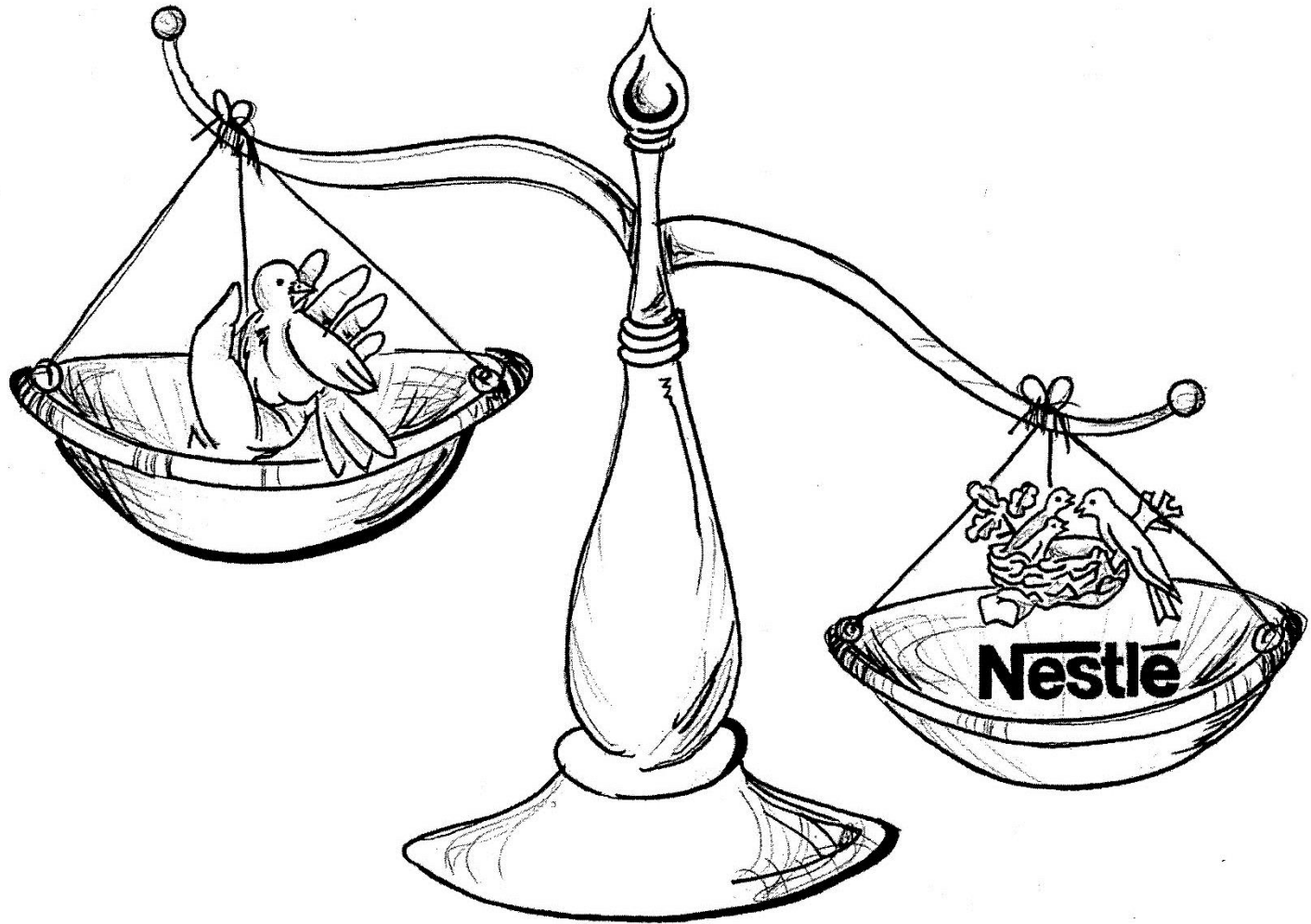


Lessons Learned from “Global Value” Equity Investing

Thomas A. Russo

Ivey Business School
Ben Graham Centre for Value Investing
Professor George Athanassakos
2017 Value Investing Conference
April 19, 2017





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”
- **“Capacity to Reinvest”**
 - Global brands
 - Population growth
 - Consumer disposable income growth
 - Multi-globally adept management
 - Multilingual
 - Multicultural
- **“Capacity to Suffer”**
 - Berkshire Hathaway – GEICO, equity index put options
 - Nestlé – 35 year “planning horizon”
 - Philip Morris International – Reduced Risk Products
 - SABMiller – emerging market beer specialist
 - Brown-Forman – Bourbon bliss
- **“Ability to Do Nothing”**

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

- **Invest for the long term**
 - White space
 - Currency gains
 - Circle of competence
 - Tax efficiency
 - Concentrate – few great ideas
 - 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**

“Capacity to Reinvest”

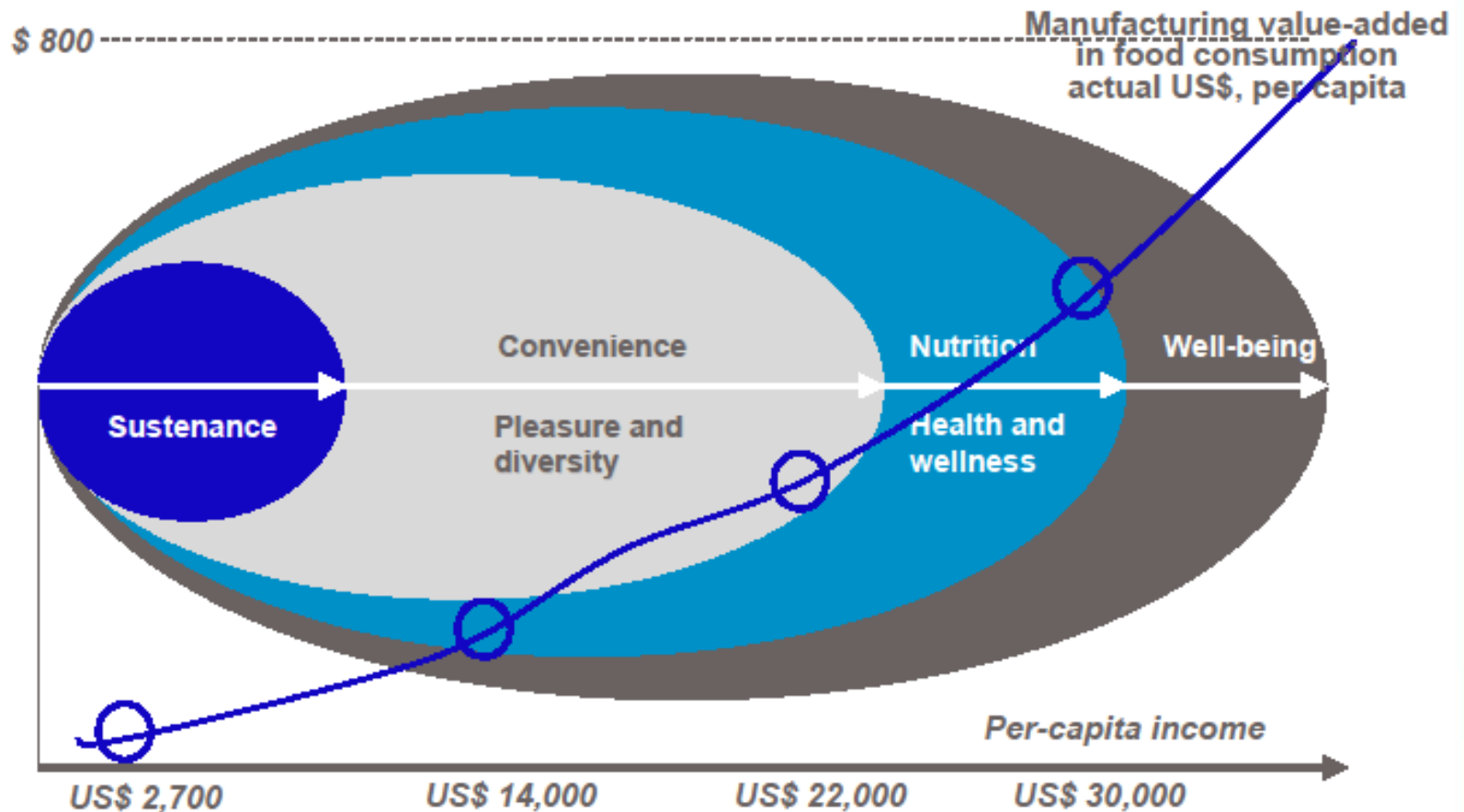
- **BERKSHIRE HATHAWAY INC.**
 - **MidAmerican Energy Holdings Company**
 - **Burlington Northern Santa Fe Corporation**
 - **The Lubrizol Corporation**
 - **Bank of America Corporation**
 - **Berkshire Hathaway Subsidiary**
e.g., **Iscar Metalworking Companies**

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

Competitive Advantages Product and Brand Portfolio



Nestlé “Capacity to Reinvest”


YE 2011 Billionaire Brands Presentation

Billionaire Brands: +7.7% Organic Growth Strengthened Market Positions

Over 20% 

10.1 to 20%     Nutrition     

7.6 to 10%     

5.1 to 7.5% 

3.1 to 5%     

0.0 to 3%    

Below 0%    

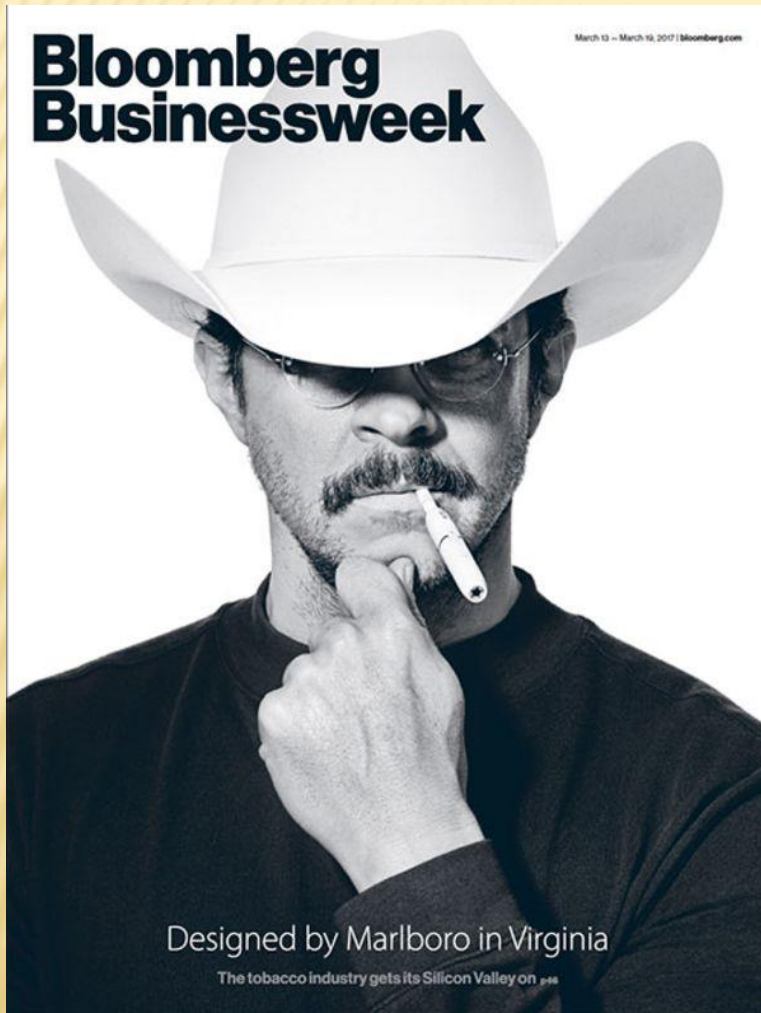
Organic Growth

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”

IQOS

- **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**

Wall Street Affirms “Manic/Depressive” Tendencies

July 20, 2016



COMPANY UPDATE

Philip Morris International Inc. (PM)

Neutral

Equity Research

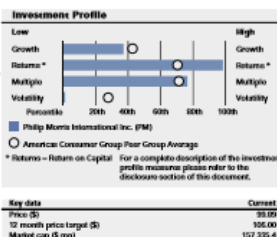
Weaker volume but profit outlook broadly intact; Neutral

What's changed

PM (Neutral) reported 2Q16 EPS of \$1.15, 1c below our \$1.16 estimate and raised FX guidance by 5c. We raise our 2016 estimates by 2c to \$4.48 to reflect an updated FX impact (we now model a -38c impact from -43c prior) as well as softer volumes somewhat offset by higher pricing and better margins in the back half due to phasing. We also tweak our 2017/2018 estimates down to \$4.89/\$5.29 reflecting slightly softer volume.

Implications

We maintain a Neutral rating as our constructive long-term view on the stock based on a sizable runway to pricing particularly in emerging markets and potential for iQos to accelerate profit growth is balanced by elevated valuation (for the broader sector) and near term volume headwinds. 2016 turning to be a very back-end loaded year. We estimate



February 2, 2017



Equity Research

Philip Morris International Inc.

PM: 4Q16 Strong Pricing & IQOS Offset Adverse FX & Vol Headwinds

• PM's Q4 EPS Slightly Misses, But Pricing Very Strong +8.8% & IQOS “Extremely Positive” With “Enormous Potential” – FY17 EPS Growth Guidance Initiated at +9-12% – PM reported adj. diluted 4Q16 EPS of \$1.10, which was \$0.01 below our/consensus ests reflecting: (1) very strong pricing (+8.8% vs 8-9% guidance) across all regions, partially offset by elasticity-driven vol declines of 4.4%; (2) IQOS momentum (conversion, off-take vol) with HeatStick demand still outstripping supply; (3) slightly worse FX (\$0.13 vs our \$0.11 est.); (4) solid adj. operating companies income (OCI) margin expansion across 3 of 4 segments, driving +620bp total expansion (+1090bp ex FX). Overall, it was a solid quarter with vol erosion minimally impacting adj OCI as most of it was in low-margin brands/markets. Given moderating FX headwinds and IQOS momentum, we increase our FY17 EPS estimate by \$0.10 to \$4.80 (+11.1% ex FX) vs FY17 EPS guidance of \$4.70-\$4.85. We introduce our FY18 EPS est. of \$5.34 (+11.5% ex FX) and maintain our valuation range of \$109-\$111. **Bottom line - While we continue to expect IQOS to breakeven in FY17, we see significant OCI/EPS accretion in FY18 & beyond.** As such, we reiterate our Outperform rating based on PM's pricing power and strong global brand portfolio led by Marlboro, but also the incrementality of its reduced risk product (RRP) platform, which should drive l.t. upside in the stock.

Outperform

Sector: Tobacco
Overweight

Earnings Estimates Revised Up

	2016A	2017E	2018E
EPS			
Q1 (Mar)	\$0.98	\$1.03	NE
Q2 (June)	1.15	1.22	NE
Q3 (Sep.)	1.25	1.34	NE
Q4 (Dec.)	1.10	1.21	NE
FY	\$4.48	\$4.80	4.70
CY	\$4.48	\$4.80	\$5.34
FY P/EPS	22.1x	20.6x	18.3x
Rev.(MM)	\$26,685	\$27,347	\$28,690

Source: Company data, Wells Fargo Securities, LLC estimates, and Reuters. NE = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful. * Volatile, ** Company is on the Priority Stock List.

COMPANY NOTE

Initiating Coverage

UK | Consumer | Tobacco

21 September 2016

Jefferies

Philip Morris International (PM) Initiating at Hold: Time for a valuation breather

Key Takeaway

We initiate on PMI with a Hold, target price of 96 USD and 12 month TSR of c1%. PMI is now the most expensive name across global tobacco. Its strong organic performance, focus on the vapour opportunity, and its tendency (incorrectly in our view) to trade in line with the US domestic names has driven re-rating. A slowdown to more normalised growth in FY17, a muted outlook for dividend development and vapour competition should trigger some multiple give back.

Slowdown in organic growth expected: PMI recent organic EBIT growth has been impressive (FY14-FY16[E] expected at 7.6% vs. a peer average of 5.9%). We expect a slowdown in FY17 to around 6% as we lap the roll out of Marlboro 2.0 and the absence of further cost benefits like supporting in the current year (we estimate around 250mn USD). Growth of 6% is stellar in our view, but current valuations suggest on-going growth of around 8%, and this slowdown should bring some realism.

HOLD
Price target \$96.00
Price \$99.21*

EQUITY RESEARCH EUROPE

Financial Summary

Net Debt (MM): \$24,704.0

Market Data

52 Week Range: \$104.20 - \$78.03

Total Entprs. Value (MM): \$178,608.5

Market Cap. (MM): \$153,904.5

Shares Out. (MM): 1,551.3

Float (MM): 1,547.8

Avg. Daily Vol.: 4,431,437

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This report was published originally as an email.

Philip Morris International (USD112)

BUY

iQOS, Far from Priced In

17 March 2017

Thesis: Further analysis of iQOS' prospects points to considerable headroom in Japan for market share gains, despite its competitive environment. Along with accelerating demand outside Japan, we now anticipate iQOS should add more than \$3bn of EBIT by 2020, well beyond management's expectations. PMI trades on 23.7x CY17 P/E, not fully reflecting the benefit from iQOS' considerable and highly profitable geographic expansion.

With c7% market share in Japan at the end of January and signs of continued strong growth in recent weeks, iQOS comfortably exceeds our initial 2017 projections (c6% market share). These impressive results have led us to revisit our already bullish forecasts for iQOS.

SABMiller

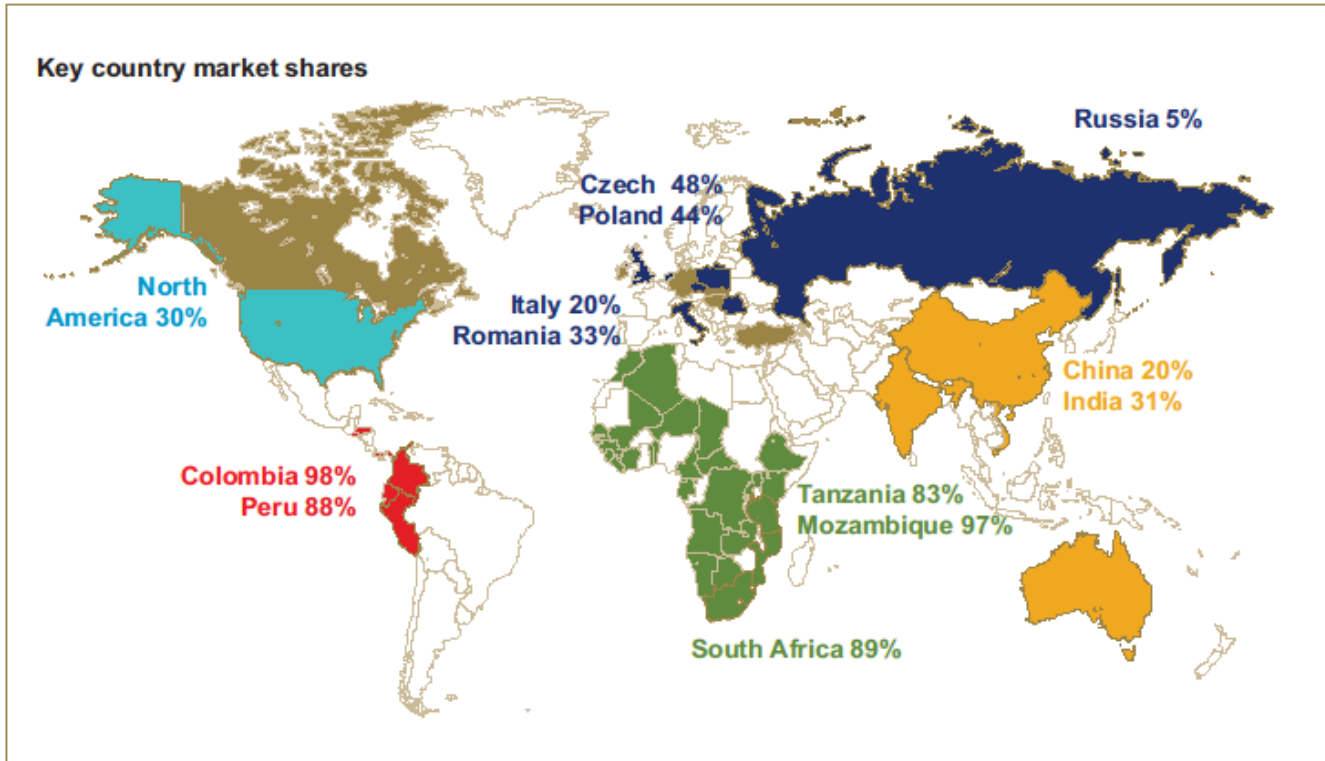
“Capacity to Reinvest”



One of the world's leading brewers



Key country market shares



© SABMiller plc 2005

CAGNY February 2010

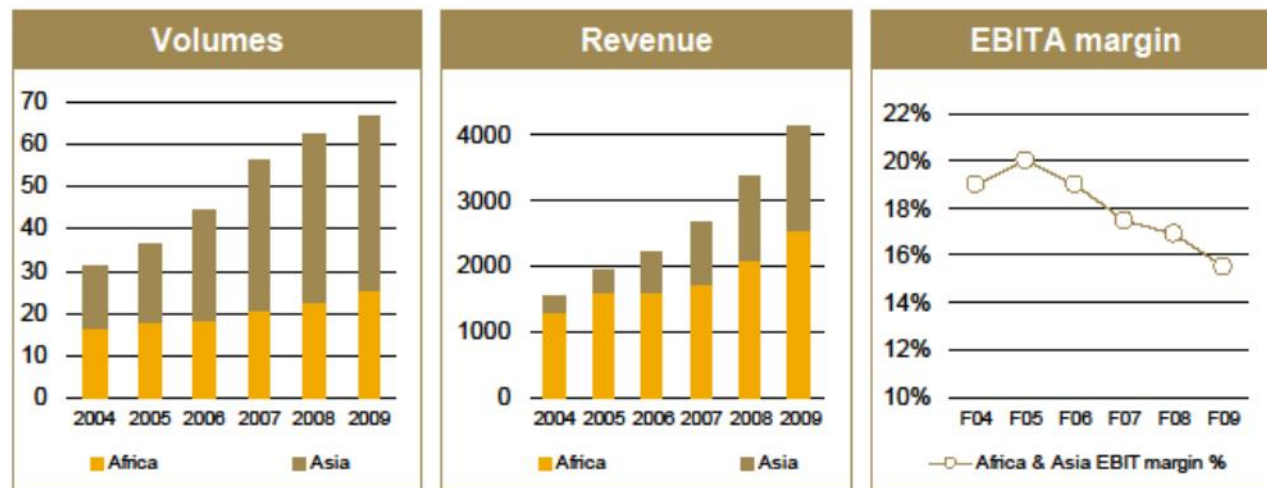
5





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”

Brown-Forman Corporation

“Capacity to Reinvest”

“Capacity to Suffer”



AT BROWN-FORMAN, BRAND-BUILDING IS OUR PASSION. EACH OF OUR BRANDS IS VITAL TO OUR COMPANY'S SUCCESS AND HOLDS A UNIQUE PLACE IN THE HEARTS OF OUR CONSUMERS. MEET EACH OF OUR INDIVIDUAL BRANDS AND DISCOVER THEIR STORIES.



Brown-Forman Corporation

Bitter Experience of California Cooler

Market Impact Around News of Disposition (1987):

Share Price Prior to Disclosure	\$45.4
Share Price Post Disclosure	\$28.9
Share Price Impact	\$26.5
Number Shares Outstanding	\$32.0 mm
Dollar Price Impact	(@\$530 mm)

*On the actual day that Brown-Forman announced weaker summer volumes that year than were expected, on that single day, the price of Brown-Forman A shares declined \$5 for a total of \$150 mm decline on just one day...

Brown-Forman Corporation

Steady, Dependable Wines & Spirits Segment (Millions of US Dollars):

Brown-Forman Corporation Wine and Spirits Division Consistant Operating Performance							
<u>Financial Data (millions)</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>
Sales	975	1,002	1,003	1,006	971	904	895
Operating Income	205	179	158	157	168	167	166
Depreciation and Amortisation	19	18	17	16	13	11	10
Capital Expenditures	27	22	16	10	14	8	5
Segment Assets	504	525	520	565	558	435	457
Jack Daniel's Depletions*	4,100,000	3,975,000	3,755,000	3,715,000	3,785,000	3,930,000	4,005,000
<u>Ratio Analysis</u>							
Operating Margin	21.0%	17.8%	15.8%	15.6%	17.3%	18.5%	18.5%
Return on Assets	40.6%	34.1%	30.4%	27.8%	30.1%	38.3%	36.3%
Operating Cash Flow	196.7	174.1	159.1	162.7	166.4	169.7	170.8
Operating Cash Flow/Assets	39.0%	33.2%	30.6%	28.8%	29.8%	39.0%	37.4%
* Nine-liter cases							

Brown-Forman “Returns from Int’l Investment”

Brown-Forman Corporation

<u>Income Statement</u> ^(1,2)	<u>1987</u>	<u>2016</u>	<u>% Δ</u>	<u>CAGR</u>
Net sales less excise taxes	\$ 1,098	\$ 3,089	181%	3.6%
Cost of goods sold	535	945	77%	2.0%
Gross profit	563	2,144	281%	4.7%
% of net sales	51.3%	69.4%		
Selling, general, and administrative expenses	381	611	60%	1.6%
Operating income	182	1,533	742%	7.6%
% of net sales	16.6%	49.6%		
Net income	90	1,067	1091%	8.9%
EPS	\$ 0.25	\$ 5.22	2004%	11.1%
Shares outstanding	360,934	204,280	-43%	-1.9%
<u>Valuation</u>	<u>1987</u>	<u>2016</u>	<u>% Δ</u>	<u>CAGR</u>
Split-adjusted price ³	\$ 3.76	\$ 101.29	2597%	12.0%
Market capitalization	1,356	20,692	1426%	9.9%
Net debt	190	824		
Enterprise value	1,546	21,516	1292%	9.5%
Total return (1987-2016) including dividend income			5776%	15.1%
EBITDA	\$ 212	\$ 1,584	646%	7.2%
EV/EBITDA (last 12 months)	7.3	13.6		
Price/Earnings (last 12 months)	15.1	19.4		
Net debt/EBITDA	0.9	0.5		
Net debt/cash	6.7	1.7		

Notes: 1) Income Statement amounts expressed in millions of dollars.

2) Brown-Forman fiscal years end April 30.

3) Prices as of 4/30/1987 and 7/29/2016.

Brown-Forman “Returns on Global Investment”

Evolution of Jack Daniel's as an International Brand

<u>Returns driven by international investment</u>	<u>1987</u>	<u>2016</u>	<u>% Δ</u>	<u>CAGR</u>
<u>Jack Daniel's Family Depletions:</u>				
Domestic market	3,432,000	5,275,200	54%	1.5%
International markets	468,000	10,424,800	2128%	11.3%
Jack Daniel's Family Total	3,900,000	15,700,000	303%	4.9%
<u>Jack Daniel's Family Depletions:</u>				
Jack Daniel's Tennessee Whiskey	3,900,000	12,300,000	215%	4.0%
Jack Daniel's Family Brand Extensions	-	3,400,000		
Jack Daniel's Family Total	3,900,000	15,700,000		
<u>Increasing worldwide reach:</u>				
Jack Daniel's Family volume from abroad	12%	66%		
Jack Daniel's sales from emerging markets	0%	19%		
Wine and Spirits segment sales from abroad	10%	58%		
<u>Increases in both the number of markets present and the volumes sold:</u>				
	<u>1987</u>	<u>1994</u>	<u>2004</u>	<u>2016</u>
Above 50,000 cases	5	6	22	42
Above 100,000 cases	4	4	14	26

Note: Volumes are stated in drinks-equivalent 9-liter cases.

Jack Daniel's Tennessee Whiskey
Global Volumes by Country
Top 30 Global Markets
(Thousands of Nine-Liter Cases)

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
USA	4,503.8	4,442.4	4,472.5	4,431.6	4,704.8	4,730.6	4,881.7	4,852.5	4,948.0	5,123.2
United Kingdom	899.0	954.6	963.9	1,003.8	1,018.8	1,004.1	951.0	958.6	997.5	1,065.0
France	272.8	293.3	321.7	378.9	427.8	486.2	530.9	629.2	685.9	748.7
Germany	463.3	472.2	445.1	445.8	461.1	496.0	595.3	632.4	648.2	661.2
Australia	267.6	283.1	296.6	342.8	348.7	354.4	360.6	330.0	328.1	333.7
Poland	31.2	48.4	84.4	101.1	114.5	150.8	189.9	226.5	233.1	244.7
Canada	173.6	183.9	191.7	199.7	204.4	220.0	220.9	216.3	229.4	240.9
Japan	146.1	139.4	136.1	143.3	144.4	162.5	163.3	218.4	219.3	224.9
Russia	25.1	42.2	50.9	53.3	56.5	67.2	130.0	203.4	222.3	224.8
Mexico	30.5	26.8	45.2	53.3	65.8	76.0	103.2	143.1	177.7	214.0
Spain	261.7	254.4	242.8	229.4	218.9	193.9	168.7	167.3	161.4	161.8
Italy	191.4	200.0	187.3	186.7	189.6	192.0	180.3	166.2	157.2	152.2
South Africa	176.1	211.7	190.0	171.1	145.6	133.3	115.6	117.8	120.0	122.6
Turkey	6.6	6.9	6.9	16.1	39.0	60.8	81.1	88.5	100.0	110.0
China	47.8	57.3	70.8	72.2	67.9	77.8	87.1	96.0	102.7	107.3
Brazil	11.3	18.1	15.4	21.5	23.9	51.8	72.9	78.4	91.6	95.4
Romania	56.7	74.4	76.6	71.4	78.1	85.5	102.2	93.6	80.1	85.1
Chile	15.8	17.2	21.9	26.4	22.0	24.7	41.7	52.5	66.2	73.2
United Arab Emirates	29.6	37.2	44.1	49.2	50.8	52.0	54.1	63.5	65.1	67.2
Ukraine	5.5	8.0	9.4	10.9	19.6	32.7	59.5	88.0	73.6	64.4
Greece	71.1	70.8	69.2	63.7	51.8	52.2	50.0	48.9	47.1	44.1
Ireland	34.8	36.5	36.4	35.0	33.7	32.4	31.9	33.9	34.2	35.5
Austria	29.0	29.6	29.5	28.8	29.3	29.5	30.1	31.2	32.1	33.1
Portugal	61.1	62.1	58.1	53.5	48.1	44.5	37.3	34.1	33.2	33.1
Nigeria	19.3	20.1	21.8	22.8	23.9	25.6	26.7	28.3	30.0	31.5
New Zealand	23.5	23.8	23.6	22.7	22.7	23.1	23.3	23.9	28.9	30.0
South Korea	37.0	37.2	38.3	34.8	33.3	33.4	32.5	29.6	27.8	27.8
Czech Republic	35.6	33.7	30.8	27.4	25.7	25.4	25.9	26.5	27.0	27.3
Belgium	20.6	21.0	21.7	22.2	23.5	25.1	26.1	26.4	26.6	27.1
Hungary	25.1	26.1	27.5	25.3	23.4	29.1	28.4	25.8	27.0	27.0
<u>Others</u>	<u>204.7</u>	<u>184.0</u>	<u>196.2</u>	<u>193.1</u>	<u>203.4</u>	<u>220.7</u>	<u>235.4</u>	<u>247.5</u>	<u>261.6</u>	<u>254.9</u>
World Total	8,216.2	8,357.4	8,468.7	8,580.7	8,964.4	9,238.7	9,683.7	10,025.6	10,331.8	10,741.5

Note: Estimates from Euromonitor

Brown-Forman Corporation “Capacity to Reinvest”

Invest in promising global spirits businesses

<u>Property, Plant and Equipment:</u>	<u>Year</u>
New Jack Daniel’s Tennessee Whiskey Cooperage Facility 2016 (Alabama)	
New Jack Daniel’s Distillery Expansion (15 million case additional capacity)	2016
Newly Built 55,000-Barrel Bourbon Aging Warehouses	2016

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

<u>Year</u>		<u>Semper Vic</u> <u>Partners</u>	<u>Dow Jones</u> <u>Industrials</u>	<u>S & P</u> <u>500</u>
2017	(Thru 3/31)	10.0%	5.2%	6.1%
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		14.6%	11.8%	11.0%

*Please see important disclosure information that accompanies this presentation.

Semper Vic Partners, L.P.
Analysis of Periodic Returns
(Through March 31, 2017)

	<u>Semper Vic Partners, L.P.</u>	<u>Dow Jones Industrial Average</u>	<u>S&P 500 Index</u>	<u>EAFE Index</u>	<u>Nasdaq Index</u>
Year to Date	10.03%	5.19%	6.07%	7.39%	9.82%
One Year	11.00%	19.91%	17.17%	12.25%	21.39%
Three Years	7.59%	10.61%	10.37%	0.96%	12.08%
Five Years	11.11%	12.15%	13.30%	6.32%	13.84%
Ten Years	8.35%	8.09%	7.51%	1.53%	9.34%
Since L.P. Inception	12.27%	10.14%	9.49%	5.06%	9.95%

*Please see important disclosure information that accompanies this presentation.

Portfolio Valuation

Semper Vic Partners, L.P.

March 31, 2017

UNITS	SECURITY	PRICE	MARKET VALUE	UNIT COST	TOTAL COST	GAIN/LOSS	% OF ASSETS	ANNUAL INCOME	% YIELD
CASH AND EQUIVALENTS- usd									
	PAS Admin Cash Account		5,000,000		5,000,000		0.7	0	0.0
	Cash And Cash Equivalents		1,764,292		1,764,292		0.2	0	0.0
	Dividends Accrued		1,671,434		1,671,434		0.2	0	0.0
			<u>8,435,726</u>		<u>8,435,726</u>	0	1.1	0	0.0
COMMON STOCKS- usd									
360	Berkshire Hathaway Inc Cl A	249,850.00	89,946,000	63,432.29	22,835,623	67,110,377	11.7	0	0.0
930,000	Nestle SA-Spons ADR	76.90	71,517,000	22.91	21,303,515	50,213,485	9.3	1,797,764	2.5
632,500	Philip Morris International Inc	112.90	71,409,250	25.99	16,440,877	54,968,373	9.3	2,631,200	3.7
550,000	Mastercard Inc Cl A	112.47	61,858,500	20.85	11,469,596	50,388,904	8.1	484,000	0.8
735,000	Compagnie Financiere Richemont SA	79.12	58,156,751	33.99	24,980,825	33,175,926	7.6	786,450	1.4
667,500	Heineken Holding NV	79.76	53,237,359	15.51	10,350,087	42,887,273	6.9	847,725	1.6
390,500	Pernod Ricard	118.61	46,318,414	73.74	28,793,878	17,524,535	6.0	538,890	1.2
417,500	Anheuser-Busch InBev SA	110.06	45,948,670	72.21	30,146,231	15,802,439	6.0	1,160,650	2.5
812,500	Wells Fargo	55.66	45,223,750	21.47	17,444,408	27,779,342	5.9	1,235,000	2.7
910,000	Unilever NV ADR	49.68	45,208,800	29.90	27,210,332	17,998,468	5.9	1,095,549	2.4
365,000	Altria Group Inc	71.42	26,068,300	4.99	1,822,438	24,245,862	3.4	890,600	3.4
71,000	The Swatch Group AG-BR	358.36	25,443,529	364.86	25,905,015	(461,486)	3.3	335,830	1.3
360,000	British American Tobacco PLC	66.27	23,858,586	30.05	10,817,139	13,041,447	3.1	720,000	3.0
105,000	Martin Marietta Materials	218.25	22,916,250	17.08	1,793,104	21,123,146	3.0	176,400	0.8
380,000	Brown-Forman Corp Cl A	47.07	17,886,600	4.98	1,892,808	15,993,792	2.3	277,400	1.6
605,000	Diageo PLC	28.55	17,275,186	9.02	5,458,519	11,816,666	2.3	447,700	2.6
435,000	Comcast Corp New Cl A	37.59	16,351,650	1.11	482,426	15,869,224	2.1	274,050	1.7
400,000	JC Decaux SA ACT	35.28	14,113,782	36.36	14,543,064	(429,283)	1.8	164,000	1.2
62,500	Scripps Networks Interactive Cl A	78.37	4,898,125	3.90	243,919	4,654,206	0.6	75,000	1.5
			<u>757,636,501</u>		<u>273,933,806</u>	<u>483,702,695</u>	98.9	<u>13,938,208</u>	1.8
TOTAL			766,072,227		282,369,532	483,702,695	100.0	13,938,208	1.8
TOTAL ASSETS			<u>766,072,227</u>		<u>282,369,532</u>	<u>483,702,695</u>	100.0	<u>13,938,208</u>	1.8

Portfolio Manager

“Capacity to Do Nothing”

**Annual Returns
Performance Analysis
Three Pillars Fund
Semper Vic Partners, L.P.
August 3, 2005 to March 31, 2017**

	<u>Three Pillars¹</u>	<u>Semper Vic Partners, L.P.¹</u>	<u>DJTR²</u>	<u>SP500T²</u>	<u>NASDAQ²</u>	<u>MSCIEAFE²</u>	<u>MSCIEXUS²</u>	<u>MSCIEM²</u>
Yearly								
3/31/2017	10.5	10.1	5.2	6.1	9.8	7.4	8.0	11.4
12/31/2016	14.1	2.7	16.5	12.0	9.0	1.5	5.0	11.2
12/31/2015	1.0	5.1	0.2	1.4	7.1	-0.4	-5.3	-14.9
12/31/2014	12.0	6.4	10.0	13.7	14.8	-4.5	-3.4	-2.2
12/31/2013	20.7	22.1	29.7	32.4	40.2	23.3	15.8	-2.6
12/31/2012	15.9	24.4	10.2	16.0	17.7	17.9	17.4	18.2
12/31/2011	13.9	6.9	8.4	2.1	-0.8	-11.7	-13.3	-18.4
12/31/2010	33.3	21.5	14.1	15.1	18.1	8.2	11.6	18.9
12/31/2009	14.5	26.1	22.7	26.5	45.3	32.5	42.1	78.5
12/31/2008	-22.4	-31.3	-31.9	-37.0	-40.0	-43.1	-45.2	-53.4
12/31/2007	31.0	7.9	8.9	5.5	10.7	11.6	17.1	39.9
12/31/2006	27.1	21.1	19.1	15.8	10.9	26.9	27.2	31.6
8/3/2005	8.3	2.0	1.2	1.1	-0.2	9.3	10.2	16.0
Time-Weighted Cumulative Return	385.3	188.1	161.6	142.9	204.2	68.2	74.3	104.7
Compound Annualized Return	14.5	9.5	8.6	7.9	10.0	4.6	4.9	6.3

Notes:

- 1) Returns for Three Pillars Fund and Semper Vic Partners, L.P. are presented net of fees.
- 2) Returns for indices are total returns, including dividend income.

Portfolio Valuation

Three Pillars
March 31, 2017

UNITS	SECURITY	PRICE	MARKET VALUE	UNIT COST	TOTAL COST	GAIN/LOSS	% OF ASSETS	ANNUAL INCOME	%
									YIELD
CASH AND EQUIVALENTS- usd									
	Dividends Accrued		217,000		217,000		0.4	0	0.0
	Cash And Cash Equivalents		(4,881,929)		(4,881,929)		(8.5)	0	0.0
			(4,664,929)		(4,664,929)	0	(8.1)	0	0.0
COMMON STOCKS- usd									
90	Berkshire Hathaway Inc Cl A	249,850.00	22,486,500	131,259.66	11,813,369	10,673,131	39.3	0	0.0
150,000	Philip Morris International Inc	112.90	16,934,987	66.07	9,910,423	7,024,564	29.6	624,000	3.7
200,000	Nestle SA-Spons ADR	76.90	15,380,000	52.48	10,495,137	4,884,863	26.9	386,616	2.5
100,000	Altria Group Inc	71.42	7,142,031	34.96	3,496,457	3,645,574	12.5	244,001	3.4
			61,943,517		35,715,386	26,228,131	108.1	1,254,617	2.0
TOTAL			57,278,589		31,050,457	26,228,131	100.0	1,254,617	2.2
TOTAL ASSETS			57,278,589		31,050,457	26,228,131	100.0	1,254,617	2.2

Tax-Efficiency Table

Semper Vic Partners, L.P.
After Tax Rate of Return, Net of Expenses
July 16, 1990 - December 31, 2015

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%	26.26%	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%
Cumulative Return Since 7/16/90	1854.05%	1508.59%	975.59%	847.22%
Compounded Annzd Return Since 7/16/90	12.38%	11.53%	9.78%	9.23%

Notes:

1. 1990 reflects a partial year, beginning on July 15, 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%
2013-2015	23.80%

Short-Term Capital Gains

1990	28.00%
1991-1992	31.00%
1993-2001	39.60%
2002	38.60%
2003-2012	35.00%
2013-2015	43.40%

Investment Income/Expense

1990	28.00%
1991-1992	31.00%
1993-2001	39.60%
2002	38.60%
2003-2012	35.00%
2013-2015	43.40%

Qualified Dividends

2003-2012	15.00%
2013-2015	23.80%

The tax rates for 2013, 2014 and 2015, above, include an additional 3.8% resulting from new legislation implementing the Net Investment Income Tax.

*Please see important disclosure information that accompanies this presentation.

Thomas A. Russo

“Lessons Learned”

- Capacity to Reinvest
- Capacity to Suffer
- 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. Mr. Russo manages individual separate accounts and serves as the Managing Member of the General Partner to Semper Vic partnerships. Mr. Russo oversees more than \$9 billion through separately managed accounts and Semper Vic partnerships. 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 looks for companies with strong cash-flow characteristics, where large amounts of “free” cash flow are generated. (These industries typically have included food, beverage, tobacco, and advertising-supported media.) 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 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 allow investments to activate emerging markets. He backs rare management teams willing to invest to secure robust future returns even when such investments burden current reported profits. Mr. Russo believes that family-controlled companies are often uniquely well positioned to bear burdens on reported profits in pursuit of long-term gains. 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, 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 Russo is the Managing Member of the General Partner of Semper Vic Partners, L.P., and Semper Vic Partners (QP), L.P., limited partnerships whose combined investments are roughly \$3 billion, along with overseeing substantially more funds through separate accounts for individuals, trusts, and endowments. He is a graduate of Dartmouth College (BA, 1977), and Stanford Business and Law Schools (JD/MBA, 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.

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 audited 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.*

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