9%
Net Profit Margin	14.6%

Valuation Metrics
(@3/30/22):

	FMC	S&P 500
P/E (TTM)	21.0	24.8
Forward P/E (Est.)	17.2	19.8

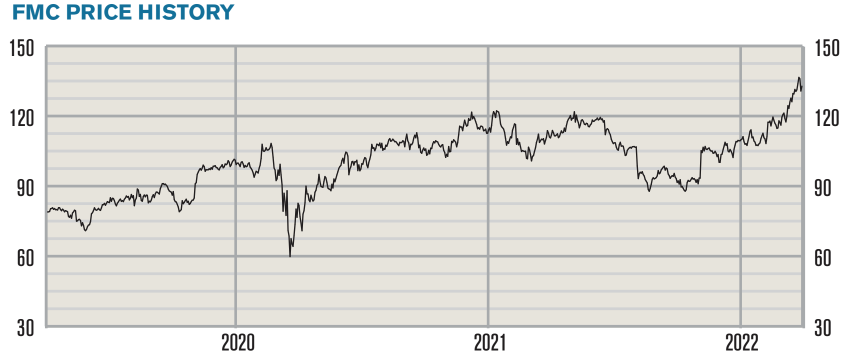
Largest Institutional Owners
(@12/31/21 or latest filing):

Company	% Owned
Vanguard Group	10.5%
Wellington Mgmt	6.7%
State Street	4.7%
BlackRock	4.6%
Columbia Mgmt inv	3.5%

Short Interest (as of 3/15/22):

Shares Short/Float	1.5%

FMC PRICE HISTORY



THE BOTTOM LINE

Andrew Ewert believes the company is well positioned to benefit from cyclical strength in agriculture, a less-commoditized product mix and strong new-product development. While the stock has done well of late, he thinks the company over the medium term can compound its intrinsic value in line with its guidance of 10%-plus annual EPS growth.

Sources: Company reports, other publicly available information acquisitions. So while we wouldn't say the absolute discount to our estimate of intrinsic value today is high, the company if it hits management's relatively conservative expectations for revenue and EBITDA growth can increase earnings per share at better than 10% per year over at least the medium term. Even at today's price, we'd expect shareholder value to increase in line with earnings. On top of that there's currently a 1.6% dividend yield, and we think there's a good chance some of the increased free cash flow that's likely to be generated will go to repurchasing shares as well.

Describe the potential upside you see in Paris-based Rubis [Paris: RUI].

Roger de Bree: The company distributes petroleum-based products – primarily fuels for vehicles, airplanes, home heating, cooking and power generation – primarily in the Caribbean and East Africa, which together make up roughly 85% of the business volume. It's currently active in 41 countries and counting, with an economic model that is based on superior and dominant-share logistics, delivering must-have products in small markets with limited competition.

By way of illustration of the company's approach, it owns a 71% stake in an oil refinery in the Caribbean, from which it transports refined product on five owned and operated ships to a number of Caribbean islands. It owns the local distribution on each island to commercial and residential customers as well as most if not all of the gas stations. By controlling almost the entire logistical chain, it can be very difficult to compete with. In many of its markets, competition even from public or non-public gas and electricity distribution networks is weak or nonexistent.

Rubis' financial results took a hit from the pandemic, but the business continues to recover and we believe the longer-term outlook for growth remains quite positive, especially in Africa, where it benefits from population growth, increasing urbanization and a growing middle class. The company should also continue to grow by acquiring businesses with similar logistical footprints in adjacent geographies.

Are we right in assuming this isn't a particularly ESG-friendly holding?

RdB: We've actually engaged with the company's management to get a clearer understanding of how it is addressing the business's environmental impacts and the possible negative implications for the stock price. They have so far been receptive and willing to engage with us on this issue, but the reality is in many of these markets that fossil fuels are critical to economic development and their increasing utilization will be necessary to raising living standards.

To give an example, Rubis supplies liquefied petroleum gas [LPG] to consumers in East Africa for home heating and cooking. Many of these consumers don't have access to natural-gas pipelines or reliable electricity networks, let alone renewable sources of power. The main alternatives there to LPG for home cooking and heating include burning wood, dung or cardboard, which arguably generate more toxic emissions than those produced by cleaner gas-based fossil fuels. We'll con-

INVESTMENT SNAPSHOT

Rubis
(Paris: RUI)

Business: Distribution and storage of a wide range of fuels and other petroleum-based products in hard-to-reach developing markets primarily in the Caribbean and East Africa.

Share Information
(@3/30/22, Exchange Rate: $1 = €0.90):

Price	**€26.91**
52-Week Range	€23.44 – €42.64
Dividend Yield	6.9%
Market Cap	€2.77 billion

Financials (TTM):

Revenue	€4.59 billion
Operating Profit Margin	8.5%
Net Profit Margin	6.4%

Valuation Metrics
(@3/30/22):

	RUI	S&P 500
P/E (TTM)	10.3	24.8
Forward P/E (Est.)	n/a	19.8

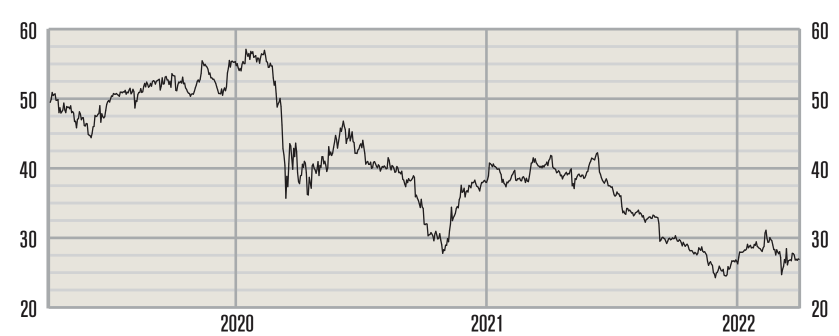
Largest Institutional Owners
(@12/31/21 or latest filing):

Company	% Owned
BlackRock	6.1%
Tweedy, Browne	5.0%
Wellington Mgmt	5.0%
Vanguard Group	3.2%
First Sentier Inv	3.2%

Short Interest (as of 3/15/22):

Shares Short/Float	n/a

RUI PRICE HISTORY



THE BOTTOM LINE

Having endured a pandemic hit, the company's longer-term outlook remains quite positive, says Roger de Bree, tied to strong positions in frontier markets with relatively high population growth, increasing urbanization and a growing middle class. The stock at what he deems a reasonable 13x EBIT multiple on 2022 estimates would trade at €50.

Sources: Company reports, other publicly available information tinue to monitor Rubis' behavior with respect to its environmental impact, but for now we don't think these issues compromise their ability to compound intrinsic value over time.

It's also worth noting that the company late last year paid €375 million to buy an 80% stake in a French solar-energy firm. We don't know yet how we feel about that as an allocation of capital, but through this and other less high-profile initiatives it does indicate that the company is taking the environmental side of the business seriously.

At today's price of just under €27, how inexpensive do you consider the shares?

RdB: The stock has been weak for much of the past six months. I can't say I know exactly why that is, but it likely has something to do with increased oil prices driving up the price of fuels and risking some demand destruction in Rubis' markets. Despite that likely short-term impact, when I look at the company's long-term record of value creation and its potential to grow earnings in the range of 6-8% annually going forward, I'm valuing the shares at 13x EBIT, which on 2022 estimates would result in a share price of around €50. The current dividend yield is also nearly 7%.

It's interesting to note that in its latest authorized share-repurchase program, the company specifically said it didn't want to overpay and put a cap on the price it would pay, which is €54 per share. A key part of management's incentive compensation is also tied to the shares hitting a high-water mark, which now sits at €53. We like that they're motivated right along with us.

ON TRANSITIONS:

A strong culture and collective leadership with very long tenure makes for easier and more successful transitions.

Most firms in this business haven't been through one generational transition, while Tweedy, Browne has now been through a few. What do you think contributes the most to getting that right?

BW: One important factor contributing to the firm's resilience over more than 100 years is the natural selection involved in who joins us in the first place. People think of Tweedy, Browne as one of the high churches of value investing, and only consider coming here if they love the idea of that and of having free reign to pursue their craft with others who share the same passion.

We put a lot of effort into creating and maintaining a collegial, flat organizational structure where we're really all in it together. The portfolios today are managed by an investment committee of seven members, and while this strikes some as odd, all members of the committee are involved in the decision-making process and we make decisions together. There will obviously be disagreements along the way, but we all know and agree on what a good idea looks like, so by the time an idea has made it through the entire process there's never a lack of consensus with respect to buying or selling. We may adjust a position size to reflect differing levels of conviction, but even that doesn't happen very often.

The investment committee today has members of the second, third and fourth generations of firm leadership. The next iteration will have members of the third, fourth and fifth generations. When you have a strong culture, a strong common understanding and belief in the investing framework, and collective leadership with very long tenure, that makes for easier and more successful transitions.

FH: I've been at the firm for just over 35% of the time it's been in existence. I would second everything Bob said but also add that there is no question in my mind that the team we have in place today is far and above anything we've had before. But it better be. We're also playing a much tougher game than it was 20, 50 or 100 years ago. VII

ValueInvestor INSIGHT | ***Collective Experience,*** *March 31, 2022*

The information presented in this interview is designed to be illustrative of the general investment philosophy and broad investment style overview of Tweedy, Browne Company LLC ("Tweedy, Browne"). It contains forthright opinions and statements on securities, investment techniques, economic and market conditions and other matters. These opinions and statements are as of the date indicated, and are subject to change without notice. There is no guarantee that these opinions and statements are accurate or will prove to be correct, and some of them are inherently speculative. The information included in this interview is not intended, and should not be construed, as an offer or recommendation to buy or sell any security, nor should specific information contained herein be relied upon as investment advice or statements of fact. This interview does not contain information reasonably sufficient upon which to base an investment decision.

This article provides certain information about Tweedy, Browne Fund Inc., which may or may not be relevant to a managed account. The article is made available because it provides some insight into our process of value investing. Performance information in the article relates to Tweedy, Browne International Value Fund (the "Fund") and not to any of our managed account composites. Differences in fee structure, portfolio composition and other factors may cause differences in performance among managed account clients and the Fund.

Tweedy, Browne is the investment adviser to the Fund. Tweedy, Browne Company LLC's 100-year history is grounded in undervalued securities, first as a market maker, then as an investor and investment adviser. The firm registered as an investment adviser with the SEC in 1975 and ceased operations as a broker-dealer in 2014.

The Fund's primary benchmark is the MSCI EAFE Index (Hedged to USD). In the interview, the author chose to show the Fund's performance vs. the MSCI EAFE Index (in USD). For the period referenced in the article, since inception through March 31, 2022, the Fund's performance was 8.67%, the performance of the MSCI EAFE Index (Hedged to USD) was 6.41%, and the performance of the MSCI EAFE Index (in USD) was 5.37%.

The investment performance of the Tweedy, Browne International Value Fund (the "Fund") presented in the attached article is as of March 31, 2022, and is subject to change. The average annual total returns of the International Value Fund for the 1-, 5-, and 10-year periods ending September 30, 2025, were 12.45%, 10.88%, and 6.84%, respectively. Total annual Fund operating expense ratios as disclosed in the Fund's most recent prospectus were 1.41% (gross) and 1.41% (net).

The performance data shown above represents past performance and is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Current performance may be lower or higher than the performance data shown. Please visit www.tweedy.com to obtain performance data that is current to the most recent month end, or to obtain after-tax performance information.

Tweedy, Browne has voluntarily agreed, effective May 22, 2020 through at least July 31, 2026, to waive the International Value Fund's fees whenever the Fund's average daily net assets ("ADNA") exceed $6 billion. Under the arrangement, the advisory fee payable by the Fund is as follows: 1.25% on the first $6 billion of the Fund's ADNA; 0.80% on the next $1 billion of the Fund's ADNA (ADNA over $6 billion up to $7 billion); 0.70% on the next $1 billion of the Fund's ADNA (ADNA over $7 billion up to $8 billion); and 0.60% on the remaining amount, if any, of the Fund's ADNA (ADNA over $8 billion). The Fund's performance would have been lower had fees not been waived during certain periods from May 22, 2020 onwards pursuant to this arrangement.

The Fund does not impose any front-end or deferred sales charges. The expense ratios shown above reflect the inclusion of acquired fund fees and expenses (i.e., the fees and expenses attributable to investing cash balances in money market funds) and may differ from those shown in the Fund's financial statements.

Investment decisions for the Funds are made by consensus of the available members of Tweedy, Browne's Investment Committee, which is comprised of Roger R. de Bree, Andrew Ewert, Frank H. Hawrylak, Jay Hill, Thomas H. Shrager, John D. Spears and Robert Q. Wyckoff, Jr. Much of the information in this interview represents the opinions of the speakers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed may differ from those of the Investment Committee or of Tweedy, Browne as a whole. In the course of the interview, Tweedy, Browne personnel mention certain securities that may have been held in the Fund as of or prior to the date of the interview. Discussion of any particular security, sector or Fund by Tweedy, Browne personnel does not constitute information reasonably sufficient upon which to base an investment decision, should not be considered a recommendation to purchase or sell any particular security, and should not be considered an offer to sell or a solicitation of an offer to buy any of the securities referenced. Moreover, discussions relating to portfolio consideration are for illustrative purposes only and, unless otherwise indicated, are not indicative of any specific portfolio. The information in this interview is not guaranteed as to its accuracy or completeness.

As of September 30, 2025, the Fund had invested the following percentages of its net assets in the following portfolio holdings:

	International Value Fund
Industrias Bachoco	0.0%
Haitian	0.5%
FMC	0.0%
Rubis	2.0%
TotalEnergies	3.2%
BAE Systems	1.8%
Alibaba	0.0%
Sumitomo Heavy Industries	0.0%
Gruma Corp	0.0%
Megacable	0.7%
Comcast	0.0%
Charter Communications	0.0%

The above listed portfolio holdings reflect the Fund's investments on the date indicated and may not be representative of the Fund's current or future holdings.

In this interview, there is some discussion of current market prices of securities. The Fund's weighted average cost of those securities may have been higher than current market prices as of the date of this interview. For example, the market price of Alibaba as of March 31, 2022, was significantly lower than the Fund's weighted average purchase price of that security.

Current and future portfolio holdings are subject to risk. The securities of small, less well-known companies may be more volatile than those of larger companies. In addition, investing in foreign securities involves additional risks beyond the risks of investing in securities of U.S. markets. These risks, which are more pronounced in emerging markets, include economic and political considerations not typically found in U.S. markets, including currency fluctuation, political uncertainty, and different financial and accounting standards, regulatory environments, and overall market and economic factors. Force majeure events such as pandemics and natural disasters are likely to increase the risks inherent in investments and could have a broad negative impact on the world economy and business activity in general. Value investing involves the risk that the market will not recognize a security's intrinsic value for a long time, or that a security thought to be undervalued may actually be appropriately priced when purchased. Stocks and bonds are subject to different risks. In general, stocks are subject to greater price fluctuations and volatility than bonds and can decline significantly in value in response to adverse issuer, political, regulatory, market or economic developments. Unlike stocks, if held to maturity, bonds generally offer to pay both a fixed rate of return and a fixed principal value. Bonds are subject to interest rate risk (as interest rates rise, bond prices generally fall), the risk of issuer default, issuer credit risk, and inflation risk, although U.S. Treasuries are backed by the full faith and credit of the U.S. Government. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Diversification does not guarantee a profit or protect against a loss in declining markets. There can be no guarantee of safety of principal or a satisfactory rate of return. Investors should refer to the prospectus for a description of risk factors associated with investments in securities held by the Fund. Although the practice of hedging against currency exchange rate changes utilized by the Fund reduces the risk of loss from exchange rate movements, it also reduces the ability of the Fund to gain from favorable exchange rate movements when the U.S. dollar declines against the currencies in which the Fund's investments are denominated and may impose costs on the Fund. As a result of practical considerations, fluctuations in a security's prices, and fluctuations in currencies, the Fund's hedges are expected to approximate, but will generally not equal, the Fund's perceived foreign currency risk.

The Managing Directors and employees of Tweedy, Browne Company LLC may have a financial interest in the securities mentioned herein because, where consistent with the Firm's Code of Ethics, the Managing Directors and employees may own these securities in their personal securities trading accounts or through their ownership of various pooled vehicles that own these securities.

Price/earnings (or P/E) ratio is a comparison of the company's closing stock price and its trailing 12-month earnings per share. ***Forward price/earnings ratio*** is a company's stock price over its estimated future earnings per share. ***Enterprise Value (or EV)*** is a measure of a company's total value (market value of common stock + market value of preferred equity + market value of debt + minority interest – cash and investments). ***Earnings before interest and tax (or EBIT)*** is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. ***Earnings before interest, taxes and amortization (or EBITA)*** is used to gauge a company's operating profitability (earnings before tax + interest expense + amortization expense). ***Earnings before interest, taxes, depreciation and amortization (or EBITDA)*** is used to gauge a company's operating profitability, adding back the non-cash expenses of depreciation and amortization to a firm's operating income (EBIT + depreciation + amortization expense).

The ***MSCI EAFE Index*** is an unmanaged, free float-adjusted capitalization weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The ***MSCI EAFE Index (in US$)*** reflects the return of the MSCI EAFE Index for a US dollar investor. The ***MSCI EAFE Index (Hedged to US$)*** consists of the results of the MSCI EAFE Index 100% hedged back into U.S. dollars and accounts for interest rate differentials in forward currency exchange rates. Index figures do not reflect any deduction for fees, expenses or taxes.

Past performance is no guarantee of future results.

Tweedy, Browne International Value Fund is distributed by AMG Distributors, Inc., Member FINRA/SIPC.

Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. Click here or call (800) 432-4789 to obtain a free prospectus, which contains this and other information about the Fund. Please read the prospectus carefully before investing.