ACADEMY
CAPITAL MANAGEMENT

May 1, 2018

Enclosed is your statement for the first quarter of 2018.

For the quarter, stock prices and bond prices generally declined due to rising interest rates. The exceptions were the tech-heavy NASDAQ and short-term U.S. Treasuries.

Most importantly, the Fed has been tightening money supply, which raises interest rates. These higher rates are causing some asset prices to drop. For the past several years, “easy money” policies, in the form of low interest rates, have driven up almost all asset prices to lofty valuations. This “easy money” has been favorable to the economy’s recovery as unemployment has dropped and profits have been reinvested in improved business processes. The result for your portfolio was a significant buildup of cash as we sold stocks and did not find opportunities for reinvestment.

We view the impact of this “tightening” as more significant than most imagine. As citizens, we are concerned about the proposed degree of tightening. In our minds, a decade of “easy money” has created business models, employment levels and capital structures reliant on these policies. For the Fed to slow growth in this environment of high debt and disruptive change seems hazardous. However, as investors, we welcome this change in policy as so far, this year it has allowed us to purchase stock in four businesses that are new to our portfolios.

The spring quarter’s letter regularly addresses the businesses of the stocks which were *newly* purchased over the prior year. Although we also purchased additional shares of companies we had bought in prior years, last year’s list was a short one: only one new company.* We purchase stock in a company when we have identified three conditions: first, the company’s earnings have a healthy long term outlook; second, the company allocates its excess cash flows intelligently; and third, the stock of the company drops or languishes in price for an extended period. The company whose shares we purchased for the first-time last year because it met these conditions was Liberty Global, Plc.

London, UK-based Liberty Global, Plc. (LBYTK) is the largest international cable company with operations in 14 countries, primarily in Europe. Television is in the midst of disruptive change as subscribers move from a traditional pay television model of scheduled programming to a model of video programming on demand. This affects cable companies whose businesses were founded on specialty scheduled programming. However, due to their heavy commitment to video programming, cable companies invested heavily in the capacity of big “pipes” to the home and are naturally positioned to provide the essential utility of the 21st century: high speed internet. This secular trend is something we have successfully capitalized on for years with our Comcast holding. In addition, LBTYK is under the leadership of the famous billionaire "cable cowboy" – John Malone. John Malone is a PhD engineer who has led the cable industry for decades. His capital allocation is superb and has been written up in a book called "The Outsiders" chronicling the top capital allocating CEOs.

Our holdings are diverse. Some of the companies whose stock we hold are huge; some not. Some are global; some not. Some pay dividends; some don't. Some are widely diversified; some not. This diversity allows us to concentrate on the competitive strengths of our portfolio companies and to welcome market downturns that allow us to increase ownership at better prices. This is the primary reason why we are so pleased when market downturns occur. We remain optimistic that such downturns are in our future.

We hope this letter deepens your understanding of our process and your portfolio. 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 Joyce Bell at our office. In addition, our website (at www.academycapitalmgmt.com) has our investment reports on the individual holdings in your portfolio.

*It is important to reiterate that because we manage individual portfolios but write a general letter, your portfolio may vary from the typical portfolio assumed in our discussions.

If you would like a copy of Academy's updated Form ADV Part2A Disclosure Brochure, 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