

# **Global Value Equity Investing**

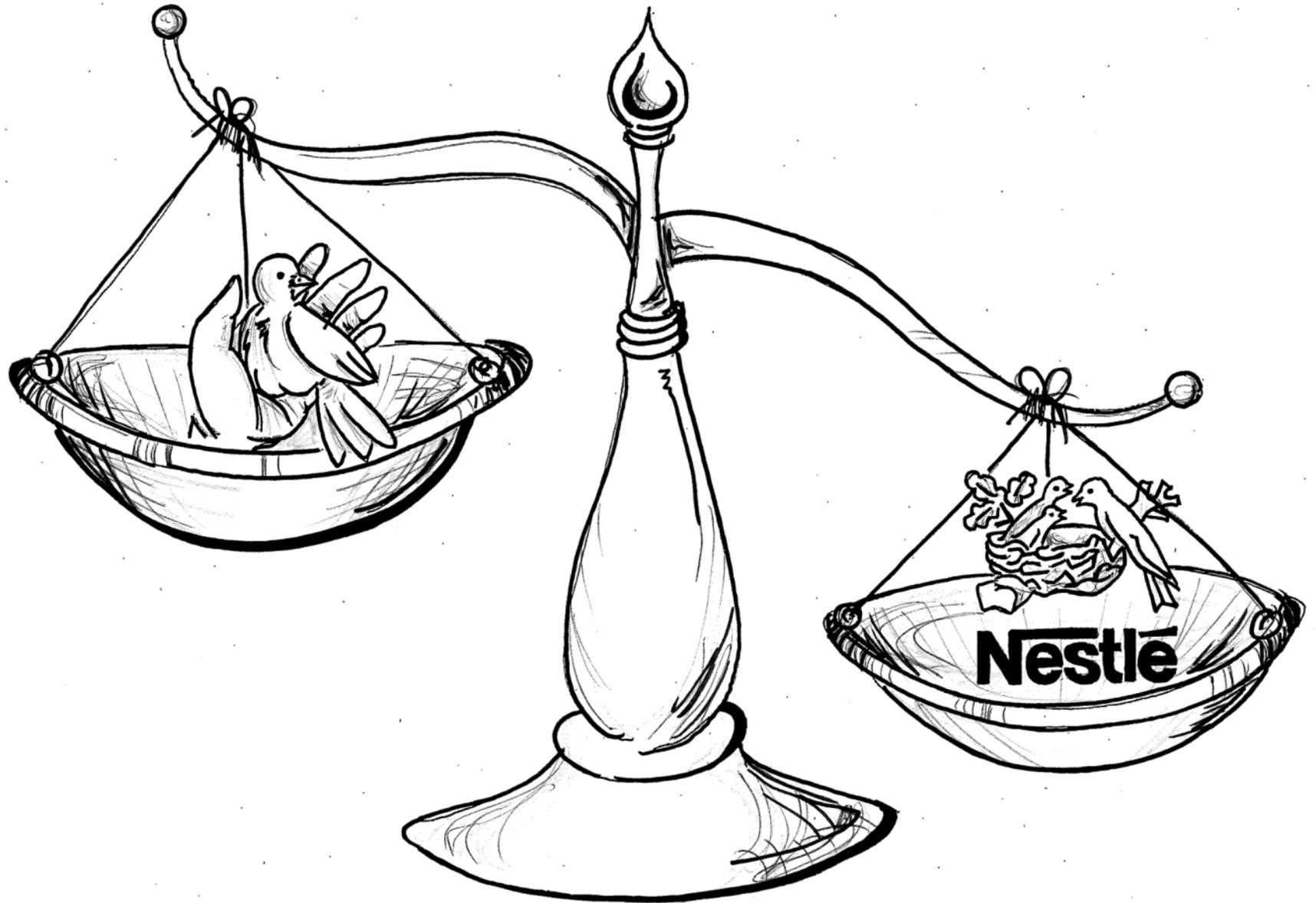
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Richard Ivey School of Business

January 26, 2012

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**A bird in the hand is worth two in the bush - Aesop**



# Musings on “Global Value” Equity Investing

- **Value Investing – 50 Cent Dollar Bills**

- Stanford Business and Law School, 1982

- **“Capacity to Reinvest”**

- 2008 market collapse

- **“Capacity to Suffer”**

- Berkshire Hathaway
- Nestlé – 35 year “planning horizon”
- Pernod Ricard – credit default swap mayhem
- SABMiller emerging market beer specialist

- **Invest for the long term**

- White space
- Position capital globally
- Currency gains
- Circle of competence
- Tax efficiency
- Virtues of low expectations!
- Market volatility is long-term investor friend

# “Capacity to Suffer”

- **BERKSHIRE HATHAWAY INC.**

- **GEICO**



- **Equity index put options**

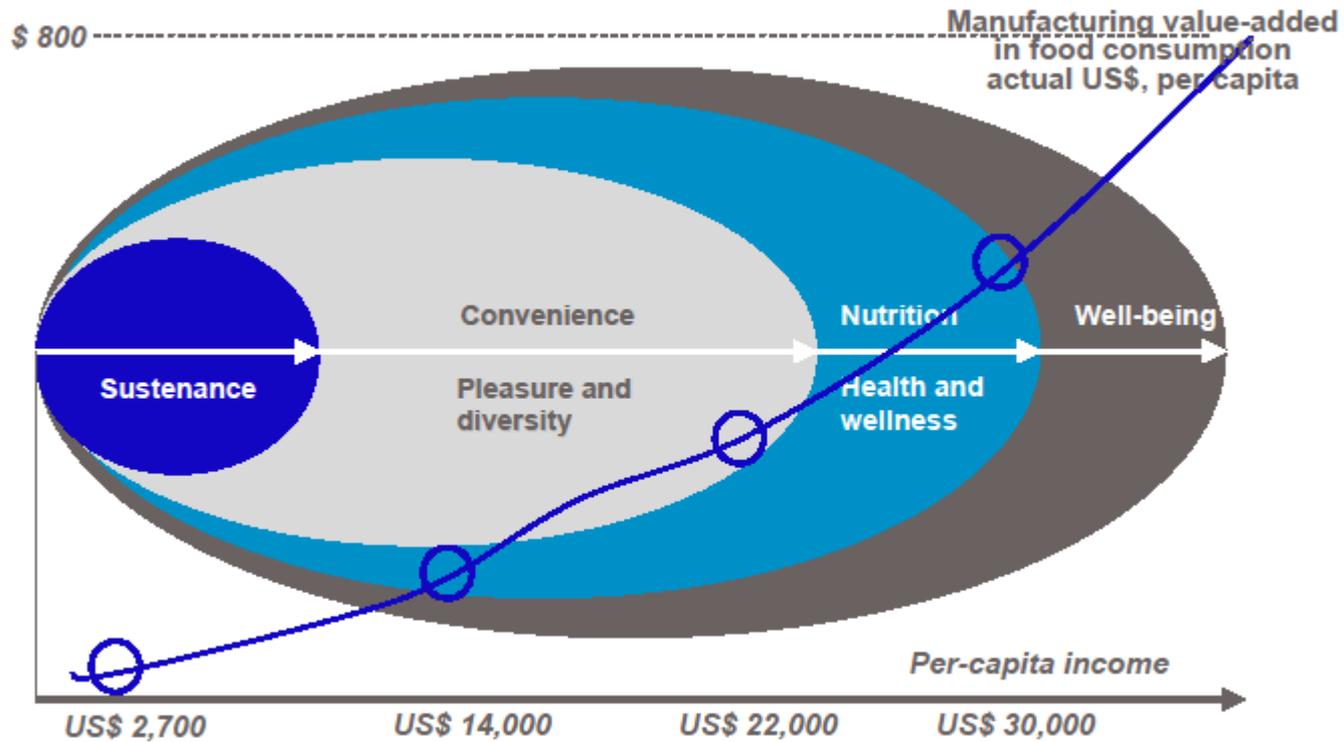
- **Extraordinarily cautious short-term deposits,  
fiscal year, 2007**

# Nestlé S.A.

“Capacity to Reinvest”



# Higher incomes lead to higher added-value



Sources: UNIDO (value-added), World Bank; analysis Nestlé EIR



# Nestlé “Capacity to Reinvest”

## YE 2010 Billionaire Brands Presentation

### Billionaire Brands: 7.1% organic growth

Over 20%	
10.1 to 20%	       
7.6 to 10%	   
5.1 to 7.5%	      
3.1 to 5%	   
0.0 to 3%	 
Below 0%	  

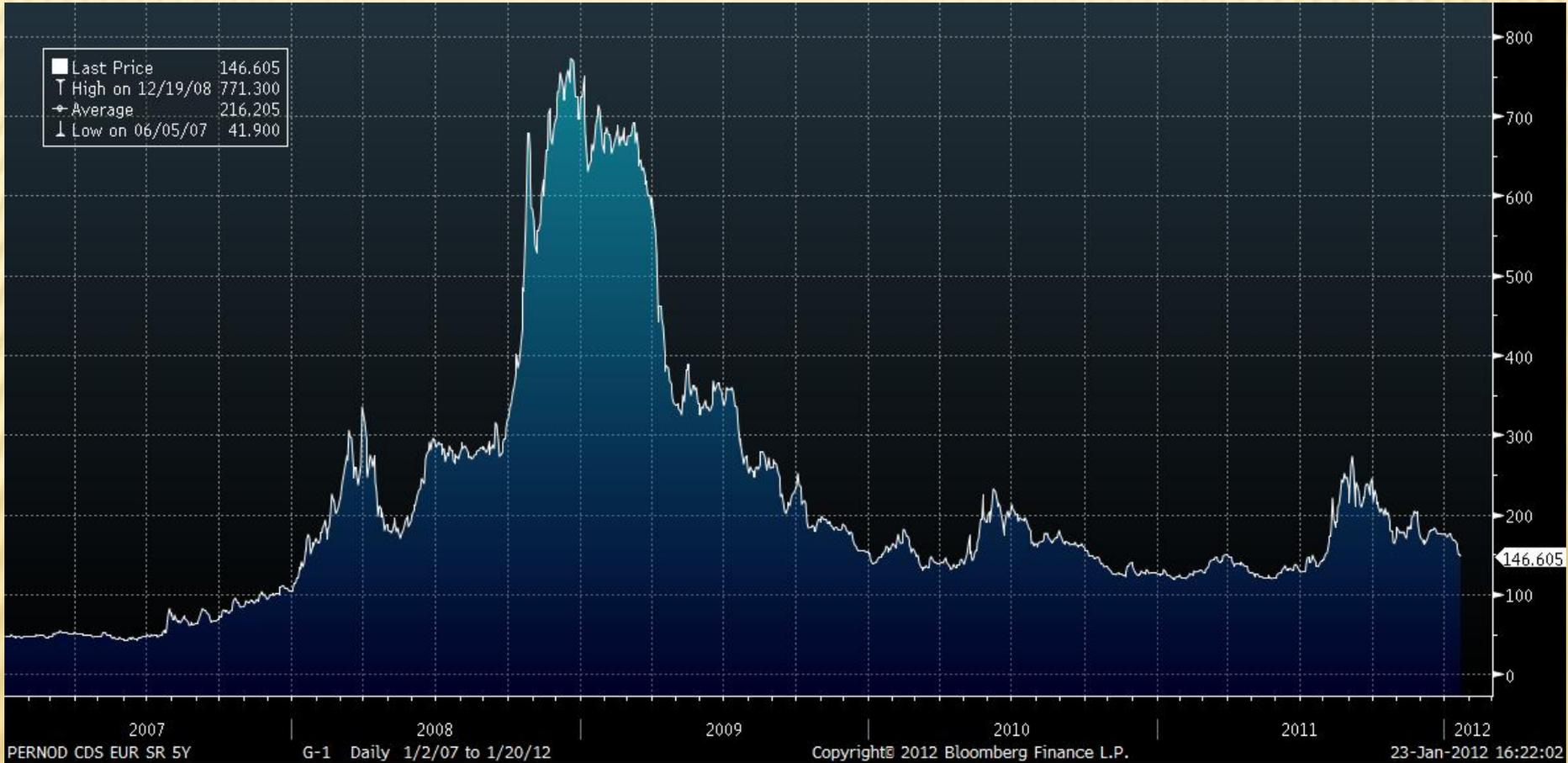
# Nestle “Capacity to Suffer”

- Russian Ruble crisis (1998)
- Nespresso
- China and India
- Alcon (1970’s through 2010)
- Novartis payment/DiGiorno acquisition (2010)
- 2011 Chinese acquisitions in confectionary (Hsu Fu Chi International )  
and beverage (Yinlu.)

# Pernod Ricard

“Capacity to Reinvest”





# Pernod Ricard “Capacity to Suffer”

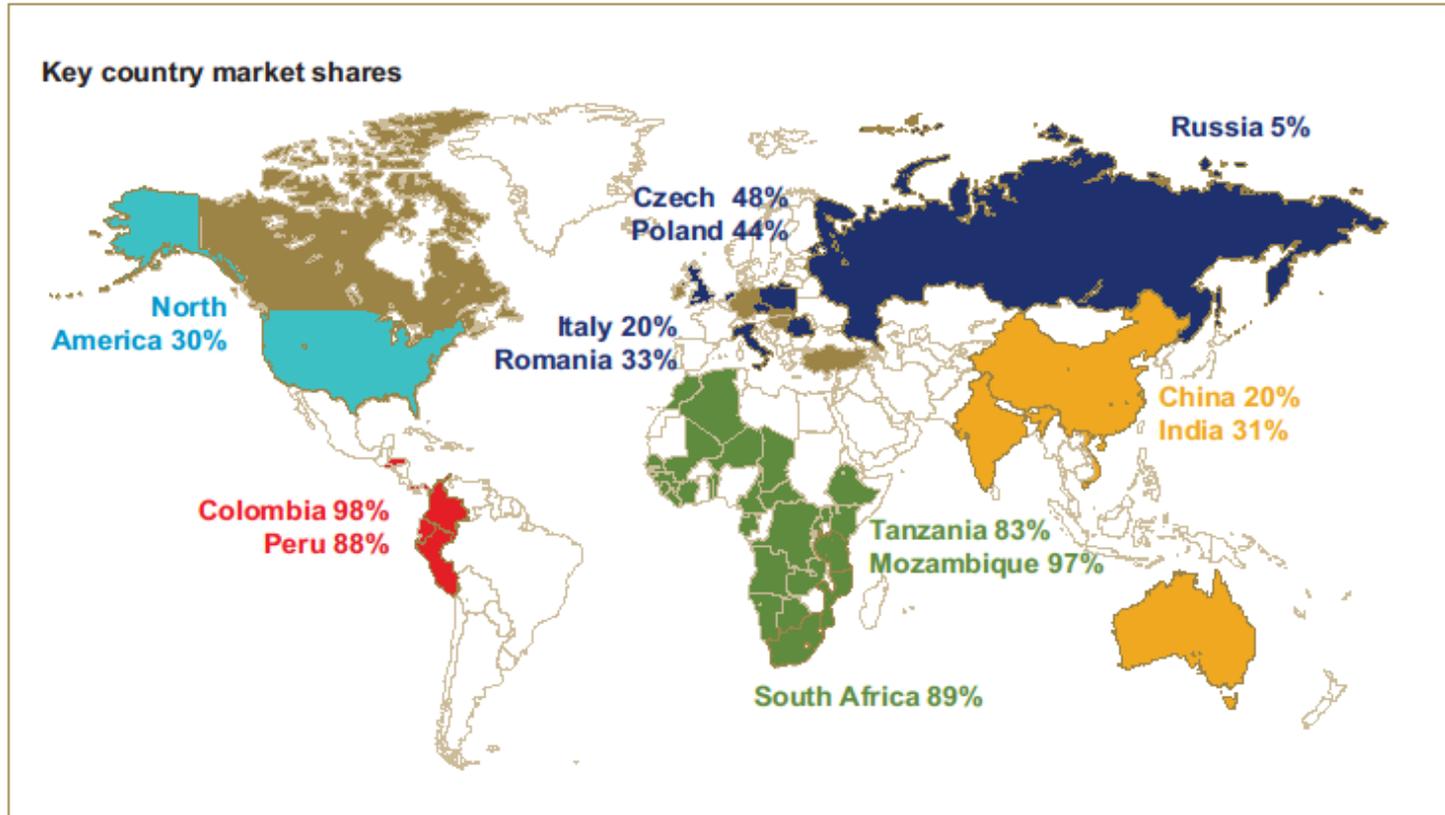
- China (early 2000’s)
  - Addressable market -- over 500 million cases local spirits
- Absolut (2009) – global leader & premium vodka
- India (2012)
  - Addressable market -- over 100 million cases of India made Scotch Whiskey currently consumed
  - Leading premium priced local Scotch Whiskey brand

# SABMiller

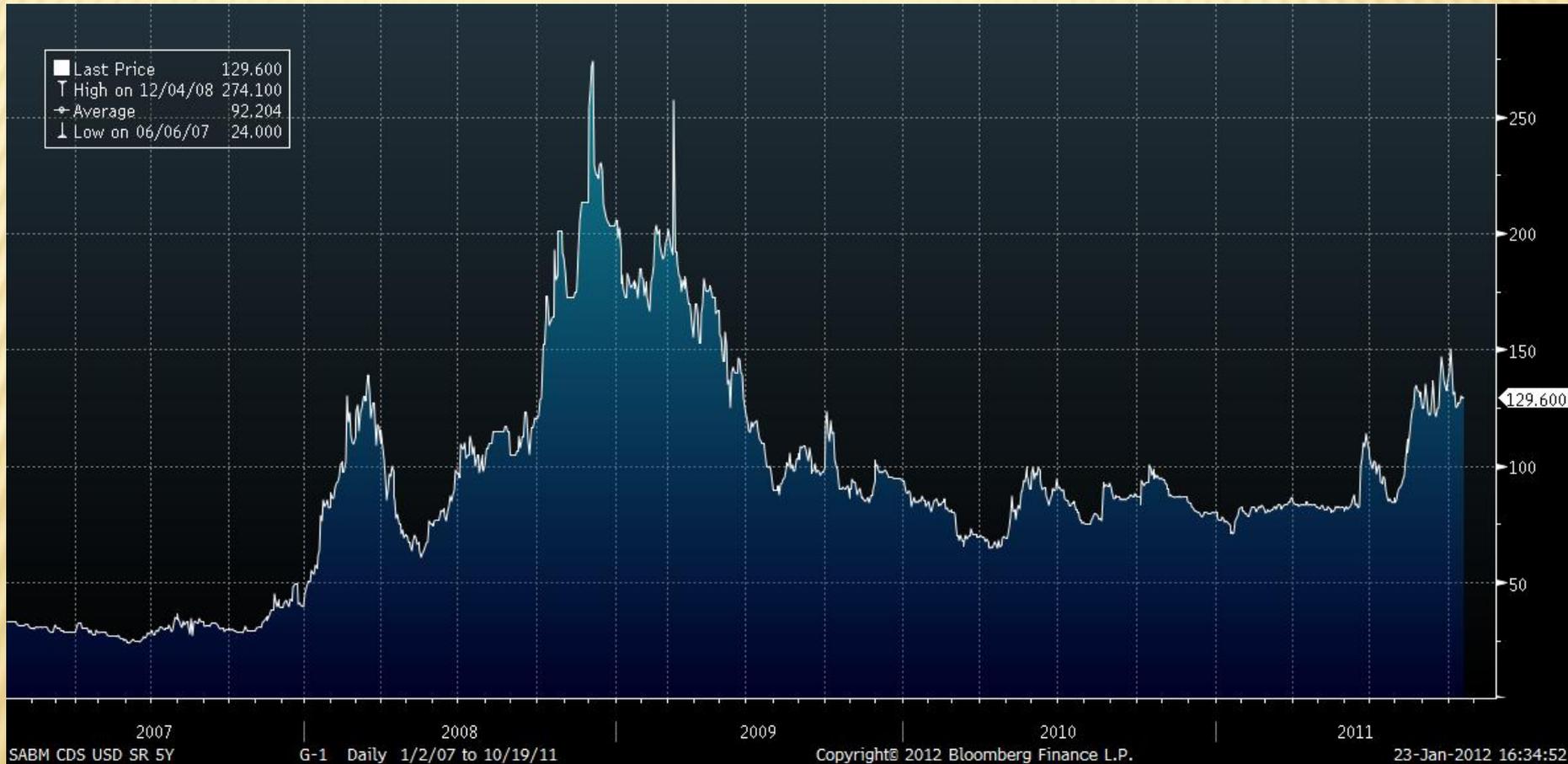
## “Capacity to Reinvest”



One of the world's leading brewers



# Credit Default Mayhem, 2008-2009



# SABMiller “Capacity to Suffer”

- China
  - 50% interest in Snow, China’s leading brewer
- Sub-Saharan Africa
  - Addressable market -- 400 million barrels beer consumption
- Indian Market
  - Addressable market – current consumption 1 liter per capita
- Recently completed Foster’s acquisition
- Strategic partnership with Efes to coordinate Russian operations and expand together in Turkey, Efes’ home market

# **Market Volatility is a Friend of the Long-term “Global Value” Investor**

1. Permits more effective reinvestment.
2. Offers merger and acquisition opportunity.
3. Enhances return from share repurchase.

# “Capacity to Suffer”

## Semper Vic Partners, L.P., Annual Return

<u>Year</u>	<u>Semper Vic Partners</u>	<u>Dow Jones Industrials</u>	<u>S &amp; P 500</u>
2011	6.9%	8.4%	2.1%
2010	21.5%	14.0%	15.1%
2009	25.8%	22.7%	26.5%
2008	-31.5%	-31.9%	-37.0%
2007	7.7%	8.9%	5.5%
2006	20.8%	19.1%	15.8%
2005	3.2%	1.7%	4.9%
2004	11.9%	5.3%	10.9%
2003	33.5%	28.3%	28.7%
2002	-1.0%	-15.1%	-22.1%
2001	0.1%	-5.4%	-11.9%
2000	15.6%	-4.7%	-9.1%
1999	-2.1%	27.2%	21.0%
1998	23.8%	18.1%	28.6%
1997	24.7%	24.9%	33.4%
1996	19.0%	28.8%	23.0%
1995	23.6%	36.9%	37.5%
1994	12.4%	5.0%	1.3%
1993	22.1%	16.7%	10.1%
1992	13.4%	7.4%	7.6%
1991	27.4%	24.5%	30.5%
1990	5.3%	-0.7%	-3.1%
1989	24.6%	31.8%	31.7%
1988	19.8%	16.2%	16.5%
1987	37.1%	5.5%	5.2%
1986	24.8%	27.2%	18.8%
1985	43.9%	33.6%	31.7%
1984	13.6%	1.0%	6.2%
Compound Annual Return	15.0%	11.5%	10.2%

**Semper Vic Partners, L.P.**  
**Analysis of Periodic Returns**  
(Through December 31, 2011)

	<u>Semper Vic Partners, L.P.</u>	<u>Dow Jones Industrial Average</u>	<u>S&amp;P 500 Index</u>	<u>EAFE Index</u>	<u>Nasdaq Index</u>
<b>Year to Date</b>	6.67%	8.37%	2.12%	-7.15%	5.94%
<b>One Year</b>	6.67%	8.37%	2.12%	-7.15%	5.94%
<b>Three Years</b>	17.69%	14.88%	14.11%	8.04%	20.15%
<b>Five Years</b>	3.76%	2.36%	-0.25%	-4.32%	2.87%
<b>Ten Years</b>	8.29%	4.62%	2.92%	5.15%	3.92%
<b>Since L.P. Inception</b>	12.10%	9.41%	8.15%	4.52%	8.80%

*Portfolio holdings that make up Semper Vic Partners, L.P. are generally domestic and foreign mid- and large-cap companies. Investment style is value-oriented and long-term. Indices against which Partnership performance is compared may or may not precisely mirror composition or investing style of the Partnership. Compound annual returns for Semper Vic Partners, L.P. and for the Dow Jones and the Standard & Poor's indices reflect dividends reinvested. Semper Vic Partner L.P.'s results are for Semper Vic, a limited partnership, established July 16, 1990. Annual returns are audited limited partner returns and are expressed net of all expenses. Any results that include Semper Vic Partners, L.P. estimated monthly performance (including year-to-date and compound annual performance) are unaudited. Past performance is not a guarantee of future results and does not diminish possibility of loss.*

**Performance Review**  
**Semper Vic Partners LP**  
December 31, 1992 to December 31, 2011

	ENDING MARKET VALUE	CONTRIBUTIONS WITHDRAWALS	TOTAL PORTFOLIO	EQUITY HOLDINGS	DJITR	SP500T
<b>Monthly</b>						
December	456,300,208	(426,356)	0.9	1.0	1.6	1.0
November	452,309,884	(319,496)	0.5	0.6	1.2	(0.2)
October	450,122,511	(1,273,649)	11.1	11.3	9.7	10.9
September	406,070,041	(256,441)	(8.5)	(8.5)	(5.9)	(7.0)
August	443,872,206	(355,048)	(3.9)	(3.8)	(4.0)	(5.4)
July	461,829,289	(1,115,511)	0.4	0.5	(2.1)	(2.0)
June	460,744,962	(404,053)	(2.2)	(2.1)	(1.1)	(1.7)
May	470,921,719	(342,645)	0.4	0.4	(1.5)	(1.1)
April	469,272,943	13,625,471	5.8	5.9	4.1	3.0
March	429,757,070	(353,798)	1.5	1.5	0.9	0.0
February	423,621,176	(320,633)	4.8	4.9	3.2	3.4
January	404,359,464	7,630,354	(2.6)	(2.6)	2.9	2.4
<b>Quarterly</b>						
Fourth	456,300,208	(2,019,502)	12.6	13.0	12.8	11.8
Third	406,070,041	(1,726,999)	(11.7)	(11.5)	(11.5)	(13.9)
Second	460,744,962	12,878,772	3.9	4.1	1.4	0.1
First	429,757,070	6,955,923	3.5	3.7	7.1	5.9
<b>Yearly</b>						
12/31/2011	456,300,208	16,088,195	6.9	8.0	8.4	2.1
12/31/2010	407,423,106	2,578,856	21.5	22.8	14.1	15.1
12/31/2009	329,754,141	(28,080,294)	26.1	27.3	22.7	26.5
12/31/2008	287,323,541	(32,659,859)	(31.3)	(31.0)	(31.9)	(37.0)
12/31/2007	454,642,793	1,398,047	7.9	8.9	8.9	5.5
12/31/2006	420,334,077	(6,785,049)	21.1	22.2	19.1	15.8
12/31/2005	353,988,239	(248,736)	3.4	4.4	1.7	4.9
12/31/2004	342,608,040	3,168,832	12.1	13.4	5.3	10.9
12/31/2003	302,479,334	(995,095)	33.8	35.4	28.3	28.7
12/31/2002	227,082,318	(2,040,889)	(0.7)	0.2	(15.1)	(22.1)
12/31/2001	230,792,035	(28,203,294)	0.3	1.4	(5.4)	(11.9)
12/31/2000	257,666,755	(109,166,801)	15.9	19.1	(4.7)	(9.1)
12/31/1999	331,664,015	11,443,539	(2.0)	(1.2)	27.2	21.0
12/31/1998	326,544,792	(8,882,906)	24.1	26.1	18.1	28.6
12/31/1997	272,112,842	30,834,100	24.9	28.9	24.9	33.4
12/31/1996	187,327,981	9,653,686	19.4	22.1	28.8	23.0

**Performance Review**  
**Semper Vic Partners LP**  
**December 31, 1992 to December 31, 2011**

	<u>ENDING MARKET VALUE</u>	<u>CONTRIBUTIONS WITHDRAWALS</u>	<u>TOTAL PORTFOLIO</u>	<u>EQUITY HOLDINGS</u>	<u>DJITR</u>	<u>SP500T</u>
12/31/1995	146,884,620	17,052,429	23.9	28.0	36.9	37.6
12/31/1994	102,055,506	15,881,446	12.8	15.6	5.0	1.3
12/31/1993	75,053,207	18,159,144	22.7	27.2	16.7	10.1
TIME-WEIGHTED CUMULATIVE RETURN			719.7	1,007.5	471.0	318.2
COMPOUND ANNUALIZED RETURN			11.7	13.5	9.6	7.8

\* TOTAL PORTFOLIO RETURNS NET OF FEES CHARGED  
\* EQUITY HOLDINGS RETURNS NOT NET OF FEES CHARGED  
FISCAL YEAR ENDS 12/31

**Portfolio Valuation**  
**Semper Vic Partners LP**  
**December 31, 2011**

UNITS	SECURITY	PRICE	MARKET VALUE	UNIT COST	TOTAL COST	GAIN/LOSS	% OF ASSETS	ANNUAL INCOME	% YIELD
<b>SUPERVISED ASSETS</b>									
CASH AND EQUIVALENTS- usd									
	Cash And Cash Equivalents		3,362,107		3,362,107		0.7	0	0.0
	Dividends Accrued		906,688		906,688		0.2	0	0.0
	Fulton Bank Account		172		172		0.0	0	0.0
			4,268,966		4,268,966	0	0.9	0	0.0
COMMON STOCKS- usd									
750,000	Philip Morris International Inc	78.48	58,860,000	27.73	20,794,069	38,065,931	12.9	2,310,000	3.9
820,000	Nestle SA-Spons. ADR	57.75	47,353,196	17.43	14,292,210	33,060,986	10.4	1,448,614	3.1
385	Berkshire Hathaway Inc Cl A	114,755.00	44,180,675	65,345.79	25,158,130	19,022,545	9.7	0	0.0
580,000	Compagnie Financiere Richemont SA	50.81	29,468,292	12.51	7,254,303	22,213,989	6.5	185,600	0.6
830,000	SABMiller PLC	35.22	29,235,617	20.04	16,629,741	12,605,876	6.4	688,900	2.4
690,000	Heineken Holding NV	41.05	28,322,667	15.65	10,796,897	17,525,769	6.2	655,500	2.3
300,000	Pernod Ricard	93.03	27,907,520	62.23	18,670,313	9,237,207	6.1	450,000	1.6
65,000	Mastercard Inc Cl A	372.82	24,233,300	214.89	13,967,710	10,265,590	5.3	39,000	0.2
775,000	Wells Fargo	27.56	21,359,000	19.06	14,771,747	6,587,253	4.7	372,000	1.7
440,000	British American Tobacco PLC	47.49	20,893,606	30.34	13,350,357	7,543,250	4.6	849,200	4.1
700,000	Altria Group Inc	29.65	20,755,000	11.95	8,365,020	12,389,980	4.5	1,148,000	5.5
575,000	Unilever NV ADR	34.37	19,762,750	24.91	14,325,770	5,436,980	4.3	606,280	3.1
275,000	Anheuser-Busch InBev ADR	60.99	16,772,250	53.87	14,813,765	1,958,485	3.7	266,852	1.6
182,500	Brown-Forman Corp Cl A	79.27	14,466,775	18.71	3,414,215	11,052,560	3.2	255,500	1.8
625,000	Diageo PLC	21.86	13,661,494	8.93	5,580,182	8,081,312	3.0	406,250	3.0
139,000	Martin Marietta Materials	75.41	10,481,990	27.09	3,765,508	6,716,482	2.3	222,400	2.1
375,000	Comcast Corp Special Cl A	23.56	8,835,000	6.43	2,412,170	6,422,830	1.9	168,750	1.9
150,000	Scripps Networks Interactive Cl A	42.42	6,363,000	7.39	1,109,150	5,253,850	1.4	60,000	0.9
12,000	Washington Post Cl B	376.81	4,521,720	377.80	4,533,611	(11,891)	1.0	112,800	2.5
60,000	Hasbro Inc	31.89	1,913,400	11.81	708,600	1,204,800	0.4	72,000	3.8
36,350	Berner Gruppen	47.75	1,735,713	54.08	1,965,736	(230,024)	0.4	47,168	2.7
11,320	NHST Media Group	83.77	948,276	25.82	292,269	656,007	0.2	47,004	5.0
			452,031,241		216,971,474	235,059,767	99.1	10,411,818	2.3
WARRANTS- usd									
21,515.000	American Satellite Network	06/30/99	0.00	0	0.00	0	0	0.0	0

**Portfolio Valuation**  
**Semper Vic Partners LP**  
**December 31, 2011**

<u>UNITS</u>	<u>SECURITY</u>	<u>PRICE</u>	<u>MARKET VALUE</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>	<u>GAIN/LOSS</u>	<u>% OF ASSETS</u>	<u>ANNUAL INCOME</u>	<u>% YIELD</u>
TOTAL SUPERVISED ASSETS			456,300,208		221,240,440	235,059,767	100.0	10,411,818	2.3
<b>TOTAL ASSETS</b>			<u>456,300,208</u>		<u>221,240,440</u>	<u>235,059,767</u>	<u>100.0</u>	<u>10,411,818</u>	<u>2.3</u>

**Semper Vic Partners, L.P.**  
**Geographic Revenue Analysis**  
**2011 Estimates**

<u>Company</u>	<u>Developed</u> <u>Markets</u>	<u>Emerging</u> <u>Markets</u>	<u>Portfolio</u> <u>Weight</u>	<u>Weighted Average</u> <u>Emerging Markets</u> <u>Exposure</u>
Phillip Morris International	54%	46%	12.9%	5.9%
Nestle	62%	38%	10.4%	4.0%
Berkshire Hathaway	100%	0%	9.7%	0.0%
Compagnie Financiere Richemont	67%	33%	6.5%	2.1%
SABMiller	33%	67%	6.4%	4.3%
Heineken	44%	56%	6.2%	3.5%
Pernod Ricard	65%	35%	6.1%	2.1%
Mastercard	79%	21%	5.3%	1.1%
Wells Fargo	100%	0%	4.7%	0.0%
British American Tobacco	31%	69%	4.6%	3.2%
Altria	100%	0%	4.5%	0.0%
Unilever	45%	55%	4.3%	2.4%
Anheuser-Busch InBev	63%	37%	3.7%	1.4%
Brown-Forman	88%	12%	3.2%	0.4%
Diageo	65%	35%	3.0%	1.1%
Martin Marietta Materials	100%	0%	2.3%	0.0%
Comcast	100%	0%	1.9%	0.0%
Scripps Networks Interactive	100%	0%	1.4%	0.0%
Washington Post	100%	0%	1.0%	0.0%
Hasbro	88%	12%	0.5%	0.1%
Berner Gruppen	100%	0%	0.4%	0.0%
Norges Handels	100%	0%	<u>0.2%</u>	<u>0.0%</u>
			99.2%	31.4%

Notes:

Analysis excludes cash held in portfolio, which is generally less than 2% of portfolio.

Data from company reports, Capital IQ and GRG estimates.

Semper Vic Partners, L.P.  
Annual Summary of Limited Partner Returns  
Currency Effects Highlights

<u>Year</u>	<u>Semper Vic Partners</u>	<u>Dow Jones Industrials</u>	<u>S &amp; P 500</u>
2011	6.9%	8.4%	2.1%
2010	21.5%	14.0%	15.1%
2009	25.8%	22.7%	26.5%
2008	-31.5%	-31.9%	-37.0%
2007	7.7%	8.9%	5.5%
2006	20.8%	19.1%	15.8%
2005	3.2%	1.7%	4.9%
2004	11.9%	5.3%	10.9%
2003	33.5%	28.3%	28.7%
2002	-1.0%	-15.1%	-22.1%
2001	0.1%	-5.4%	-11.9%
2000	15.6%	-4.7%	-9.1%
1999	-2.1%	27.2%	21.0%
1998	23.8%	18.1%	28.6%
1997	24.7%	24.9%	33.4%
1996	19.0%	28.8%	23.0%
1995	23.6%	36.9%	37.5%
1994	12.4%	5.0%	1.3%
1993	22.1%	16.7%	10.1%
1992	13.4%	7.4%	7.6%
1991	27.4%	24.5%	30.5%
1990	5.3%	-0.7%	-3.1%
1989	24.6%	31.8%	31.7%
1988	19.8%	16.2%	16.5%
1987	37.1%	5.5%	5.2%
1986	24.8%	27.2%	18.8%
1985	43.9%	33.6%	31.7%
1984	13.6%	1.0%	6.2%
Compound Annual Return	15.0%	11.5%	10.3%

**Semper Vic Partners, LP**  
**Analysis of Currency Contribution**  
**From December 31, 1999 through December 31, 2011**

<b>Year</b>	<b>Foreign Currency Portfolio Effect<sup>1</sup></b>	<b>Semper Vic Partners, (Q.P.) L.P. Total Return</b>	<b>Semper Vic Partners, L.P. Total Return</b>	<b>Dow Jones Industrial Average</b>	<b>S&amp;P 500</b>
2011	-0.7%	6.8%	6.9%	8.4%	2.1%
2010	1.6%	21.2%	21.5%	14.1%	15.1%
2009	3.4%	26.9%	25.8%	22.7%	26.5%
2008	-2.6%	-30.5%	-31.5%	-31.9%	-37.0%
2007	3.3%	7.1%	7.7%	8.9%	5.5%
2006	3.8%	19.8%	20.8%	19.1%	15.8%
2005	-4.2%	3.7%	3.2%	1.7%	4.9%
2004	2.8%	10.0%	11.9%	5.3%	10.9%
2003	4.8%	na <sup>2</sup>	33.5%	28.3%	28.7%
2002	5.4%	na <sup>2</sup>	-1.0%	-15.1%	-22.1%
2001	-1.0%	na <sup>2</sup>	10.0%	-5.4%	-11.9%
2000	-2.2%	na <sup>2</sup>	15.6%	-4.7%	-9.1%

**Comparison of Contribution for the Semper Vic Partnerships**

	<b>Foreign Currency Portfolio Effect<sup>1</sup></b>	<b>Semper Vic Partners, (Q.P.) L.P. Total Return</b>	<b>Semper Vic Partners, L.P. Total Return</b>	<b>Dow Jones Industrial Average</b>	<b>S&amp;P 500</b>
1 Year	-0.7%	6.8%	6.9%	8.4%	2.1%
3 Year	4.3%	64.3%	63.4%	51.8%	48.7%
5 Year	5.0%	22.2%	20.5%	12.5%	-1.2%
10 Year	18.52%	na <sup>2</sup>	122.25%	56.36%	33.45%

1) Based on a weighted average

2) QP commenced 10/15/2003

1/23/2012

## Semper Vic Partners, L.P., Foreign Currency Adjusted Returns

	Cumulative Effect 2012	YTD 2012	Full Year 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	
<b>% Domestic holdings</b>			35.1%	34.3%	34.9%	34.5%	38.5%	58.8%	64.1%	64.0%	64.2%	64.6%	66.5%	65.8%	60.0%	48.5%	59.5%	58.6%	50.1%	41.6%	37.4%	36.7%	43.6%	59.4%	63.9%
<b>International holdings</b>																									
<b>Belgium</b>																									
% of portfolio																									
% change in currency	-9.0%	-9.4%	3.8%	3.7%	3.0%																				
Weighted avg. portfolio effect	-0.3%	-0.3%	0.01%	-0.12%	-0.19%																				
<b>Canada</b>																									
% of portfolio														0.3%	0.5%	3.1%	3.6%	4.1%	4.3%	5.1%	4.8%	6.0%	6.0%	5.5%	2.8%
% change in currency	-27.3%	-27.3%												-5.9%	-3.5%	6.4%	-7.1%	-4.1%	-0.4%	2.7%	-5.5%	-4.2%	-9.0%	0.4%	-0.2%
Weighted avg. portfolio effect <sup>1</sup>	-1.2%	-1.2%												-0.02%	-0.02%	0.20%	-0.26%	-0.17%	-0.02%	0.14%	-0.26%	-0.25%	-0.54%	0.02%	-0.01%
<b>Czech Republic</b>																									
% of portfolio														1.6%	1.0%	0.8%	1.1%	1.0%	1.6%	1.3%	1.4%	1.6%	1.3%	1.3%	1.3%
% change in currency	51.6%	51.6%				0.0%	0.5%	0.4%	0.5%	0.8%	0.9%	1.0%	1.7%	1.6%	1.0%	0.8%	1.1%	1.0%	1.6%	1.3%	1.4%	1.6%	1.3%	1.3%	1.3%
Weighted avg. portfolio effect	0.5%	0.5%				0.00%	-0.03%	0.05%	0.09%	-0.07%	0.14%	0.17%	0.31%	0.08%	-0.04%	-0.13%	0.16%	-0.22%	-0.05%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
<b>Finland</b>																									
% of portfolio																									
% change in currency	-22.1%	-22.1%																							
Weighted avg. portfolio effect	0.0%	0.0%																							
<b>France</b>																									
% of portfolio																									
% change in currency	3.9%	3.5%	6.3%	6.1%	6.2%	6.1%	4.9%	2.6%	2.3%	1.6%															
Weighted avg. portfolio effect	-0.2%	-0.2%	0.02%	-0.19%	-0.40%	0.17%	-0.22%	0.32%	0.30%	-0.30%	0.13%														
<b>Ireland</b>																									
% of portfolio																									
% change in currency	13.4%	18.7%																							
Weighted avg. portfolio effect	0.0%	0.0%																							
<b>Netherlands</b>																									
% of portfolio																									
% change in currency	12.9%	12.5%	10.1%	10.5%	10.6%	12.0%	10.4%	14.3%	12.5%	12.1%	13.4%	11.0%	10.5%	10.1%	13.8%	11.2%	15.0%	11.0%	15.6%	18.1%	17.3%	15.2%	15.2%	14.3%	16.2%
Weighted avg. portfolio effect	4.3%	4.3%	0.04%	-0.33%	-0.68%	0.34%	-0.46%	1.50%	1.44%	-1.53%	1.06%	2.16%	1.88%	-0.52%	-0.92%	-1.54%	1.09%	-1.62%	-1.08%	1.42%	2.12%	-1.00%	-0.89%	-0.20%	2.10%
<b>Norway</b>																									
% of portfolio																									
% change in currency	2.0%	0.4%	1.0%	0.6%	0.7%	0.5%	1.0%	1.4%	1.4%	1.1%	1.6%	1.1%	1.6%	0.9%	2.0%	1.7%	1.7%	2.1%	2.8%	3.0%	3.3%	4.5%	2.2%		
Weighted avg. portfolio effect	0.0%	0.0%	1.6%	-2.4%	-0.4%	20.4%	-22.1%	14.5%	8.4%	-10.1%	10.1%	3.7%	29.5%	-1.7%	-9.2%	-5.8%	-2.4%	-13.5%	-0.5%	6.6%	11.4%	-7.8%	-13.9%		
<b>Sweden</b>																									
% of portfolio																									
% change in currency	-34.8%	-34.8%																							
Weighted avg. portfolio effect	-0.3%	-0.3%																							
<b>Switzerland</b>																									
% of portfolio																									
% change in currency	64.5%	48.5%	29.1%	29.6%	30.5%	28.4%	25.9%	14.3%	12.0%	11.2%	9.9%	9.1%	8.6%	8.2%	10.1%	6.7%	5.1%	2.8%	0.02	3.4%	3.3%	3.0%	2.0%	1.4%	1.4%
Weighted avg. portfolio effect	9.7%	6.2%	0.3%	-0.01%	3.30%	0.88%	1.62%	1.08%	0.95%	-1.51%	0.89%	1.02%	1.72%	-0.19%	-0.18%	-0.91%	0.32%	-0.23%	-0.26%	0.46%	0.45%	-0.04%	-0.14%	-0.09%	0.29%
<b>United Kingdom</b>																									
% of portfolio																									
% change in currency	-3.3%	-3.5%	13.8%	14.0%	13.6%	17.8%	12.3%	6.2%	6.0%	5.9%	5.0%	11.3%	7.4%	8.8%	9.9%	7.1%	10.1%	11.8%	13.3%	16.2%	17.5%	18.4%	17.0%	16.4%	7.1%
Weighted avg. portfolio effect	-1.3%	-1.3%	0.0%	-0.04%	-0.46%	1.91%	-3.27%	0.88%	0.85%	-0.57%	0.38%	1.19%	0.81%	-0.25%	-0.75%	-0.18%	0.09%	-0.47%	1.41%	-0.16%	1.03%	-0.40%	-3.26%	-0.51%	1.40%
<b>Total International % of portfolio</b>			64.2%	64.5%	64.6%	64.7%	55.0%	40.0%	35.5%	34.2%	33.2%	34.8%	30.8%	31.2%	38.4%	33.7%	39.8%	35.8%	42.4%	51.3%	54.0%	53.7%	48.4%	39.5%	30.5%
<b>Total weighted avg portfolio effect</b>	<b>10.9%</b>	10.5%	0.4%	-0.7%	1.6%	3.4%	-2.6%	3.3%	<b>3.8%</b>	-4.2%	2.8%	<b>4.8%</b>	<b>5.4%</b>	-1.0%	-2.2%	-2.9%	1.4%	-3.4%	0.0%	2.4%	<b>4.6%</b>	-3.0%	-5.7%	-0.8%	<b>4.2%</b>
Annualized return	0.47%	0.45%																							
Mean	0.33%	0.32%																							
Standard deviation	3.26%	3.27%																							
<b>Total portfolio return</b>																									
Annualized return	1126.8%	1126.8%	0.0%	6.9%	21.6%	26.1%	-32.5%	8.0%	21.3%	3.5%	12.1%	33.8%	-0.7%	1.2%	15.6%	-1.0%	23.8%	24.7%	19.0%	23.6%	12.4%	22.1%	13.4%	27.4%	5.3%
Mean	12.02%	12.07%																							
Standard deviation	12.78%	12.83%																							
	14.14%	13.90%																							

<sup>1</sup> Weighted avg. portfolio effect is calculated assuming period-end portfolio weights were constant throughout period.<sup>2</sup> Philip Morris International is domiciled in Switzerland yet its shares are quoted in US Dollars. Therefore, the company contributes to the international weighting of the portfolio even though it bears no impact on the foreign currency weighted average return for US investors.

Source: Bloomberg; Capital IQ; Rothstein Kass &amp; Co.

Thomas A. Russo joined Gardner Russo & Gardner as a partner in 1989. Eugene Gardner, Thomas Russo and Eugene Gardner, Jr., as partners, each manage individual separate accounts and share investment approaches and strategies. In addition, Thomas Russo serves as General Partner to Semper Vic partnerships. Mr. Russo oversees \$4 billion through separately managed accounts and Semper Vic partnerships. Gardner Russo & Gardner is a registered investment adviser under the Investment Advisers Act of 1940, and is not associated with any bank, security dealer or other third party.

Mr. Russo's investment philosophy emphasizes return on invested capital, principally through equity investments. His approach to stock selection stresses two main points: value and price. While these would seem to be obvious key considerations in any manager's approach, it is equally obvious that all too often they are either misjudged or, perhaps more frequently, simply not viewed together.

Mr. Russo looks for companies with strong cash-flow characteristics, where large amounts of "free" cash flow are generated. Portfolio companies tend to have strong balance sheets and a history of producing high rates of return on their assets. The challenge comes in finding these obviously desirable situations at reasonable or bargain prices.

Mr. Russo's investment approach is focused on a small number of industries in which companies have historically proven to be able to generate sustainable amounts of net free cash flow. (These industries typically have included food, beverage, tobacco, and advertising-supported media.) This fairly narrow approach reflects his training and discipline at the Sequoia Fund in New York, where he worked from 1984 to 1988. Mr. Russo tries to limit risk by not paying too large a multiple of a company's net free cash flow in light of prevailing interest rates. He attempts to broaden this otherwise narrow universe by including companies with smaller market capitalizations and companies in similar industries based abroad.

Mr. Russo's goal is one of an absolute return rather than a relative return, and he continues his long-term investment objective of compounding assets between 10 and 20 percent per year without great turnover, thereby realizing a minimum amount of realized gains and net investment income.

Thomas A. Russo is General Partner of Semper Vic Partners, L.P., and Semper Vic Partners (Q.P.), L.P., limited partnerships whose combined investments exceed \$500 million, along with overseeing substantially more funds through separate accounts for individuals, trusts, and endowments. He is a graduate of Dartmouth College (B.A., 1977), and Stanford Business and Law Schools (JD/MBA, 1984). Memberships include California Bar Association and Board of Visitors for Stanford Law School. Mr. Russo is a charter member of the Advisory Board for the Heilbrunn Center for Graham & Dodd Investing at Columbia Business School. He is a member of Dartmouth College's President's Leadership Council.