Lessons Learned from “Global Value” Equity Investing

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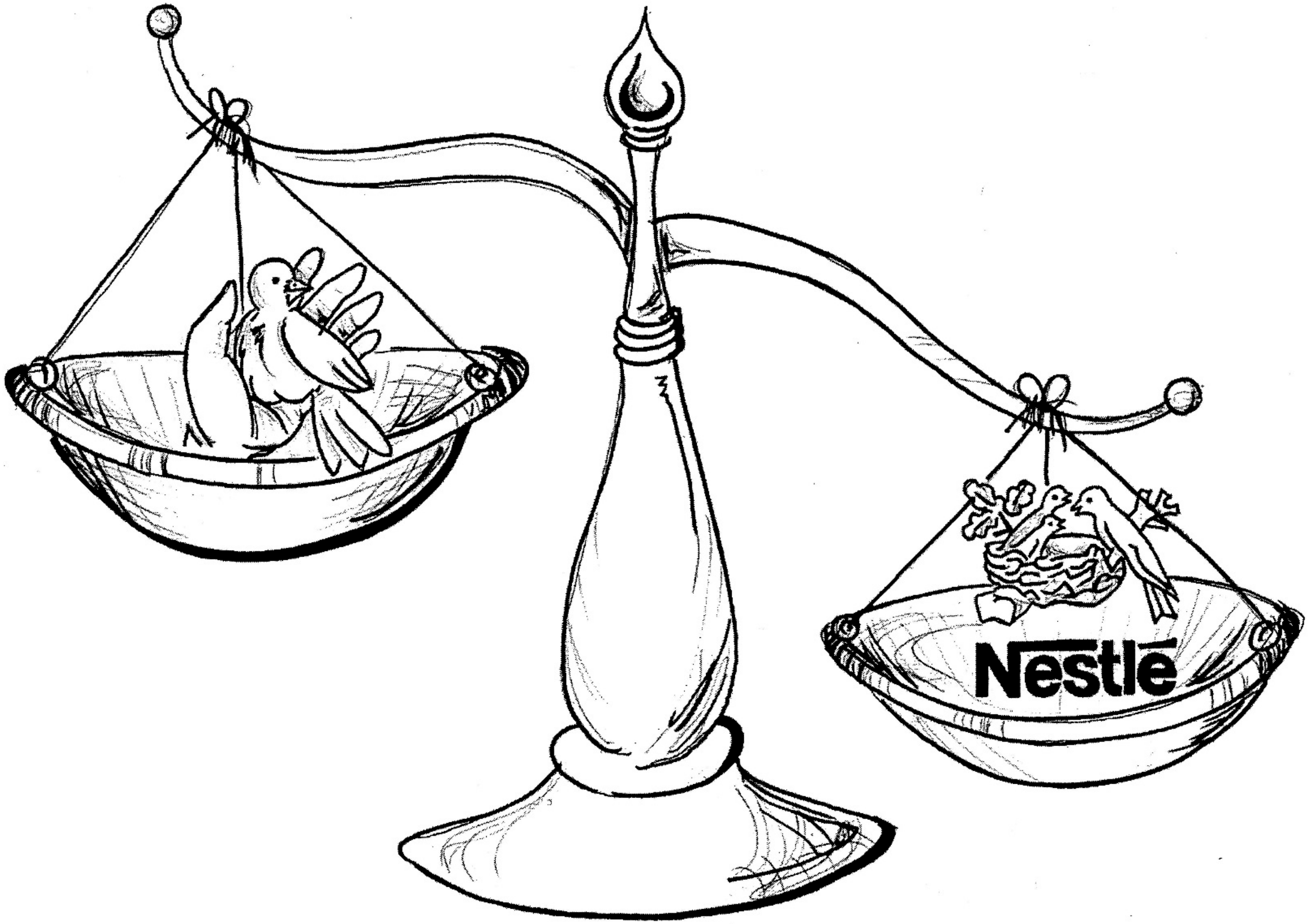


A bird in the hand is worth two in the bush - Aesop

Musings on "Global Value" Equity Investing

- **Value Investing – 50 Cent Dollar Bills**
  - Warren Buffett at Stanford Business and Law School, 1982
  - Conflict of Interest → "All about people"
  - One Break from US Government
- **"Capacity to Reinvest"**
  - Global brands
  - Population growth
  - Consumer disposable income growth
  - Multi-globally adept management
    - Multilingual
    - Multicultural
  - Few companies reinvest the right amount

Musings on “Global Value” Equity Investing (cont.)

- **“Capacity to Suffer”**
  - Heineken – No when Yes, Yes when No
  - Weetabix, Ltd.
  - Berkshire Hathaway – GEICO, equity index put options
  - Nestlé – 35 year “planning horizon”
  - Philip Morris International – Reduced Risk Products
  - SABMiller – emerging market beer specialist
  - Family-control supports management
- **Lack of “Capacity to Suffer”**
  - General Mills
  - Cadbury
  - SABMiller

Musings on “Global Value” Equity Investing (cont.)

- **Invest for the long term**
  - “Capacity to Reinvest”
  - “Capacity to Suffer”
  - Family-Controlled Companies
    - Discount valuation
  - International Investment
    - White space
    - Currency gains
    - Discount valuation
  - Circle of competence
  - Concentrate – few great ideas
  - Tax Efficiency
  - Market volatility is long-term investor friend

- **“Ability to Do Nothing”**

“Capacity to Suffer”

Heineken International

“Capacity to Suffer”

- **Weetabix, Ltd.**
  - **Family-Controlled Company**
  - **Incapacity to Reinvest**
  - **Portfolio Manager “Capacity to Suffer”**
  - **Lack of Share Repurchase**

Weetabix
“Capacity to Suffer”

Weetabix, Ltd.
Valuation Model (8x)
1989-2003

Year Ended July 31,	**2003**	**2002**	**2001 restated**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**	**1992**	**1991**	**1990**	**1989**
(in millions of GBP except per share amounts)															
Turnover	382.742	361.627	349.397	341.372	308.749	308.155	274.340	271.411	239.729	218.702	203.265	184.274	184.426	150.343	138.775
Operating income	44.609	39.475	42.458	47.702	49.558	49.378	40.121	34.828	30.419	28.297	25.339	24.460	20.620	15.116	12.999
Depreciation & amortization [1]	18.511	19.069	18.032	16.915	15.001	13.895	12.592	11.691	10.017	9.559	8.810	7.799	7.660	6.620	6.262
EBITDA	63.120	58.544	60.490	64.617	64.559	63.273	52.713	46.519	40.436	37.856	34.149	32.259	28.280	21.736	19.261
Multiple (8x)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Enterprise Value Operation	504.957	468.352	483.920	516.936	516.472	506.184	421.704	372.152	323.488	302.848	273.192	258.072	226.240	173.888	154.088
Plus: cash & equivalents	105.252	80.080	69.272	76.574	75.080	65.147	56.716	45.731	31.580	23.436	13.533	15.921	7.456	6.208	7.100
Less: long-term creditors	2.501	2.501	2.561	0.117	1.838	2.894	4.988	5.678	6.280	5.210	4.581	5.907	9.211	12.709	5.684
Equal: Implied intrinsic value	**607.708**	**545.931**	**550.631**	**593.393**	**589.714**	**568.437**	**473.432**	**412.205**	**348.788**	**321.074**	**282.144**	**268.086**	**224.485**	**167.387**	**155.504**
Per share valuation															
Implied intrinsic value / share	51.17	45.97	46.36	49.97	49.66	47.86	39.86	34.71	29.37	27.04	23.76	22.57	18.90	14.09	13.09
Actual market value / share [2]	52.00	21.75	23.75	29.75	32.00	37.50	30.50	25.00	27.00	19.50	13.50	11.80	7.97	5.30	5.95
Actual market value / impl. intrinsic value	101.6%	47.3%	51.2%	59.5%	64.4%	78.3%	76.5%	72.0%	91.9%	72.1%	56.8%	52.3%	42.2%	37.6%	45.4%
CAGR (1989 to date):															
Implied intrinsic value	10.2%	10.1%	11.1%	12.9%	14.3%	15.5%	14.9%	14.9%	14.4%	15.6%	16.1%	19.9%	20.1%	7.6%	
Actual market value	16.7%	10.5%	12.2%	15.8%	18.3%	22.7%	22.7%	22.8%	28.7%	26.8%	22.7%	25.6%	15.7%	-10.9%	
Return Analysis															
EBITDA / Operating assets	25.5%	23.5%	23.4%	29.6%	33.7%	35.3%	32.5%	31.7%	29.7%	31.1%	29.8%	32.9%	30.6%	26.7%	24.3%
Incr. EBITDA / Incr. operating assets	na	20.7%	-10.5%	0.2%	10.5%	62.2%	39.7%	58.2%	18.1%	49.9%	11.6%	71.0%	59.2%	113.2%	na
(in millions)															
Number of A equivalent shares	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876	11.876
Data as of December 31st															
Thirty-year US Treasury %	5.07%	4.78%	5.47%	5.46%	6.45%	5.10%	5.92%	6.64%	5.95%	7.88%	6.35%	7.40%	7.40%	8.25%	7.98%
US Dollar / British Pound	1.78	1.61	1.41	1.49	1.62	1.66	1.65	1.71	1.55	1.56	1.48	1.51	1.87	1.93	1.61
Price per share	52.00	21.75	23.75	29.75	32.00	37.50	30.50	25.00	27.00	19.50	13.50	11.80	7.97	5.30	5.95
Dollar price per share	92.63	35.05	33.56	44.42	51.69	62.25	50.18	42.85	41.84	30.51	19.95	17.82	14.91	10.23	9.59

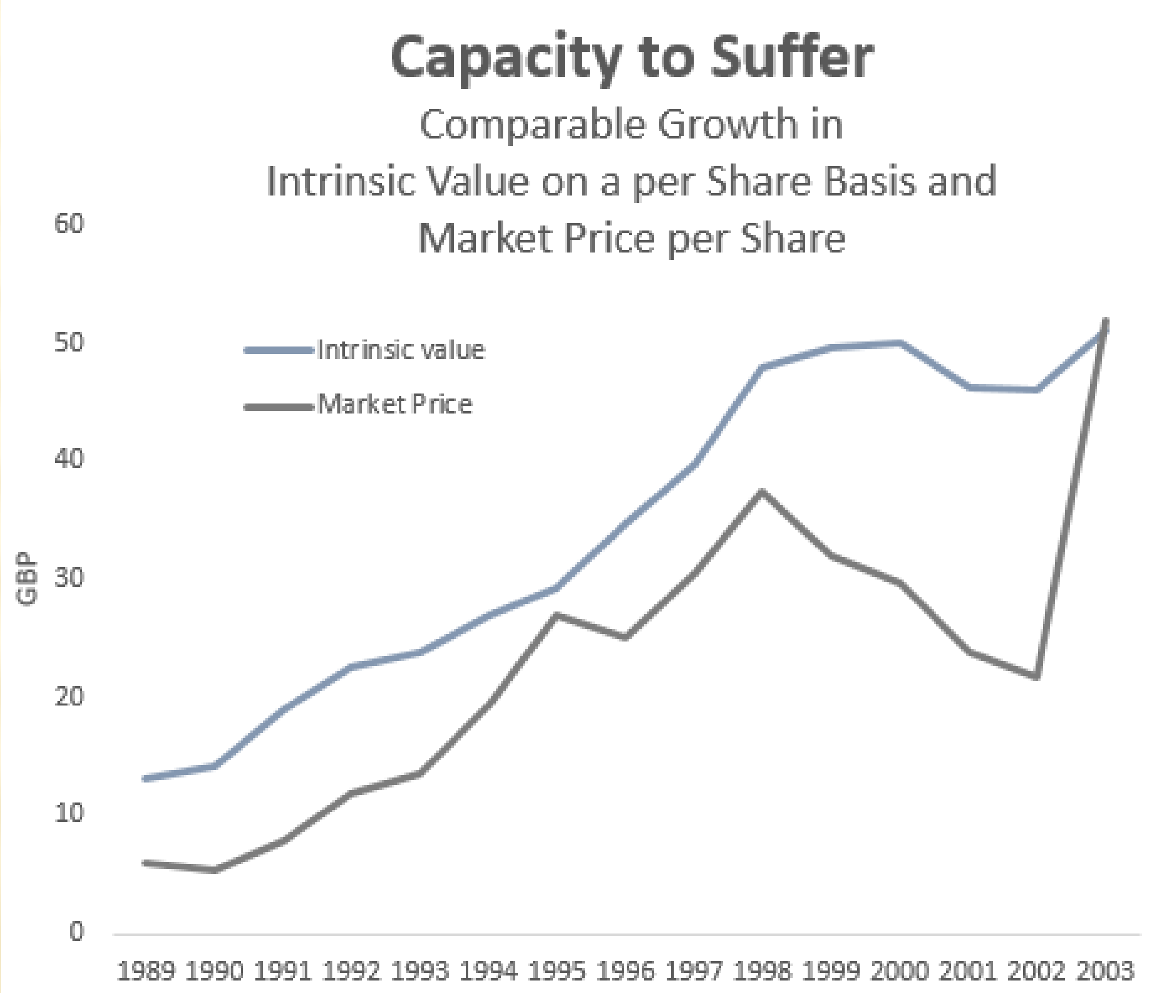
Note: Above calculations based on EV / EBITDA multiple of eight.

Source: Weetabix annuals and Gardner Russo & Gardner estimates.

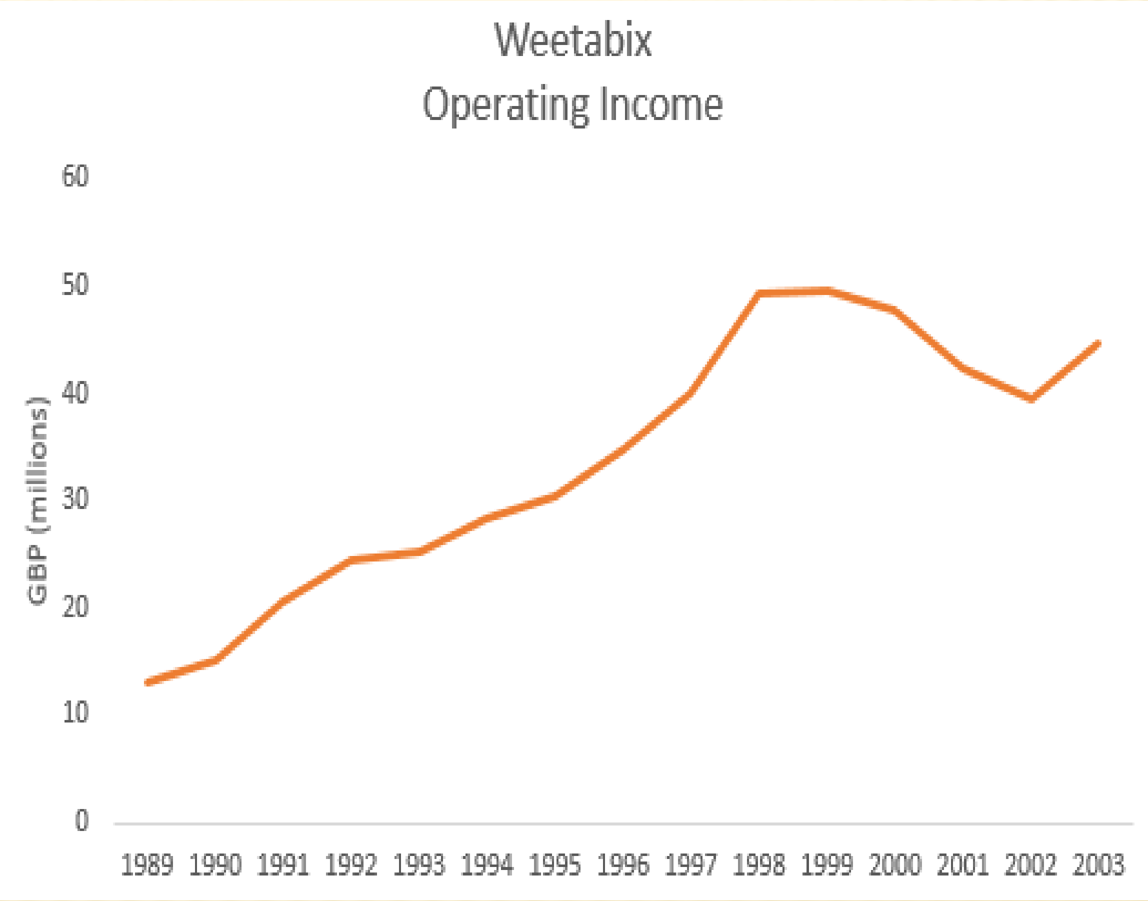
[1] Depreciation and amortization for 2003 is estimated assuming the ratio of depreciation and amortization to tangible assets remains the same as in 2002.

[2] As of December 31,

Weetabix
"Capacity to Suffer"



Weetabix
“Capacity to Suffer”



FINANCIAL TIMES

Bright Food confirms $1.76bn sale of Weetabix to Post

APRIL 18, 2017 by: Tom Hancock
April 18, 2017 3:27 am

China's Bright Food Group has agreed to sell cereal brand Weetabix to US cereal company Post Holdings for $1.76bn (£1.4bn), a spokesman for the Chinese conglomerate said on Tuesday.

Shanghai-based Bright Foods had boosted sales of the breakfast cereal in China since buying the brand five years ago and said it would continue to work with Post to market the brand in the country, group spokesman Pan Jianjun told the Financial Times.

Post Group's chief executive and president Rob Vitale said:

> "
>
> We have long admired Weetabix as a leader in cereal and believe it will be a fantastic strategic fit within Post.
>
> Combining together two category leaders continues our strategy of strengthening our portfolio in stable categories and diversifying into new markets, bringing much-loved brands to significantly more customers globally. We are excited about the growth opportunities that this acquisition brings.

Post said that Giles Turrell, Weetabix's current CEO, would become Weetabix's first chirman "with responsibility for overseeing the integration of Weetabix into the Post portfolio".

Sally Abbott, Weetabix's marketing chief will assume the position of Director of Weetabix UK and Ireland and report to Mr Vitale.

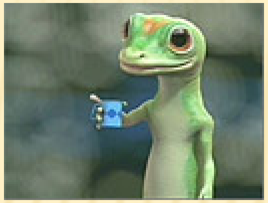
Weetabix's revenues of £346m in 2015 were 2 per cent lower than in 2012, while its pre-tax profits were down 1 per cent to £94.3m over the same period, according to its accounts.

"[Weetabix's] performance in the Chinese market has been quite good…we will continue to support efforts to increase its market share in China" said Bright Food's Mr Jianjun.

(Financial Times, April 19, 2017)

"Capacity to Suffer"

- **Berkshire Hathaway Inc.**
  - **GEICO**



  - **Equity index put options**
  - **Extraordinarily cautious short-term deposits, fiscal year, 2007**
  - **See's Chocolate**

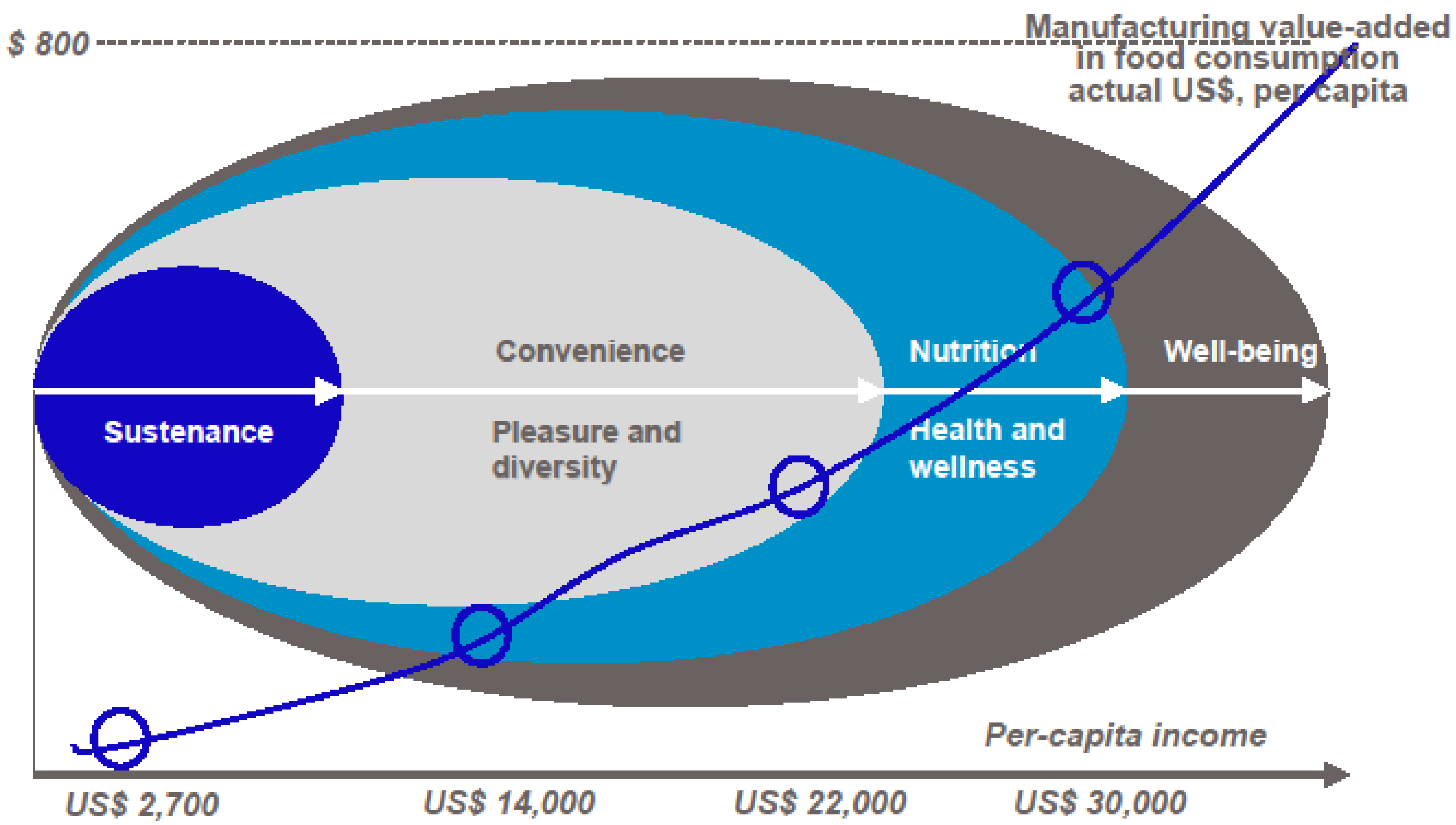
"Capacity to Reinvest"

- **Berkshire Hathaway Inc.**
  - **MidAmerican Energy Holdings Company**
  - **Burlington Northern Santa Fe Corporation**
  - **The Lubrizol Corporation**
  - **Bank of America Corporation**
  - **Berkshire Hathaway Subsidiary**
    e.g., Iscar Metalworking Companies

Nestlé S.A.

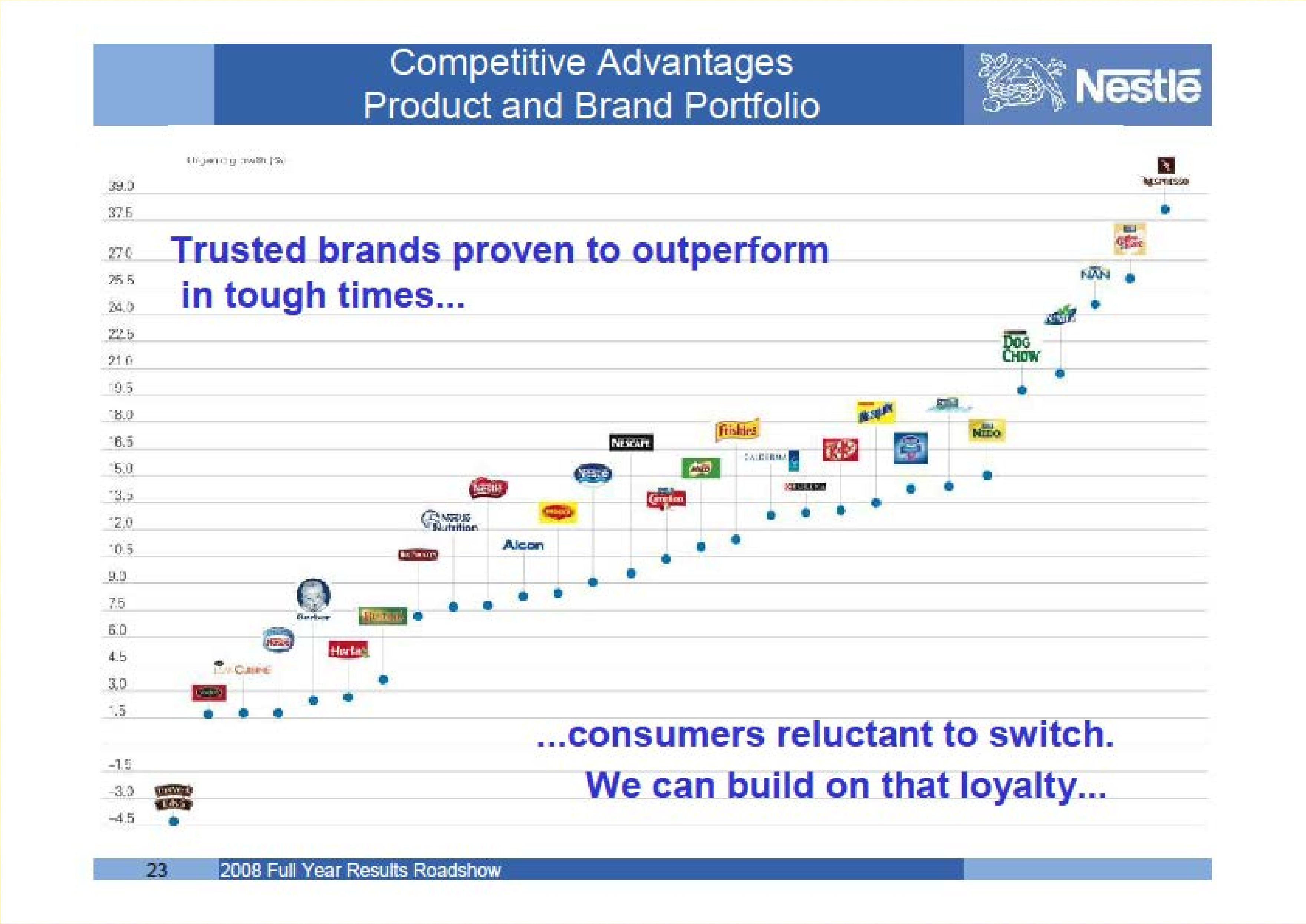
“Capacity to Reinvest”

Higher incomes lead to higher added-value



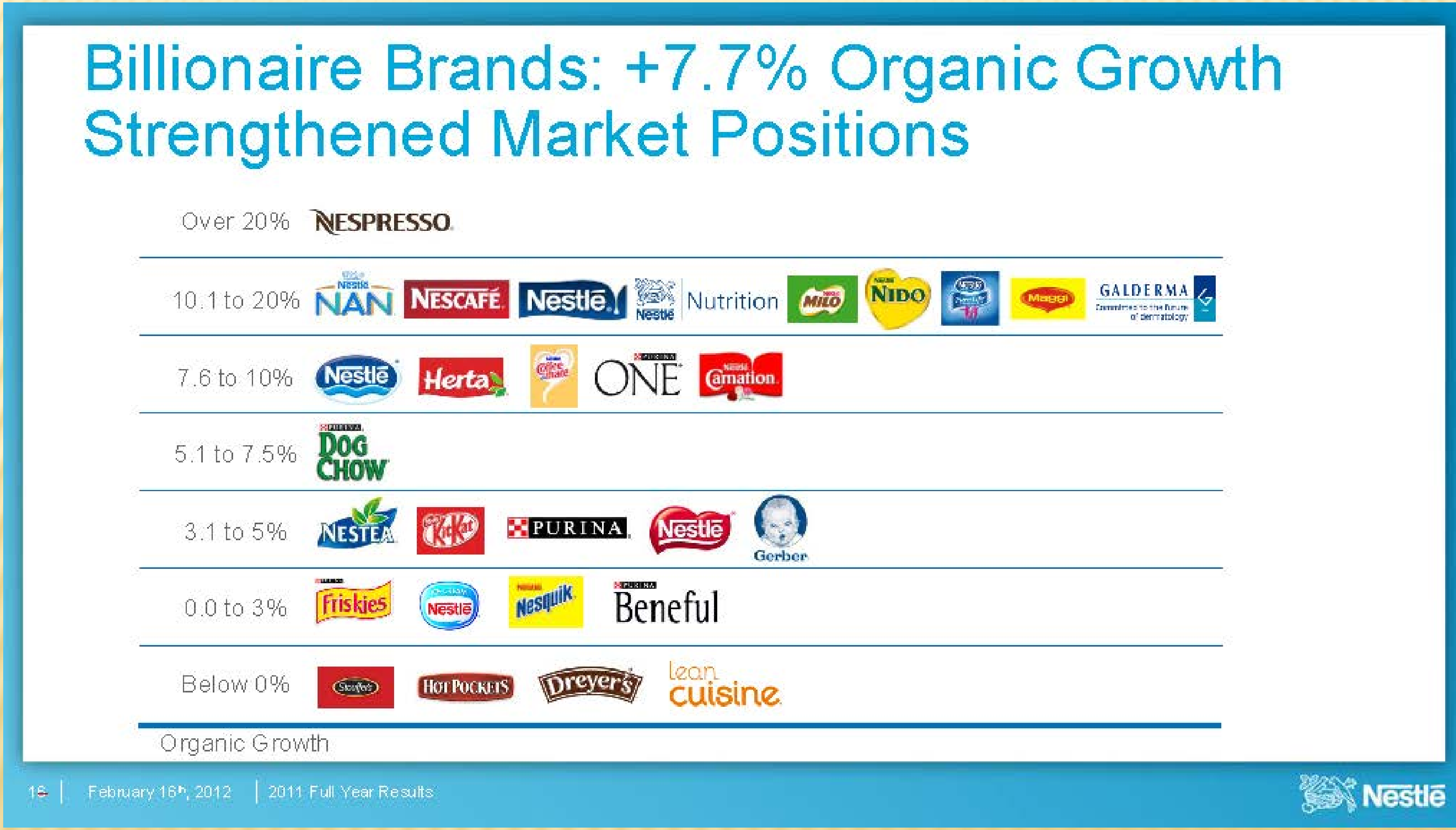
Sources: UNIDO (value-added), World Bank; analysis Nestlé EIR

YE 2008 Billionaire Brands Presentation



Nestlé “Capacity to Reinvest”

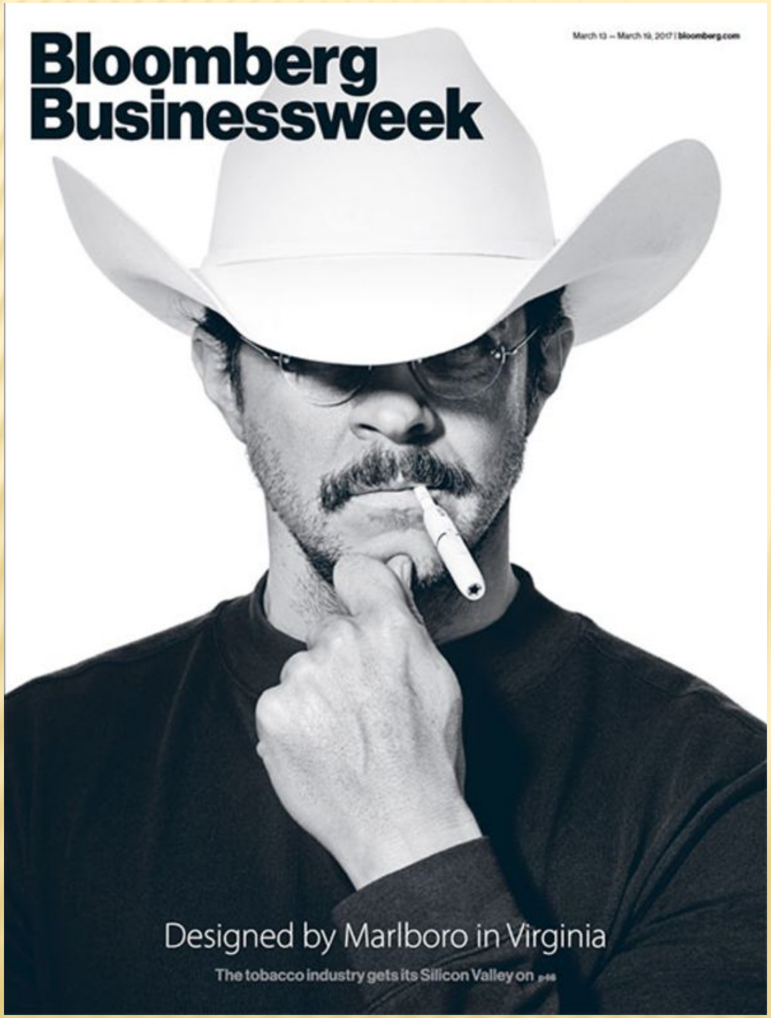
YE 2011 Billionaire Brands Presentation



Nestlé “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)
- 2012 Wyeth Infant Health and Nutrition Acquisition

Philip Morris International
“Capacity to Reinvest”



Philip Morris International
“Capacity to Suffer”

- **Foreign Currency Headwinds**
  - Four-year flat earnings per share as 100% of income is sourced abroad
  - Implication for management resolve – equity-linked compensation
  - Bonus pools
- **Global Regulatory Authority Threat**
  - Plain packaging
  - Graphic warning labels
  - Indonesian retailer restrictions
- **Taxation**
  - Cigarettes price per pack: London over $12
- **Illicit Competition**
  - Counterfeit
  - Grey market
  - Philippine stamp tax
  - Indonesia
- **Invested in Reduced Risk Product**
  - Over $2 billion invested in R&D
  - Four new platforms

Philip Morris International
“Capacity to Suffer”

<u>IQOS</u>

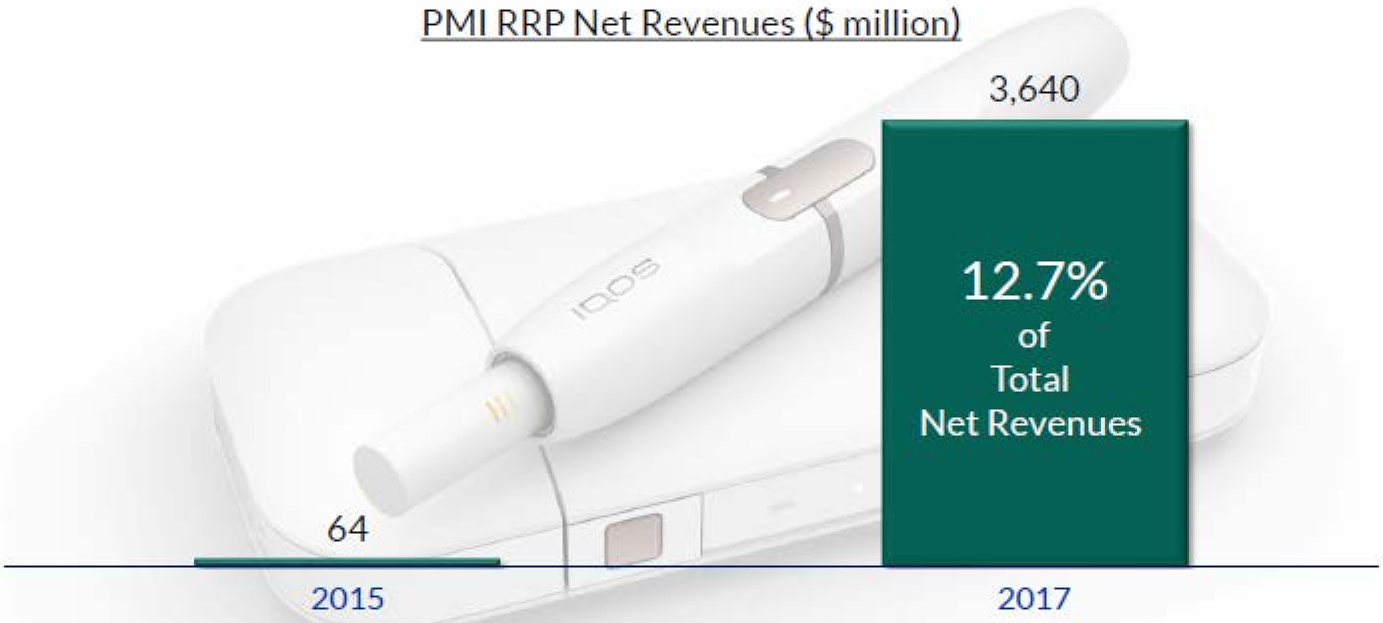
- **Replicates Smoking, Unlike E-cigarettes**
  - Nicotine dose adequate
  - Flavor similar
- **Reduced Risk**
  - No combustible material inhaled
  - No second-hand smoke
  - No ash
  - No smell
- **Costly Roll-out**
  - Government support – excise tax relief
  - Two-week conversion period
    - Guided by in-store marketing staff
- **Early Return**
  - Nearly 2 million smokers “quit” combustible cigarettes
  - Approaching 20% market share in a key Japanese market
- **Demand Exceeds Capacity**
  - Product volume 15 billion (2015) to 150 billion (2019)
- **Competition Lacks Adequate Response**

Smoke-Free Future: Significant Progress in Our Strategy

PMI Heated Tobacco Unit Volume (billion units)

Source: PMI Financials or estimates

Smoke-Free Future: Significant Progress in Our Strategy



Note: Net revenues exclude excise taxes. Net revenues for RRPs including excise taxes were $66 million in 2015 and $3,793 million in 2017
Source: PMI Financials or estimates

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Smoke-Free Future: Significant Progress in Our Strategy

Japan: *HeatSticks* National Market Share (%)

Source: PMI Financials or estimates, and Tobacco Institute of Japan

Smoke-Free Future: Significant Progress in Our Strategy

Reflecting our activities and tremendous effort,
we estimate that nearly

5 million

adult consumers around the world
have already stopped smoking and switched to *IQOS*

Note: Status at the end of January 2018, reflecting new PMI methodology. For markets where *IQOS* is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption. For markets where *IQOS* is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption, of which at least 70% are PMI heated tobacco units
Source: PMI Financials or estimates, and *IQOS* User Panels

Smoke-Free Future: PMI Business Transformation

(billion units)		Actual 2017	Aspiration[a] 2025
	Smoke-Free Product Volume[b]	36 Approx. 4% of PMI total volume	>250 >30% of PMI total volume
	Combustible Product Volume[c]	791	<550

(a) Assuming constant PMI market share outside China and the U.S. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume
(b) For 2017, smoke-free products volume includes heated tobacco units only
(c) Includes cigarettes and other combustible tobacco products
Source: PMI Financials or estimates, and PMI Communication on Progress 2016 United Nations Global Compact

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Smoke-Free Future: PMI Business Transformation

(billion units)	Actual 2017	Aspiration[a] 2025
Smoke-Free Product Volume[b]	36 Approx. 4% of PMI total volume	>250 >30% of PMI total volume
Smoke-Free Product Net Revenues	$ 4 billion Approx. 13% of PMI total net revenues	$17-$19 billion[c] Approx. 38%-42%[c] of PMI total net revenues

(a) Assuming constant PMI market share outside China and the U.S. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume
(b) For 2017, smoke-free products volume includes heated tobacco units only
(c) At today's pricing and excise tax assumptions
Note: Net revenues exclude excise taxes
Source: PMI Financials or estimates, and PMI Communication on Progress 2016 United Nations Global Compact

IQOS: Significant Up-Front Investments

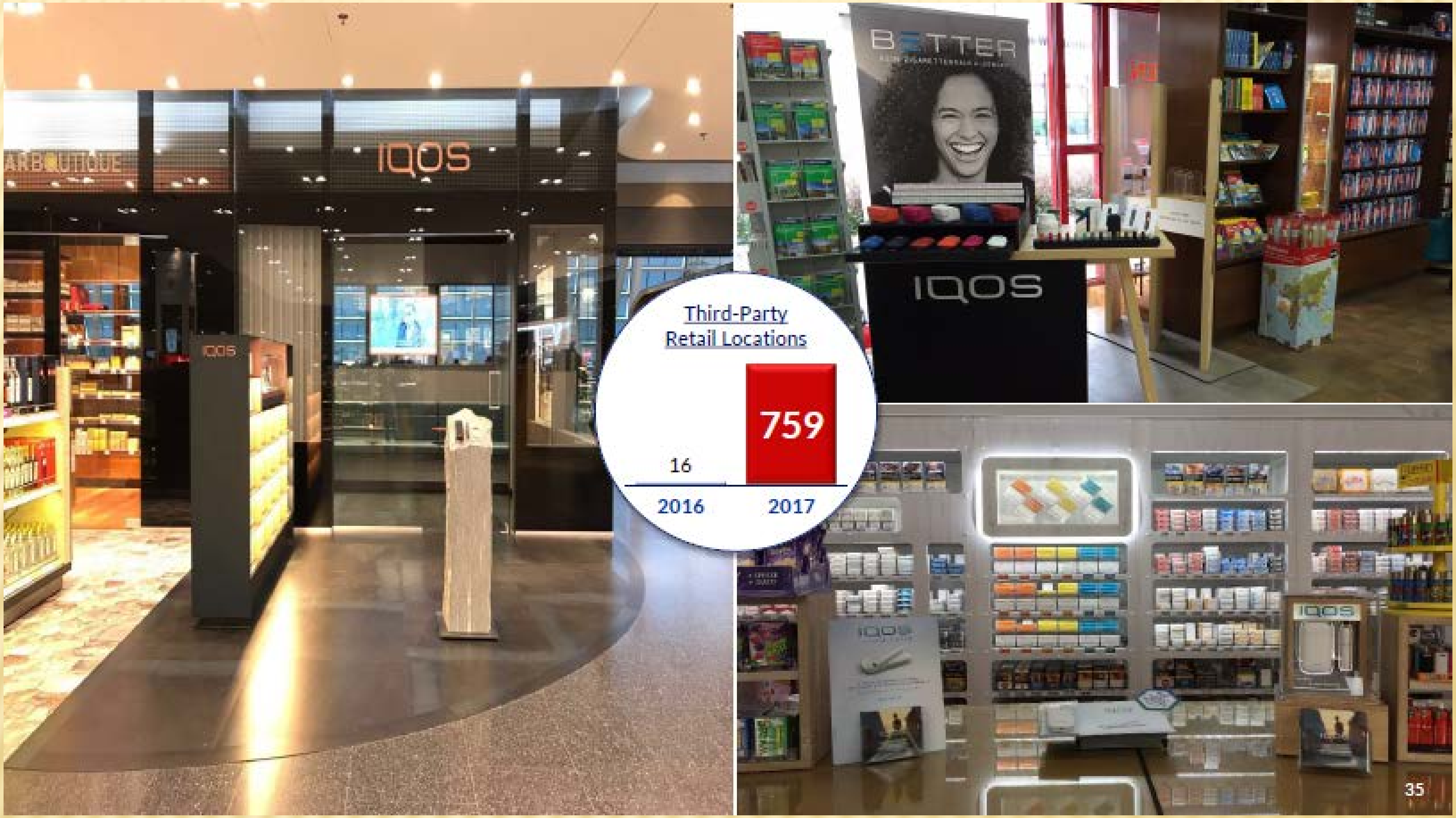
- Up-front investments are much greater than those required for launching a cigarette brand
- They entail:
  - Additional specialized field resources to engage with adult smokers, the trade and other stakeholders
  - Retail spaces, including full-fledged flagship stores, boutiques and pop-up stores in high-traffic, urban areas
  - Customer care service infrastructure, for after-sales support
  - Digital platforms

2017 Commercial Cost Composition (%)

(a) Includes customer care & e-commerce
Note: Totals may not add to 100% due to rounding
Source: PMI Financials or estimates

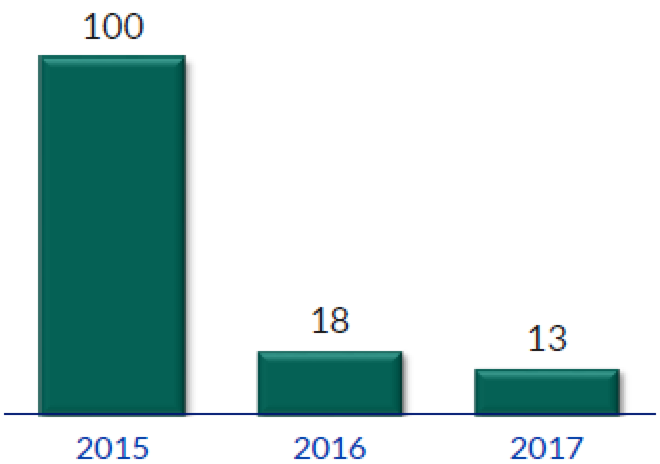

IQOS Coaches
(in thousands)
2.1
6.8
2016
2017
Guided Trials
(in millions)
1.5
5.1
2016
2017
33


IQOS
STORE
HELLO
GINZA
IQOS
Retail Stores
22
62
2016
2017
34

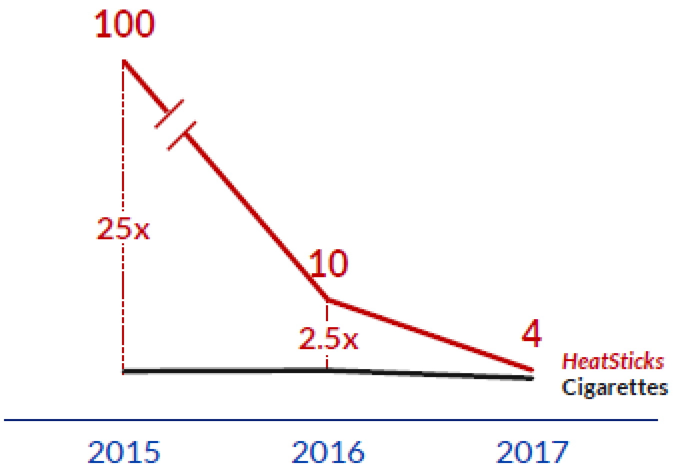

IQOS
Third-Party
Retail Locations
16
759
2016
2017
BETTER
IQOS
35

IQOS: Evolution of Switching Costs in Japan

<u>Cost of Consumer Acquisition</u>
Cost Per Converted User
(index = 2015; cost/000 users)



<u>Commercial Expenditures[a]</u>
(index = 2015; cost/000 units)



(a) Excluding sales allowances
Note: Commercial expenditure includes costs for marketing, consumer engagement, and trade promotions
Source: PMI Financials or estimates

IQOS: Device Economics

- **Retail selling price**: global average of around $110 in 2017
- **Introductory discounts**: approximately 25%[a] of the RSP, on average
- **Unit cost**: down by around 15% in 2017, mainly reflecting:
  - Economies of scale
  - Addition of our second supplier late-2017
- **Accessories**: small contribution; high unit margins

Expect unit economics of devices to continue to improve

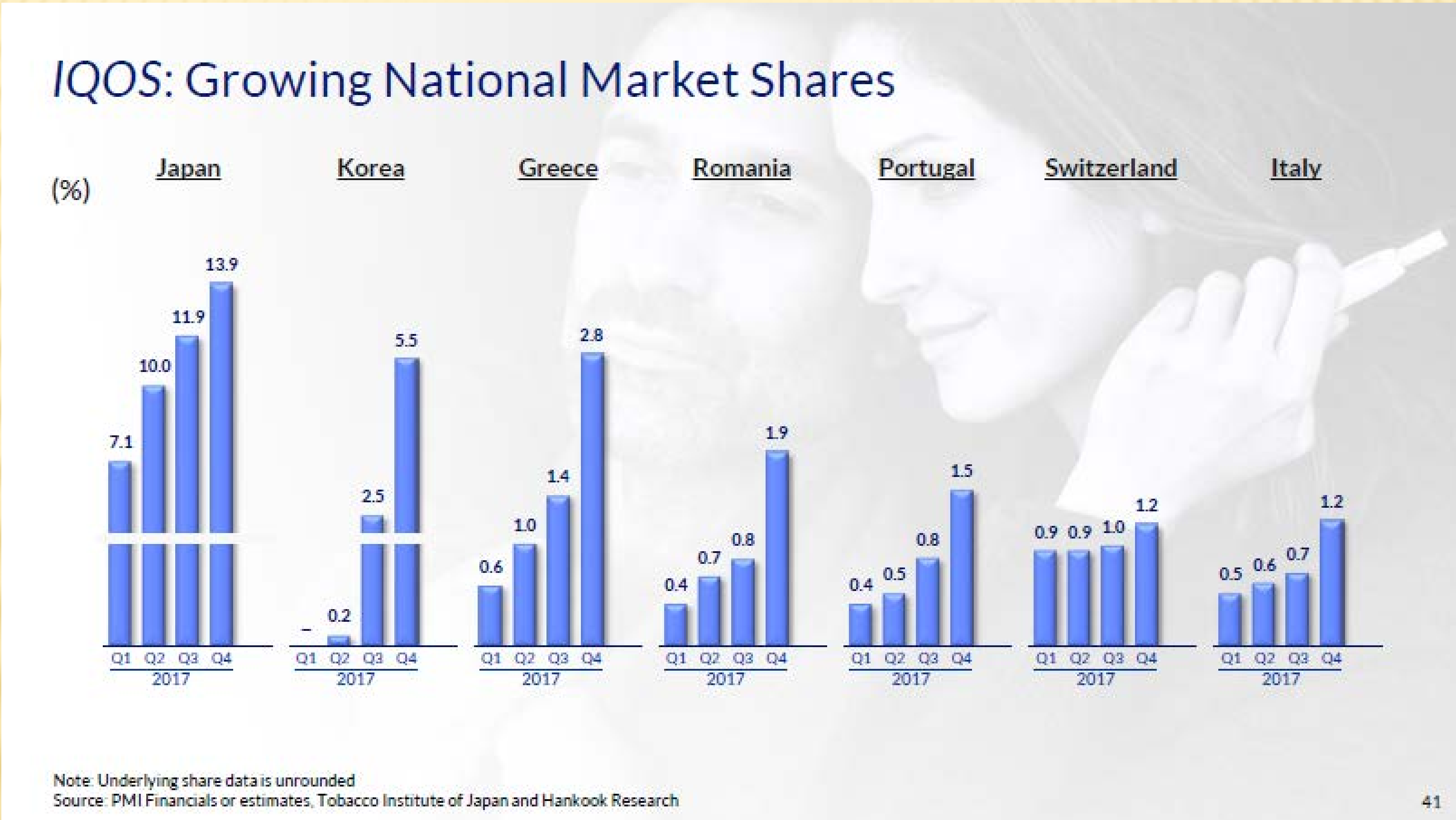
(a) Reflects volume weighted discount
Source: PMI Financials or estimates

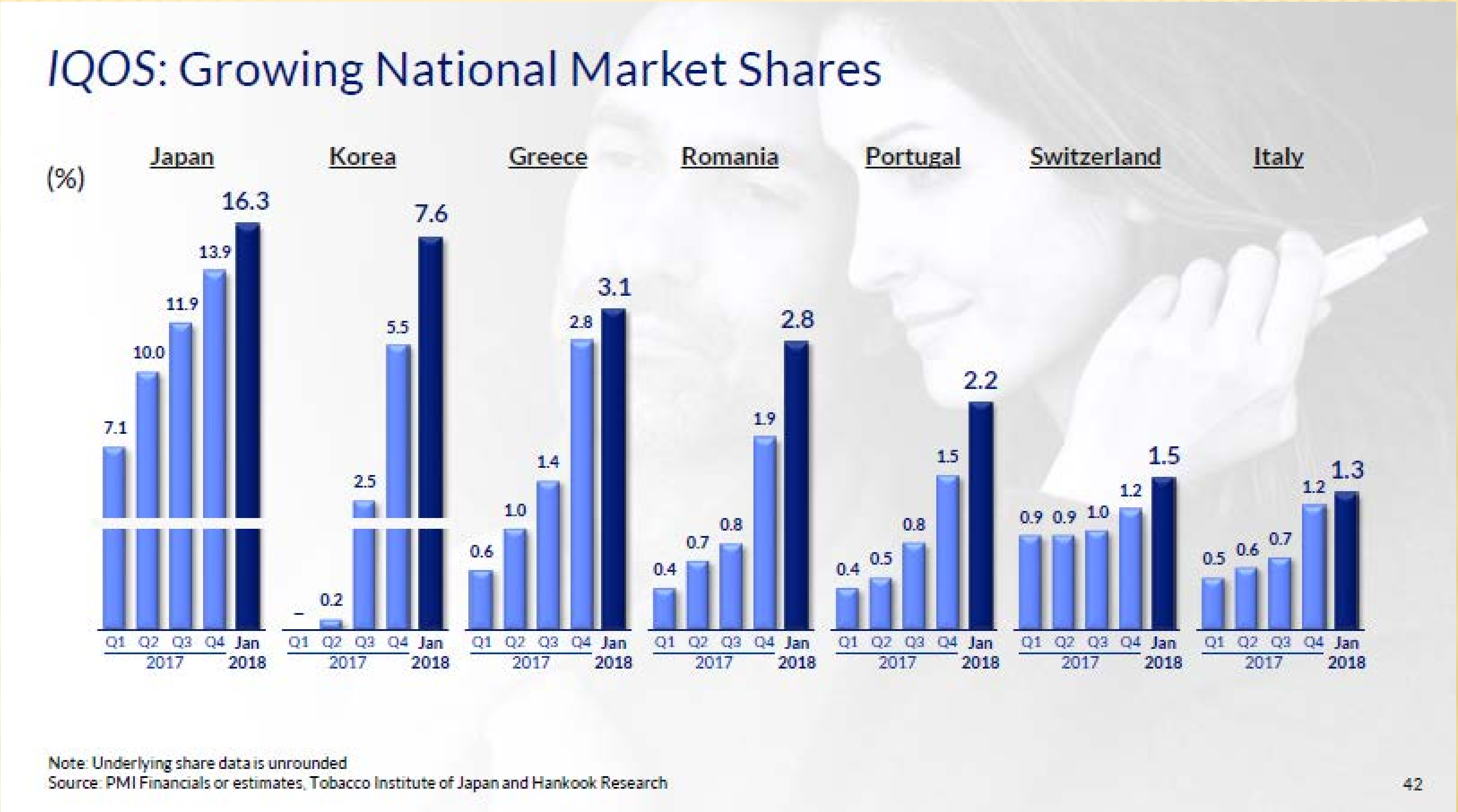
IQOS: Heated Tobacco Unit Economics

- **Retail selling price**: generally sold at premium retail price points across all markets
- **COGS per unit**: approaching those for equivalent cigarettes (e.g., premium products produced at a similar factory)
- **Trade margins**: consistent with those of cigarettes
- **Unit margin**: in line with premium cigarettes, assuming similar excise tax treatment
- **Excise tax treatment**:
  – Varies by market
  – Generally lower level vs. cigarettes

Positive mix benefit from uptrading

Source: PMI Financials or estimates


IQOS: Growing National Market Shares
(%)
Japan
7.1
10.0
11.9
13.9
Q1 Q2 Q3 Q4
2017
Korea
–
0.2
2.5
5.5
Q1 Q2 Q3 Q4
2017
Greece
0.6
1.0
1.4
2.8
Q1 Q2 Q3 Q4
2017
Romania
0.4
0.7
0.8
1.9
Q1 Q2 Q3 Q4
2017
Portugal
0.4
0.5
0.8
1.5
Q1 Q2 Q3 Q4
2017
Switzerland
0.9
0.9
1.0
1.2
Q1 Q2 Q3 Q4
2017
Italy
0.5
0.6
0.7
1.2
Q1 Q2 Q3 Q4
2017
Note: Underlying share data is unrounded
Source: PMI Financials or estimates, Tobacco Institute of Japan and Hankook Research
41


IQOS: Growing National Market Shares
(%)
Japan
7.1
10.0
11.9
13.9
16.3
Korea
–
0.2
2.5
5.5
7.6
Greece
0.6
1.0
1.4
2.8
3.1
Romania
0.4
0.7
0.8
1.9
2.8
Portugal
0.4
0.5
0.8
1.5
2.2
Switzerland
0.9
0.9
1.0
1.2
1.5
Italy
0.5
0.6
0.7
1.2
1.3
Q1 Q2 Q3 Q4 Jan
2017 2018
Note: Underlying share data is unrounded
Source: PMI Financials or estimates, Tobacco Institute of Japan and Hankook Research
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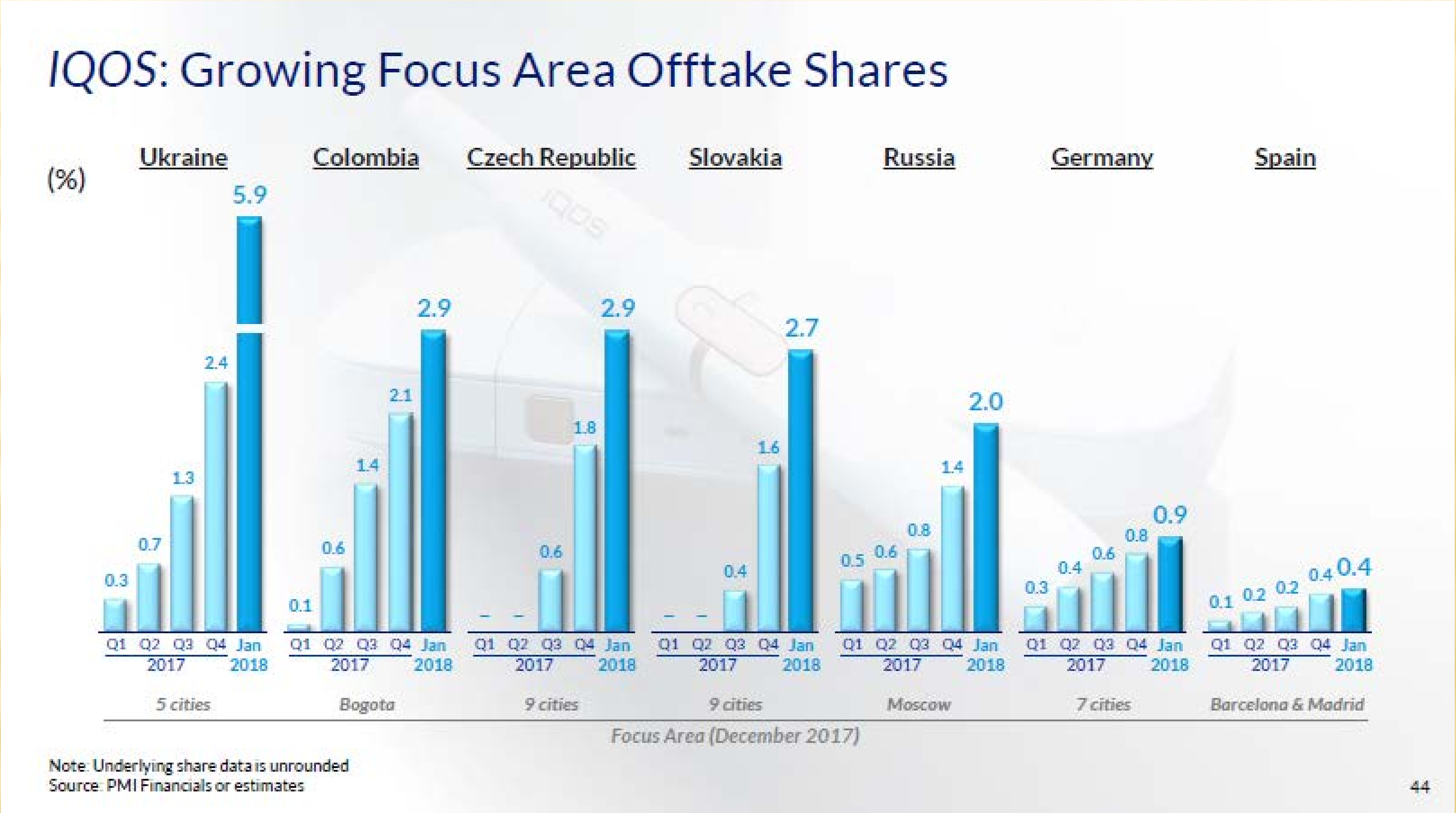
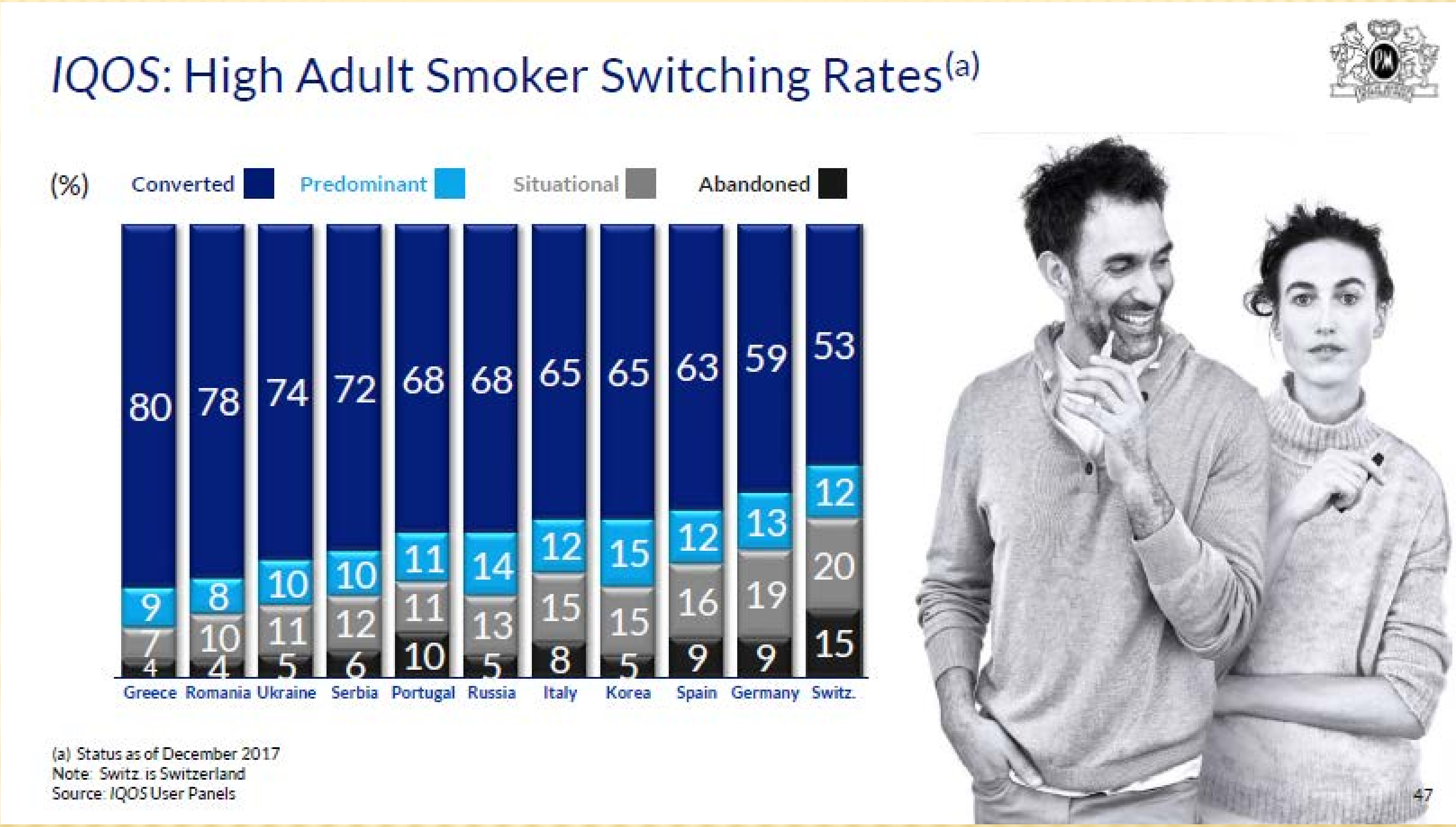
IQOS: Growing Focus Area Offtake Shares

Note: Underlying share data is unrounded
Source: PMI Financials or estimates


IQOS: Growing Focus Area Offtake Shares
(%)
Ukraine
Colombia
Czech Republic
Slovakia
Russia
Germany
Spain
0.3 0.7 1.3 2.4 5.9
0.1 0.6 1.4 2.1 2.9
- - 0.6 1.8 2.9
- - 0.4 1.6 2.7
0.5 0.6 0.8 1.4 2.0
0.3 0.4 0.6 0.8 0.9
0.1 0.2 0.2 0.4 0.4
Q1 Q2 Q3 Q4 Jan
2017 2018
5 cities
Bogota
9 cities
9 cities
Moscow
7 cities
Barcelona & Madrid
Focus Area (December 2017)
Note: Underlying share data is unrounded
Source: PMI Financials or estimates
44


IQOS: High Adult Smoker Switching Rates(a)
(%)
Converted
Predominant
Situational
Abandoned
Greece 80 9 7 4
Romania 78 8 10 4
Ukraine 74 10 11 5
Serbia 72 10 12 6
Portugal 68 11 11 10
Russia 68 14 13 5
Italy 65 12 15 8
Korea 65 15 15 5
Spain 63 12 16 9
Germany 59 13 19 9
Switz. 53 12 20 15
(a) Status as of December 2017
Note: Switz. is Switzerland
Source: IQOS User Panels
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IQOS: Adult Smoker Switching in Japan

- 68% of *IQOS* purchasers switched exclusively to the heated tobacco category

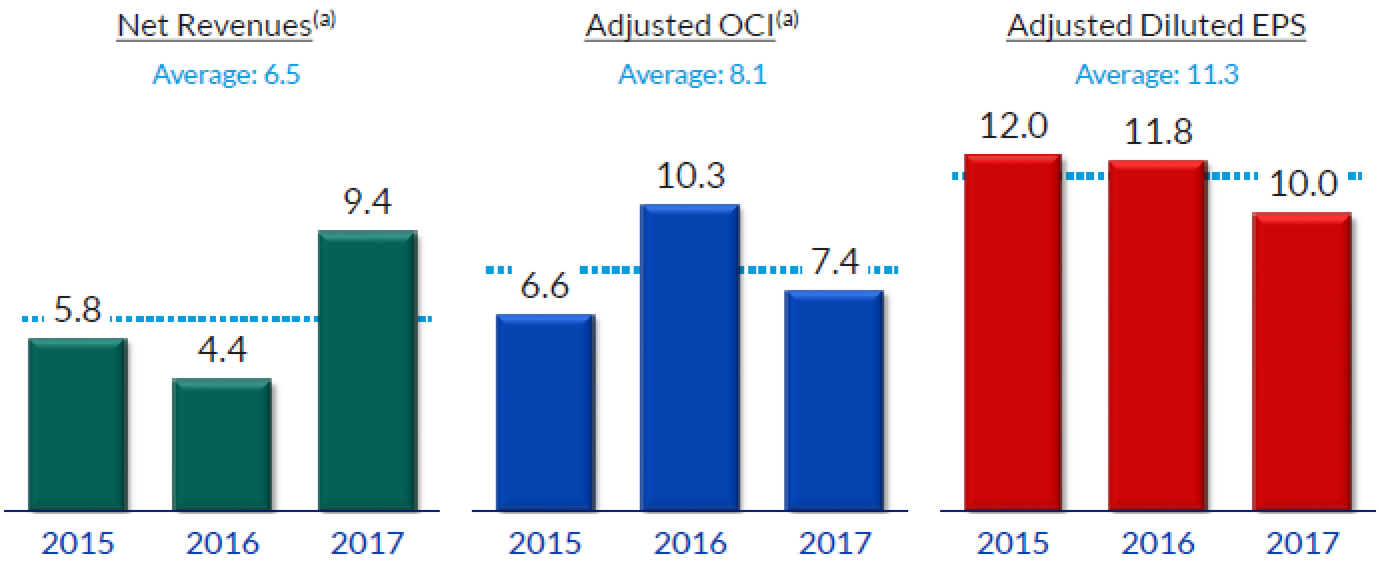
Of this group:

- 82% use *IQOS* only within the heated tobacco category
- 9% use *IQOS* predominantly (>70% of their daily tobacco use)
- 8% use *IQOS* less than predominantly
- 1% have completely switched from *IQOS* to other competitive heated tobacco products

Note: Status as of December 2017
Source: *IQOS* User Panels

PMI: Strong Financial Results, ex-Currency, while Investing behind *IQOS*

% Growth vs. PY



(a) Also excludes acquisitions
Note: Net revenues exclude excise taxes
Source: PMI Financials or estimates

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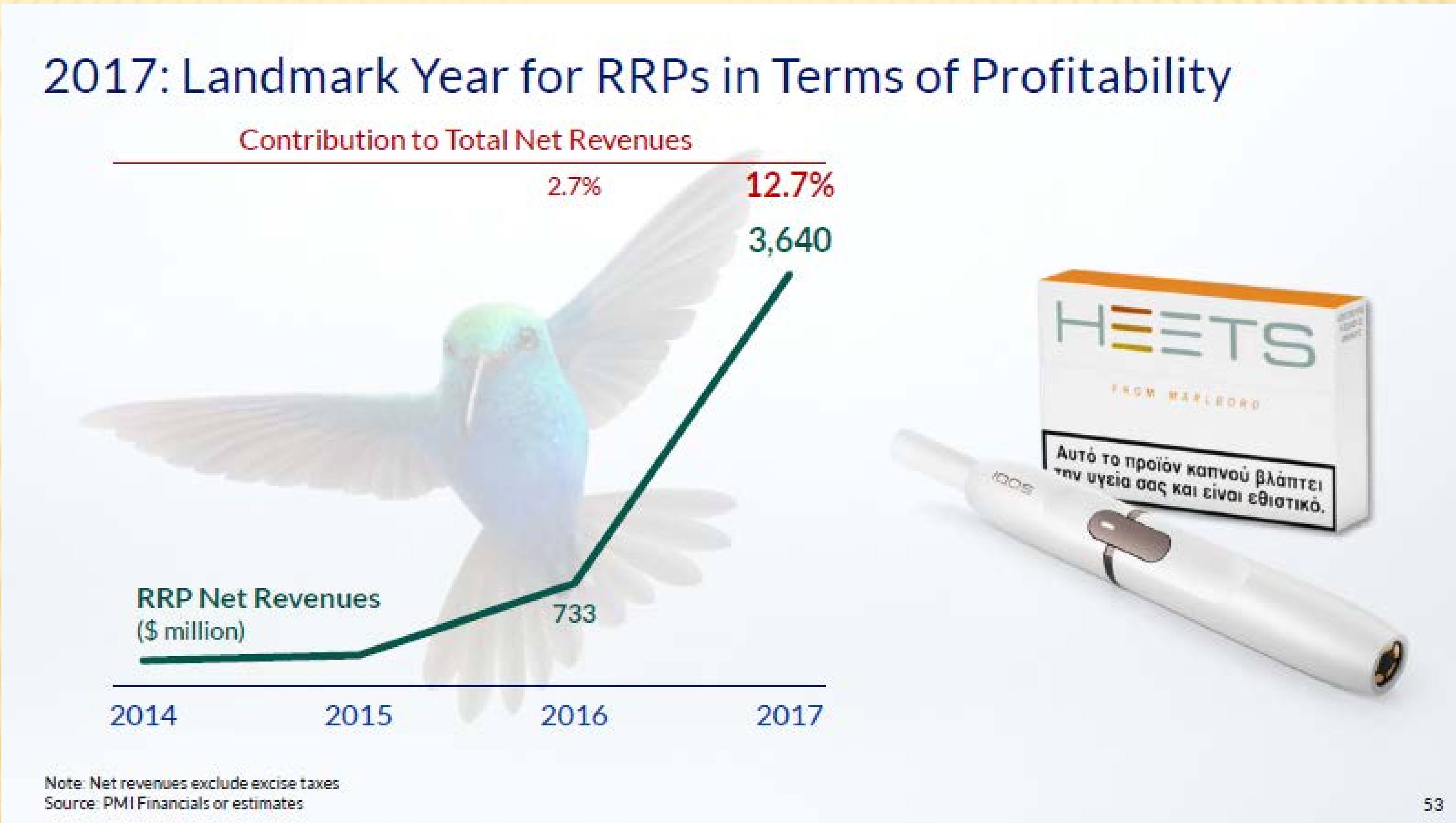
2017: Landmark Year for RRPs in Terms of Profitability
Contribution to Total Net Revenues
2.7%
12.7%
3,640
733
RRP Net Revenues
($ million)
2014
2015
2016
2017
HEETS
FROM MARLBORO
Αυτό το προϊόν καπνού βλάπτει
υγεία σας και είναι εθιστικό.
Note: Net revenues exclude excise taxes
Source: PMI Financials or estimates
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2018: Proportion of RRP-Related Capital Expenditures

- Anticipate capital expenditures of approximately $1.7 billion vs. $1.5 billion in 2017
- Contribution of RRP-related investment to our total capital expenditures is projected to reach approximately 60%

Source: PMI Financials or estimates

Smoke-Free Future: Society Should Demand that Adult Smokers Have Access to Information About Better Alternatives

- Switching to smoke-free products is a better choice than continuing to smoke
- Adult smokers should have access to accurate information about better alternatives
- Not **whether** to reduce smoking prevalence by replacing cigarettes with RRPs, but **how** best to do it, and how we can achieve this as soon as possible
- Growing acceptance of the decreasing risk continuum for tobacco and other nicotine-containing products, stated by the FDA, Public Health England, The European Union and others
- Not all tobacco and other nicotine-containing products are the same from a risk perspective
- Not all regulatory and fiscal rules that apply to cigarettes are relevant and justified for RRPs
- Smokers deserve policy choices that respect them and their ability to decide

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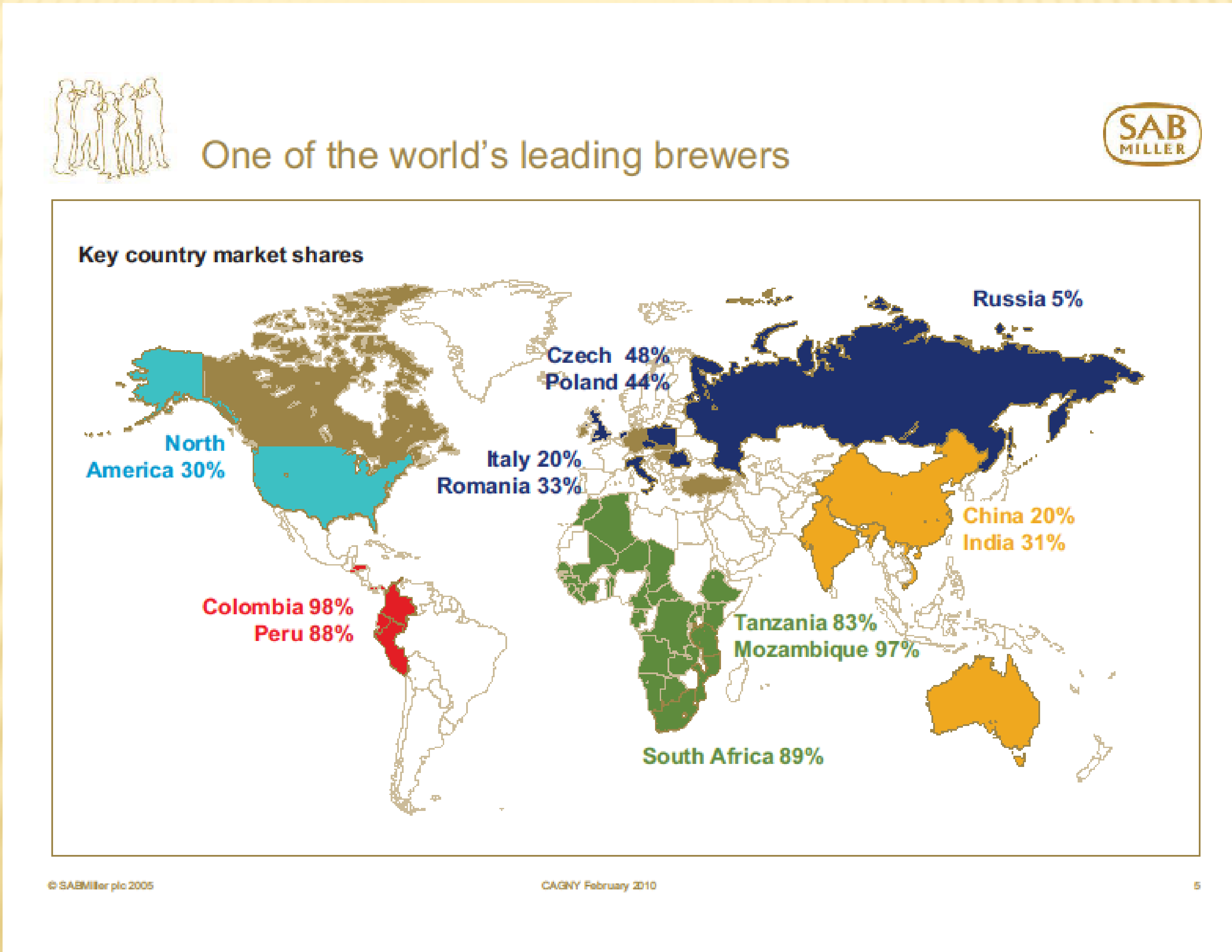
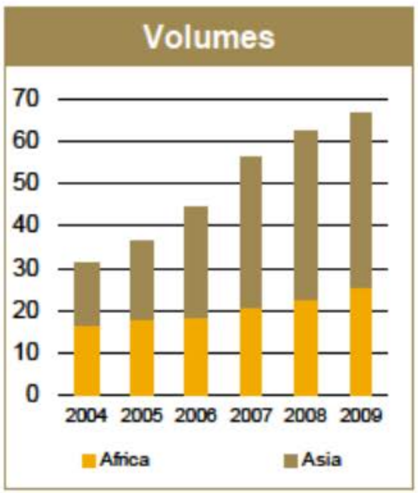
SABMiller

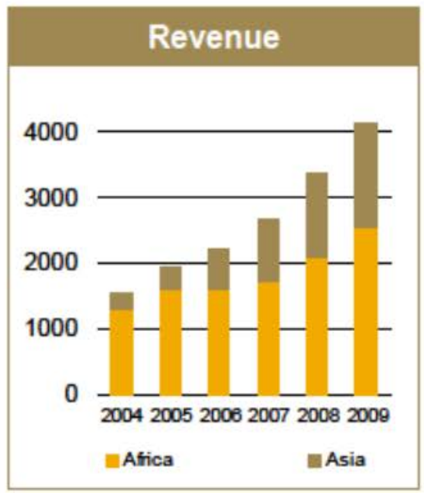
“Capacity to Reinvest”

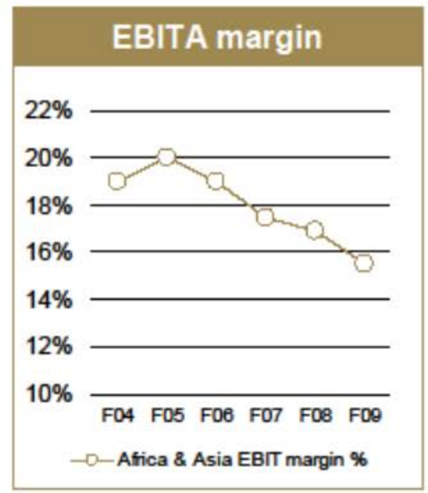


Africa and Asia volume, revenue and margins

Twelve months to 31 March 2009







SABMiller "Capacity to Suffer"

- China
  - 50% interest in Snow, China's leading brewer
- Sub-Saharan Africa
  - Addressable market – 400 million barrels beer consumption
  - "Double the price, halve the price, go farming"
- 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
- Requiem – Lacked "Capacity to Suffer"

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

Portfolio Manager

“Capacity to Suffer”

Portfolio Manager

“Capacity to Suffer”

- Long-term taxable investor base
- Limit percent of investors’ wealth
- Low expectations
- Low investment advisory fee

Semper Vic Partners, L.P., Annual Return

Year		Semper Vic Partners	Dow Jones Industrials	S & P 500
2018	(Thru 1/31)	4.8%	5.9%	5.7%
2017		27.0%	28.1%	21.8%
2016		2.5%	16.5%	12.0%
2015		5.0%	0.2%	1.4%
2014		6.1%	10.0%	13.7%
2013		21.9%	29.7%	32.4%
2012		24.2%	10.2%	16.0%
2011		6.7%	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		14.9%	12.3%	11.3%

*Please see important disclosure information that accompanies this presentation.

Semper Vic Partners, L.P.
Analysis of Periodic Returns
(Through January 31, 2018)

	Semper Vic Partners, L.P.	Dow Jones Industrial Average	S&P 500 Index	EAFE Index	Nasdaq Index
Year to Date	4.82%	5.88%	5.73%	5.02%	7.36%
One Year	27.78%	34.80%	26.41%	28.20%	32.00%
Three Years	12.41%	17.98%	14.66%	9.90%	16.93%
Five Years	11.79%	16.36%	15.91%	8.33%	18.72%
Ten Years	10.49%	10.41%	9.78%	3.93%	11.98%
Since L.P. Inception	12.66%	10.83%	9.96%	5.69%	10.53%

*Please see important disclosure information that accompanies this presentation.

Portfolio Valuation

Semper Vic Partners, L.P.

January 31, 2018

UNITS	SECURITY	PRICE	MARKET VALUE	UNIT COST	TOTAL COST	GAIN/LOSS	% OF ASSETS	ANNUAL INCOME	% YIELD
CASH AND EQUIVALENTS- usd									
	Cash And Cash Equivalents		1,835,261		1,835,261		0.2	0	0.0
	Dividends Accrued		354,545		354,545		0.0	0	0.0
	PAS Admin Cash Account		13,033		13,033		0.0	0	0.0
			2,202,839		2,202,839	0	0.2	0	0.0
COMMON STOCKS- usd									
360	Berkshire Hathaway Inc Cl A	323,375.10	116,415,036	63,432.29	22,835,623	93,579,413	12.8	0	0.0
537,500	Mastercard Inc Cl A	169.00	90,837,500	20.82	11,189,022	79,648,478	10.0	537,500	0.6
930,000	Nestle SA-Spons ADR	86.40	80,352,000	23.15	21,528,744	58,823,256	8.8	1,782,597	2.2
727,500	Compagnie Financiere Richemont SA	96.08	69,901,355	33.44	24,330,631	45,570,724	7.7	829,350	1.2
652,500	Heineken Holding NV	106.51	69,498,835	14.58	9,516,018	59,982,818	7.6	815,625	1.2
632,500	Philip Morris International Inc	107.23	67,822,975	26.28	16,622,362	51,200,613	7.5	2,707,100	4.0
380,000	Pernod Ricard	159.83	60,735,296	72.54	27,564,526	33,170,769	6.7	547,200	0.9
905,000	Unilever NV ADR	57.49	52,028,450	29.82	26,982,785	25,045,665	5.7	1,279,819	2.5
455,000	Anheuser-Busch InBev SA	113.54	51,659,633	75.73	34,455,375	17,204,258	5.7	1,324,050	2.6
738,736	Wells Fargo	65.78	48,594,054	20.71	15,301,542	33,292,512	5.3	1,152,428	2.4
78,500	The Swatch Group AG-BR	458.80	36,015,759	368.48	28,925,704	7,090,055	4.0	355,605	1.0
397,500	Altria Group Inc	70.34	27,960,150	10.17	4,044,359	23,915,791	3.1	1,049,400	3.8
377,500	Brown-Forman Corp Cl A	69.00	26,047,500	4.97	1,877,061	24,170,439	2.9	238,580	0.9
375,000	British American Tobacco PLC	68.53	25,698,221	31.54	11,827,011	13,871,210	2.8	810,000	3.2
111,500	Martin Marietta Materials	228.17	25,440,955	28.47	3,174,633	22,266,322	2.8	196,240	0.8
555,000	Diageo PLC	36.01	19,987,446	8.82	4,895,176	15,092,270	2.2	427,350	2.1
442,500	JC Decaux SA ACT	43.43	19,216,379	36.29	16,058,671	3,157,708	2.1	194,700	1.0
430,000	Comcast Corp New Cl A	42.53	18,287,900	1.10	474,247	17,813,653	2.0	326,800	1.8
			906,499,445		281,603,490	624,895,954	99.8	14,574,345	1.6
TOTAL			908,702,283		283,806,329	624,895,954	100.0	14,574,345	1.6
TOTAL ASSETS			**908,702,283**		**283,806,329**	**624,895,954**	**100.0**	**14,574,345**	**1.6**

Portfolio Manager

“Capacity to Do Nothing”

Tax-Efficiency Table

Semper Vic Partners, L.P.
After Tax Rate of Return, Net of Expenses
July 16, 1990 - December 31, 2016

Year	Semper Net YTD %	Semper After tax YTD %	Dow Jones YTD %	S & P YTD %
1990	2.68%	2.05%	-10.42%	-8.67%
1991	27.35%	26.28%	24.53%	30.47%
1992	13.44%	12.24%	7.40%	7.61%
1993	22.06%	20.52%	16.72%	10.08%
1994	12.37%	10.42%	4.99%	1.34%
1995	23.58%	22.55%	36.90%	37.52%
1996	19.02%	17.77%	28.93%	23.11%
1997	24.67%	23.94%	24.96%	33.38%
1998	23.80%	22.77%	18.12%	28.56%
1999	-2.14%	-2.44%	27.21%	21.01%
2000	15.59%	14.36%	-4.71%	-9.11%
2001	0.06%	-1.86%	-5.40%	-11.89%
2002	-0.96%	-1.89%	-15.07%	-22.10%
2003	33.49%	33.35%	28.26%	28.69%
2004	11.86%	10.88%	5.32%	10.88%
2005	3.17%	3.03%	1.17%	4.91%
2006	20.83%	20.89%	19.05%	15.80%
2007	7.65%	7.18%	8.88%	5.50%
2008	-31.47%	-32.17%	-31.93%	-37.00%
2009	25.79%	25.45%	22.68%	26.45%
2010	21.49%	20.87%	14.03%	15.07%
2011	6.67%	6.61%	8.38%	2.11%
2012	24.21%	23.99%	10.23%	15.98%
2013	21.89%	21.16%	29.65%	32.41%
2014	6.08%	5.45%	10.04%	13.69%
2015	4.96%	3.31%	0.21%	1.38%
2016	2.46%	1.86%	16.50%	11.96%
Cumulative Return Since 7/16/90	**1902.18%**	**1538.50%**	**1153.03%**	**960.50%**
Compounded Annzd Return Since 7/16/90	**11.99%**	**11.15%**	**10.03%**	**9.33%**

Notes:

1. 1990 reflects a partial year, beginning on July 16, 1990

2. Assumptions:

Long-Term Capital Gains

	1991-1997	28.00%
1998 to	5/5/2003	20.00%
5/6/2003 to	12/31/2012	15.00%
	2013-2016	23.80%

Qualified Dividends

2003-2012	15.00%
2013-2016	23.80%

Short-Term Capital Gains

1990	28.00%
1991-1992	31.00%
1993-2001	39.60%
2002	38.60%
2003-2012	35.00%
2013-2016	43.40%

Investment Income/Expense

1990	28.00%
1991-1992	31.00%
1993-2001	39.60%
2002	38.60%
2003-2012	35.00%
2013-2016	43.40%

3. The tax rates for 2013 - 2016, above, include an additional 3.8% resulting from legislation implementing the Net Investment Income Tax.

Thomas A. Russo

“Lessons Learned”

- Capacity to Reinvest
- Capacity to Suffer
- Portfolio Manager Capacity to Do Nothing

Background Information: Thomas A. Russo, Gardner Russo & Gardner LLC

Thomas A. Russo joined Gardner Russo & Gardner LLC as a partner in 1989. In 2014, he became the Managing Member of the firm. Gardner Russo & Gardner LLC 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 serves as Managing Member of Gardner Russo & Gardner LLC and of Semper Vic Partners GP, LP, which oversees two "global value", long-only, equity investment partnerships, the first of which Mr. Russo founded in 1983. Mr. Russo oversees more than $12 billion distributed between Semper Vic partnerships and separate accounts managed in parallel fashion.

Mr. Russo looks for companies with strong cash-flow characteristics that generate large amounts of "free" cash flow. These industries typically have included branded food and beverage, tobacco, and advertising-supported media. Mr. Russo's portfolio companies tend to produce high rates of return on their assets and have strong balance sheets. The challenge comes in finding these obviously desirable investments at compelling valuations.

Mr. Russo commits capital to leading global consumer products companies whose brands enjoy growing market shares in parts of the world undergoing economic growth and enjoying increasing political stability. He prefers companies with sufficient cash flows from existing operations, combined with balance-sheet strength, to underwrite investments designed to activate emerging markets.

Mr. Russo backs rare management teams willing to invest to secure robust future returns even when such investments burden current reported profits. Mr. Russo believes that managements of family-controlled companies have the "capacity to suffer" when investments intended to build long-term wealth are ill-received by short-term focused Wall Street analysts. Mr. Russo believes that such "capacity to suffer" leaves family-controlled companies often uniquely well positioned to bear short-term burdens on reported profits in pursuit of long-term gains in intrinsic value. Accordingly, he often invests in public companies where founding families still retain control and significant investment exposure, to reduce management agency costs and to align owner interests.

Mr. Russo's goal is one of an absolute return rather than a relative return. He pursues a long-term investment objective of compounding assets between 10 and 20 percent per year without great turnover, thereby deferring capital gains tax on unrealized gains.

Thomas Russo is a graduate of Dartmouth College (BA, 1977), and Stanford Business and Law Schools (MBA/JD, 1984). Memberships include Dean's Advisory Council for Stanford Law School, Dartmouth College's President's Leadership Council, and California Bar Association. Mr. Russo is a charter member of the Advisory Board for the Heilbrunn Center for Graham & Dodd Investing at Columbia Business School. He serves on the boards of the Winston Churchill Foundation of the U.S., Facing History and Ourselves, and Storm King Art Center. In May 2017, he was awarded The Graham & Dodd, Murray, Greenwald Prize for Value Investing.

Disclosure

** Semper Vic Partners' "global value" equity investment style is value-oriented and long-term-minded. Semper Vic Partners has provided over the years considerable exposure to foreign companies that evidence a strong "capacity to re-invest". 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 Partners' results are for Semper Vic, a general partnership, through July 15, 1990 and for its successor limited partnership, Semper Vic Partners, L.P., thereafter. Annual returns are limited partner returns and are expressed net of all expenses. Reported Partnership net-of-fees performance may be impacted by the presence of non-billed, family accounts. 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.*