ACADEMY
CAPITAL MANAGEMENT

April 6, 2015

Enclosed is your statement for the first quarter of 2015.

For the quarter, stock prices were generally flat, moving up and down in response to news affecting the likelihood of the Federal Reserve raising short-term interest rates. In light of consumer debt levels, a slow recovery and a strong U.S. Dollar, we see a raise as unlikely. As we have said before, we do not view low interest rates as a bad thing; more countries around the world are following in the U.S. footsteps. But the environment is "curioser and curioser" in the words of Alice in Lewis Carroll's classic. Interest rates in several countries are negative, meaning that lenders are paying borrowers to borrow money. When distortions such as these last long enough, investors are likely to lose their investment bearings.

At Academy, we believe the best investment opportunities exist in difficult periods. The support provided by low interest rates has propped up the value of stocks. Since the Panic of 2009, the earnings of companies in the S&P have doubled. That is strong growth. Meanwhile, the prices have tripled, causing a considerable challenge to our shopping, resulting in some significant cash holdings (money market funds and U.S. Treasuries) in accounts we manage. We realize we are not paid to hold cash, particularly since the level of today's yields on cash is so low as to appear a computer error. Despite the best efforts of central bankers, macro issues should provide us with periodic opportunities for purchases. However, we are not waiting for those to appear. We continue to explore and invest in some areas that we believe are attractively priced, despite the distortions induced by today's low rates.

The spring quarter's letter regularly addresses the businesses of the stocks which were newly purchased over the prior year. Last year's list was surprisingly large with eight purchases. Before we discuss these, it is important to note that because we manage individual portfolios but write a general letter, not all of these stocks may be in your portfolio.

We purchase stock in a company when we have identified three conditions: first, that the company's earnings resume or maintain a healthy growth; second, that the company pays some of these earnings to us in the form of dividends and share repurchases; and third, the stock of the company languishes in price for an extended period. (It is the last occurrence that gives most of you pause; it's natural – even at Academy, we occasionally lapse into discussions of stock price rather than business merits.)

We are interested in the purchase of great businesses at reasonable prices, where we have stubbornly defined “great” as a huge competitive advantage created by some form of consumer monopoly, such as a brand. In capitalism’s relentless competition to zero profits, we seek safety in these narrowly defined competitive advantages. Unfortunately, those are precisely the kinds of companies attracting investors who are bidding their prices far beyond our “margin of safety.” Despite that, we had a very productive year, purchasing eight companies.

The companies we purchased were Coca-Cola Company, Deere & Co., Heineken, Int’l Game Technology, Qualcomm Inc., Tesco, Western Union and Zoetis.

Atlanta GA-based Coca-Cola Company (KO) is the world’s largest beverage company. KO needs no introduction; its brand is one of the most well-known globally. In terms of competitive advantages, KO is superior. For years we have updated our internal investment reports on KO but not been able to purchase the stock at a reasonable price. Our opportunity came in 2014 when the rising dollar combined with slowing carbonated beverage sales to push the stock price down.

Moline IL-based Deere & Co. (DE) is the largest manufacturer of farm equipment in the world. One of the five oldest companies in the U.S., DE has built a powerful brand by combining smart marketing with quality products. DE is a cyclical company with a wide variation in annual earnings. We typically avoid companies with wide volatility in earnings, but are attracted to DE’s ability to capitalize on a long-term global requirement to increase crop yields. Last year’s bumper crop drove grain prices down, which drove down demand for farm machinery as well as the price of DE stock.

Holland-based Heineken (HEINY) is the world’s third largest brewer with numerous famous brands including Heineken and Amstel. In 1864, Gerard Adriaan Heineken (age 22!) convinced his mother to fund the endeavor because alcoholism would decline by getting customers to drink beer rather than gin. Since then, the family has guided HEINY, insuring a long-term approach to building brands and quality. Due to the challenges in Europe, HEINY finally reached our buy price. Like KO, we had written investment reports to ourselves for years while waiting for a buying opportunity.

Las Vegas NV-based International Game Technology (IGT) is a leading manufacturer of slot machines and related software. Founded in 1975 by Si Redd, known as “The Slot Machine King,” IGT became the dominant gaming company by investing heavily in research and distribution. Facing the challenges of geographic gambling fragmentation (like Macau), IGT’s stock dropped to our purchase price. Not long after we purchased it, IGT announced that it was being acquired by GTECH, a company with quite different characteristics. We waited until the beginning of 2015, to defer taxation, and sold our shares for a short-term, but profitable investment.

San Diego CA-based Qualcomm (QCOM) develops, markets and licenses CDMA technology. CDMA technology is basically a highly efficient way to move information on cell phones and Internet devices. QCOM has a dominance through ownership of this

technology. This dominance has presented a problem. QCOM just paid a $975 million fine as a result of anti-trust violations in China. New royalty agreements are also being developed. A perennially expensive stock, these negatives pushed the stock low enough for our purchase.

United Kingdom-based Tesco (TSCDY) is the world's third largest food retailer with a 30% market share in the U.K. and significant business globally. This is a business where scale helps create better pricing which, in turn, can be passed to customers to generate more volume. This is a "virtuous circle." To serve this business, TSCDY also has enormous real estate holdings. During the past year, accounting issues rose that caused the resignations of the top people. The stock dropped after our initial purchase and we purchased more. New management has come in. So far, we are impressed, but there is much work to do to restore the "virtuous circle."

Englewood, CO-based Western Union (WU) is a leader in global money movement and payment services. Started in 1851, Western Union got its start cobbling together telegraph lines in the East with those in the West, thus its name. The business is attractive because over 500,000 locations are supplied by businesses while WU provides an additional revenue source to these businesses. WU's stock weakened on news of domestic competition from Walmart as well as concerns over digital alternatives. Impressed with WU's capabilities on both fronts, its free cash flows and its history of stock repurchases, we used the low price as a chance to own its stock.

Kalamazoo, MI-based Zoetis (ZTS) is a leader in livestock and companion animal health. Spun off from Pfizer after 60 years, ZTS has had and still retains access to Pfizer's compound library. In addition, ZTS has a broad range of popular medicines and vaccines which have already gone off patent and for this reason, are highly profitable – much like consumer brands. ZTS has never really reached a price we would term "low." However, the trends in global livestock and in U.S. companion healthcare are so attractive that we could price an entry point. We hope for share weakness to build a larger position.

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. However, our selection of these companies all has one thing in common – a sustainable competitive advantage. There are a limited number of ways to gain and sustain this advantage. In the past, we have discussed some of them (such as "brands") but 2014 offered diverse advantages. We take pleasure in these strengths that our companies have generated. The wild movements of the market are much less stressful when our attention can focus on the competitive strengths of our portfolio companies. This is the primary reason why we are so pleased when market downturns allow us to increase our ownership at better prices. The distortions alluded to on the first page of this letter may play a role in that.

We hope this rather lengthy 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 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