Tweedy, Browne Company LLC
Established in 1920

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- Manages global shares for MLC (since 2009)
- Founded in 1920. Serving originally as a broker to Benjamin Graham and other highly noted value investors, the firm began managing its first value share portfolio in 1959
- Manages A$22 billion across the world as at 30 June 2014
- Offices in Stamford, Connecticut and London (research office only). Based in Stamford, Connecticut.
- The firm is managed by four Managing Directors who have worked together for between 22 and 39 years
- At 31 December 2012, the current Managing Directors and retired principals and their families, as well as employees of Tweedy, Browne, had approximately $759 million USD invested in portfolios combined with or similar to client portfolios

Tweedy, Browne's 92-year history is grounded in undervalued securities, first as a market maker, then as an investor and investment advisor. Tweedy, Browne's investment approach derives directly from the work of the late Benjamin Graham. He co-authored the first textbook on investment research, "Security Analysis" (1934), and authored "The Intelligent Investor" (1949).

Why MLC has chosen Tweedy, Browne?

Tweedy, Browne is distinguished by the length and quality of its historical investment record (53 years), the experience and stability of its management team, and the efficacy of its value-based approach, which derives directly from its historical association with the founder of this discipline, Benjamin Graham. Their absolute value focus tends to provide good downside protection during market downturns.

MLC believes Tweedy, Browne's experience in global value investing and its proven ability to exploit the inefficiency of global share markets will continue to allow this firm to thrive over time. Their portfolio will typically hold around 30-50 stocks

Philosophy on investing

Clockwise from top left: William H. Browne, John D. Spears, Thomas H. Shrager and Robert Q. Wyckoff, Jr.

The investment management principles practiced by Tweedy, Browne derive from the work of the late Benjamin Graham, professor of investments at Columbia Business School and author of "Security Analysis" and "The Intelligent Investor".

Tweedy, Browne's research seeks to appraise the worth of a company, what Graham called "intrinsic value", by determining its acquisition value or by estimating the collateral value of its assets and/or cash flow.

The term "intrinsic value" may also be referred to as private market value, breakup value or liquidation value. The process is more closely related to credit analysis, for the firm has often said, "We are as concerned with the return of our capital as we are with the return on our capital."

Investments are made at a significant discount to intrinsic value, which Graham called an investor's "margin of safety". Investments are generally sold as the market price approaches intrinsic value, with the proceeds reinvested in other situations offering a greater discount to intrinsic value.

Adhering to the principles of intrinsic value and margin of safety results in an investment policy that runs counter to the general market psychology and seeks to reduce the decision to purchase or sell securities to a discipline rather than an art.

Investment process

In determining intrinsic value, Tweedy, Browne's research focuses on fundamental principles of balance sheet and income statement analysis, and a knowledge and understanding of actual corporate mergers, acquisitions, and liquidations. Utilising a variety of databases, they screen and rank more than 20,000 publicly traded corporations worldwide, and research and select for investment those issues selling at substantial discounts to their estimates of intrinsic value. To minimise errors in analysis or events which could adversely affect intrinsic values, they adhere to a policy of broad diversification within individual portfolios. No one issue generally accounts for more than 3% to 5% at cost of portfolio assets, no one industry group generally accounts for more than 15% to 20% of portfolio value, and no one country (except for the US) accounts for more than approximately 20% of portfolio value.

Country, industry and sector allocations are purely a function of Tweedy, Browne's strict bottom up stock by stock valuation work. They give no consideration to any stock market index in the construction of their portfolios. Their screening and selection process is focused primarily on developed markets, although the more developed emerging markets are considered.

At Tweedy, Browne, the stock selection process is largely about measuring and confirming both quantitative and qualitative measures of value and includes a thorough analysis of financial statements, valuation modelling, competitive analysis, direct communication with the company and competitors, and a review of available street research. Purchase and sale decisions are then made by a consensus of the firm's Investment Committee.

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

Investment people

Rigorous bottom up research is a time honoured tradition at Tweedy, Browne. They do not have portfolio managers in the traditional sense. All portfolios are managed by the Investment Committee, consisting of the firm's four active Managing Directors and three analysts.

- John D. Spears (Managing Director) joined Tweedy, Browne in 1974 having been an analyst at another firm.
- William H. Browne (Managing Director) joined the firm in 1978 after having been an analyst at a number of other firms.
- Thomas H. Shrager (Managing Director) came to Tweedy, Browne in 1989 from Bear Stearns where he worked in the investment banking division valuing foreign companies.
- Robert Q. Wyckoff, Jr. (Managing Director), with 30 years of experience in the investment management industry, joined the firm in 1991 after working in senior positions at a few different firms.
- David Browne, CFA (Analyst) has been with the firm since 2005. Prior to joining the firm full time, he worked in our London research office in the summer of 2003.
- Roger R. De Bree (Analyst) joined the firm in 2000, and is resident in the firm's London research office Before joining Tweedy, Browne, he worked at ABN AMRO Bank and MeesPierson Inc., in addition to serving as an officer in the Royal Dutch Navy from 1986 to 1988.
- Jay Hill, CFA (Analyst) has been with the firm since 2003. Prior to joining the firm, Jay held positions with Banc of America Securities LLC, Credit Lyonnais Securities (USA) Inc., and Providence Capital, Inc.

No Managing Director in Tweedy, Browne's 93-year history has ever left the firm to work elsewhere. Tweedy, Browne is owned by its four Managing Directors, nine additional employees and a wholly owned subsidiary of Affiliated Managers Group, Inc.

Tweedy, Browne's Managing Directors and analysts are generalists as it relates to industry. Four analysts, Roger de Bree, Olivier Berlage, Sean McDonald and William A. Browne spend most of their time researching non-US stocks. Elliot Larner, Dave Krasne and David Browne research both US and non-US stocks. The other two analysts spend most of their time evaluating US securities. Tweedy, Browne's investment management team of analysts and partners will seek the opinions of other team members who may have particular insight or knowledge in a particular industry.

Name	**Title**	**Responsibilities**	**Firm experience *(years)***	**Industry experience *(years)***
William H Browne	Managing Director	Investment Committee Member	35	40
John D. Spears	Managing Director	Investment Committee Member	39	45
Thomas H. Shrager	Managing Director	Investment Committee Member	24	28
Robert Q. Wyckoff, Jr.	Managing Director	Investment Committee Member	22	33
Elliot Larner	Analyst	Share Analyst – Focus on US/non-US Stocks	27	38
Frank Hawyrlak	Analyst	Share Analyst – Focus on US Stocks	27	31
Olivier Berlage	Analyst	Share Analyst – Focus on non-US Stocks	10	10
Roger de Bree	Analyst	Investment Committee Member Share Analyst – Focus on non-US Stocks	13	25
J. Jay Hill	Analyst	Investment Committee Member Share Analyst – Focus on US Stocks	10	15
David Browne	Analyst	Investment Committee Member Share Analyst – Focus on US/non-US Stocks	7	7
Dave Krasne	Analyst	Share Analyst – Focus on US/non-US Stocks	4	14
Sean McDonald	Analyst	Share Analyst – Focus on non-US Stocks	4	11
William A. Browne	Analyst	Share Analyst – Focus on non-US Stocks	2	2

Investment idea

Standard Chartered Bank

Standard Chartered Bank is one of the largest and most global banks in the world, with over 1,700 branches in 70 different markets. While it is domiciled in the UK,, it is anything but a British bank. Founded in 1969 through the merger of Standard Bank of British South Africa and Chartered Bank of India, Australia, and China, it is a bank with the bulk of its business coming from Asia, the Middle East, and Africa. The majority of its operating income is derived from wholesale activities such as corporate finance, trade finance, foreign exchange, cash management, and custody. For example, it provides advice, loans and other services to Indian companies, which are often active investors in African companies, and provides similar services to Hong Kong, Chinese, and Taiwanese companies. Standard Chartered Bank also has a sizeable and conservative consumer business with a mortgage portfolio that is very well secured by a loan to value ratio on its mortgages of less than 50%. Furthermore, it is a deposit financed bank that is not dependant on volatile, short-term financing, as evidenced by a loan to deposit ratio of approximately 76%.

The bank is unique in that it sailed through the financial crisis in 2008 requiring no capital support from governments or central banks. Most of the over-leverage and complexity associated with banks in the US and UK was simply not present in Standard Chartered. During the 2000s, Standard Chartered was considered a growth bank riding a wave of Asian growth, and routinely traded at price earnings multiples between 15 and 20 times earnings. Its fortunes began to change in 2011 as economic growth began to slow in a number of its most important markets. Some markets, like South Korea, have posed even bigger challenges as new regulation impacted the growth prospects and the profitability of virtually all banks doing business in its jurisdiction. These factors, together with what we consider to be misplaced concerns about its capital position under Basel III and a recent management shakeup, have led its stock price to fall from grace. This allowed us an opportunity to purchase our initial shares at approximately 9.5 times estimated 2014 earnings, 1.2 times stated book value, and what we believe to be a secure dividend yield today of over 4%. Standard Chartered's management still considers the bank to be a growth bank; however, it acknowledges that near-term growth will be lower than that enjoyed in the 2000s. We believe that a conservatively financed global bank that services many of the fastest growing parts of the world where middle classes are on the rise over the longer term, and that is priced in the stock market at a significant discount to what we believe is a conservative estimate of its intrinsic value, is worth a diversified bet in our portfolios.