Tweedy, Browne Value Funds

INVESTMENT COMPANY WITH
VARIABLE SHARE CAPITAL

(SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE)

SUB-FUND:

Tweedy, Browne USA Value Fund

No subscriptions can be received on the basis of financial reports. Subscriptions are only valid if made on the basis of the current Prospectus supplemented by the latest Annual Report and latest Semi-Annual Report if published thereafter.

General Information

Tweedy, Browne Value Funds (the "Fund") is an investment company organized under the laws of the Grand Duchy of Luxembourg as a *Société d' Investissement à Capital Variable* with the capacity to divide its assets into several separate investment portfolios (the "Sub-Funds").

The audited financial statements contained herein present the financial position of one of the Sub-Funds, Tweedy, Browne USA Value Fund, at September 30, 2002.

The investments of the Fund are managed by Tweedy, Browne Company LLC (the "Investment Manager"), a U.S. registered investment adviser and securities broker/dealer, established in 1920, and located at 350 Park Avenue, New York, New York 10022.

Shares in the Fund are offered to investors at the net asset value twice each month, on the fifteenth and the last day of the month. Copies of the Prospectus and the audited consolidated financial statements of the Fund are available by writing to the Fund in care of its Luxembourg Administrator:

State Street Bank Luxembourg S.A.
49, avenue J.F. Kennedy
L-1885 Luxembourg

Investment Manager's Report

We are pleased to present the Annual Report for Tweedy, Browne USA Value Fund for the year ended September 30, 2002. Investment results for the year show a decline in the net asset value of the Investors Shares of 12.35%, bringing the net asset value per share to $103.81. Over the same period, the Standard & Poor's 500 Stock Index declined 20.47%, and the NASDAQ Composite Index was down 21.51%.

The phrase, "pleased to present our Annual Report", is used more out of habit than out of any great pleasure we derive from our performance and the performance of nearly every popular stock market index in the past twelve months. Not since the dark days of 1990, when value investing significantly underperformed the broader market indices, have we experienced such a difficult investing environment. Although the relative pain is less this time, the absolute pain is far greater. And the reversal of fortunes from when we wrote our Semi-Annual Report for the year ended March 31, 2002 has been dramatic. Six months ago we marveled at the resilience of the stock market in light of 9/11, major accounting scandals that brought down such enormous corporations as Enron, WorldCom, and Global Crossing, and an economy that was either in or on the verge of recession. We may have spoken too soon.

Following the surge experienced by most stock markets in the fourth quarter of 2001, stocks began to run out of steam in early 2002. For the first nine months of calendar year 2002, the S&P 500 was down 28.15%, and the NASDAQ Composite Index was down 39.73%. Over the same time period, the net asset value of shares of Tweedy, Browne USA Value Fund declined 16.62%. It has not been a great time for investors.

The broader stock market indices, in general, have been in decline since sometime in the first quarter of 2000. Beginning with the second quarter

of 2000, which coincides approximately with the end of the technology, media and telecommunications bubble, the decline in stock prices over the next 30 months was dramatic. In the U.S., the S&P 500 was down 43.77%, and the NASDAQ Composite Index was off a painful 74.17% through September 30, 2002. By comparison, the net asset value of the Tweedy, Browne USA Value Fund was down much less at 2.41%. The past ten calendar quarters has been a bear market of classic proportions despite the fact that we can only recall the word “bear” being used this year.

Winning in the investment field is as much about preserving capital in bad markets as it is about making money in good markets. The magnitude of the losses seen by the popular stock market indices can be put in perspective if one calculates the gains needed to return to the former high-water mark. From its September 30, 2002 close, the S&P 500 needs to rise 77.8% to regain its level of March 31, 2000. For the NASDAQ Composite Index, the required gain from September 30, 2002 back to March 31, 2000 is a daunting 287%. The net asset value of Tweedy, Browne USA Value Fund would reach its March 31, 2000 level from September 30, 2002 with a gain of only 2.47%. While the net asset value of the Fund is in a hole, it is a far shallower hole than the popular stock market indices.

The hole we find ourselves in only developed in the last two weeks of September 2002. Prior to that time, the Fund’s net asset value was in positive territory as measured from April 1, 2000. However, beginning in the spring of this year, there was no hiding place for investors from the effects of a broadly declining stock market. All indices that we use as benchmarks were down in the June and the September quarters. The September quarter was particularly painful with losses for the indices ranging from -17.22% for the S&P 500 to -19.9% for the NASDAQ Composite Index.

Looking back at calendar years, it is obvious the great technology, media and telecommunications bubble in the U.S. began in 1995 and lasted for five years. In the first three years, 1995 through 1997, the S&P 500 gained 111.8% and the NASDAQ Composite Index rose 125.67%. Tweedy, Browne USA Value Fund actually kept pace with a cumulative gain of 120.16% in those three years. However, in 1998 and 1999, we were left in the dust as both the S&P 500 and the NASDAQ Composite Index surged on the back of the technology, media and telecommunications sectors. The net asset value of Tweedy, Browne USA Value Fund rose a modest 4.08% cumulatively in 1998 and 1999. Then the bubble burst and the S&P 500 lost 19.92% cumulatively in 2000 and 2001, and the NASDAQ Composite Index plunged 51.83%. In those two years, most of the carnage was concentrated in technology and related fields. Tweedy, Browne USA Value Fund's results in calendar years 2000 and 2001 showed a cumulative gain of 14.99%. As investors fled technology stocks, they turned their attention back to value stocks.

Unfortunately, the decline in technology and telecommunications stocks had not run its course by the end of 2001, and, worse, the negative psychology of the stock market began to spread to all sectors. For example, Lucent Technologies, a real company with real sales, had fallen 95% from its peak through the end of 2001. In the first nine months of 2002, it fell an additional 85%. Ditto for Cisco, which had fallen 75% from its peak in March of 2000 through the end of 2001. In the first nine months of 2002, Cisco fell a further 45%, and no one thinks Cisco is going bust. The technology heavy NASDAQ Composite Index has fallen 39.73% in the first nine months of 2002. To what extent the continuing decline in technology stocks, or the revelation of numerous accounting frauds, several of which resulted in major bankruptcies, or concern over an economy slipping into recession, or the prospect of war in the

Middle East, each changed investor sentiment is anybody's guess. Taken together, all of the above probably contributed to the broadly based bear market in stocks which we have seen in the first nine months of 2002.

Stock markets are driven by emotion that can reach manic proportions. This was clearly the case in the latter stages of the technology bubble. It might be conceivable that an index like the NASDAQ Composite Index could rise 86% in one year when it was coming off a highly depressed level, but it rose 86% in 1999 on top of a gain of 196% in the previous four years. Valuation counted for little or nothing in an environment where "concept" companies, companies with little or no earnings or sales, were among the best performers. In the first quarter of 2000, the assets of growth stock mutual funds swelled with net purchases of shares rising to their highest level in history. Old investment principles were no longer relevant because we were in an era of a "new paradigm" based on technology that old fuddy-duddies like us could not comprehend.

Three years ago, stock market pundits were predicting that prices would rise to the stars; today there is no bottom. As John Neff, the legendary manager of the Vanguard Windsor Fund, once said, "Every trend goes forever until it ends". For many, the pain has been quite severe. Gallows humor refers to U.S. retirement accounts not as 401K plans, but as 201K plans, after the recent drop in stock prices. In truth, investors were not well served by many of their advisers. However, investors must also accept part of the blame. Investors are by nature a highly competitive lot. Seeing someone else make so much money as the bubble was inflating was more than many investors could bear. They had to get in on the game, fundamentals be damned. In *Bubbles, Human Judgment, and Expert Opinion*, from the **AIMR Journal,** Robert Shiller, an economics professor at Yale University, discusses the pressures brought to bear on professional money

managers by clients who want them to invest in certain fads.
Any investment theme that is producing extraordinary returns quickly becomes a fad. To ignore the demands of your clients and adhere to your own investment principles may prove too difficult for many advisers. If an adviser cannot or will not satisfy the demands of clients, the clients can look for an adviser who will.

It does not come as a surprise that Wall Street is more than willing to satisfy the demands of investors no matter how irrational those demands may be. As Warren Buffett said, “A group of lemmings looks like a pack of individualists compared with Wall Street when it gets a concept in its teeth”. Add a dash of greed and there is no telling what you will get. Investment bankers, security analysts, advisers and the investing public did not care about the integrity of stock markets so long as everyone was making money. Investment bankers brought companies to the public market that had no sales or earnings. Analysts recommended stocks they privately called “dogs”. Advisers bought stocks for which they could make no fundamental investment case because their clients insisted on it. Money equals status, and if you were not making as much as your brother-in-law, you were a dummy.

Eventually, the game had to end. The pain, the loss of savings, and the sense of helplessness are everywhere. Investment banks are paying huge fines for misleading the public, and analysts are facing censure and even indictment for recommending stocks they considered jokes. Many advisers are attempting to put a favorable spin on investing by reverting back to the “long term” thesis, a principle many forgot in the heat of the bubble. And investors are disillusioned and bewildered. Analysts they considered celebrities and gurus of the new paradigm are now vilified or forgotten. Corporate CEOs who a few years back were stars, are now seen as snake

oil salesmen who were peddling 20%, 30%, 40% and higher growth rates for their companies that in hindsight were not sustainable. More than a few CEOs engaged in questionable and outright fraudulent accounting practices to keep delivering the growth while enriching themselves with ever more valuable stock options.

Investor psychology has now done a 180-degree turn. Today, conventional wisdom holds that everyone on Wall Street is a crook, corporate managers cannot be trusted, and stocks will continue to decline for years to come. Pundits are saying the heyday of equities is over, and investors will simply have to adjust to an era of below average returns. After acting like the cheerleading squad for corporate CEOs throughout much of the 1990s, the financial press has morphed into a pack of attack dogs pouncing on any accounting infraction, no matter how significant or insignificant. Following revelations of the worst of the corporate accounting scandals, Barton Biggs, of Morgan Stanley, conducted a survey of news reports for the entire S&P 500 and found that only 10% of the companies were subject to some form of accounting scrutiny, much of which could be described as minor. He concluded that in spite of the coverage given to such egregious examples as Enron, WorldCom, and Global Crossing, news headlines could be exaggerating the breadth of the problem. Accounting is not an exact science, but involves a great deal of "gray" in coming up with final audited statements. This is why we have an accounting standards board whose job is to formulate standards for reporting all sorts of issues. By their nature, numerous accounting principles are complex. Our task as analysts is to try to understand these complex accounting treatments and their impact on a company's true financial situation. However, no amount of securities research can uncover fraud perpetrated by a crafty chief financial officer bent on deceiving shareholders. Fortunately, the alleged miscreants of the corporate world are in the minority.

We believe the same can be said for corporate CEOs. Those now being investigated or charged with wrongdoing are still the exception. Although our suspicion is based on anecdotal evidence, perhaps there is some correlation between the number of times a CEO appears on the cover of some business magazine and the accuracy of his/her company's financial statements. However, several of the alleged miscreants were once considered visionaries. The egos of these CEOs were stroked by an investment community that was all too willing to embrace a vision of a new corporate world for as long as stocks kept rising. Perhaps an emphasis on "vision", as opposed to substance, should be another indicator of pending problems. Individuals like these have clearly contributed to a significant decline in, if not destruction of, investor confidence.

Anyone who maintained some measure of skepticism during this period was able to avoid most of the debacles of the past two or three years, although the fallout from the end of the bubble eventually affected everyone. Skepticism, which is in abundance to the point of excess today, was all but nonexistent at the peak of the bubble. At both ends of the spectrum emotions run high. This is not unexpected. Investment decisions are all too often driven by fear, greed, status and security. Moreover, investors will extrapolate recent experiences into the future, developing over-confidence in good times, and acting like deer frozen in the headlights in bad times. Investing is best when it is a dispassionate exercise.

Acting in a dispassionate manner is much easier said than done. When stocks soar for no other reason than irrational exuberance, it is difficult to avoid joining in the fun. Most investors seem to realize that companies with no sales or earnings should not be good investments by any standard. Investors who could not bring themselves to play this game themselves simply hired managers who were willing to play. Their confusion and lack

of conviction could be overcome by the outsized gains they saw in their portfolios. As it turns out, even the analysts could not understand what was going on, or develop any fundamental conviction about the stocks they were recommending, which became apparent when investigators gained access to their Email files. As long as the stocks went up, it did not matter. In the heady days of the 1990s, if a stock reached its price target, the target was simply raised. When reality set in, the finger pointing began.

We do not think you have to be an investment professional to realize that when things look too good, they probably are. In fact, many investment professionals, or perhaps we should say, people who make their living in the investment business, were no better at spotting the excesses of the 1990s than the unsophisticated, small investor. The lesson that Warren Buffett has generously repeated on numerous occasions, and which is all too often forgotten, is that a share of stock is a fractional ownership interest in a business. It is not a lottery ticket. Behind each share of stock is the holders' pro-rata ownership interest in that business, their share of the assets and the earnings. If there were no stock market to provide you with a daily entry or exit price, would you be comfortable owning your share of that business? The best analogy we can provide is that of your home. There is no market for shares in your house, yet you have a sense of what your house is worth based upon recent sales in your neighborhood. Your house has a value related to its size, its location, and its condition, or the rent you would receive if you decided to lease it out. Stocks have a value based on their assets, their earning power and their dividend yield. If housing prices fluctuated like stock prices, we might conclude it was safer to rent than buy.

Unfortunately, from time to time, we become a nation of speculators. Stocks are bought for no other reason than they are rising, and sold for

no other reason than they are falling. This phenomenon is truest near the top of a bull market, or near the bottom of a bear market. The pattern of cash inflows into mutual funds near a market top, and cash outflows near a market bottom, confirm this bias. This pattern of buying and selling has little to do with underlying investment fundamentals; i.e., what is the intrinsic value of the stocks being bought or sold. It is driven more by mob psychology than rational investment principles. Our brains are conditioned to react this way. We get caught up in whatever mania is reigning at any particular time, and follow the crowd. The ability to question the collective wisdom of millions of investors who may be buying or selling at any particular point in a stock market cycle, and to act in a contrary fashion is something few of us can do.

To borrow another analogy from Warren Buffett, pretend that you and a partner each own 50% of Acme Widget Company. Your largest competitor calls you every year offering to buy your company for $100 a share. We will assume for purposes of illustrating our point that your competitor is offering a fair price and because of synergies between his company and yours, he can pay more than someone who is not already in the widget business. Your competitor has in effect established $100 per share as the private market value of your company. The choice to sell is yours. No one can force you to take the offer. Your partner in Acme Widget is a guy named Joe. Joe is a highly emotional person who for whatever reason chooses not to give much credence to your competitor's offer, but spends his time listening to the folks on "Talk Financial TV". One day Joe hears that the American Widget Association has forecast a slowdown in widget sales for the next quarter. He panics and offers to sell you his shares at $50. Or maybe he made some bad Internet investments, buying on margin, and his broker has called looking for cash. Joe has no choice but to sell you his Acme Widget shares or face financial ruin. On another occasion, Joe sees that a big new order for widgets has just come

in from one of your largest customers. Joe is ecstatic, thinks the business is about to take off and offers to buy your shares at $150. All the while, you remember the offer of $100 per share from your competitor and believe this is a fairer appraisal of the value of your company. Joe's emotional swings afford you the opportunity to buy more shares in your company at less than they are worth, or sell them at more than they are worth. While this may sound a bit simplistic, just think of Joe as the stock market. Every day, a million "Joes" are making the same decisions about the stocks they own. Taking advantage of Joe's emotional swings rather than thinking he may be on to something, is the essence of rational investing. Remaining detached is not easy. The Joes of the world control the airwaves and the press. Forecasting boom or gloom makes for better headlines and sells more newspapers. Whether it is a service to investors is another question.

It has been our observation that less time is spent trying to figure out how much your competitor is willing to pay for your business than predicting Joe's emotional swings. It has also been our observation that more attention is focused on short-term results, such as companies meeting the next quarterly earnings projection, rather than thinking about the future prospects of a particular business or industry and how those prospects will affect value in the long run. Corporate managers who can deliver quarterly earnings per share that match or slightly exceed security analysts' estimates are rewarded with higher and higher price/earnings ratios for their companies. This is like doubling and redoubling your bets on a guy who can continue to roll doubles in a game of craps. This is OK while your winnings keep piling up, but can spell disaster if you haven't taken some of your winnings off the table when he misses.

In a game of craps, it is easy to see if the player is winning. In investing, it is not so easy. The manager may be seduced by the rewards and fame

that accompany his success to the point of manipulating results and deceiving shareholders. This is what happened with Enron, WorldCom and Tyco. These companies were very difficult to analyze. Everyone knew this. However, the managements were able to report ever-rising earnings, and shareholders were willing to accept the numbers they were given so long as the stock price kept rising. None of these companies had to implode except for managements' desire to perpetuate the myth of growth -- through deception. Losses were hidden from shareholders' view until it came time to pay the piper. Rather than acknowledge that things were not as good as they might appear, and accept the fact that these businesses were not as great as we were being told, management resorted to all sorts of accounting tricks, misleading their shareholders in an attempt to keep their stock price up. The investment community had made heroes of Ken Lay, Bernie Ebbers and Dennis Kozlowski. They enjoyed their fame and riches, and investors were happy to go along because they were rewarded with an ever-higher stock price. The investment community was willing to overlook their excesses because these guys could deliver. As allegations of misconduct are reported, investors feel a sense of betrayal.

Fraud is no stranger to booms. Boom periods may actually contribute to it. Managers, financial advisers and investors all get caught up in the euphoria of making money, and basic issues of integrity and financial fundamentals get forgotten. Dennis Kozlowski was paid handsomely as CEO of Tyco by anyone's standard. However, this did not inhibit him from allegedly using Tyco as a personal piggy bank to support a lifestyle that would be the envy of a Third World dictator. In the aftermath of his alleged excesses, many honest managers must suffer. Every accounting treatment that involves any degree of discretion is suspect. No one is to be believed. Investor confidence is at a low point, financial advisers are at a loss to explain how they messed up, and stock prices suffer.

The issue investors must confront is whether their pain is temporary or permanent. With Enron, WorldCom, Global Crossing and many of the technology favorites of the 1990s, the pain is permanent. For others, it is only temporary. A stock market that declines as much as this one has in the past two years will leave few stocks unaffected. However, if you have the fundamentals right, your investments should eventually recover and bring future gains.

Much of the loss we have experienced in the past six months is the result of an overall decline in the stock market. Like Joe's partner in the widget business, the market has for the time being lowered our stock prices because of an emotional overreaction. In other cases, we made mistakes in our analysis. In a rising market, such mistakes would have had far less impact on our results. In a bear market, they only serve to exacerbate an already negative situation. Our biggest loser this year is Electronic Data Systems Corporation ("EDS") that had declined nearly 63% by September 30, 2002 from where the Fund purchased it in June and July of this year.

We conducted a preliminary analysis of the company and its industry in May when the stock price was in the mid $50 range. EDS is in the information technology (IT) outsourcing business. When a company decides to outsource its IT functions, it usually hires EDS or one of its two principal competitors, IBM and Computer Sciences Corp., to take over these functions. Companies hire an outsourcing firm like EDS to lower costs and free up capital that would otherwise be invested in computer hardware. Moreover, outsourcing firms are thought to be better at managing these functions, and can provide a redundancy in the event of some IT catastrophe. It is not a "technology" business in terms of having to invent newer and faster microchips, computers, servers, software, etc., and is therefore not subject to the usual technological obsolescence common to that industry. It is a service business.

The IT outsourcing industry has certain characteristics we like. It has had steady long-term growth in the low double digits, and this growth was predicted to continue into the future by several major industry consultants. It is essentially an oligopoly with only three main competitors. Once companies choose to outsource their IT functions, they seldom bring those functions back in-house. Historically, approximately 80% of all outsourcing contracts are renewed with the original vendor. And there are significant barriers to entry into the business. Few companies with complex IT needs would be willing to hire a new entrant to take over an operation as important as IT when there are financially sound, experienced vendors already in the business.

However, the business is not without its problems. It is fairly capital intensive in the early phases of new contracts. EDS or its competitors often buy the IT assets of their customers at the outset of a relationship. Accounting for profitability is on a "percentage of completion" basis. This means EDS bids for business based on a multi-year contract to provide IT services. It must estimate its costs for the period of the contract. A larger portion of the cost of a contract is generally in the first years of the contract while payments may be spread out more evenly over the life of the contract. Estimating the cost of providing IT services over the life of the contract is critical because there is little opportunity to adjust the terms of the contract once it is signed. Although we developed some degree of comfort with these issues, we came to the preliminary conclusion that the stock was not cheap enough for us.

In June, the price of the stock had declined below $50 per share, and we dusted off our EDS file. The stock was down from a high of $72.50, and was selling at 14.5x 2002 earnings estimates. At this level, it was significantly lower than either its historic price/earnings ratio or that of its principal

competitors. However, EDS had two issues that were becoming problems. It had outstanding contracts with WorldCom and US Airways. The bankruptcy filings of these two companies called into question their ability to pay EDS for services. The company offered an estimate of possible losses that were not too significant, and the assumption was that if WorldCom and US Airways were to continue to operate under bankruptcy, they would have to continue to pay EDS for IT services. We had lengthy meetings with analysts and industry experts. We inquired into the status of a large new contract with the U.S. Navy, along with other outstanding contracts. No significant red flags were raised, and management continued to assure analysts that their 2002 earnings estimates were achievable. We began to buy the stock and eventually established a position in the Fund with an average cost of $38 per share.

In mid-September, the company announced that it would miss earnings forecasts made the previous month by a wide margin due to a slowdown in IT spending by corporations in general, and because of problems with the US Airways contract and several other contracts in Europe in particular. The stock dropped more than 50% in one day. Analysts began issuing reports predicting a slowdown in IT spending lasting into next year that would affect EDS and its competitors, and their near-term earnings prospects. No one said the business was going away; it was merely being deferred until some time in the future. Longer term, IT spending would continue to increase. Short term, companies were reducing IT spending because of the effects of a slowing economy and their desire to conserve cash. Management appeared to be unaware of the effect of a slowdown in business and problems with certain contracts until the last minute. This called into question their credibility with the financial community despite the fact that EDS management was one of the first to sign onto the government's new requirement that managements vouch for the accuracy

of their financial statements. EDS was also considered by many to be recession proof. When this proved not to be the case, the punishment was even more severe. We never bought this part of the story. Businesses are only recession proof in the eye of the beholder. In the environment of a stock market already highly skittish about earnings guidance from companies and distrustful of managements, the stock tanked. Hell hath no fury like an analyst scorned! EDS management will now have the task of restoring investor confidence while it grapples with reduced demand for its services for the time being, and certain operational problems of an on-going nature. It may take a while in this unforgiving stock market.

Having experienced this unfortunate plunge in the price of EDS that cannot be undone, we had to assess our position in light of new information. Despite the magnitude of the drop in the stock price of EDS, its impact on the Fund's overall performance was mitigated by our policy of diversification which limits investment in any one security to no more than 3% of net Fund assets at cost. Our position in EDS was, in fact, only 2% of net assets. We cannot answer the question of whether we could have foreseen the problems they encountered. The magnitude of the one day decline would indicate that few did foresee this chain of events. Perhaps we should have been more cautious given the problems with US Airways and WorldCom, but these issues were already known and presumably already in the price of the stock. With the stock now selling at 5x last year's earnings, we think a sale would only be saving us the embarrassment of explaining why we bought it in the first place. Going forward, we would like to see a better explanation of what went wrong with their forecasting of earnings, and we would like to see management begin to buy stock themselves.

There are additional examples of stocks that have been major disappointments in the past six months, but the EDS situation is a good example of the unpredictability of individual stock performance. We will not make any excuses, but merely accept the result. In the past six months, many stocks we own declined for no good, or perhaps no bad reason, for which we can offer little or no explanation. The situation in the U.S. has been made worse by accounting scandals. When investor psychology will once again turn positive is anyone's guess. Unfortunately, these turns in investor psychology never come with advanced notice, and are never recognized until well after the turn has occurred. Indeed, turns occur when they are least expected. March of 2000 is but the most recent example. Investor enthusiasm was buoyant to say the least. Today, we are at the opposite end of the spectrum. Perhaps that is a good sign.

Sincerely,

Christopher H. Browne
William H. Browne
John D. Spears

Thomas H. Shrager
Robert Q. Wyckoff, Jr.
Managing Directors

Tweedy, Browne Company LLC
Investment Manager to the Fund

November 18, 2002

Report of the Auditor

To the Shareholders of Tweedy, Browne Value Funds

We have audited the financial statements, which consist of the Statement of Assets and Liabilities, the Statement of Operations and Changes in Net Assets, the Schedule of Investments and the Notes to the Financial Statements of Tweedy, Browne Value Funds and of each of its Sub-Funds for the year ended September 30, 2002. These financial statements are the responsibility of the Board of Directors of the SICAV. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors of the SICAV in preparing the financial statements, 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 attached financial statements described above give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Tweedy, Browne Value Funds and of each of its Sub-Funds at September 30, 2002 and the results of their operations and changes in their net assets for the year then ended.

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. We have no observations to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young
Société Anonyme
Réviseur d'entreprises

M. Ferguson
Luxembourg, November 19, 2002

Statement of Assets and Liabilities

September 30, 2002

Expressed in US $

ASSETS	
Investments, at market value (Cost $81,516,256) (Note 2)	$ 125,352,889
Cash	8,740,864
Dividends and interest receivable	179,919
Receivable for investment securities sold	785,347
Total Assets	135,059,019

LIABILITIES	
Sellers' commission payable (Note 3)	38,484
Accrued expenses and other payables	100,759
Total Liabilities	139,243
Net Assets	$ 134,919,776

NET ASSETS	
Attributable to Investor Shares	
$103.81 per share based on 769,587 shares outstanding	$ 79,891,587
Attributable to Manager Shares	
$19,106.80 per share based on 2,880 shares outstanding	55,028,189
	$ 134,919,776

STATISTICAL INFORMATION	***2002***	***2001***	***2000***
Net Asset Value	$ 134,919,776	$ 157,617,781	$ 165,739,485
Per Investor Share	$ 103.81	$ 118.44	$ 116.46
Per Manager Share	$ 19,106.80	$ 21,679.78	$ 20,996.46

SEE NOTES TO FINANCIAL STATEMENTS

Statement of Operations and Changes in Net Assets

September 30, 2002

Expressed in US $

INVESTMENT INCOME	
Dividends (net of foreign withholding taxes of $654,627)	$ 1,928,866
Interest	109,760
Total Investment Income	2,038,626
EXPENSES	
Performance increment (Note 3)	—
Sellers' commission (Note 3)	38,484
Investment management fees (Note 4)	—
Professional fees	50,751
Custodian fees	225,001
Taxe d'abonnement (Note 7)	82,489
Amortization of organization costs (Note 6)	9,685
Other	64,501
Total Expenses	470,911
Net Investment Income	1,567,715
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCIES	
Net realized gain (loss) on:	
Investments	7,871,131
Foreign currencies	(268)
Net Realized Gain on Investments and Foreign Currencies during the year	7,870,863
Net change in unrealized appreciation (depreciation) on:	
Investments	(27,479,722)
Net Unrealized Appreciation (Depreciation) on Investments and Foreign Currencies during the year	(27,479,722)
Net Realized and Unrealized Loss on Investments and Foreign Currencies during the year	(19,608,859)
Net Decrease in Net Assets Resulting from Operations	(18,041,144)
Net capital movement	(4,656,861)
NET ASSETS	
Beginning of year	$ 157,617,781
End of year	$ 134,919,776

SEE NOTES TO FINANCIAL STATEMENTS

Schedule of Investments

September 30, 2002

Expressed in US $

SECURITY	NUMBER OF SHARES	MARKET VALUE	% OF NET ASSETS
Transferable securities traded on a regulated market			
Equity Securities			
Italy			
Natuzzi SpA (sponsored ADR)	69,278	$ 756,516	0.56
Mexico			
Panamerican Beverages, Inc. – Class A	217,739	2,064,166	1.53
Netherlands			
ABN AMRO Holding NV (sponsored ADR)	100,000	1,115,000	0.83
Akzo Nobel NV (sponsored ADR)	41,560	1,342,388	0.99
Unilever NV (NY Shares)	69,642	4,140,217	3.07
		6,597,605	4.89
Switzerland			
Novartis AG (Registered)	87,040	3,437,226	2.55
Syngenta AG (Registered)	2,176	118,606	0.09
		3,555,832	2.64
United Kingdom			
Diageo PLC (sponsored ADR)	66,860	3,336,982	2.47
GlaxoSmithKline PLC (ADR)	58,200	2,236,626	1.66
		5,573,608	4.13
United States			
21st Century Insurance Group	47,740	492,199	0.36
American Express Company	149,615	4,664,996	3.46
American National Insurance Company	48,200	3,326,282	2.47
Bristol-Myers Squibb Company	110,095	2,640,610	1.96
Comcast Corporation - Special Class A	128,140	2,673,000	1.98
Commonwealth Telephone Enterprises, Inc.	5,944	206,673	0.15
Dollar Thrifty Automotive Group, Inc.	130,300	2,091,315	1.55
Electronic Data Systems Corporation	89,536	1,251,713	0.93
Federal Home Loan Mortgage Corporation	109,475	6,119,653	4.54
Federated Investors, Inc. - Class B	159,415	4,302,611	3.19

Schedule of Investments

September 30, 2002

Expressed in US $

SECURITY	NUMBER OF SHARES	MARKET VALUE	% OF NET ASSETS
GATX Corporation	59,590	$ 1,179,882	0.87
Gorman-Rupp Company	9,330	217,389	0.16
Great American Financial Resources, Inc.	53,800	836,590	0.62
Grey Global Group, Inc.	6,900	4,071,000	3.02
Hollinger International, Inc.	231,901	2,107,980	1.56
HON Industries, Inc.	76,275	1,941,199	1.44
Household International, Inc.	95,600	2,706,436	2.01
HUB Group, Inc. - Class A	50,130	317,323	0.23
Investment Technology Group, Inc.	149,783	4,382,636	3.25
Jefferies Group, Inc.	55,162	2,104,982	1.56
Johnson & Johnson	112,000	6,056,960	4.49
Life Insurance Company of Alabama - Class A	27,144	183,222	0.14
Mays (J. W.), Inc.	14,000	180,600	0.13
MBIA, Inc.	173,737	6,940,793	5.14
McDonald's Corporation	47,850	845,031	0.63
Monsanto Company	21,824	333,689	0.25
National Western Life Insurance Company - Class A	25,655	2,616,810	1.94
Oil-Dri Corporation of America	26,000	203,840	0.15
Pharmacia Corporation	127,933	4,974,035	3.69
PNC Financial Services Group	48,720	2,054,522	1.52
Popular, Inc.	140,054	4,425,707	3.28
ProQuest Company	134,315	4,076,460	3.02
Ramco-Gershenson Properties Trust	64,140	1,260,992	0.93
Rayonier, Inc.	65,600	2,749,296	2.04
Regal Beloit	50,175	858,494	0.64
Schering-Plough Corporation	184,801	3,939,957	2.92
Stepan Company	14,200	381,270	0.28
Syms Corporation	53,275	367,598	0.27
Torchmark Corporation	141,835	4,859,267	3.60
Transatlantic Holdings, Inc.	94,797	6,299,261	4.67
Wallace Computer Services, Inc.	11,412	201,422	0.15
Wells Fargo & Company	108,450	5,222,952	3.87
Werner Enterprises, Inc.	6,253	114,930	0.08
		106,781,577	79.14
Total Equity Securities		$ 125,329,304	92.89

Schedule of Investments

September 30, 2002

Expressed in US $

SECURITY	NUMBER OF SHARES	MARKET VALUE	% OF NET ASSETS
Securities in Liquidation			
United States			
Duke & Company, Inc.	400	$ 19,950	0.02
Genway Corporation	5,500	110	0.00
Landsing Pacific Fund	43,700	2,185	0.00
Union Manufacturing Company	1,340	1,340	0.00
		23,585	0.02
Total Securities in Liquidation		$ 23,585	0.02
Total Investments		$ 125,352,889	92.91
Other Net Assets		9,566,887	7.09
Total Net Assets		$ 134,919,776	100.00

Notes to Financial Statements

1. Description of the Fund

Tweedy, Browne USA Value Fund (the "USA Sub-Fund") is a separate investment portfolio of Tweedy, Browne Value Funds (the "Fund"). The Fund is an investment company organized under the laws of the Grand Duchy of Luxembourg as a *Société d'Investissement à Capital Variable.* Within each Sub-Fund, two classes of shares are established, one class issued to the investors (the "Investor Shares") and the other class issued exclusively for the benefit of the members of the Investment Manager (the "Manager Shares").

The Fund is registered pursuant to Part I of the Law of March 30, 1988 on undertakings for collective investment and is an undertaking for the Collective Investment in Transferable Securities ("UCITS") in the meaning of the Council Directive EEC/85/611 ("UCITS Directive").

The Fund was incorporated on October 30, 1996 and commenced operations on November 1, 1996. The USA Sub-Fund previously existed as an investment company incorporated under the laws of the Netherlands Antilles under the name of Tweedy, Browne (USA) N.V.

The consolidated accounts, as well as accounts for each Sub-Fund of the Fund, are available upon request from the Administrator at the registered office of the Fund.

2. Significant Accounting Policies

These financial statements are presented in accordance with generally accepted accounting principles in Luxembourg. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Portfolio Valuation

Investments in securities listed or dealt in on any stock exchange is based on the last available price on the stock exchange which is normally their principal market. The value of securities dealt in on any other regulated market that operates regularly and is recognized and is open to the public (a "Regulated Market") is based on the last available price. In the event that any assets are not listed or dealt in on any stock exchange or on any other Regulated Market, or if, with respect to assets listed or dealt in on any stock exchange, or other Regulated Market as aforesaid, the price is not representative of the fair market value of the relevant assets, the value of such assets is based on the reasonably foreseeable sales price determined prudently and in good faith by or under procedures established by the Board of Directors.

Foreign Currency Translation

The books and records of USA Sub-Fund are maintained in U.S. dollars. The value of all assets and liabilities not expressed in the base currency is converted into the base currency at rates last quoted by any major bank or by Reuters America Inc. In the event that an exchange rate is not available for a particular currency on a valuation date, the last quoted exchange rate will be used. If such quotation is not available, the rate of exchange is determined in good faith by or under procedures established by the Board of Directors.

Securities Transactions and Net Investment Income

Securities transactions are recorded as of the trade date. Dividend income is recorded on the ex-dividend date and interest is recorded on the accrual basis as earned. Realized gains and losses from securities transactions are recorded on the historical cost basis using the first-in, first-out or the specific identification method.

Distribution to Investors

All shares are issued as capitalization shares that capitalize their entire earnings. Accordingly, it is not anticipated that any net income or capital gains of the USA Sub-Fund will be distributed to investors.

3. Performance Increment

Two classes of shares have an interest in the USA Sub-Fund: the class of investor shares ("Investor Shares") and a class beneficially owned by the members or affiliates of the Investment Manager ("Manager Shares"). At the end of each fiscal year, the Manager Shares are entitled to be attributed, out of the net assets of the USA Sub-Fund, a portion of the USA Sub-Fund's annual performance (the "Performance Increment"). The Performance Increment accrual for the USA Sub-Fund is 20% of the overall increase in the net asset value per Investor Share of the USA Sub-Fund above the highest preceding net asset value per Investor Share of the USA Sub-Fund on any prior year end multiplied by the number of Investor Shares of the USA Sub-Fund outstanding on such valuation date. The Performance Increment account is invested by the Investment Manager in the same manner as the other assets of the Fund and participates in the profits and losses of the Fund. A portion of the Performance Increment otherwise due to the Manager Shares is payable to certain sellers under an arrangement between the Fund and the sellers. The amounts due to the sellers are paid directly by the Fund but have no effect on the Investor Shares.

For the purpose of calculating the net asset value of the Investor Shares in the USA Sub-Fund on each valuation date, the Performance Increment for the USA Sub-Fund to such date is calculated and contingently accrued. The Performance Increment, less an amount of $38,484 allocated to the sellers as sellers' commission (the "Net Performance Increment"), is definitively calculated and credited to the Manager Shares on the last day of the USA Sub-Fund's fiscal year. Any decrease in the net asset value per Investor Share for the USA Sub-Fund from the highest preceding net asset value must be made up before Manager Shares may again be credited with a Performance Increment. Since the Performance Increment is accrued as a contingent liability of the USA Sub-Fund on each valuation day, an investor who redeems shares during the year at a time when there has been an increase in the net asset value per Investor Share (as defined in the preceding paragraph) will in effect pay an incentive fee based on that increase. The net asset value per share for the Manager Shares, at the end

of any fiscal year, is equal to such class' share of the net assets of the USA Sub-Fund plus the Net Performance Increment divided by the number of Manager Shares outstanding. For the year ended September 30, 2002, there was a Performance Increment of $195,379.

4. Management Fee

The Investment Manager of the Fund is Tweedy, Browne Company LLC ("TBC"). The USA Sub-Fund has agreed to pay the Investment Manager an annual fee of one half of one percent of the average net assets at the end of any fiscal year, payable annually in arrears. However, this fee is reduced by the amount by which expenses (as outlined in the Prospectus) exceed 0.1% of the average net asset value. If such deductions reduce the calculated fee below zero, such credit amount is carried forward and applied against the investment management fee to be accrued for the following fiscal years. The investment management fee amounted to $0 for the year ended September 30, 2002.

5. Statements of Portfolio Changes

The schedule of changes in investment portfolio is available at the registered office of the Fund and can be obtained upon request.

6. Organization Costs

The organizational expenses have been fully amortized.

7. Taxation

The USA Sub-Fund is not liable for any Luxembourg tax on profits or income, nor are distributions paid by the Fund liable to any Luxembourg withholding tax. The USA Sub-Fund is however liable in Luxembourg to a tax of 0.05% (which prior to January 4, 2002 was 0.06%) per annum of its net asset value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the USA Sub-Fund at the end of the relevant quarter. No Luxembourg tax is payable on the realized capital appreciation of the assets of the USA Sub-Fund.

Dividend and interest income of the USA Sub-Fund, and in certain cases its capital gains, may be subject to withholding taxes at source.

Tweedy, Browne USA Value Fund

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William H. Browne

Kurt Gubler

Herbert Hart

Investment Manager

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