ACADEMY
CAPITAL MANAGEMENT

April 9, 2014

Enclosed is your statement for the first quarter of 2014.

In our last quarterly letter, we pointed out that "While we are not inclined to making pronouncements about the 'market,' much preferring to discuss individual positions. We also think these questions are legitimate, so we would like to outline the way we are currently addressing such questions in our internal, Investment Committee discussions." We went on to make the case that both the equity and bond markets don't have any real risks for big down moves or any real opportunities for big up moves. That said, we seek to purchase great businesses at fair prices, regardless of the market environment. We believe if we can do that, we will have downside protection in our client's portfolios in contracting markets and upside potential in positive markets.

We are price-driven and market-agnostic in the purchase of assets. Instead of buying a stock, we look at the purchase of a company. We look for characteristics in a business that we would want in our own businesses. As a business owner, we want to own companies that generate piles of cash and don't require us to put that hard earned cash back into the business. We want that cash in our pockets! We also want "our" companies to grow earnings, and if possible, our percentage ownership of these earnings to go up over time. Lastly, we want the "value" of our companies to go up over time. By "value" we are not necessarily talking about the price of the stock on a certain day. We know, from watching big market moves, both up and down, that the price of a stock is not always a reflection of the "value" of a company. We also know that over time the market does ultimately get the "value" right.

So what we are saying is that if we can find great companies, with great competitive advantages that have great financial characteristics and we can buy them at reasonable prices, we will own business that will create positive returns on our investment with little downside risk. That is what we are striving for every day.

Let's look at two different businesses that we could own. **Both are "worth" about the same as far as the stock market is concerned.** Over the last 10 years, one business, we will call "Business A", has brought in the front door cash in the amount of $177 billion dollars. It had to reinvest about $76 billion back into the business to maintain its' dominate business position. If we owned this whole business, we would have collected $27 billion in dividends. Furthermore, the business used its' cash to buy back $95 billion of stock, effectively increasing our ownership of the business 38%. In other words, if we owned half of the business 10 years ago, we would now own over 80% of the business, all without us spending a dime of money out of our pocket! On top of all this, our company grew earnings from $7.6 billion 10 years ago to $16.5 billion last year. This sounds like a great business doesn't it? We think so!

Now let's look at "Business B". Over the last 10 years, Business B has brought $25 billion in the front door. It had to reinvest $18 billion back into the business. If we had owned the whole business, we would not have collected a penny of dividends. Furthermore, the business issued stock effectively diluting our ownership position. Our 50% ownership 10 years ago would be only 44% today! This company grew earnings from $168 million 10 years ago to $274 million last year. That was millions, not billions.

For the same price, would we rather own a company that is making $16 billion or $274 million? Would we rather own a company that has paid us $27 billion in dividends or $0 in dividends? Would we rather own a company where our ownership goes up or down? Most of us would rather own "Business A". We know the people working for you here at Academy would rather own "Business A"!

Earlier, we indicated that these two businesses were valued about the same in the public markets. "Business A" is selling at about 12.6 time's 2013 earnings. We feel like that is a discount to the fair value of this business with these characteristics. "Business B" is selling at about 675.9 times earnings! Needless to say, we feel like that is quite a stretch given the companies demonstrated business characteristics.

A word of caution here. We have all seen that the market can overvalue a company and the price of its' stock still go dramatically up. We have also seen the opposite, where an undervalued company can go down. **We are not saying that "Business A's" common stock will outperform "Business B's" over any specific time frame. What we are saying, is that if we can buy a portfolio of "Business A's" for our clients, we will generate meaningful positive returns over time with less risk that owning companies like "Business B". Hence, we get upside potential with downside protection.**

So you know, "Business A" is IBM, and "Business B" is Amazon. Our Investment Committee follows both companies. We have set buy and sell prices for each. Both are dominate businesses, one has grown the "size" of their business and the other has grown the "value" of their business. We want to own companies who have the demonstrated ability to grow the "value" of their business.

We hope this deepens your understanding of our process. We want you to stay informed and feel comfortable about our investing discipline. In communicating, we try to "do unto others as we would want done unto us." If you're new to Academy, past quarterly letters may be useful and may be obtained through your financial advisor or Margie Shelton at our office. In addition, our website (at www.academycapitalmgmt.com) has our investment reports on the individual holdings in your portfolio.

Government regulations also require us to send the enclosed copy of Academy's Privacy Notice and to make available a copy of our updated Form ADV - Part II (our regulatory filing with the SEC). If you would like one, please contact Robert Stovall at our office.

As always, we appreciate the stewardship responsibilities you entrust to us and your patience with our investment process.

Academy Capital Management