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TO: LIMITED PARTNERS OF SEMPER VIC PARTNERS (QP), L.P.

Results for Semper Vic Partners (QP), L.P. for Full Year 2016 and First Quarter 2017 appear below, along with cumulative performance since inception in October 2003. Partnership results are presented net of advisory fees and are compared to market indices whose returns include reinvested dividend income:

SEMPER VIC PARTNERS (QP), L.P.
INVESTMENT PERFORMANCE

	Semper Vic Partners QP	Dow Jones Industrial	S&P 500 Index
First Quarter 2017	**10.0%**	**5.2%**	**6.1%**
Full Year 2016	**2.5%**	**16.5%**	**12.0%**
Fourth Quarter 2016	-0.7%	8.7%	3.8%
Third Quarter 2016	0.4%	2.8%	3.9%
Second Quarter 2016	1.3%	2.1%	2.5%
First Quarter 2016	1.6%	2.2%	1.4%
Since QP Inception 10/15/03 – 3/31/17			
Cumulative	247.7%	196.5%	197.4%
Compound Annual	9.7%	8.4%	8.4%

Investment Position and Outlook

Semper Vic Partners' portfolio companies continued to take important steps during Full Year 2016 and First Quarter 2017 to invest behind the growth in the intrinsic value of their businesses, even where the upfront cost of such investments burdened near-term reported earnings. Even though, from time to time, the ensuing increased long-term promise of such investments is lost to equity markets whose attention remains focused on near-term reported profits, I surely embrace such investments. Simply put, they increase the odds that our businesses will remain competitive for the long term and drive upward the intrinsic value on a per share basis of our portfolio holdings.

Semper Vic Partners' portfolio companies' stock market performance during the fourth quarter and Full Year 2016 failed to reflect underlying growth in their businesses, with a slight overall Fourth Quarter decline and with single-digit total return for the full year. By contrast, my ongoing contact with our company management teams reassured me that they continued to pursue investments to meet our high expectation for long-term results. Semper Vic Partners' portfolio companies' stock market performance during First Quarter 2017 added significantly to the value of your Semper Vic Partners (QP), L.P. holdings, as the portfolio appreciated 10 percent during the quarter.

So long as our businesses continue to possess two capacities, I remain confident in our ability to attractively balance return and risk for our investments. First, our businesses continue to evidence the "capacity to reinvest" their abundant mature market free cash flows back into investments in developing markets and into adjacent products and categories that promise to increase our businesses' operating profits and intrinsic value over time. Second, operating management of our businesses who are charged with responsibility for such reinvestment continue to have the "capacity to suffer" censure from Wall Street analysts and shareholder activists when their commitment to invest the proper amount of such investments burdens reported earnings.

The "capacity to suffer" such criticism arises within our management teams since they know that they can invest deeply without fear of losing control of their company due to underreported earnings because families that control such companies provide valued protection. The "capacity to suffer" provides great competitive advantage when our businesses build strong platforms for future returns against competitors whose reinvestment flexibility is far more constrained due to their need to "make the numbers" at quarterly earnings season.

My long-standing preference for investing in a carefully selected portfolio of such family-controlled companies, where managements' investment spending has the support of owners whose time horizon is dynastic, I believe, increases the likelihood that we will be able to deliver on our pledge to investors to deliver rewarding amounts of long-term, tax-deferred appreciation of our portfolio companies' intrinsic value on a per share basis.

"Leaking Balloon or Coiled Spring?"

One of the most astute Wall Street professionals I have had the pleasure of spending time with over the years is Raphael Bernstein. Mr. Bernstein's decades-long involvement as a senior investment banker at Bear Stearns left him wise in the way of Wall Street. At one particular wise moment, Mr. Bernstein posed a question to me about one company whose investment performance had up to that point lagged, despite my particular interest and my passion in its "value." Mr. Bernstein asked me whether I thought the investment prospects for the company under review seemed to be more like "a coiled spring or a leaking balloon."

Clearly, my response to Raphael's question about the company whose prospects I still highly esteemed was that, without doubt, it was more the former than the latter … a spring whose very coil promised to give our portfolio a very nice, sustained boost in performance once it began to release.

Well, much like my response to Raphael's query decades ago, today I believe that that portion of investments which I oversee on your behalf through your portfolio of "global value" equity holdings is no "leaking balloon." The portfolio, indeed, as I reflected on the promise of our companies at year-end, possessed the ability to spring sharply forward as the coil releases returns.

Indeed, I believe this to be the case because within the portfolio are concentrated holdings in leading global companies that possess the capacity to grow value during periods like the past three or four years, even when markets for whatever reason chose not to value increases in intrinsic value derived from such reinvestment. This disconnect between growing intrinsic value through effective reinvestment in promising geographies and adjacent categories can last for prolonged periods of time.

I surely believe that the past several years have been so characterized for many of Semper Vic Partners' core holdings. Equity investors have taken their eyes off specific investment in specific companies, even when those companies carefully, year in and year out, exercise their highly value-creating "capacity to reinvest." Globally, today's investors have moved increasingly in sync together into index funds, in general, and into the mother of all index funds, the Standard & Poor's 500, in particular. Investors are blinded by risks attendant to such crowd behavior on Wall Street. Induced by index funds' lure of low management fees, investors increasingly mistake low cost advisory fees with low risks. I believe that they do so at their own peril.

Capital flows into indices and as well as into Exchange-Traded Funds (ETFs), the country cousins of the big index funds, have occurred at increasing rates over the past four years. Today they reach stampede proportions. Their allure has even driven upwards the value of the US dollar since, on balance, global equity investors who increasingly have switched to US-based index funds over the past three years have had to trade in their euros, renminbi, rubles, etc. for the greenback, the only currency through which you can settle purchases of S&P 500 index funds.

This incremental demand for dollars to underwrite the purchases by foreigners of US-based index funds contributed to the very rise in the value of the dollar that has created a headwind for Semper Vic Partners' returns over the past several years. The increased value of the US dollar effectively "devalued" reported operating income sourced from abroad and "devalued" reported period-end valuations of our foreign equity holdings upon translation into US dollars.

Many of the above factors have led global investors to fear that my style of long-term, fundamental, research-based investing, for businesses capable of reinvestment, resembles more the "leaking balloon" than "coiled spring." The broad switch to US equity market indexation which has grown at a torrid pace over the past four years has driven capital away from the internationally based businesses that form the core of our portfolio. Capital flows from those holdings have restrained growth in their market value, tightening the coil for later springing into higher valuations. International investors' moves into US-based equity index funds have had a secondary effect of contributing to the rise in the value of the US dollar, which I believe to represent another spring coiling for release as the US dollar, I suspect, will inevitably retrace its advance if/when capital flows return to invest in other markets.

Macro forces and global capital flows create for Semper Vic Partners reasons discussed above that I believe support the view that we possess more "coiled springs" than "leaking balloons" in our portfolio. However, despite the above macro influences on our portfolio companies' share prices in the near term, I am nonetheless acutely aware of competitive dynamics across our entire portfolio which might lead some to believe that the very franchises which I have preferred to invest in over decades may themselves be once grand balloons that now leak. I am acutely aware of such threats to our branded consumer products companies' long-standing, durable "competitive moats."

The world is evolving so dramatically and along so many different axes that investors absolutely have to be sensitive to the increased probability of risks of "leaking balloons." One need only consider some of the following realities that our portfolio companies confront. For investors who prefer consumer brands, due to their historic ability to invest mature market free cash flow to expand their franchises into emerging markets, and due to their ability to take advantage of latent brand appeal to offer increasingly within arm's reach products that enhance consumers' lives, the world seems to present increased risks, some of which are discussed below.

First, there is the risk of digital dislocation and disruption. Consumers today, especially trendsetting younger consumers who historically have been first adopters of products introduced around the world, are increasingly influenced by trends of social media. Their brand loyalties are less gripping. Gone are the days, for instance, when Budweiser represented over 55 percent of the US domestic beer consumption. Today, in fact, brand Budweiser may have dipped below 20 percent in some trendsetting California markets, like San Diego.

Second, the ability through e-commerce to access alternative products outside the tight channel of traditional routes-to-markets allows competitors' products to enter markets once blocked to them. Alibaba Group, Amazon.com, Inc., and others will make sure that such products can find their consumers.

Third, economies around the world, especially developing and emerging markets, confront a host of pressures not felt to this extent over the past thirty-plus years. Indeed, during the first thirty-plus years of my career in investing globally, I have had the blessing of a gentle tailwind. Governments around the world were increasingly transparent. Consumers around the world enjoyed growing Gross Domestic Products (GDP) per capita and growing consumer disposable incomes. Relatively borderless trade around the world offered first-time prospects of work, with concomitant ability to purchase long-admired and aspirational products but heretofore unaffordable and inaccessible.

Finally, there is the very real possibility of increasing political fraying of many of the multilateral agreements and global alliances, upon which we have rested for post-World War II global balance, which have begun to be unwound. We have absolutely no idea either how far and fast such unwinding will go or who will benefit and/or lose from such developments. It is clear, however, from my perspective, that we are entering into the most disruptive and unconventional period of time economically, politically, and socially that we have seen in the modern era. The prospects alone of resettling over 10 million refugees adrift due to just the past five-year's worth of Middle East conflict dwarf imagination when trying to consider how societies will absorb such demographic disruptions. Borderless trade of consumer products, which formed the basis of great gains for our portfolio companies over the past three decades, seems to be potentially a victim of rising nationalism and potentially restrictive trade policies.

Despite possible threats alluded to above, I do take comfort on several levels that our holdings will continue to balance risk and reward as effectively as I can find amongst the seemingly endless other investments available.

I base my continued enthusiasm for the "coiled spring" that is our portfolio on several broad fronts. First, I return to core values which, in my case, have typically been borrowed from experiences expressed by Warren Buffett. In this case, as the list of uncertainties described above mounted, I continue to fall back on Mr. Buffett's observation about the political, economic, and social upheaval he confronted back at the dawn of his investing career. There were countless reasons why not to invest at that time, but Warren suggested that rather than retreat to cash he simply sought best investments possible to confront the risks head-on and attempt to eke out returns. He fondly observes that, had he waited for green lights for all three components of risk discussed above, he would still have his first $10,000 waiting to be invested.

Second, I comfort myself on the ability of our companies to react. This statement is particularly true, for instance, in our business' growing willingness to respond to new business practices, consumer preferences, etc. shaped by the digital revolution underway in consumer products companies. Compagnie Financière Richemont SA, for instance, recently announced strategic partnership in China to engage Tencent's WeChat subsidiary to power up one aspect of their digital commerce strategy in China. China has begun to experience sharp recovery in demand for Richemont's aspirational jewelry, Pernod Ricard's cognac, etc. Similarly, Nestlé's diverse product offering featured this past year, on an exclusive Alibaba site, a dedicated range of offerings that celebrated Nestlé's 150th anniversary as a company.

Our portfolio companies increasingly have to obsolete their own long-standing consumer brands by launching their own craft and artisanal competitive products, realizing that no one should be better to take share from the market leader than themselves. Philip Morris' recent launch of its highly disruptive product, IQOS, provides a great example of this phenomenon. Finally, all of our companies are invested deeply into new ways of consumer communication, relying on new digital campaigns, new sampling campaigns, new direct-to-consumer marketing through high-touch human interaction, etc.

Third, I comfort myself on the very reality that for every country in political, economic, and social free fall, there are counter examples of companies coming out of darkness. Even while Turkey, Russia, Venezuela, Syria, North Korea, etc. descend into political and economic turmoil, other parts of the world advance. I am particularly mindful of two of South America's most long-standing, dysfunctional, and corrupt countries, Brazil and Argentina. It is impressive to think that they have, for the first time in decades, seated governments that have come to power by popular vote with a clear mandate to rout out corrupt practices that have held both countries back for decades. It is the same within many of our companies who, despite having products or geographies that suffer setbacks, enjoy a portfolio breadth and geographic breadth that allows for other regions to advance, often allowing our companies to more than make up for setbacks elsewhere.

Finally, I take comfort from our companies' long-standing competitive advantages, realizing that brands that deliver billions of servings a day do enjoy the benefit of consumer long-standing habit and preferences. I take comfort from the fact that the problems which will confront the world, most notably population growth and scarce resources such as food and water, are in the sweet spot for our portfolio companies that in most instances possess global leadership in important areas of corporate social responsibility. They express that responsibility themselves by innovation into best corporate practices that address local needs, reduce harmful byproducts of their businesses, and increasingly attend to shared programs with local governments to address their consumers' needs in environmentally safe and sustainable fashion.

Our portfolio companies in Nigeria, for instance, will bring the scale and insights of their products over the coming years that will help them build from their already enormous base of business today to meet the demand if indeed the population of Nigeria does grow from 190 million people today to over 500 million in two decades. Nestlé and Unilever, with affordable food services through their Maggi and Knorr brands, will deliver food and nutrition economically around the world in markets like Nigeria, India, China, etc. Nestlé, for instance, sells over 80 million Maggi bouillon cubes a day in Nigeria!

Moreover, they will be able to provide solutions on vast scale that will be demanded of them as they alone will likely have the capacity to develop solutions required to deliver food, beverages, and branded consumer products to increasingly urban societies. The world will become far more populous, far more urban, and far younger, on average, over the coming decades. I prefer confronting those problems and challenges by investing in companies with vast reach such as Nestlé, who operates in over 125 countries, with a workforce exceeding 300,000, with unrivaled primary research in food, health, and nutrition, and secure in its mission to source health and nutrition solutions worldwide.

On a final note, I believe we are privileged to approach the threats of "leaking balloons" that arise due to a handful of challenges described above and countless others not addressed herein with a portfolio of company managers who approach our companies' ability to navigate the challenges described with world-class alignment of interests and low agency cost risks. Even though I recognize how hard it is to oversee companies with such global scale, I am sure that the corporate cultures with which we address those challenges are amongst the best. Though occasionally cultures may fall from their own illustrious past (e.g., Wells Fargo's recent cross-selling compensation snafu), I believe that the focus on the long term (most notably in our family-controlled companies) and the capacity for managements to not have to do what is asked of them by short-term-minded financial world participants position us well. We can rely on our preferred management bench to meet challenges that all too quickly can convert "coiled springs" into "leaking balloons" if our corporate focus and cultures were to weaken.

“Capacity to Suffer”

During Fourth Quarter 2016 and year-to-date through First Quarter 2017, many of our portfolio company management teams have shown their “capacity to reinvest” mature market cash flows into promising new geographies or adjacent product categories. More importantly, our managements have shown their “capacity to suffer” Wall Street rebuke by taking action designed to increase intrinsic value of our holdings on a per share basis even when taking such long-term-minded investments threaten to disrupt short-term reported profits. Three management teams in particular, Heineken Holding N.V., Philip Morris International, and Nestlé have enjoyed examples since I last wrote of just how valuable it is to invest with companies whose managements have the ability to endure short-term pain for long-term gain.

Heineken Holdings

Heineken stands out amongst the three as it surfaced several examples of how the protection of the Heineken family voting control of the public company, Heineken N.V., has enabled Heineken’s chief executive officer, Jean François van Boxmeer, and his teammates to make right decisions about how to best invest deeply for future long-term wealth of the Heineken family and shareholders of their public company fortunate enough to be treated as equal partners by the family.

I am reminded of how important the family orientation was at Heineken when I reflect back on my first visit to their headquarters in the late 1980s. When I first visited corporate headquarters in 1986, I was greeted by then Director of Economic Financial and Information Affairs, Mr. Jan Beks, who, following my introduction, looked me directly in the eyes and asked me, “Why are you here?” He meant me no ill will, he just thought it odd that an outside investor, and even more odd, an outside investor from the United States, would come to visit what was then run entirely as a family-controlled company.

Indeed, Chairman Freddy Heineken expressed this long-term focus of the company around the same time when asked at his then advanced age why he continued to work so hard. Mr. Heineken responded by pointing to a ten-year-old boy playing in a nearby sandbox and said, “To make my grandson, Alexandre’s grandchildren rich.”

I knew that I had come upon a group of like-minded family owners and non-family management when I reflected on both of those developments. This is how I began an association with Heineken, on behalf of my investors, which has remained unbroken now for over 30 years. During this time, Heineken’s share price has advanced over 25 times, compounding at an annual rate on a total return basis since 1991 of over 15 percent. Heineken shares have been amongst my top ten holdings consistently since the 1980s and remains roughly seven percent of Semper Vic’s assets today. Even though Heineken’s share price has advanced steadily over decades due to the success of investments made along the way, I do believe that Heineken’s best years are ahead of it.

We have owned, over this period, almost exclusively the Heineken Holding N.V. company shares of Heineken. Heineken Holding N.V. controls the public company, Heineken N.V., through its majority share stake. In turn, the Heineken family (and its affiliates) has controlled the Heineken N.V. company through majority control of the Heineken Holding N.V. company. Ironically, for over 30 years, Heineken Holding N.V. shares have often traded at a discount to the operating company shares which they control. The discount has exceeded 15 percent, in some instances, even though every share of Heineken Holding N.V. economically represents a share of the more expensive public company holding.

Better alignment, reduced valuation! As is the case with Heineken Holding, I often find that I have been able to invest in family-controlled companies at discount valuations when compared to shares of their competitors in similar businesses whose share registry is fully open, without such family control. This is so, even though it is my belief that we increase, not decrease, the chance of successful returns when we "partner" with wise, able, long-term-minded families who treat outside shareholders as partners. I believe that, through such carefully selected family-controlled holdings, we have reduced agency costs and better aligned the interests of management with my long-term investors.

While I relish our long-standing ability to acquire shares in family-controlled public companies whose businesses typically enjoy better prospects for compound growth in intrinsic value on a per share basis, I find it puzzling why so many investors prefer the seemingly "professional" activities of non-family-controlled companies. I attribute the discount to investors' general unwillingness or inability to believe that they can distinguish between family-controlled companies, where the family provides management the "capacity to reinvest" for the longest term without regard to near-term profit disruption, from those where the family treats the public company as its own personal piggy bank from which they can extract personal gain not shared equally with public shareholders whose interests they are duty bound to represent.

Company research can reveal whether families in control of public companies are fair and shareholder-minded from those prone to self-dealing plunder. I believe that time spent with management of such family-controlled public companies can reveal whether they believe the family's presence to beneficially extend their reinvestment resolve. Where such resolve is fortified, I believe managements' ability to profitably build future value is magnified multifold.

Harnessing the power of such family control has become increasingly the focus of Berkshire Hathaway's investment activity. The search for new, large, privately held, family-controlled companies is the focus of most of Berkshire Hathaway's "elephant hunting" these days. I perceive that Berkshire seeks out such family-controlled businesses when searching for companies to acquire wholly. Berkshire Hathaway seeks out such companies when doling out capital to subsidiary companies seeking to expand their own businesses through acquisition of their privately held competitors, suppliers, etc. Such formerly family-controlled companies enter Berkshire with good habits developed over years of reinvesting to make owners more long-term rich over time rather than participating in the quarterly earnings race, which ultimately diminishes the long-term value of public companies lacking such long-term focus.

Back to our Heineken Holding N.V. company investment. Three examples arose over the past six months that recognize how valuable it has been for Heineken's management to have had the ability to invest properly for the Heineken family's long-term wealth even when their action (and in some cases, indeed, their lack of action) placed them squarely out of step with Wall Street analysts, leaving their shares underrated as Wall Street expressed displeasure over diminished near-term prospects.

Heineken's first example has been its relationship with Brazil. Brazil is one of the world's top five markets for beer. Indeed, one formerly mainly local brewer, AmBev, today has grown beyond its borders to become AB InBev, by far the largest and most global brewer in the world. For years, Heineken management has been excoriated for not having a broad beer strategy for this important market. Five years ago, Heineken management received particular Wall Street heat for failing to dare to be great when Brazil's second largest brewer, Schincariol, was offered for sale. Heineken management, criticized for unwillingness to act to grow Brazil, retreated to a strategy to grow Heineken brand slowly in high-end markets of Brazil, passing on the purchase of Schincariol, as they felt the price Kirin paid, over $4 billion, vastly overvalued the business.

Fast-forward to today, Kirin indeed overpaid. Kirin could not successfully run the acquired business given the demands and reality of a relatively complex and peculiar market structure. After four years of mismanagement and after hundreds of millions of dollars of operating losses, Schincariol offered what remained of their mistakenly acquired Brazilian business sale. Four years later, and for a mere $1.1 billion, Heineken acquired the money-losing business from Kirin.

Heineken acquired the business with enthusiasm borne by several factors. First, Heineken management knows how to run businesses in quirky, demanding markets like Brazil as they do so around the world in similarly challenging settings. Second, the acquired company will allow Heineken to more rapidly expand its already spectacular business it has built over the past five years for brand Heineken at the high end of the Brazilian market. Through the efforts of Heineken's existing Brazilian subsidiary, Kaiser, Heineken already sells over two million hectoliters of green-bottle brand Heineken in Brazil. Finally, Heineken could not have been happier with the price it now paid for Schincariol.

It is because Heineken management knows that they have the "capacity to suffer" the significant investment (possibly as much as $1 billion), which they will need to pass through the acquired business' income statement over the coming years to restore best practices, that I believe they were able to acquire the business at such an attractive upfront acquisition price in the first place. Other potentially interested bidders would have blanched at the burden of passing through as much as $1 billion over coming years likely required to right-size the acquired operation. Heineken management need not face such fears, secure in the knowledge that they have like-minded owners willing to invest in building the acquired business, expanded as it will be with Heineken's own portfolio in Brazil. Heineken management's "capacity to suffer" through near-term burden will deliver them long-term gains on the total investment they will be fortunate enough to have made in Brazilian beer markets once the integration is complete.

Second, Heineken management was able to endure the potential risk to their own careers at Heineken of an opportunistic takeover offer over the past 18 months. As a result of significant corporate turmoil following the premature passing of the former chief executive officer of our SABMiller long-standing investment, SABMiller found itself in the uncomfortable position of being a takeover target of AB InBev. Amongst their investment banker's recommendation for defense was a plan for SABMiller management to take over Heineken, hopefully finding refuge from a hostile takeover by launching a hostile takeover of its own.

SABMiller, however, failed to fully recognize the obvious benefit with which the Heineken family possesses in the form of 50.1 percent of the vote, which effectively allows them to block such unwelcome offers without reproach. Heineken management, secure in the knowledge that they would be protected against such advances, did not have to take any short-term steps designed to buy votes from fickle institutional investors. Indeed, the Heineken family "just said no" fully rebuffing SABMiller's entreaties. Management was able to continue to invest in an unchanged manner throughout the "siege," without harming long-term prospects to promise near-term better results, as other managements would have had to do if they lacked shareholder control such as that held by the Heineken family.

Heineken's third example of management's "capacity to suffer" surfaced when I visited with Heineken management in Vietnam. Vietnam stands for the perfect sort of market wherein Heineken has enjoyed both the "capacity to reinvest" and the "capacity to suffer," Heineken only re-entered Vietnam as recently as 1994 and endured substantial upfront investment costs through its affiliate, Asia Pacific Breweries, to gain early leading market awareness. More recently, Heineken bore the risk of near-term declines in market profitability as they repositioned their Heineken and Tiger brands to create a new price tier at the high end of Vietnam's beer market. Heineken prices were increased while Tiger prices were slightly reduced. Tiger's repositioning, though margin reducing in the near term, has resulted in accelerated growth of both repositioned brands and increased profitability for the market overall.

Heineken's family control and influence suffuses their Vietnamese operations. In the main factory, signs designed to encourage workplace safety express gratitude from the Heineken family of just how highly they value careful workplaces. They look out for their employees as evidenced by prominently displayed posters at Heineken's Vietnam brewery entrances extolling the virtues of a safety-conscious workplace. In the main factory, Heineken's Vietnamese teams have won Heineken's award for most productive breweries worldwide, as they strive to invent ways, year after year, that allowed them to increase total brewery output two to three percent a year merely by running operations more effectively and efficiently. This added volume, I believe, is a return on the investment the family has made over years signaling to their workforce their care and appreciation. Finally, Heineken's Vietnamese operations benefit from having rewarded management for working within the parameters of developing markets to insure that they take advantage of their coveted route to market advantages. Heineken alone has the market share density to allow its informal network of motor scooter-enabled agents to deliver from factory to consumer, and back to factory, reusable glass bottles of Heineken.

The velocity of the network that can reuse returnable glass bottles (RGBs), 30 or 40 times per bottle, drives economics that are amongst the most favorable in the entire Heineken global network. Indeed, as a result of Heineken's willingness and ability to invest organically behind market-leading position, Vietnam today ranks as Heineken's second most profitable beer market in the world. This is despite the fact that neither Vietnam's consumer disposable income levels, nor population levels, would naturally deliver such profitability. It is the result of deep market investments in brewing, brand management, and route to market logistics that drive Heineken's Vietnam market shares and outsized market profitability.

"Call for Philip Morris"

For the past 30 years, every day I arrive at my office, I have been greeted by the iconic Philip Morris International advertising that drove early gains in the Philip Morris brand of cigarettes in the US market. "Call for Philip Morris" suggested an aura of sophistication that indeed this brand was the one most often called for by discerning smokers in fashion-setting venues.

By the early 1980s, when I began investing in Philip Morris and in a handful of shares of other industry participants, the industry had already begun the decline, which has seen domestic industry volumes decline by nearly 70 percent! Philip Morris management of its market-leading brand, Marlboro, was nevertheless exceptional. This was particularly the case in international markets where Philip Morris had the ability to invest in market development. Philip Morris invested in geographic expansion, aimed at allowing it to further substitute their iconic American brands for indigenous products that had been slow to adopt such market innovations as filters, American blend tobacco, etc.

For nearly 30 years, Philip Morris shares have been amongst my top three investment positions on behalf of investors, trading places over time with such stalwarts as Nestlé and Berkshire Hathaway. While the vehicles through which my investors have invested in Philip Morris have changed over the decades, as a result of spin-offs of domestic and international food operations and through separation of its domestic from its international tobacco endeavors, management of the tobacco business, in particular, have successfully borne over decades the "capacity to suffer" near-term investor rebuke in pursuit of long-term growth in intrinsic value on a per share basis.

Today, Philip Morris remains my largest tobacco industry investment. While having compounded at an annual 15.2 percent total return since their spinoff in 2008, future prospects for Philip Morris seem to me to be as promising going forward as they have in prior years as a result of dramatic investments made over the past five years.

Philip Morris management faces a promising future despite having surely endured a "decade horribilis" on several fronts over the past decade, reflecting management's struggle to exercise their "capacity to reinvest" Philip Morris' mature market free cash flows into developing markets as naturally as they had been able to reinvest during prior decades. Limitations arose on Philip Morris' traditional "capacity to reinvest" on several levels. The economics of reinvestment in many markets have suffered from changing political and regulatory landscapes. Markets in Europe and elsewhere have implemented requirements that limit the industry's ability to harness the power of its long-standing trademarks. Regulations in some markets eliminate entirely branding on cigarette packs, requiring plain paper packaging. In other markets, regulations today require graphic warning labels that depict health harms of smoking to cover over 70 percent of the surface of a pack.

Additionally, excise tax increases, while often able to restrict pressure for market share gains amongst competitors, nonetheless reduce demand for cigarettes overall due to adverse effects of negative price elasticities. Finally, the market for acquisitions of formerly state-owned tobacco suppliers has dried up, preventing expansion through such acquisitions that provided Philip Morris with the "capacity to reinvest" into new markets that over prior decades had helped fuel Philip Morris' growth.

The mother of all factors demanding that Philip Morris' management exercises its "capacity to suffer" over the past five years has been the adverse effects to reported profits and cash earnings caused by the remarkable advance of the value of the US dollar. Philip Morris, by virtue of tax law, finds itself in the unusual position of being headquartered in the US for reporting and tax purposes, even though 100 percent of its commercial activities take place abroad. No other tobacco company, nor global consumer products company, more broadly, faces such a mismatch between where they earn their profits and the market in which they report their profits.

Currency headwinds, indeed, have caused Philip Morris to effectively report flat US dollar reported earnings per share for the past four years, even though during most of those years their net income, reported in local currency, advanced between 10 to 12 percent. When reported in US dollars, Philip Morris' profits have remained relatively flat at roughly $4.25 per share, whereas were it not for the cumulative headwind to reported US dollar profits caused by the strength of the US dollar, earnings per share for Philip Morris would have likely exceeded $7.00 per share.

Since equity prices often fail to fully credit companies with growth in local currency profits, Philip Morris' share price has confronted currency headwinds. Despite successfully growing market share and despite maintaining confident pricing, Philip Morris' growing foreign currency earnings simply failed to translate local currency gains into growth in dollar reported earnings.

Against this backdrop of being the one global tobacco company most adversely impacted by foreign currency transaction pressures, Philip Morris management, nonetheless, felt empowered to commence the tobacco industry's largest research and development program intended to deliver effective "reduced-risk products" (RRPs) to their loyal consumer base. Philip Morris committed four years ago to spending in excess of $500 million a year to primary research designed to deliver RRPs which consumers would actually view as replacement for traditional combustible cigarettes.

Philip Morris was the least well-positioned to commence a spending program of this order of magnitude in light of extreme currency burden they already faced. Nonetheless, Philip Morris management, alone, believed in their "capacity to suffer" censure from Wall Street analysts desirous of greater reported profits today and less mindful of the need for more wealth tomorrow that could arise from successful launch of new products. Philip Morris also had to inspire commitment amongst their fellow colleagues within the company to embark upon further investment spending that promise mainly to further reduce reported profits. Potential burden on share price, from earnings pressure caused by such dramatic spending increase, threatened Philip Morris management's ability to meet their equity-linked compensation.

Conversely, to investor benefit, I believe Philip Morris had earlier avoided following Wall Street pressure to invest earlier on in technologies (e-cigarettes and vapes) which gained early popularity due to their quick availability and early adoption. However, as neither product met consumer preference, Philip Morris was willing to suffer further Wall Street sell-side censure for not piling in on this misplaced endeavor.

IQOS

Instead, Philip Morris management developed, for other alternative platforms, the most promising of which has been trademarked "IQOS." IQOS appears able to deliver on two profound levels. First, IQOS delivers nicotine levels consistent with those which smokers of conventional combustible cigarettes have grown to expect. IQOS delivers nicotine at nearly the same level as combustible cigarettes, unlike e-cigarettes which on average deliver less than 10 percent of desired nicotine dosage. Second, IQOS' heat-not-burn technology reduces harmful constituencies associated with combusting tobacco and cigarette paper sufficiently to provide health benefits equivalent to quitting smoking. IQOS appears to deliver reductions in harmful cancer-causing constituencies by over 95 percent.

In their attempt to commercialize their new technology, Philip Morris enlisted the US Food and Drug Administration (FDA) to support their claim of relative RRPs. Philip Morris has submitted over 1.8 million pages of clinical research results to the FDA for their review. Philip Morris hopes that FDA review may alert smokers, who in turn may convert to the IQOS alternative to cigarettes, so that they may be able to enjoy the effective equivalent to cigarette smoking (equal amounts of nicotine and tobacco flavor delivered), while at the same time enjoying the health benefits of effectively quitting.

Philip Morris has launched IQOS in key foreign markets, most notably, Japan. Philip Morris has invested heavily in marketing, distributing, promoting, sampling, etc. Philip Morris has launched IQOS in over 30 countries thus far. In those countries where they launch, Philip Morris typically invests in "pop-up" physical locations through which combustible cigarette smokers are guided during two-week consumer trials.

Philip Morris invests in staff to service smokers interested in sampling the IQOS so that they have necessary assistance in device maintenance and user experience. Philip Morris has borne extraordinary expenses in efforts to increase production to meet demand, having to airlift supplies to Japan, as that market's early adoption rates vastly exceeded expectations and as the company now must struggle to increase manufacturing of tobacco HeatSticks and the accompanying electronic devices to keep up with demand. Where permitted, Philip Morris has programs to help underwrite the cost of the electronic device, which can be considered the razor to the blades that are called "heat sticks" and contain a small chamber of tobacco and very large filters. Finally, Philip Morris invests heavily in digital communication of product attributes to drive interested smokers to IQOS pop-up locations and to stay in touch with sampling smokers to make sure that they properly anticipate their user experience to maximize the probability of full conversion.

The early results from the initial launch of IQOS have been nothing short of remarkable. In Japan, where the product was first launched commercially, IQOS has reached a nationwide share of over 11 percent. Indeed, there are several launch cities in Japan where IQOS has likely reached as much as 25 percent market share of tobacco consumption. More impressively, since inception, IQOS has converted more than two million former committed combustible cigarette smokers over to this smoke-free alternative. As IQOS sources users more from competitors' products, thus far in Japan, than from their own traditional Philip Morris cigarette brands, competition is suffering from significant traditional cigarette volume shortfall. Indeed, Japan Tobacco International, just this month, took an uncharacteristic price increase on their local cigarette brands without timing the price increase around national excise tax increases, as has long been their typical historic pattern. Japan Tobacco clearly feels the impact of lost volumes and is trying to make up the ensuing revenue shortfall through price increases.

Philip Morris is finding that its launch costs, though burdensome, tend to wane with time. Although the early sampling and promotion is best done in dedicated (and costly to operate) pop-up locations, Philip Morris finds that once penetration in a country reaches around 2.5 percent of traditional cigarette volumes, the main driver for initiation shifts from formal pop-up store activation to word of mouth. With the shift towards word-of-mouth activation, the velocity of conversion and penetration expands exponentially, as there are massively more advocates within the universe of 2.5 percent of smokers converted to IQOS, than impressions that could be obtained from stores.

Philip Morris has also found that the efforts on the part of governments in international markets to allow for cost-effective launch of this massively less harmful product has helped Philip Morris absorb some of the high-fixed costs of their formal roll-out. Most notably, governments in many of Philip Morris' markets have allowed for substantial excise tax rebates to help Philip Morris absorb upfront roll-out expenses with access to excise taxes not collected. IQOS comes to market typically at the same price per daily use as a traditional pack of cigarettes. Hence, government offers, to reduce excise tax, direct the foregone tax to Philip Morris which provides extra margin to offset upfront roll-out costs. The impact of such excise tax forbearance offers massive near-term leverage to launch operating margins. (IQOS pack margins can be two to three times more profitable than traditional cigarettes during periods of excise tax rebates.) Though likely temporary in nature, such excise tax rebates sharply help to defray launch costs.

While there remains much to be resolved with the long-term implications of the launch and advancement of Philip Morris' IQOS product, the reality is that Philip Morris gains tremendous competitive advantage from their "capacity to reinvest" mature market free cash flows into RRPs designed to meet consumers' evolving needs. Their willingness alone to act at such scale suggests the power of the belief of Philip Morris management in their "capacity to suffer" substantial current burden on reported profits in search for long-term wealth which confirms my core reason for holding their shares. It is especially impressive that such willingness to so burden reported profits came from the one company whose reported profits were already being the most burdened by something outside of their control, i.e., the soaring value of the US dollar!

The competitive advantage of having stolen a march on competitors by early willingness to invest deeply shows today as Philip Morris' competitors struggle to deliver anything to market at remotely the same impact and early adoption as IQOS has delivered. Philip Morris' willingness to invest in products that promise to potentially even destroy their core profitable business fulfills a creed articulated during the first internet bubble by Harvard's professor, Clayton M. Christensen, who argued in his then best seller, <u>The Innovator's Dilemma,</u> that such bold steps are required if a company is going to be able to stay with consumers in fast-moving global markets. Philip Morris' chief executive officer, André Calantzopoulos, has affirmed Philip Morris' resolve to deliver a sequence of transformative and disruptive new technologies to address consumers' desires while permitting significant health benefits that can accrue to innovations such as IQOS.

IQOS – the functional equivalent delivery of nicotine and tobacco flavor as smoking and the health equivalent of quitting. Truly a disruptive product. Philip Morris should enjoy an enduring first-mover advantage resulting from these early successes. For Philip Morris shareholders, it is most encouraging to recognize how much work competitors now have to do to try to catch up and how valuable first-mover advantage ought to be for Philip Morris to help them recoup investments they made early on at levels competitors were simply not willing to absorb on their reported profits due to uncertainty.

The "capacity to suffer" near-term pain for long-term gain. Near-term pain from burden to near-term reported profits. Long-term gain enjoyed by those who possess first-mover advantage and product breakthroughs that can deliver long-term wealth. This remains the focus on holdings within Semper Vic and especially so amongst those companies with family control that can protect management from short-term Wall Street pressures. However, it is not simply family-controlled companies that can exercise such "capacity to reinvest," as so clearly evidenced by today's developments at Philip Morris.

Philip Morris' IQOS is a terrific example of resolve from a company without controlled shareholders. The excitement of how such successful reinvestments can transform the prospects for our portfolio companies is evident by IQOS internet activity in China. I recently learned that even though IQOS product is not yet legally offered in China, the cost of an IQOS electronic device on the website in China, equivalent of eBay, has exceeded $1,450 per device. This is in contrast to the retail price with which the fortunate few have been able to buy the IQOS device in Japan, as well as in London, Switzerland, etc. of roughly $60-80 per device. As well, there are over 10,000 hits per day on the keyword "IQOS" in China indicating the pent-up interest in this RRP even in markets as closed and as impenetrable as is China's state-owned and state-run tobacco monopoly!!!

Nestlé management has shown similar resolve to take advantage of their "capacity to suffer" through their culture of long-term mindedness, even though they, too, have lacked the protection of controlled ownership provided by founding families.

"N-E-S-T-L-E-S, Nestlé Makes the Very Best, Chocolate"

Nestlé has long been a featured investment in Semper Vic Partners, largely because of its vast "capacity to reinvest" and its management's belief in their "capacity to suffer" near-term pain for long-term gain. Nestlé does not possess these capacities because of family control. Rather, I believe, they have enjoyed special success in long-term investing despite short-term pain due to the remarkable culture within Nestlé that has a built-to-last Swiss mindset focused on building for long-term value.

Indeed, I conceptualize my investments through Nestlé in two parts. On the one hand, through our investment in Nestlé, we participate in one of the most attractive "bonds" in financial markets anywhere. This "bond" is the cash flow producing engines that are represented by long-standing product categories and geographies that Nestlé has long dominated. These categories are particularly cash generative and the Nestlé bond can be valued independently of its reinvestment potential. As such, you can imagine how much appreciation has occurred in Nestlé's "bond value" as declines in global interest rate environments have driven fixed income valuations sharply upwards over the past decade. Nestlé's "bond" of existing businesses, that support cash flows that could serve as interest, has soared in value over the same period, along with fixed income investments in general.

Nestlé, however, is blessed to have, attached to the Nestlé bond, a Nestlé "venture capital fund." However, Nestlé is not just any venture capital fund, but one that rather enjoys enormous competitive advantage, as its brands offer product platforms that respond favorably to product innovation due to high consumer loyalty to brands around which such innovation can take place. Nestlé's venture capital fund enjoys the benefit of industry-leading consumer product experts deploying its almost boundless cash flow streams into regions and products offering promising reinvestment. These managers are multilingual, multicultural – fluent in language and mores of regions of the world through which successful venture capital investments from "Nestlé's nest" will flourish. Finally, few venture capital operations have access to state-of-the-art deep insights into health, nutrition, and wellness that Nestlé can offer its venture capitalists, both from in-house talent in Nestlé's Health Science department, with its focus on nutrition and wellness, and from outsourced innovations from a network of global third-party, industry-leading research partners and providers.

Nestlé Corporate Culture – A Look Back, A Look Forward

Nestlé has succeeded during four decades of my ownership largely because they have been able to create and sustain a corporate culture more focused on long-term wealth creation than on meeting near-term earnings' targets. I knew that I had come upon a different corporate culture as early as the late 1980s and early 1990s, when I first met Nestlé's then rising star and, more recently, long-standing chairman of the board, Peter Brabeck. I knew after my first few meetings that Mr. Brabeck would be just the sort of leader and caretaker of corporate culture for whom I searched.

I believe that it may even have been during my first meeting with Mr. Brabeck, back in the late 1980s or early 1990s, when Mr. Brabeck first began to interact with Wall Street, that he was confronted with two questions; his answers for which I found to be inspiring.

First, he was asked by a Wall Street analyst, with slight derision due to the general belief at the time in Nestlé's sleepy culture, what the planning horizon was when Nestlé looked out for investments. Clearly, this particular sell-side analyst and his financial-world colleagues' worst fears were met when Mr. Brabeck, without missing a beat, responded "35 years, but we break specific plans down into five-year increments." This was music to my then, still nascent, "long-term gain" mindset, but was obviously not what impatient Wall Street sell-side analysts wanted to hear.

Second, an analyst asked what Mr. Brabeck's plans were to reduce expenses throughout their presumably bloated operations. Mr. Brabeck's attempts to describe steps to over time increase efficiency and effectiveness were dismissed as insufficient by this and by several subsequent analysts. In desperation, Mr. Brabeck threw up his hands and exclaimed, "Look, Europe is not the United States; we operate largely in Europe. What do you want from me … to go through the organization with a 'machine gun'?"

Clearly, Mr. Brabeck suggested again that theirs was a longer-term planning horizon than that which US analysts desired to hear, leaving the audience quite deflated and me elated to have found, in Mr. Brabeck, a leader who could oversee a considerable amount of my investors' funds. Mind you, part of the appeal, as well, involved just how few other long-term-minded investors there were investing in even as global a leader in its field as was Nestlé. It was extremely difficult in the late 1980s for Americans to invest in Nestlé. When I began to invest in Nestlé, in fact, I was only permitted, on behalf of US investors, to invest in participating certificates of non-voting bearer shares. On top of those limitations, it was also nigh impossible to simply settle, through US-based custodians, Swiss trades for most of my early clients in the mid-1980s.

Caretaker of Corporate Culture

I plan to spend my remaining time in this letter on Nestlé focused more on the culture which I have so admired, first under Mr. Brabeck's tenure as chief executive officer and, thereafter, during his tenure as board chair. I will refer to many interactions over the three decades of my holdings in Nestlé to reflect how they cumulatively build the culture which today, for the first time ever, will be led by a chief executive officer who did not grow up within the Nestlé family. I hope to provide you with an idea of many of the cultural values shared historically, as well as provide an update into what Nestlé might very well look like under leadership of recently appointed chief executive officer, Mark Ulf Schneider.

I knew at once that Mr. Brabeck would be a person with whom I could safely entrust a substantial portion of my capital under management. Indeed, for most of the 30-year existence of Semper Vic Partners, L.P. and for accounts separately managed over this period in a fashion parallel to Semper Vic, Nestlé, Philip Morris, and Berkshire Hathaway have consistently represented my largest holdings. (Today, for example, their combined positions represent nearly 30 percent of my assets under management.) Currently, Nestlé represents slightly less percentage weight in Semper Vic Partners, L.P. than Berkshire Hathaway shares (10 percent versus 11.5 percent, respectively) and slightly higher than Philip Morris' shares (10 percent versus 9.25 percent, respectively).

Before addressing overarching aspects of Nestlé's general corporate culture, a brief review of one of Nestlé's key innovations, Nespresso, which highlights Nestlé's "capacity to reinvest" and "capacity to suffer," should prove instructive. The Nespresso investment was as disruptive at the time proposed to Nestlé's board as must have been Philip Morris' then proposed investment into reduced-risk, heat-not-burn tobacco devices to Philip Morris' board four years ago. Both firms were massive leaders in their long-standing, immensely profitable historic businesses. Both plotted launch of disruptive new products that threatened to obsolete the very business that formed the core of their long-standing franchises.

In the case of Nestlé, the product proposed was a single-serve, high-quality espresso product to be named Nespresso. Given that Nestlé, at the time of proposed investment in Nespresso, had over 40 percent of the global market for soluble coffee, the thought of producing a premium product that could cannibalize the high end (and high margin end) of the supermarket coffee business was very likely not an idea about which Nestlé's board would have felt most comfortable. Indeed, I understand that the board so feared Nespresso's cannibalization threat that, over the 15 years that it took before Nespresso broke even, the product was threatened with closure by the board at least a dozen times.

The project, under Mr. Brabeck, stayed on course even with challenges from the board about its wisdom. Mr. Brabeck was most impressed, however, by the premium price point into which Nespresso promised to move Nestlé's otherwise more mainstream coffee business. Maybe even more importantly, Mr. Brabeck fancied the end run that he felt Nespresso gave Nestlé's coffee business around the vice-like grip that supermarkets exercised over instant and ground coffee brands that went to market through supermarkets. Their then threatened endless rise of private label, and pricing pressures that promised to ensue, drove Mr. Brabeck to seek an alternative route to market upon which Nespresso envisioned to entirely rely (e.g., boutiques, Nespresso cafes, telephone marketing, and an e-commerce-exclusive closed route to market).

While Nespresso struggled to make its way to market, Nestlé invested ceaselessly in perfecting the technology, the coffee sourcing by global region, etc. to present consumers with high-end, single-serve products to serve needs of at-home premium coffee not previously thought to exist. Despite Nespresso not breaking even for its first 15 years, the product management team felt that they had the "capacity to suffer" burdening those already high coffee margins in their search for a competitive and premium solution. Though not supported by family owners, Nestlé's long-term-minded culture endured pain for nearly 15 years. Today, Nespresso generates nearly $5 billion of system revenues and continues to show growth rates well in excess of overall global coffee markets and continues to provide Nestlé with incremental "capacity to reinvest" funds into more boutiques and into opening up more jurisdictions into which to launch Nespresso's line-up.

Nestlé's culture had been shaped, for as long as I have invested in its shares, by a host of fitting metaphors and allegories shared to its staff by chief executive officer, and ultimately chairman, Mr. Brabeck. My belief is that the ease by which his motivating expressions could be understood helped keep the firm fiercely focused on building wealth tomorrow despite burdens upfront investments placed on reported results today. A handful of culture-inducing metaphors from Mr. Brabeck appear below.

Athletic shoes. One of the first profound expressions of aspiration to move Nestlé forward, with an enhanced sense of urgency from the culture which Mr. Brabeck first addressed, involved the metaphor of athletic shoes. Mr. Brabeck, a well-known technical mountain climber and sportsman, whose reputation preceded his arrival as chief executive officer, shaped his expressed goals for Nestlé's culture around shoes. He said that he observed a culture that, upon his ascent to the chief executive officer suite, was lounging about in bedroom slippers. Recognizing how challenging it was to transform culture, he implored all Nestlé members to consider steps it would take for them to migrate up gradually into a more athletic orientation.

From bedroom slippers, to walking shoes, to running shoes, to racing shoes. From hiking shoes, to climbing shoes, to mountain climbing shoes, etc. The culture Mr. Brabeck inherited, he feared, was set with too slow a pace and his metaphors were intended to drive his firm to pick up the pace.

Why not Hershey? A second expression of Mr. Brabeck's views on cultural awareness of the firm, over which he served as chief executive officer, involved an earlier reputed attempt by Nestlé to acquire US-based The Hershey Company. At the time, Mr. Brabeck had denied interest in the transaction even though the conference room, in which a meeting that I attended at the time, was filled upon my arrival with bowls overflowing with samplings of all of Hershey's most iconic offerings. In any case, with such indicting confectionary removed from the room before other investors/analysts arrived for lunch, the questions arose from a young sell-side analyst as to "Why was Mr. Brabeck not willing to reach to acquire Hershey? Was it because he was too conservative and preferred to retain his AAA credit rating?" To which Mr. Brabeck's following reply was instructive again of his ambition for Nestlé's culture:

Mr. Brabeck responded with several points. First, he suggested that, since he had not indicated a position on the deal, he resented being told by a young analyst that he lacked daring by not being willing to risk his balance sheet to accomplish the acquisition. Mr. Brabeck replied that, as is so often the case, the young analyst thought it would be great to reach for the big deal, diminish Nestlé's credit rating, and take on incremental financial risk that Mr. Brabeck preferred not to absorb. Second, Mr. Brabeck said that as a mountain climber, he recognized that the most difficult part of a climb was not the ascent, but rather the descent. The descent is where those who deplete their resources racing up the hill find that they run out of reserves and strength to navigate the decline. Mr. Brabeck suggested that the youthful analyst's declaration that Mr. Brabeck was simply too cautious to take on the easy-to-close acquisition was akin to urging one to race up a mountaintop with reckless abandon, discarding needed clothing and fuel along the way to ascend in record time. So, too, did he wish Mr. Brabeck to abandon his AAA rating which he had, and needed, to reach for a distant mountaintop that he neither needed nor likely could afford. Staying power to have a stronger tomorrow remains part of Nestlé's culture today, even though analysts today, much like 25 years ago when Mr. Brabeck revealed his mindset for not racing after The Hershey Company, would prefer more action today even if risking tomorrow in doing so.

Route to market. Mr. Brabeck has long suggested that Nestlé will need to maintain flexibility regarding route to market. He excoriated British supermarkets in the 1980s and 1990s over their inexorable march towards ever greater space dedicated to private label. He warned them that consumer preference for branded varieties formed the core for healthy comparison shopping. He suggested that moves too far over to private label would end up pushing consumers away.

Fast-forward to today, e-commence has assumed the disruptive role once played by private label and Mr. Brabeck and his colleagues today search for solutions through partnerships, joint ventures, etc. to continue to pursue non-traditional routes to markets for their products. Nespresso's boutiques and cafes continue to roll out to capture such direct-to-consumer benefits. Similarly, partnerships with Alibaba Group in China and Amazon.com, Inc. point to Nestlé's efforts to follow consumers where they shop.

Health, nutrition, and wellness. Nestlé's pioneering work in health, nutrition, and wellness provides focus for all its business lines as they attempt to globally deliver, at accessible price points, socially responsible food and beverage offerings. Mr. Brabeck and the rest of Nestlé's culture understands that a growing world and a growing urban world will massively stress traditional practices in sourcing and delivering protein efficiently in an increasingly resource-starved world. Nestlé bears expenses in the billions of dollars annually focused on innovations in product features, routes to market delivery technology, environmental impact of their food and beverage line-up, etc. Today, Nestlé bears such expenses for enhanced future returns, realizing only too well that businesses today operate only by the thinnest social permission to do so, which can be revoked in seconds if firms are viewed to fall short of their social responsibilities.

Nestlé experienced the pace of such challenges over the past several years when forced to respond to allegations, wholly undeserved it turns out, regarding its leading Maggi noodle soup staple of the Indian market. Allegations suggesting that Nestlé intentionally exposed consumers of Maggi's products to avoidable, potentially lethal, product impurities sent Nestlé's Indian market consumer trust scores from the high 90s (98 percent) to the high-single digits (approximately 8 percent). Nestlé bore over $500 million in costs remediating their reputation for expenses incurred for claims wholly without merit in the first place. Nestlé and our other consumer products companies, who touch consumers in such daily ways, realize the responsibilities that they must bear at all times to respect and overdeliver on socially responsible standards their communities demand of them.

Nautical Mr. Brabeck. Three expressions over the years involving Mr. Brabeck's observations about Nestlé's businesses have surfaced through Mr. Brabeck's love of the sea. One pair of such observations involved the America's Cup boat on which Mr. Brabeck was privileged to crew during races years ago. I recall his view on the role of the chief executive officer evolved as a result of that excursion.

When Mr. Brabeck asked his friend, on whose boat he sailed, why his friend did not intervene at all with the skipper who manned the wheel and exclusively sailed the race, his friend replied, "That's easy … even though I own the boat, the pilot is charged with sailing it. Rather than try to impose my views as owner on the pilot's choices, I would prefer to let the pilot sail and replace him with another if I felt that he regularly made poor decisions." Mr. Brabeck found the notion of accountability and ownership/involvement to be quite interesting. I do believe he felt that it had analogues in the relationships between chair (speaking on behalf of owners) and corporate chief executive officers. Second, Mr. Brabeck reflected on a sense of irony with pride when he observed that even though the racing boat's spinnaker proclaimed allegiance to one of their corporate sponsors, illycaffè, down below deck, Nespresso was the coffee of choice!

Aircraft carrier to speedboats. Finally, Mr. Brabeck began, late in his tenure as board chair, to worry about the possibility of institutional sclerosis. He realized how difficult it was to turn a battleship set in motion and hence began to commend that the model of Nestlé ought to transform from big platforms, that felt as impregnable as battleships, to a flotilla of fast-moving, quick-to-strike speedboats covering the same ground but doing so with greater flexibility and agility.

Works right in practice, though terrible in theory. Mr. Brabeck voiced frequent discontent with Wall Street sell-side researchers (and, more recently, Wall Street activists) who for a long time have pressed on a single-minded drumbeat that Nestlé ought to be only in the business of operating companies and that large equity stakes in other public companies should have played no role in Nestlé's future since, after all, investors themselves could easily invest added cash in those other businesses if they so desired, not needing, therefore, to have Nestlé tie up its balance sheet in such companies.

Mr. Brabeck's response to such pleas over the years was "give me a break." Both investments, L'Oréal and Alcon, were made for modest amounts (i.e., if my memory serves me correctly, no more than $100 million in each case at the start) which had over the years grown in value to well over $40 billion for each holding.

However, in a drumbeat of consensus opinions by analysts over the years, the dream of the ideal (i.e., "purely operating company, no public equity holding") would have long served as the enemy of the good. The notion that businesses had to be solely operational and had to rid themselves of perfectly productive strategic holdings carried little weight with Mr. Brabeck. The businesses cumulatively added, I believe, nearly $80 billion of value to Nestlé over the decades, an accomplishment for which there should be praise rather than demands for full divestiture of what remains.

Two hundred dinners at home per year. Finally, I learned more about Nestlé's culture from listening to how Mr. Brabeck participated in Nestlé talent management. Mr. Brabeck suggested how important he took his task, as both chief executive officer and later as chairman, in determining plans for succession planning and career development. Mr. Brabeck suggested that he kept his list of potential candidates for "higher office" well updated and ready to assist when change inevitably occurs. Mr. Brabeck suggested that he felt it to be part of his responsibility, as regularly as his travel schedule permitted, to visit with promising executives, ideally at their home, and ideally over dinner with the executives' spouses.

While the thought of what I recall he said, about which in hindsight seems almost impossible, that he even attempted to have visits with the top 200 of his most promising reports annually, if possible, impressed me deeply. I was particularly impressed with what I recalled him saying that, whenever possible, he preferred to have such meetings at his colleague's home, along with spouse, to be equally wise. After all, as a judge of character and capability, a visit to one's house can be extremely revealing. While individuals can conceal stress indefinitely with the help of support staff at the office, if one is indeed beginning to reach the limits of his or her capacity, where it will likely most show up is in the home and on the faces of their spouses. One who is reaching limits of capacity can be revealed by the ease with which their spouse suggests the executive handles his time away from work. Moreover, the capacity-constrained executive, who seems to still manage smoothly affairs at work, may have a fairly disrupted home setting, which again could suggest that the individual, rather than having additional bandwidth for further responsibility, may have already begun to reach personal limits.

Whether or not the portion of Mr. Brabeck's comments to me have withstood the passage of time or whether or not I embellish them into what I believe to have been a remarkable practice, I do find the notion of keeping under close scrutiny the list of skilled managers eligible for advancement, whose prior success placed them in running for higher office, to be illuminating. Advancing up in the list, however, depends on whether Nestlé can independently verify if they had already reached the limits of their managerial bandwidth. Avoiding appointing someone in that later condition will avoid a host of other consequential damages that would inevitably arise when the limited bandwidth of that improperly advanced associate snaps.

In closing, this investor letter has been focused on my deep preference for businesses that possess two capacities. First, the "capacity to reinvest." I look for, and believe I have found over many years, a handful of companies that have the ability to invest mature market free cash flows behind campaigns intended to deliver enhanced returns later, even when doing so up front may reduce near-term reported profits. Second, I have found that backing managements who have the "capacity to suffer" censure from Wall Street, or from activist investors when investing today for gain tomorrow, prevents delivery of smooth, near-term reported results.

I focus my efforts to find companies which enjoy the "capacity to reinvest" on businesses where I believe there to be a minimum of agency costs. Berkshire Hathaway, our largest holding, has profited by having a chief executive officer empowered to take economic and rational investment bets even when competitor company managements shy away because of their fear over disappointing near-term reported results. Berkshire's management, led by Warren Buffett, has been tirelessly focused over decades on increasing the intrinsic value of our shares on a per share basis and on nothing else. Berkshire's chief executive officer is free to do anything that adds long-term value, regardless of short-term adverse consequences, to reported profits that attend such long-term-minded investments.

More importantly, Berkshire's chief executive officer's interests are directly aligned with outside shareholders, as management profits in no other way than in the long-term, tax-deferred growth in intrinsic value on a per share basis. In the case of Berkshire Hathaway, we have a chairman, Warren Buffett, who is also chief executive officer and controlling shareholder, reducing to insignificance the risk that Mr. Buffett would seek to take actions intended to directly benefit his personal interest at the expense of outside shareholders, as is so often the case in public companies today. There is no company with which I am familiar that exposes shareholder returns to less "agency cost" than Berkshire Hathaway.

I hope I have provided useful examples of how a handful of additional long-standing portfolio companies have benefited from having not only the "capacity to reinvest" but also management's "capacity to suffer" the often strident opposition that their competitors' managements face when they attempt to similarly invest for the very longest-term returns. I believe that this management "capacity to suffer" arises from proper protection provided management in many instances by either a long-term-minded corporate culture (e.g., Philip Morris

International and Nestlé) or by protection offered managements who invest for the longest term to further build upon the wealth of families who remain in control of such public companies (e.g., Heineken and Berkshire Hathaway).

The factors I seek are not complicated. The benefits that can accrue are palpable, as discussed in today's letter. Heineken was able to ignore Wall Street pressure at an earlier date to overinvest unwisely in Brazil. Conversely, they were free to invest, even at the expense of reported future earnings, when management stretched to acquire FEMSA (Mexico's second largest brewer), Asia Pacific Breweries (owner of Tiger beer from Singapore and leader in fast-growing Asian beer markets), and, most recently, Schincariol in Brazil, (only now at knock-down prices).

Philip Morris has been able to invest billions of dollars on projects that threaten to disrupt their own leading shares in traditional combustible cigarettes in the hopes of delivering disruptive, less harmful, RRPs. IQOS, Philip Morris' current launch, has already assisted two million smokers to quit smoking combustible cigarettes. Many additional such disruptive RRPs will soon enter the market in partnership with the already stunningly disruptive IQOS system.

Nestlé continues to invest organically to extend existing and already deep franchises in global food, health, and nutrition. Blessed with mature market free cash flows available for reinvestment, Nestlé's corporate culture rewards management for their search to deliver more gain tomorrow even when such investments cause pain today. Nestlé's culture continues to allow its management to invest behind roll-out of new products in existing geographies or behind roll-out of Nestlé into altogether new categories or geographies, even when doing so sharply burdens near-term profits. I believe Nestlé's new chief executive officer plans to continue with the "Nestlé model" while adding enormous talent at setting and at rewarding management for meeting ambitious, long-term specific goals.

My job remains focused on finding companies that provide appropriate culture and support for managements who can deliver on their willingness to bear more pain today in their hunt for more gain tomorrow. Alignment with properly oriented family-controlled companies will hopefully allow us to profit from tax-deferred appreciation of our shareholdings, as such control provides protection from censure or corporate activity from financial industry outsiders who all-too-often prefer just the opposite of what I seek (i.e., more gain today even despite risks that such near-term activity presents for pain tomorrow).

Housekeeping

Semper Vic partners may recall having received a note from our third-party administrator, Stone Coast Fund Services, requesting information and signatures related to a "repapering" process required of administrators and regulators. Most partners completed the documents requested at that time, however, some have not yet completed the requested documents.

The documentation, for partners who have not yet finished filling out their repapering requests, focuses on two areas of change that must be updated for administrative and legal compliance purposes. The first area involves completion of an Investor Questionnaire which covers additional regulatory requirements that have gone into effect since the receipt of your Subscription Agreement. The second area requests documentation intended to meet today's tightened Anti-Money Laundering (AML) requirements. The AML requested materials must be provided to allow our administrator to receive and disperse each partner's funds from the partnership. Please note, failure to do so will delay a future redemption request as Stone Coast will not distribute redemption proceeds without having the proper AML documentation on file.

Partners should know that Semper Vic Partners' administrative officer, Holly Breneman, and her colleague, Jennifer Zielinski, are prepared to assist with any questions about these required housekeeping steps and to help in any way possible.

Compliance

Please keep in mind our need to be updated on changes regarding your contact information, including e-mail addresses and any other facts and circumstances of your personal and professional lives that would be helpful and important to you for us to have. Additionally, in order for us to protect your privacy, it is important that we have on file proper written authorization to speak to or provide any account specific information to any third parties regarding your account. This third party information should be sent to the Partnership's administrator, Stone Coast Fund Services, at **investorservices@stone-coast.com** and please copy **SemperVic@GRGLancaster.com**. Finally, as always, if you have any Semper Vic administrative questions or concerns, please contact Holly or Jennifer either by phone (717) 299-1385 or by e-mail at **SemperVic@GRGLancaster.com**.

In closing, please rest assured that I continue to search globally for attractive new investments capable of balancing risk and return in ways similar to existing portfolio companies. As always, I look forward to hearing from investors regarding your direct holdings in Semper Vic Partners and/or regarding investments in general. I can be reached by phone (717) 299-1385 or e-mail at **Thomas.A.Russo@GRGLancaster.com**. Best wishes,

Thomas A. Russo
Managing Partner
Semper Vic GP, LLC

Attachments

Semper Vic Partners (QP), L.P.
Annual Summary of Limited Partner Returns

Year		Semper Vic Partners	Dow Jones Industrials	S & P 500
2017	(Thru 3/31)	10.0%	5.2%	6.1%
2016		2.5%	16.5%	12.0%
2015		4.9%	0.2%	1.4%
2014		5.9%	10.0%	13.7%
2013		21.1%	29.7%	32.4%
2012		23.9%	10.2%	16.0%
2011		6.7%	8.4%	2.1%
2010		21.2%	14.0%	15.1%
2009		26.9%	22.7%	26.5%
2008		-30.5%	-31.9%	-37.0%
2007		7.1%	8.9%	5.5%
2006		19.8%	19.1%	15.8%
2005		3.7%	1.7%	4.9%
2004		10.0%	5.3%	10.9%
2003		11.1%	7.1%	6.3%
Compound Annual Return		9.7%	8.4%	8.4%

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 (QP), L.P. and for the Dow Jones and the Standard & Poor's indices reflect dividends reinvested. Semper Vic Partners (QP), L.P. results are for Semper Vic QP, a limited partnership established October 15, 2003. 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 (QP), L.P. estimated monthly performance (including year-to-date and compound annual performance) are unaudited. Past performance is not a guarantee of future results and does not diminish possibility of loss.

Performance Review

Semper Vic Partners (QP), L.P.

October 14, 2003 to March 31, 2017

	ENDING MARKET VALUE	CONTRIBUTIONS WITHDRAWALS	TOTAL PORTFOLIO	EQUITY HOLDINGS	DJITR	SP500T
Monthly						
March	2,422,847,333	(198,270)	2.0	2.1	(0.6)	0.1
February	2,373,825,470	(65,241)	3.6	3.7	5.2	4.0
January	2,289,753,095	(43,257,343)	4.1	4.2	0.6	1.9
Quarterly						
First	2,422,847,333	(43,520,854)	10.0	10.3	5.2	6.1
Yearly						
03/31/2017	2,422,847,333	(43,520,854)	10.0	10.3	5.2	6.1
12/31/2016	2,241,039,984	32,789,079	2.5	3.5	16.5	12.0
12/31/2015	2,134,178,378	(159,773,441)	4.9	6.0	0.2	1.4
12/31/2014	2,173,468,437	(122,049,262)	6.1	7.2	10.0	13.7
12/31/2013	2,148,576,813	418,710,204	21.1	23.1	29.7	32.4
12/31/2012	1,374,591,684	262,064,792	24.0	25.8	10.2	16.0
12/31/2011	858,526,894	156,616,373	6.8	8.0	8.4	2.1
12/31/2010	644,451,958	62,711,649	21.2	22.7	14.1	15.1
12/31/2009	470,715,777	(43,600,487)	27.1	27.9	22.7	26.5
12/31/2008	413,405,554	(18,802,376)	(30.4)	(30.5)	(31.9)	(37.0)
12/31/2007	613,999,934	71,532,629	7.2	8.2	8.9	5.5
12/31/2006	504,165,128	155,373,189	20.0	21.5	19.1	15.8
12/31/2005	268,305,777	124,523,679	3.9	4.6	1.7	4.9
12/31/2004	134,383,897	84,903,758	10.2	11.8	5.3	10.9
12/31/2003	38,071,504	35,650,982	11.1	11.9	7.1	6.3
TIME-WEIGHTED CUMULATIVE RETURN			252.9	307.1	196.5	197.3
COMPOUND ANNUALIZED RETURN			9.8	11.0	8.4	8.4

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

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. Reported Partnership net-of-fees performance may be impacted by the presence of non-billed, family accounts. Past performance is not a guarantee of future results and does not diminish possibility of loss.

Performance Review

Semper Vic Partners (QP), L.P.

October 14, 2003 to March 31, 2017

	ENDING MARKET VALUE	CONTRIBUTIONS WITHDRAWALS	TOTAL PORTFOLIO	EQUITY HOLDINGS	MSCIEAFE	MSCIEXUS	MSCIEM
Monthly							
March	2,422,847,333	(198,270)	2.0	2.1	2.9	2.6	2.5
February	2,373,825,470	(65,241)	3.6	3.7	1.4	1.6	3.1
January	2,289,753,095	(43,257,343)	4.1	4.2	2.9	3.6	5.5
Quarterly							
First	2,422,847,333	(43,520,854)	10.0	10.3	7.4	8.0	11.4
Yearly							
03/31/2017	2,422,847,333	(43,520,854)	10.0	10.3	7.4	8.0	11.4
12/31/2016	2,241,039,984	32,789,079	2.5	3.5	1.5	5.0	11.2
12/31/2015	2,134,178,378	(159,773,441)	4.9	6.0	(0.4)	(5.3)	(14.9)
12/31/2014	2,173,468,437	(122,049,262)	6.1	7.2	(4.5)	(3.4)	(2.2)
12/31/2013	2,148,576,813	418,710,204	21.1	23.1	23.3	15.8	(2.6)
12/31/2012	1,374,591,684	262,064,792	24.0	25.8	17.9	17.4	18.2
12/31/2011	858,526,894	156,616,373	6.8	8.0	(11.7)	(13.3)	(18.4)
12/31/2010	644,451,958	62,711,649	21.2	22.7	8.2	11.6	18.9
12/31/2009	470,715,777	(43,600,487)	27.1	27.9	32.5	42.1	78.5
12/31/2008	413,405,554	(18,802,376)	(30.4)	(30.5)	(43.1)	(45.2)	(53.4)
12/31/2007	613,999,934	71,532,629	7.2	8.2	11.6	17.1	39.9
12/31/2006	504,165,128	155,373,189	20.0	21.5	26.9	27.2	31.6
12/31/2005	268,305,777	124,523,679	3.9	4.6	14.0	17.1	35.0
12/31/2004	134,383,897	84,903,758	10.2	11.8	20.7	21.4	25.1
12/31/2003	38,071,504	35,650,982	11.1	11.9	9.6	9.4	8.0

Performance Review

Semper Vic Partners (QP), L.P.

October 14, 2003 to March 31, 2017

	ENDING MARKET VALUE	CONTRIBUTIONS WITHDRAWALS	TOTAL PORTFOLIO	EQUITY HOLDINGS	MSCIEAFE	MSCIEXUS	MSCIEM
TIME-WEIGHTED CUMULATIVE RETURN			252.9	307.1	132.0	145.9	221.9
COMPOUND ANNUALIZED RETURN			9.8	11.0	6.5	6.9	9.1

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

Additional Indices:

MSCIEAFE - Europe, Australasia, Far East
MSCIEXUS - All Country World ex US
MSCIEM - Emerging Markets

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. Reported Partnership net-of-fees performance may be impacted by the presence of non-billed, family accounts. Past performance is not a guarantee of future results and does not diminish possibility of loss.

Portfolio Valuation

Semper Vic Partners (QP), 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		30,000,000		30,000,000		1.2	0	0.0
	Dividends Accrued		5,297,718		5,297,718		0.2	0	0.0
	Cash And Cash Equivalents		323,289		323,289		0.0	0	0.0
			35,621,008		35,621,008	0	1.5	0	0.0
COMMON STOCKS- usd									
1,150	Berkshire Hathaway Inc Cl A	249,850.00	287,327,500	114,357.02	131,510,577	155,816,923	11.9	0	0.0
2,000,000	Philip Morris International Inc	112.90	225,800,000	61.58	123,155,704	102,644,296	9.3	8,320,000	3.7
2,925,000	Nestle SA-Spons ADR	76.90	224,932,500	51.07	149,367,688	75,564,812	9.3	5,606,555	2.5
1,750,000	Mastercard Inc Cl A	112.47	196,822,500	35.42	61,976,363	134,846,137	8.1	1,540,000	0.8
2,315,000	Compagnie Financiere Richemont SA	79.12	183,173,985	51.39	118,979,190	64,194,794	7.6	2,477,050	1.4
2,115,000	Heineken Holding NV	79.76	168,684,667	41.55	87,872,085	80,812,581	7.0	2,686,050	1.6
1,225,000	Pernod Ricard	118.61	145,301,041	96.72	118,483,469	26,817,572	6.0	1,690,500	1.2
1,317,500	Anheuser-Busch InBev SA	110.06	144,999,696	81.38	107,212,878	37,786,818	6.0	3,662,650	2.5
2,557,500	Wells Fargo	55.66	142,350,450	33.01	84,429,325	57,921,125	5.9	3,887,400	2.7
2,850,000	Unilever NV ADR	49.68	141,588,000	34.39	97,999,658	43,588,342	5.8	3,474,720	2.5
1,150,000	Altria Group Inc	71.42	82,133,000	21.93	25,221,355	56,911,645	3.4	2,806,000	3.4
225,000	The Swatch Group AG-BR	358.36	80,630,901	363.25	81,731,132	(1,100,231)	3.3	1,064,250	1.3
1,137,500	British American Tobacco PLC	66.27	75,386,504	39.12	44,499,171	30,887,334	3.1	2,275,000	3.0
320,000	Martin Marietta Materials	218.25	69,840,000	84.10	26,911,682	42,928,318	2.9	537,600	0.8
1,180,000	Brown-Forman Corp Cl A	47.07	55,542,600	19.35	22,830,306	32,712,294	2.3	861,400	1.6
1,875,000	Diageo PLC	28.55	53,538,798	20.91	39,209,068	14,329,730	2.2	1,387,500	2.6
1,344,000	Comcast Corp New Cl A	37.59	50,520,960	9.12	12,262,213	38,258,747	2.1	846,720	1.7
1,262,500	JC Decaux SA ACT	35.28	44,546,624	36.44	46,005,232	(1,458,608)	1.8	517,625	1.2
180,000	Scripps Networks Interactive Cl A	78.37	14,106,600	41.28	7,430,835	6,675,765	0.6	216,000	1.5
			2,387,226,325		1,387,087,930	1,000,138,395	98.5	43,857,020	1.8
TOTAL			2,422,847,333		1,422,708,938	1,000,138,395	100.0	43,857,020	1.8
TOTAL ASSETS			**2,422,847,333**		**1,422,708,938**	**1,000,138,395**	**100.0**	**43,857,020**	**1.8**

Gardner Russo & Gardner LLC
Contribution Detail by Security
Semper Vic Partners (QP), L.P.
Gross of Fees
From 12-31-16 to 03-31-17

Security	Avg Wgt	Return	Contrib
Berkshire Hathaway Inc Cl A	12.54	2.35	0.32
Nestle SA-Spons ADR	9.45	7.19	0.69
Philip Morris International Inc	8.83	24.54	2.04
Mastercard Inc Cl A	8.30	9.16	0.77
Compagnie Financiere Richemont SA	7.43	19.23	1.37
Wells Fargo	6.74	1.51	0.14
Heineken Holding NV	6.73	14.32	0.95
Anheuser-Busch InBev SA	6.14	3.77	0.24
Pernod Ricard	6.09	9.23	0.56
Unilever NV ADR	5.46	21.86	1.15
Altria Group Inc	3.69	6.47	0.25
The Swatch Group AG-BR	3.27	14.98	0.47
Martin Marietta Materials	3.08	-1.29	-0.04
British American Tobacco PLC	3.06	18.87	0.56
Brown-Forman Corp Cl A	2.44	2.15	0.06
Diageo PLC	2.25	10.65	0.24
Comcast Corp New Cl A	2.16	8.88	0.19
JC Decaux SA ACT	1.74	19.65	0.33
Scripps Networks Interactive Cl A	0.60	10.21	0.06
Total	**100.00**	**10.34**	**10.34**

Excluded from analysis:
Asset Class: Cash and Equiv.

Gardner Russo & Gardner LLC

Contribution Detail by Security

Semper Vic Partners (QP), L.P.

Gross of Fees

From 12-31-15 to 12-31-16

Security	Avg Wgt	Return	Contrib
Berkshire Hathaway Inc Cl A	11.49	23.41	2.55
Nestle SA-Spons ADR	10.21	-1.73	-0.19
Philip Morris International Inc	8.99	8.52	0.78
Mastercard Inc Cl A	7.83	6.89	0.50
Heineken Holding NV	7.50	-8.07	-0.60
Wells Fargo	6.52	4.54	0.43
Compagnie Financiere Richemont SA	6.49	-7.37	-0.49
Pernod Ricard	6.17	-3.90	-0.24
Unilever NV ADR	5.45	-2.65	-0.10
Anheuser-Busch InBev ADR	5.36	4.78	0.32
Altria Group Inc	3.70	20.28	0.70
British American Tobacco PLC	3.11	6.56	0.20
Martin Marietta Materials	2.98	63.73	1.52
Brown-Forman Corp Cl A	2.87	-14.87	-0.46
The Swatch Group AG-BR	2.76	-10.94	-0.28
Diageo PLC	2.35	-1.96	-0.04
Comcast Corp New Cl A	2.00	24.94	0.46
Anheuser-Busch InBev SA	1.58	-17.88	-1.27
JC Decaux SA ACT	1.58	-22.62	-0.40
Scripps Networks Interactive Cl A	0.54	31.28	0.15
SABMiller PLC	0.52	3.68	0.01
Total	**100.00**	**3.53**	**3.53**

Excluded from analysis:

Asset Class: Cash and Equiv.