Wintergreen Fund, Inc. Releases Semi-Annual Report to Shareholders

September 05, 2017 10:30 AM Eastern Daylight Time

MOUNTAIN LAKES, N.J.--(BUSINESS WIRE)--Wintergreen Fund, Inc. has released its 2017 Semi-Annual Report. The shareholder letter appears below and is also available at http://www.wintergreenfund.com.

Dear Fellow Wintergreen Fund Shareholder,

Wintergreen Fund, Inc. (the "Fund" or "Wintergreen") outpaced the Standard & Poor's 500 Composite Index ("S&P 500") during the first half of 2017. The Fund's performance during the first half of 2017 benefitted from strong returns from long-term holdings Reynolds American, Inc. (NYSE: RAI, "Reynolds"), British American Tobacco plc (LSE: BATS, "BAT"), and Nestle SA (SIX: NESN, "Nestle"). Birchcliff Energy, Ltd., one of the Fund's best performers in 2016, lagged during the first six months of 2017, along with Provident Financial plc, and Baker Hughes, Inc.

With the changing winds of the stock market, we believe that Wintergreen's value investing approach is a critical strategy for investors today. In addition to identifying companies with strong fundamentals and compelling growth paths at significant discounts, value investing allows investors to hedge a market stressed by securities that have become over weighted and overpriced due to the rise of passive index funds.

Keep your eyes on the stars,
and your feet on the ground. – Teddy Roosevelt

Since the Fund's inception in 2005, Wintergreen has held significant investments in both BAT and Reynolds. BAT's management team has increased the company's operating margin from the high-20s to mid-30s, doubled free cash flow to well over GBP[i] 3 billion per year, and raised the dividend by a 12% compounded annual growth rate. At the same time, the Reynolds management team used a value formula that consisted of employing pricing power, generating substantial free cash flow, and returning much of that cash to shareholders through increasing dividends and share repurchases. Earlier this year, BAT, which has a global footprint and had long held approximately 42% of Reynolds shares, announced a bid for the remainder of Reynolds, which primarily caters to consumers in the U.S. In addition to corporate due diligence, this deal required both government and shareholder approval before the transaction could occur. We saw significant value in both companies individually, and believed there was considerable future value whether or not the acquisition occurred. After careful consideration, the Fund supported the proposed transaction. We believe it will benefit shareholders of both companies for the long run.

It is worth noting that the BAT purchase of Reynolds closed on July 25, 2017, after the reporting period for this report. Reynolds shares will no longer trade on the NYSE, with the company now under full ownership of BAT. Reynolds continues to produce steady cash flows from its leading U.S. brands, while it assists BAT in its product diversification efforts. The merger seems to be well-timed for BAT shareholders as Reynolds is just at the beginning of an accelerated growth curve fueled by “next generation” products, or those that are smoke-free. We believe that BAT and Reynolds have rewarded shareholders handsomely over the years with historically predictable earnings, accretive acquisitions (including former portfolio holding Lorillard in 2015), and increasing dividends, and that the future of the now combined company continues to be bright.

Pursue the things you love doing, and do them so well
that people can’t take their eyes off you. – Maya Angelou

During the first-half of 2017, the Fund took profits on two sets of Nestle long-dated call options that the Fund purchased in 2013. At that time, Nestle was trading near CHF[ii] 65 per share, and it seemed that the market indicated flat growth for the company. We thought otherwise, as we have been investors in Nestle’s common stock since 2007, and participated in many growth developments including, product innovations, new categories, acquisitions, emerging market growth, and management changes. We identified and executed on an intriguing value investment in late 2013 when we took advantage of an opportunity in call options. The Fund bought a set of options with a strike price of CHF 60, and another set with a strike price of CHF 68. In early June of this year, when Nestle common shares traded at approximately CHF 83 per share, the Fund sold these options as they were ’deep in the money’.

We believe that our diligence and advocacy for the Fund’s shareholders allows us to take advantage of opportunities like this. It also is an example of our knowledge of options and our discipline to sell when purchased securities arrive at full value. While the Fund sold the options, it continues to hold the common stock because of our continued long-term confidence in the historically steady performance of this global giant and its new CEO. The first major step the new CEO plans to take is the sale of their U.S. chocolate business, which will include the Butterfinger and Baby Ruth brands. We endorse the strategy of concentrating on faster growing segments in Nestle’s operations and staying ahead of changing markets, trends, and tastes.

What is right is not always popular,
and what is popular is not always right. – Albert Einstein

In the U.S., most of the investment focus since the 2008 market disruption has been directed towards index/passive investing. The market weighted investment in large baskets of securities has become the default investment of many. We believe that Wintergreen continues to be well positioned as an alternative that provides meaningful diversification from any index. Wintergreen has maintained its approach without wavering from solid reliance on the sound principles of value investing.

We are pleased with the Fund’s recent performance and are enthusiastic about the future of true value investing. We believe that the Fund’s holdings are great companies with compelling valuations that the crowd has ignored, choosing instead to focus on a few stocks creating a momentum bubble. With the closing of the BAT/Reynolds deal, the Fund is positioned to take advantage of investing opportunities as they arise.

Thank you for your continued investment in the Fund.

Sincerely,
David J. Winters, CFA
Portfolio Manager

[i] British Pound
[ii] Swiss Franc

IMPORTANT INFORMATION

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus and summary prospectus, a copy of which may be obtained by visiting the Fund's website at www.wintergreenfund.com. Please read the prospectus and summary prospectus carefully before you invest.

The Fund is subject to several risks, any of which could cause an investor to lose money. Please review the prospectus for a complete discussion of the Fund's risks which include, but are not limited to, the following: possible loss of principal amount invested, stock market risk, value risk, interest rate risk, income risk, credit risk, currency risk, and foreign/emerging market risk, and sector and industry risk. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments. These risks are magnified in emerging markets. Short sale risk is the risk that the Fund will incur an unlimited loss if the price of a security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security. In light of these risks, the Fund may not be suitable for all investors.

For the period ending June 30, 2017, the Fund's Top Ten Equity Holdings were: Reynolds American Inc., 22.8%; Consolidated-Tomoka Land Co. (NYSE: CTO), 15.0%; British American Tobacco plc, 11.4%; Altria Group Inc. (NYSE: MO), 4.9%; Compagnie Financiere Richemont SA, Reg (SIX: CFR), 4.8%; Alphabet, Inc., Class A/C, (NASDAQ: GOOG, GOOGL), 4.7%; Heineken Holding NV (AMS: HEIO), 4.3%; Nestle SA, Reg, 3.8%; Union Pacific Corp. (NYSE: UNP), 3.6%; Elbit Systems Ltd. (TLV: ESLT), 3.5%.

The views contained in this report are those of the Fund's portfolio manager as of June 30, 2017, and may not reflect his views on the date this report is first published or anytime thereafter. The preceding examples of specific investments are included to illustrate the Fund's investment process and strategy. There can be no assurance that such investments will remain represented in the Fund's portfolio. Holdings and allocations are subject to risks and to change. The views described herein do not constitute investment advice, are not a guarantee of future performance, and are not intended as an offer or solicitation with respect to the purchase or sale of any security.

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