
Matthew 25 Fund

SEMI-ANNUAL REPORT

JUNE 30, 2013

(UNAUDITED)

Matthew 25 Fund
1-888-M25-FUND

Fund Symbol: MXXVX
Website: www.matthew25fund.com

This report is provided for the general information of Matthew 25 Fund shareholders. It is not authorized for distribution unless preceded or accompanied by an effective prospectus, which contains more complete information about the Fund. Please read it carefully before you invest.

MATTHEW 25 FUND

MANAGER'S COMMENTARY JUNE 30, 2013 (UNAUDITED)

Dear Matthew 25 Fund Shareholders,

Our Matthew 25 Fund's return for the first 6 months of 2013 was a gain of **11.046%**. A **\$10,000** investment in our Fund at the start of 1996 grew to **\$63,031** during the **17½ years** ending 6/30/2013. This was an **11.09%** average annual compounded return.

The performance for the first 6 months of 2013 was positive due to gains in almost all of our holdings from year-end 2012 except for Apple and Caterpillar. Apple was the major drag on performance declining in price by 25.5%. Our other 18 holdings from year-end were positive. The stocks with 20% or greater price gains were Berkshire Hathaway, Cabela's, East West Bancorp, Google, JP Morgan Chase, KKR & Co., and Kansas City Southern. There were six new investments in our portfolio with mixed results so far. Devon Energy, Fannie Mae Preferred Stocks and Telefonica were below purchased prices while Halliburton, Kelly Services and Southwestern Energy were above their initial costs.

Recently, UBS Wealth Management Americas released its survey of high net worth U.S. investors. The people creating this report were surprised to find that only 16% of these investors defined being wealthy based on a dollar amount while exactly half of these same investors felt that being wealthy was based on having no financial constraints on activities. Now I did not find this surprising because of how I define being rich. I define a person (or family) as being wealthy (or rich) when their capital is able to generate enough earnings to cover their financial needs without their need to work. If you are uncomfortable with the terms of being rich or wealthy, then call it financial freedom or economic independence. Many rich people continue to work because they choose to do so, but they do not need to work for their capital has sufficient earnings capacity. This is unlike the working wealthy whose earnings from their personal efforts allow them to cover their financial needs, but these people need to keep working to maintain their lifestyles. Thus the reason that many wealthy or working wealthy people do not have an exact asset amount for what they consider to be rich is because it is earnings that they need more than assets, and with most investment assets the earnings are dynamic. So people may know what amount of earnings they would need for financial independence, but except for bonds, they are not sure what assets are needed in order to comfortably generate the necessary income. Let me explain.

When you have capital you really have five choices on where to invest it. These are cash equivalents, bonds, real estate, private businesses and public businesses (or stocks). There are a few alternatives besides these five, but these five cover the vast majority of capital in our economic system. There are pros and cons to each of these investments, but ultimately with any of these choices investors are buying earnings. In fact, the intrinsic value of any of these investments is the net present value of the current and future earnings. Cash investments have short maturities so the principal is static, but the earnings change. Bonds have fixed earnings and longer maturities so the principal changes until you approach maturity. Common stocks have variable earnings, no predetermined maturity in time or amount, thus the most variability in price. So why buy common stocks with so many variables? Because stocks are liquid, partial ownership of managed businesses and are a great way to own increasing earnings. In the 50 years from 1960 to 2010 the Earnings Per Share (EPS) for the Standard & Poor's 500 Index (S&P 500) went from \$3.10 to \$83.66 for an average annual compounded growth rate of 6.81%. In other words, earnings would double every 10.5 years on average for large U.S. public companies. Thus, if you are trying to buy earnings with your capital; then why not buy earnings that historically grow at a healthy rate? In addition, you have the advantage that the day to day management is already taken care of for you! This is not so with real estate or private business where you must actively manage the asset or incur the additional costs of hiring management.

MATTHEW 25 FUND

MANAGER'S COMMENTARY (CONTINUED) JUNE 30, 2013 (UNAUDITED)

When I evaluate a Growth or Growth/Value stock as an investment, I focus on its earnings. In the past I have written that the three most important criteria for a stock investment are "Earnings, Earnings, Earnings!" Besides being my personal paraphrasing of the real estate axiom of "Location, Location, Location," it entails three evaluations of earnings. These are determining the quality of earnings, the present valuation of earnings and judging how management allocates its earnings. These are what I will continue to manage for our Matthew 25 Fund's portfolio with one of my primary long-term goals of increasing the EPS for each share of MXXVX. This will come by the growth in earnings for the companies that we own or by changes in our portfolio into new investments that have either better quality and/or growth of earnings, larger price discounts to present value of earnings, or superior allocation of earnings.

So where were we as of June 30, 2013? The following chart provides our portfolio earnings and earnings per share for our Matthew 25 Fund (MXXVX):

Matthew 25 Fund Current Holdings Report

| Shares | Description | Ticker | 6/30/2013 Price | 6/30/2013 Value | % | 2013 Est. EPS | EARNINGS |
|----------------|------------------------------|--------|--------------------|--------------------|---------|------------------|-----------------|
| 150,700,000 | Apple, Inc. | AAPL | \$396.53 | \$59,757,071.00 | 10.42% | \$39.31 | \$5,924,017.00 |
| 172,000 | Berkshire Hathaway | BRK/A | \$168,600.00 | \$28,999,200.00 | 5.06% | \$8,687.48 | \$1,494,246.56 |
| 15,750,000 | Biglari Holdings Inc. | BH | \$410.40 | \$6,463,800.00 | 1.13% | \$16.15 | \$254,362.50 |
| 2,425,000,000 | Brandywine Realty Trust | BDN | \$13.52 | \$32,786,000.00 | 5.72% | \$1.39 | \$3,370,750.00 |
| 645,000,000 | Cabela's Inc. | CAB | \$64.76 | \$41,770,200.00 | 7.28% | \$3.45 | \$2,225,250.00 |
| 8,000,000,000 | Cash @ US Bank | XXXXXX | \$1.00 | \$8,000,000.00 | 1.39% | \$0.00 | \$20,000.00 |
| 332,500,000 | Caterpillar, Inc. | CAT | \$82.49 | \$27,427,925.00 | 4.78% | \$6.31 | \$2,098,075.00 |
| 200,000,000 | Devon Energy Corp. | DVN | \$51.88 | \$10,376,000.00 | 1.81% | \$3.79 | \$758,000.00 |
| 680,000,000 | East West Bancorp, Inc. | EWBC | \$27.50 | \$18,700,000.00 | 3.26% | \$2.11 | \$1,434,800.00 |
| 25,000,000 | Express Scripts Inc. | ESRX | \$61.74 | \$1,543,500.00 | 0.27% | \$4.30 | \$107,500.00 |
| 289,000,000 | FedEx Corporation | FDX | \$98.58 | \$28,489,620.00 | 4.97% | \$6.99 | \$2,020,110.00 |
| 30,500,000 | Fannie Mae Preferred | FNMAK | \$8.00 | \$244,000.00 | 0.04% | \$0.00 | \$0.00 |
| 33,000,000 | Fannie Mae Preferred | FNMAL | \$7.95 | \$262,350.00 | 0.05% | \$0.00 | \$0.00 |
| 32,000,000 | Fannie Mae Preferred | FNMAH | \$8.00 | \$256,000.00 | 0.04% | \$0.00 | \$0.00 |
| 40,000,000 | Fannie Mae Preferred | FNMAN | \$7.89 | \$315,600.00 | 0.06% | \$0.00 | \$0.00 |
| 14,750,000 | Fannie Mae Preferred | FNMAO | \$7.04 | \$103,840.00 | 0.02% | \$0.00 | \$0.00 |
| 159,000,000 | Fannie Mae Preferred | FNMFN | \$7.98 | \$1,268,820.00 | 0.22% | \$0.00 | \$0.00 |
| 29,700,000 | Fannie Mae Preferred | FNMAG | \$8.00 | \$237,600.00 | 0.04% | \$0.00 | \$0.00 |
| 1,308,224,230 | Fidelity Money Market | FMPXX | \$1.00 | \$1,308,224.23 | 0.23% | \$0.01 | \$9,157.57 |
| 188,500,000 | Goldman Sachs | GS | \$151.25 | \$28,510,625.00 | 4.97% | \$15.40 | \$2,902,900.00 |
| 34,250,000 | Google, Inc. | GOOG | \$880.37 | \$30,152,672.50 | 5.26% | \$35.55 | \$1,217,587.50 |
| 322,500,000 | Halliburton Co. | HAL | \$41.72 | \$13,454,700.00 | 2.35% | \$3.20 | \$1,032,000.00 |
| 85,500,000 | JM Smucker Co. | SJM | \$103.15 | \$8,819,325.00 | 1.54% | \$5.73 | \$489,915.00 |
| 65,000,000 | JP Morgan Chase & Co | JPM/WS | \$15.60 | \$1,014,000.00 | 0.18% | \$2.19 | \$142,350.00 |
| 535,000,000 | JP Morgan Chase & Co. | JPM | \$52.79 | \$28,242,650.00 | 4.92% | \$5.95 | \$3,183,250.00 |
| 1,558,487,000 | KKR & Co. LP | KKR | \$19.66 | \$30,639,854.42 | 5.34% | \$2.34 | \$3,646,859.58 |
| 125,000,000 | Kansas City Southern | KSU | \$105.96 | \$13,245,000.00 | 2.31% | \$4.11 | \$513,750.00 |
| 700,000,000 | Kelly Services, Inc. | KELYA | \$17.47 | \$12,229,000.00 | 2.13% | \$1.46 | \$1,022,000.00 |
| 8,325,000 | Kelly Services, Inc. | KELYB | \$17.59 | \$146,436.75 | 0.03% | \$1.46 | \$12,154.50 |
| 131,200,000 | Kinder Morgan Inc. Warrant | KMI/WS | \$5.12 | \$671,744.00 | 0.12% | \$0.15 | \$19,286.40 |
| 95,000,000 | Kinder Morgan, Inc. | KMI | \$38.15 | \$3,624,250.00 | 0.63% | \$1.15 | \$109,250.00 |
| 55,000,000 | Mastercard Inc. | MA | \$574.50 | \$31,597,500.00 | 5.51% | \$25.46 | \$1,400,300.00 |
| 317,500,000 | Polaris Industries, Inc. | PII | \$95.00 | \$30,162,500.00 | 5.26% | \$5.29 | \$1,679,575.00 |
| 440,000,000 | Scripps Networks Interactive | SNI | \$66.76 | \$29,374,400.00 | 5.12% | \$3.66 | \$1,610,400.00 |
| 307,500,000 | Southwestern Energy Co. | SWN | \$36.53 | \$11,232,975.00 | 1.96% | \$1.95 | \$599,625.00 |
| 106,500,000 | Stryker Corp. | SYK | \$64.68 | \$6,888,420.00 | 1.20% | \$4.22 | \$449,430.00 |
| 2,130,000,000 | Telefonica SA | TEF | \$12.81 | \$27,285,300.00 | 4.76% | \$1.27 | \$2,705,100.00 |
| | Other | | | (\$2,113,743.06) | -0.37% | \$0.00 | \$0.00 |
| 0.080 | DTC Stock | DTCC | \$8,769.40 | \$701.95 | 0.00% | \$0.00 | \$0.00 |
| 21,615,558.310 | | | | \$573,488,061.39 | 100.00% | | \$42,452,001.61 |
| Shares | 23,287,132.234 | | | | | EPS = | \$1.82 |

MATTHEW 25 FUND

MANAGER'S COMMENTARY (CONTINUED) JUNE 30, 2013 (UNAUDITED)

On June 30th the expected EPS for each share of Matthew 25 Fund was \$1.82 and the price was \$24.63. Therefore, the Price to Earnings Ratio (PE) was 13.53 or the ratio I prefer is the Earnings Yield of 7.39%. How can this information help you? Well, back to your financial freedom; currently, every share of Matthew 25 Fund you own will have approximately \$1.82 in earnings this year. So if you owned \$100,000.00 dollars of our fund your underlying earnings were \$7,389.36. Remember, when you invest capital you are trying to buy earnings. You can increase your underlying earnings by buying additional shares of MXXVX and with our portfolio's PE Ratio around 13.53 these shares are priced below the stock market's long-term average PE Ratio. The companies we own should continue to work toward growing their earnings, which in turn increases our portfolio's earnings. I will continue monitoring our investments and searching for new ideas with the intention of increasing our portfolio's earnings as well. Multiple efforts and time should help you become rich or at least richer! I thank you for being owners of our Matthew 25 Fund and for allowing me and everyone associated with our Fund to work for you.

Good fortune,



Mark Mulholland

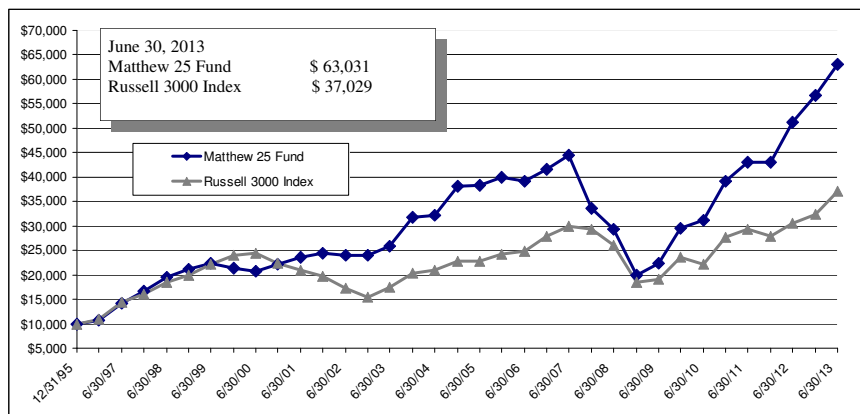
Except for any historical information, the matters discussed in this letter contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including activities, events or developments that the Advisor expects, believes or anticipates will or may occur in the future. A number of factors could cause actual results to differ from those indicated in the forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties. Readers are cautioned that such statements are not guarantees of future performance and actual results may differ materially from those set forth in the forward-looking statements. The Advisor undertakes no obligation to publicly update or revise forward-looking statements whether as a result of new information or otherwise.

MATTHEW 25 FUND

PERFORMANCE ILLUSTRATION JUNE 30, 2013 (UNAUDITED)

Cumulative Performance Comparison of \$10,000 Investment Since December 31, 1995

The graph below represents the changes in value for an initial \$10,000 investment in the Matthew 25 Fund from 12/31/95 to 6/30/13. These changes are then compared to a \$10,000 investment in the Russell 3000 Index, which is an index comprised of 3,000 stocks representing approximately 98% of the U.S. equities market, for the same period. The Fund's returns include the reinvestment of all dividends, but do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Past performance is not predictive of future performance. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than the original cost.



Average Annual Total Returns For the Periods Ended June 30, 2013

| | Matthew 25 Fund | Russell 3000 Index |
|------------------------|-----------------|--------------------|
| 1 Year | 22.92% | 21.46% |
| 3 Year | 26.38% | 18.61% |
| 5 Year | 16.47% | 7.24% |
| 10 Year | 9.29% | 7.80% |
| 12/31/1995 - 6/30/2013 | 11.09% | 7.76% |

MATTHEW 25 FUND

TOP TEN HOLDINGS & ASSET ALLOCATION JUNE 30, 2013 (UNAUDITED)

| Top Ten Holdings | (% of Net Assets) |
|-----------------------------------|-------------------|
| Apple, Inc. | 10.40% |
| Cabelas, Inc. Class A | 7.27% |
| Brandywine Realty Trust | 5.70% |
| MasterCard, Inc. | 5.50% |
| KKR & Co. L.P. | 5.33% |
| Polaris Industries, Inc. | 5.25% |
| Google, Inc. Class A | 5.25% |
| Scripps Network Interactive, Inc. | 5.11% |
| Berkshire Hathaway, Class A | 5.05% |
| Goldman Sachs Group, Inc. | <u>4.96%</u> |
| | <u>59.82%</u> |

| Asset Allocation | (% of Net Assets) |
|--|-------------------|
| Electronic Computers | 10.40% |
| Shopping Goods Store | 7.27% |
| Real Estate Investment Trusts | 5.70% |
| Business Services | 5.50% |
| Limited Partnerships | 5.33% |
| Computer Programming & Data Processing | 5.25% |
| Transportation Equipment | 5.25% |
| Cable & Other Pay Television Services | 5.11% |
| Fire, Marine & Casualty Insurance | 5.05% |
| Security Brokers, Dealers & Exchanges | 4.96% |
| Air Courier Services | 4.96% |
| National Commercial Bank | 4.91% |
| Construction Machinery & Equipment | 4.77% |
| Telephone Communications | 4.75% |
| Crude Petroleum & Natural Gas | 3.76% |
| State Commercial Banks | 3.25% |
| Oil, Gas Field Services | 2.34% |
| Railroads, Line-Haul Operations | 2.30% |
| Services-Help Supply Services | 2.15% |
| Canned Fruits, Veg & Preserves, Jams & Jellies | 1.53% |
| Other Assets less Liabilities | 1.24% |
| Surgical & Medical Instruments & Apparatus | 1.20% |
| Retail-Eating Places | 1.12% |
| Natural Gas Transmission | 0.63% |
| Preferred Stocks | 0.47% |
| Warrants | 0.29% |
| Retail Drug Stores & Proprietary Store | 0.27% |
| Short Term Investments | <u>0.23%</u> |
| | <u>100.00%</u> |

MATTHEW 25 FUND

SCHEDULE OF INVESTMENTS JUNE 30, 2013 (UNAUDITED)

| Shares/Principal Amount | | Historical Cost | Market Value | % of Net Assets |
|---|--|---------------------|---------------------|-----------------------|
| COMMON STOCKS | | | | |
| Air Courier Services | | | | |
| 289,000 | FedEx Corp. | \$26,834,340 | \$28,489,620 | 4.96% |
| Business Services | | | | |
| 1 | The Depository Trust & Clearing Corp. (**) (*) | \$694 | \$702 | 0.00% |
| 55,000 | MasterCard, Inc. | \$22,666,157 | \$31,597,500 | 5.50% |
| | Total Business Services | \$22,666,851 | \$31,598,202 | 5.50% |
| Cable & Other Pay Television Services | | | | |
| 440,000 | Scripps Network Interactive, Inc. | \$25,061,713 | \$29,374,400 | 5.11% |
| Canned Fruits, Veg & Preserves, Jams & Jellies | | | | |
| 85,500 | J.M. Smucker Co. | \$6,031,660 | \$8,819,325 | 1.53% |
| Computer Programming & Data Processing | | | | |
| 34,250 | Google, Inc. Class A * | \$22,729,326 | \$30,152,672 | 5.25% |
| Construction Machinery & Equipment | | | | |
| 332,500 | Caterpillar, Inc. | \$28,006,795 | \$27,427,925 | 4.77% |
| Crude Petroleum & Natural Gas | | | | |
| 200,000 | Devon Energy Corp. | \$11,696,580 | \$10,376,000 | 1.81% |
| 307,500 | Southwest Energy Co. * | \$10,820,243 | \$11,232,975 | 1.95% |
| | Total Crude Petroleum & Natural Gas | \$22,516,823 | \$21,608,975 | 3.76% |
| Electronic Computers | | | | |
| 150,700 | Apple, Inc. | \$70,427,644 | \$59,757,071 | 10.40% |
| Fire, Marine & Casualty Insurance | | | | |
| 172 | Berkshire Hathaway, Class A * | \$21,533,760 | \$28,999,200 | 5.05% |
| National Commercial Bank | | | | |
| 535,000 | JP Morgan Chase & Co. | \$21,750,460 | \$28,242,650 | 4.91% |
| Natural Gas Transmission | | | | |
| 95,000 | Kinder Morgan, Inc. | \$1,441,561 | \$3,624,250 | 0.63% |
| Oil, Gas Field Services | | | | |
| 322,500 | Halliburton Co. | \$13,036,635 | \$13,454,700 | 2.34% |
| Railroads, Line-Haul Operations | | | | |
| 125,000 | Kansas City Southern | \$5,795,360 | \$13,245,000 | 2.30% |

* Non-Income producing securities during the period.

** Level 3 Security

The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND

SCHEDULE OF INVESTMENTS (CONTINUED) JUNE 30, 2013 (UNAUDITED)

| Shares/Principal Amount | | Historical Cost | Market Value | % of Net Assets |
|---|--|----------------------|----------------------|-----------------------|
| Real Estate Investment Trusts | | | | |
| 2,425,000 | Brandywine Realty Trust | \$29,247,930 | \$32,786,000 | 5.70% |
| Retail-Eating Places | | | | |
| 15,750 | Biglari Holdings, Inc. * | \$5,804,879 | \$6,463,800 | 1.12% |
| Retail Drug Stores & Proprietary Store | | | | |
| 25,000 | Express Scripts Holdings Co. * | \$1,367,265 | \$1,543,500 | 0.27% |
| Security Brokers, Dealers & Exchanges | | | | |
| 188,500 | Goldman Sachs Group, Inc. | \$23,142,413 | \$28,510,625 | 4.96% |
| Services-Help Supply Services | | | | |
| 700,000 | Kelly Services, Inc. Class A | \$11,904,401 | \$12,229,000 | 2.13% |
| 8,325 | Kelly Services, Inc. Class B | \$148,156 | \$146,437 | 0.02% |
| | Total Services-Help Supply Services | <u>\$12,052,557</u> | <u>\$12,375,437</u> | <u>2.15%</u> |
| Shopping Goods Store | | | | |
| 645,000 | Cabelas, Inc. Class A * | \$23,771,688 | \$41,770,200 | 7.27% |
| State Commercial Banks | | | | |
| 680,000 | East West Bancorp, Inc. | \$13,678,860 | \$18,700,000 | 3.25% |
| Surgical & Medical Instruments & Apparatus | | | | |
| 106,500 | Stryker Corp. | \$5,317,692 | \$6,888,420 | 1.20% |
| Telephone Communications | | | | |
| 2,130,000 | Telefonica SA ADR * | \$29,593,831 | \$27,285,300 | 4.75% |
| Transportation Equipment | | | | |
| 317,500 | Polaris Industries, Inc. | \$22,568,379 | \$30,162,500 | 5.25% |
| Total Common Stocks | | <u>\$454,378,422</u> | <u>\$531,279,772</u> | <u>92.44%</u> |
| WARRANTS | | | | |
| 65,000 | JP Morgan Chase & Co. 10/28/2018 * | \$774,624 | \$1,014,000 | 0.17% |
| 131,200 | Kinder Morgan, Inc. 2/15/2017 * | \$160,064 | \$671,744 | 0.12% |
| | Total Warrants | <u>\$934,688</u> | <u>\$1,685,744</u> | <u>0.29%</u> |
| LIMITED PARTNERSHIPS | | | | |
| 1,558,487 | KKR & Co. L.P. | \$23,956,750 | \$30,639,854 | 5.33% |

* Non-Income producing securities during the period.

ADR - American Depository Receipt

The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND

SCHEDULE OF INVESTMENTS (CONTINUED) JUNE 30, 2013 (UNAUDITED)

| Shares/Principal Amount | | Historical Cost | Market Value | % of Net Assets |
|-------------------------------|--|--------------------|-----------------------------|-----------------------|
| PREFERRED STOCKS | | | | |
| 159,000 | Fannie Mae - Series O 12/31/49, 7.00% (a) * | \$1,299,853 | \$1,268,820 | 0.22% |
| 29,700 | Fannie Mae - Series I 12/31/49, 5.38% * | \$264,469 | \$237,600 | 0.04% |
| 30,500 | Fannie Mae - Series N 12/31/49, 5.50% * | \$260,621 | \$244,000 | 0.04% |
| 33,000 | Fannie Mae - Series M 12/31/49, 5.50% * | \$306,950 | \$262,350 | 0.05% |
| 32,000 | Fannie Mae - Series H 12/31/49, 5.81% * | \$276,652 | \$256,000 | 0.04% |
| 40,000 | Fannie Mae - Series L 12/31/49, 5.13% * | \$346,356 | \$315,600 | 0.05% |
| 14,750 | Fannie Mae - Series G 12/31/49, 0.00% (a) * | \$140,745 | \$103,840 | 0.02% |
| | Total Preferred Stocks | <u>\$2,895,646</u> | <u>\$2,688,210</u> | <u>0.47%</u> |
| SHORT TERM INVESTMENTS | | | | |
| 1,308,224 | Fidelity Money Market Fund Institutional Class 0.14% (a) | <u>\$1,308,224</u> | <u>\$1,308,224</u> | <u>0.23%</u> |
| | Total Investments | \$483,473,730 | \$567,601,804 | 98.76% |
| | Other Assets in Excess of Liabilities | | <u>\$7,130,649</u> | <u>1.24%</u> |
| | Net Assets | | <u><u>\$574,732,453</u></u> | <u>100.00%</u> |

* Non-Income producing securities during the period.

(a) Variable rate security; the money market rate shown represents the yield at June 30, 2013.
The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND

STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2013 (UNAUDITED)

Assets

| | |
|---|--------------------|
| Investment in securities at market value (cost \$483,473,730) | \$ 567,601,804 |
| Cash | 8,010,898 |
| Receivables: | |
| Fund shares purchased | 1,477,704 |
| Dividends and interest | 95,638 |
| Total Assets | <u>577,186,044</u> |

Liabilities

| | |
|----------------------|------------------|
| Payables: | |
| Securities purchased | 1,448,239 |
| Fund shares redeemed | 233,312 |
| Management fees | 472,063 |
| Accrued expenses | 299,977 |
| Total Liabilities | <u>2,453,591</u> |

Net Assets (Equivalent to \$24.63 per share based on 23,337,656 shares of capital stock outstanding, 100,000,000 shares authorized, \$0.01 par value) Minimum redemption price per share $\$24.63 \times 0.98 = \24.14 (Note 6)

\$ 574,732,453

Composition of Net Assets

| | |
|--|------------------|
| Shares of common stock | \$ 233,377 |
| Additional paid-in capital | 487,886,328 |
| Net unrealized appreciation of investments | 84,128,074 |
| Undistributed net investment income | 1,260,457 |
| Accumulated net realized gain on investments | 1,224,217 |
| | <u>1,224,217</u> |

Net Assets

\$ 574,732,453

MATTHEW 25 FUND

STATEMENT OF OPERATIONS For the six months ended June 30, 2013 (UNAUDITED)

Investment Income

| | |
|-------------------------|------------------|
| Dividends | \$ 4,131,554 |
| Interest | 4,258 |
| Total Investment Income | <u>4,135,812</u> |

Expenses

| | |
|-------------------------------|------------------|
| Management fees | 2,393,514 |
| Transfer agent and accounting | 101,357 |
| Registration | 87,764 |
| Shareholder reporting | 66,353 |
| Custodian fees | 53,739 |
| Miscellaneous | 35,749 |
| Professional | 35,418 |
| Trustee fees and expenses | 32,162 |
| Insurance | 17,900 |
| Postage and printing | 15,211 |
| Office expenses | 11,502 |
| Compliance Officer | 8,277 |
| State & local taxes | 7,000 |
| IRA expense | 5,000 |
| Bank charges | 2,839 |
| Telephone expense | 1,570 |
| Total Expenses | <u>2,875,355</u> |

Net Investment Income

1,260,457

Realized and Unrealized Gain from Investments

| | |
|--|----------------------|
| Net realized gain from investments | 1,224,217 |
| Net change in unrealized appreciation of investments | 37,641,494 |
| Net realized and unrealized gain from investments | <u>38,865,711</u> |
| Net increase in net assets resulting from operations | <u>\$ 40,126,168</u> |

MATTHEW 25 FUND

STATEMENTS OF CHANGES IN NET ASSETS

| | (Unaudited) | |
|--|----------------------------------|--------------------------|
| | Six Months Ended 6/30/2013 | Year Ended 12/31/2012 |
| Increase (Decrease) in Net Assets From Operations | | |
| Net investment income | \$ 1,260,457 | \$ 530,132 |
| Net realized gain from investments | 1,224,217 | 6,356,004 |
| Long-term capital gain distributions from underlying investments | - | 200,333 |
| Unrealized appreciation on investments | 37,641,494 | 21,762,143 |
| Net increase in assets resulting from operations | <u>40,126,168</u> | <u>28,848,612</u> |
| Distributions to Shareholders | | |
| From net investment income | - | (510,220) |
| From realized gains | - | (5,303,565) |
| Total distributions | <u>-</u> | <u>(5,813,785)</u> |
| Capital Share Transactions | <u>221,085,067</u> | <u>227,209,377</u> |
| Total Increase in Net Assets | 261,211,235 | 250,244,204 |
| Net Assets at Beginning of Period | <u>313,521,218</u> | <u>63,277,014</u> |
| Net Assets at End of Period (includes undistributed net investment income of \$1,260,457 and \$0, respectively) | <u>\$574,732,453</u> | <u>\$313,521,218</u> |

The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND

FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

| | (Unaudited) | | | | | |
|---|-------------|-------------|----------|----------|----------|-----------|
| | Six Months | Years Ended | | | | |
| | Ended | 12/31/ | 12/31/ | 12/31/ | 12/31/ | 12/31/ |
| | 6/30/ | 2012 | 2011 | 2010 | 2009 | 2008 |
| | 2013 | | | | | |
| Net Asset Value - Beginning of Period | \$ 22.18 | \$ 17.18 | \$ 15.57 | \$ 11.83 | \$ 8.08 | \$ 13.89 |
| Net Investment Income (1) | 0.06 | 0.07 | 0.02 | 0.04 | 0.12 | 0.16 |
| Net Gains or (Losses) on Investments (realized and unrealized) | 2.38 | 5.32 | 1.61 | 3.74 | 3.75 | (5.79) |
| Total from Investment Operations | 2.44 | 5.39 | 1.63 | 3.78 | 3.87 | (5.63) |
| Less Distributions | | | | | | |
| From net investment income | - | (0.04) | (0.02) | (0.04) | (0.12) | (0.18) |
| From realized gains | - | (0.39) | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Distributions | - | (0.43) | (0.02) | (0.04) | (0.12) | (0.18) |
| Paid in capital from redemption fees | 0.01 | 0.04 | 0.00 (3) | 0.00 (3) | 0.00 (3) | 0.00 (3) |
| Net Asset Value - End of Period | \$ 24.63 | \$ 22.18 | \$ 17.18 | \$ 15.57 | \$ 11.83 | \$ 8.08 |
| Total Return (2) | 11.05% (5) | 31.63% | 10.45% | 31.97% | 47.89% | (40.44)% |
| Net Assets - End of Period (000's omitted) | \$ 574,732 | \$313,521 | \$63,277 | \$56,200 | \$42,574 | \$ 31,387 |
| Ratio of Expenses to Average Net Assets | 1.20% (4) | 1.15% | 1.22% | 1.21% | 1.25% | 1.24% |
| Ratio of Net Investment Income to Average Net Assets | 0.53% (4) | 0.33% | 0.10% | 0.32% | 1.24% | 2.60% |
| Portfolio Turnover Rate | 3.63% (5) | 23.23% | 22.94% | 26.59% | 34.36% | 73.21% |

(1) Per share net investment income has been determined on the average number of shares outstanding during the period

(2) Total return assumes reinvestment of dividends

(3) Redemption fees resulted in less than \$0.01 per share.

(4) Annualized

(5) Not Annualized

The accompanying notes are an integral part of these financial statements.

MATTHEW 25 FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (UNAUDITED)

NOTE 1 - Nature of Operations

Matthew 25 Fund ("the Fund") was incorporated on August 28, 1995 in Pennsylvania and commenced operations on October 16, 1995. The Fund is registered as an open-end, non-diversified management investment company under the Investment Company Act of 1940, and its shares are registered under the Securities Act of 1933. The Fund's objective is to seek long-term capital appreciation. Income is a secondary objective.

NOTE 2 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Fund. These policies are in conformity with accounting principals generally accepted in the United States of America.

Security Valuations

Equity securities are valued by using market quotations. Securities that are traded on any stock exchange or on the NASDAQ over-the-counter market are valued at the last quoted sale price. Lacking a last sale price, an equity security is generally valued at its last bid price. When market quotations are not readily available, or when the Advisor determines that the market quotation does not accurately reflect the current market value, or when restricted or illiquid securities are being valued, such securities may be valued as determined in good faith by the Board of Directors. The Board has adopted guidelines for good faith pricing, and has delegated to the Advisor the responsibility for determining fair value prices, subject to review by the Board of Directors.

Valuation of Investments

Each investment asset or liability of the Fund is assigned a level at measurement date based on the significance and source of the inputs to its valuation. Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

These inputs may include quoted prices for the identical instrument on an active market, price for similar instruments, interest rates, prepayment speeds, yield curves, default rates and similar data.

Level 3 - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

MATTHEW 25 FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013 (UNAUDITED)

The following is a summary of inputs used as of June 30, 2013 in valuing the Fund's investments carried at value:

| Investments in Securities | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------------|----------------|----------------|----------------------|
| Common Stocks | \$531,279,070 | -- | \$702 | \$531,279,772 |
| Limited Partnership | \$30,639,854 | -- | -- | \$30,639,854 |
| Warrants | \$1,685,744 | -- | -- | \$1,685,744 |
| Preferred Stock | \$2,688,210 | -- | -- | \$2,688,210 |
| Short Term Investments | \$1,308,224 | -- | -- | \$1,308,224 |
| | <u>\$567,601,102</u> | <u>\$--</u> | <u>\$702</u> | <u>\$567,601,804</u> |

There were no significant transfers into or out of Level 1, Level 2, or Level 3 during the period. It is the Fund's policy to recognize transfers into and out of Level 1, Level 2, and Level 3 at the end of the reporting period. The Fund did not hold any derivative instruments at any time during the six months ended June 30, 2013.

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

| | Level 3 |
|--|----------------|
| Balance as of 12/31/2012 | \$ 688 |
| Accrued Accretion/(Amortization) | - |
| Change in Unrealized Appreciation/(Depreciation) | 14 |
| Realized Gain/(Loss) | - |
| Purchases/Sales | - |
| Transfers In/(Out) of Level 3 | - |
| Balance as of 6/30/2013 | <u>\$702</u> |

Federal Income Taxes

The Fund's policy is to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. Therefore, no federal income tax provision is required.

In addition, Generally Accepted Accounting Principles ("GAAP") requires management of the Fund to analyze all open tax years, fiscal years 2009-2012, as defined by IRS statute of limitations for all major industries, including federal tax authorities and certain state tax authorities. As of and during the six months ended June 30, 2013, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and is not aware of any tax positions for which it is reasonably possible that the total tax amounts of unrecognized tax benefits will significantly change in the next twelve months.

Distributions to Shareholders

The Fund intends to distribute to its shareholders substantially all of its net investment income, if any, and net realized capital gains, if any, at year end.

MATTHEW 25 FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013 (UNAUDITED)

Other

The Fund follows industry practice and records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statements and income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Subsequent Event

Management has evaluated subsequent events through the date the financial statements were issued and has determined no such events requiring disclosure.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

NOTE 3 - Investment Advisory Agreement and Other Related Party Transactions

The Fund has an investment advisory agreement with The Matthew 25 Management Corporation, (The Advisor) whereby The Advisor receives a fee of 1% per year on the net assets of the Fund. All fees are computed on the daily closing net asset value of the Fund and are payable monthly. The Advisor has agreed to decrease the investment advisory fee or, if necessary, to reimburse the Fund if and to the extent that the Fund's aggregate annual operating expenses exceed 2.0% of the first \$10,000,000 and 1.5% of the next \$20,000,000.

The management fee for the six months ended June 30, 2013, as computed pursuant to the investment advisory agreement, totaled \$2,393,514. The management fee is the only revenue for The Matthew 25 Management Corp., and the Advisor's expenses are paid out of this revenue. At June 30, 2013 the Fund owed the Advisor \$472,063 in advisory fees.

Mr. Mark Mulholland is the sole Trustees of The Advisor and is also the President of the Fund. In addition, Mr. Mulholland is a registered representative at Boenning & Scattergood Inc. During the six months ended June 30, 2013, the Fund paid \$18 in brokerage commissions to Boenning & Scattergood Inc. Boenning & Scattergood Inc. is not otherwise associated with Matthew 25 Fund or The Advisor and is not responsible for any of the investment advice rendered to the Fund by The Advisor or Mr. Mulholland.

MATTHEW 25 FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013 (UNAUDITED)

NOTE 4 - Investments

For the six months ended June 30, 2013, purchases and sales of investment securities other than short-term investments aggregated \$255,291,277 and \$16,782,743, respectively.

NOTE 5 - Capital Share Transactions

As of June 30, 2013 there were 100,000,000 shares of \$.01 per value capital stock authorized. The total par value and paid-in capital totaled \$488,119,705. Transactions in capital stock were as follows:

| | June 30, 2013 | | December 31, 2012 | |
|-------------------|---------------|----------------|-------------------|---------------|
| | Shares | Amount | Shares | Amount |
| Shares sold | 11,355,305 | \$ 272,834,044 | 11,394,821 | \$247,143,520 |
| Shares reinvested | - | - | 256,435 | 5,605,671 |
| Redemption Fees | - | 201,700 | - | 318,088 |
| Shares redeemed | (2,151,024) | (51,950,677) | (1,201,937) | (25,857,902) |
| Net increase | 9,204,281 | \$ 221,085,067 | 10,449,319 | \$227,209,377 |

NOTE 6 - Redemption Fee

To discourage short-term trades by investors, and to compensate the Fund for costs that may be incurred by such trades, the Fund will impose a redemption fee of 2% of the total redemption amount (calculated at market value) if shares are held for 365 days or less. The redemption fee does not apply to shares purchased through reinvested distributions. For the six months ended June 30, 2013 the Fund received \$201,700 in redemption fees that was reclassified to paid-in capital.

NOTE 7 - Tax Matters

As of June 30, 2013, the tax basis components of distributable earnings, unrealized appreciation (depreciation) and cost of investment securities were as follows:

| | |
|--|-----------------------|
| Federal tax cost of investments (including short-term investments) | <u>\$ 483,473,730</u> |
| Gross tax unrealized appreciation on investments | \$ 108,082,319 |
| Gross tax unrealized depreciation on investments | <u>(23,954,245)</u> |
| Net tax unrealized appreciation | <u>\$ 84,128,074</u> |

The Fund's tax basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at December 31, 2012, the following represents the tax basis capital gains and losses:

| | |
|-------------------------------|---------------|
| Undistributed ordinary income | <u>\$ -0-</u> |
| Accumulated realized gains | <u>\$ -0-</u> |

The Regulated Investment Company Modernization Act of 2010 generally allows capital losses incurred in a taxable year beginning after December 22, 2010 (post-enactment year) to be carried forward for an unlimited period to the extent not utilized. However, any capital loss carry-forward generated in a post-enactment year must be carried forward

MATTHEW 25 FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013 (UNAUDITED)

to offset subsequent year net capital gains before any capital loss carry-forward from a pre-enactment year can be used. This may increase the risk that a capital loss generated in a pre-enactment year will expire.

The tax character of distributions paid during the six months ended June 30, 2013 and fiscal year ended December 31, 2012 are as follows:

| | 2013 | 2012 |
|-------------------------|------|--------------|
| Ordinary income | \$ - | \$ 510,220 |
| Short-term Capital Gain | - | 3,507,591 |
| Long-term Capital Gain | - | 1,795,974 |
| Total | \$ - | \$ 5,813,785 |

NOTE 8 - Lease Commitments

The Fund leases office space on a month to month basis at \$745 per month. Rent expense was \$4,470 for the six months ended June 30, 2013, and is included with office expenses.

NOTE 9 – New Accounting Pronouncement

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) No. 2011-11 (the “Pronouncement”) related to disclosures about offsetting assets and liabilities. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position.

In January 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which replaced ASU 2011-11. ASU 2011 was intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. ASU 2013-01 limits the scope of the new statement of assets and liabilities offsetting disclosures to derivatives, repurchase agreements and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. Both ASU 2011-11 and ASU 2013-01 are effective for interim or annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact that these pronouncements may have on the Fund’s financial statements.

In June 2013, the FASB issued ASU 2013-08, *Financial Services Investment Companies*, which updates the scope, measurement, and disclosure requirements for U.S. GAAP including identifying characteristics of an investment company, measurement of ownership in other investment companies and require additional disclosures regarding investment company status and following guidance in Topic 946 of the FASB Accounting Standards Codification (FASC). The ASU is effective for interim and annual reporting periods that begin after December 15, 2013. Management is currently evaluating the impact that these pronouncements may have on the Fund’s financial statements.

MATTHEW 25 FUND

EXPENSE EXAMPLE JUNE 30, 2013 (UNAUDITED)

As a shareholder of the Fund, you incur two types of costs: (1) direct costs, such as IRA fees and (2) indirect costs, including management fees and other Fund operating expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire six-month period of January 1, 2013 to June 30, 2013.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. IRAs with less than \$10,000 may be charged \$8 annually for IRA Custodian Fees at the discretion of the Fund's Management or Trustees. This \$8 fee is not reflected in the table below.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expenses ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any direct costs, such as IRA fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if IRA fees were included your costs would be higher.

| | Beginning Account Value | Ending Account Value | Expenses Paid During Period* |
|---|------------------------------------|---------------------------------|--|
| | January 1, 2013 | June 30, 2013 | January 1, 2013 through June 30, 2013 |
| Actual | \$1,000.00 | \$1,110.46 | \$6.28 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,018.84 | \$6.01 |

* Expenses are equal to the Fund's annualized expense ratio of 1.20%, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

MATTHEW 25 FUND

**ADDITIONAL INFORMATION
JUNE 30, 2013 (UNAUDITED)**

PROXY VOTING GUIDELINES

Matthew 25 Management Corp., the Fund's Advisor, is responsible for exercising the voting rights associated with the securities held by the Fund. A description of the policies and procedures used by the Advisor in fulfilling this responsibility is available without charge, upon request, by calling 1-888-M25-FUND.

QUARTERLY FILING OF PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

MATTHEW 25 FUND

TRUSTEE INFORMATION JUNE 30, 2013 (UNAUDITED)

The business and affairs of the Fund are managed under the direction of the Fund's Trustees. Information pertaining to the Trustees of the Fund are set forth below. The Fund's Statement of Additional Information includes additional information about the Fund's Trustees, and is available without charge, by calling 1-888-M25-FUND. Each Trustee may be contacted by writing to the Trustee c/o Matthew 25 Fund, P.O. Box 2479 Jenkintown, PA 19046

| Name and Age | Position with Fund | Term of Office and Length of Time Served | Principle Occupation During Last Five Years | Other Directorships |
|-----------------------------------|-------------------------------|---|---|---------------------|
| INDEPENDENT TRUSTEES | | | | |
| Philip J. Cinelli, D.O. Age 53 | Trustee | 1 year with election held annually. He has been a Trustee since 1996 | Physician in Family Practice | None |
| Samuel B. Clement Age 55 | Trustee | 1 year with election held annually. He has been a Trustee since 1996 | Stockbroker with Securities of America | None |
| Linda Guendelsberger Age 53 | Trustee/ Secretary of Fund | 1 year with election held annually. She has been a Trustee since 1996 | Partner Weiser Mazars LLP | None |
| Scott Satell Age 50 | Trustee | 1 year with election held annually. He has been a Trustee since 1996 | Manufacturer's Representative with BPI Ltd. | None |
| INTERESTED TRUSTEES | | | | |
| Steven D. Buck, Esq. Age 53 | Trustee | 1 year with election held annually. He has been a Trustee since 1996 | Attorney and Shareholder with Stevens & Lee | None |
| Mark Mulholland Age 53 | Trustee/ President of Fund | 1 year with election held annually. He has been a Trustee since 1996 | President of Matthew 25 Fund President of Matthew 25 Management Corp. registered representative with Boenning & Scattergood | None |

Mr. Buck and Mr. Mulholland are Trustees of the Fund and are considered "interested persons" as defined by the Investment Company Act of 1940. Mr. Mulholland is an interested person insofar as he is President and owner of the Fund's Investment Adviser. Mr. Buck is an interested person as long as he or his law firm provides legal advice to the Fund for compensation. Additionally, Mr. Buck's sister Lesley Buck is the Chief Compliance Officer of Matthew 25 Fund.

THIS PAGE WAS LEFT BLANK INTENTIONALLY

Matthew 25 Fund