



ANNUAL REPORT

December 31, 2009

The Yacktman Funds, Inc.

MESSAGE TO SHAREHOLDERS



Donald A. Yacktman



Stephen Yacktman



Jason Subotky

In 2009 The Yacktman Fund and The Yacktman Focused Fund appreciated 59.31% and 62.76% respectively, compared to the S&P 500 which appreciated 26.46%. For the decade, The Yacktman Fund increased 207.86% and The Yacktman Focused Fund rose 205.67% compared to the S&P 500 which declined 9.1%. The annualized return from 2000-2009 was 11.91% for The Yacktman Fund and 11.82% for The Yacktman Focused Fund compared to the S&P 500's -.95% annual result.

TOTAL RETURNS – UNAUDITED AS OF DECEMBER 31, 2009

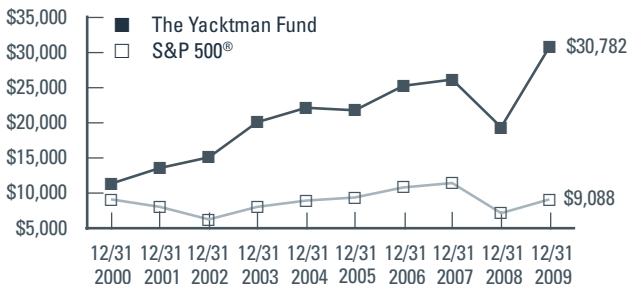
	ANNUALIZED				SINCE INCEPTION	
	1- YEAR	3- YEAR	5- YEAR	10- YEAR	7/6/1992	5/1/1997
The Yacktman Fund (YACKX)	59.31%	6.79%	6.87%	11.90%	10.03%	
The Yacktman Focused Fund (YAFFX)	62.76%	8.82%	8.00%	11.82%		8.70%
S&P 500® Index	26.46%	-5.63%	0.42%	-0.95%	7.94%	4.47%

What a Year

Both funds had outstanding returns in 2009. We achieved strong results while steadfastly adhering to our high quality approach to investing. Some positions like AmeriCredit and Liberty Interactive more than doubled during the year. Many other securities, including Microsoft, eBay, and Viacom, were up more than 50%.

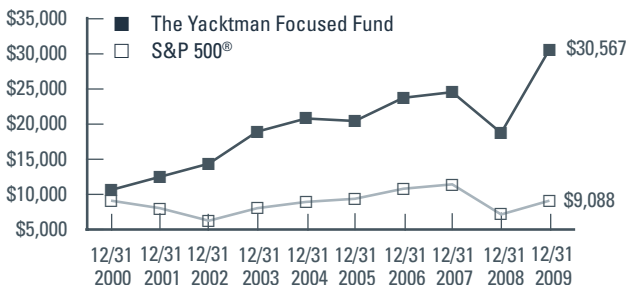
The Yacktman Funds, Inc.

Average Annual Returns	The Yacktman Fund	S&P 500®
One Year (01/01/09 - 12/31/09)	59.31%	26.46%
Three Years (01/01/07 - 12/31/09)	6.79%	-5.63%
Five Years (01/01/05 - 12/31/09)	6.87%	0.42%
Ten Years (01/01/00 - 12/31/09)	11.90%	-0.95%



The chart assumes an initial gross investment of \$10,000 made on 12/31/99.

Average Annual Returns	The Yacktman Focused Fund	S&P 500®
One Year (01/01/09 - 12/31/09)	62.76%	26.46%
Three Years (01/01/07 - 12/31/09)	8.82%	-5.63%
Five Years (01/01/05 - 12/31/09)	8.00%	0.42%
Ten Years (01/01/00 - 12/31/09)	11.82%	-0.95%



The chart assumes an initial gross investment of \$10,000 made on 12/31/99.

* The S&P 500® is an unmanaged but commonly used measure of common stock total return performance.

Returns shown 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. **The above past performance is not predictive of future results.** The investment return and principal value of the Funds will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost.

What a Decade

During the last 10 years we witnessed the bursting of a bubble in technology stocks, panicking over corporate credibility in 2002 and a near imploding of the global financial system in 2008. Throughout this period we objectively and methodically stuck with our discipline of balancing risk/reward, and owning high quality companies at attractive valuations and from time to time, special situations. During the steepest market corrections, our funds provided solid protection and we were able to find many spectacular bargains.

Review of 2008-2009

Going into the recent downturn we held some cash and owned several defensive stocks like Coca-Cola and PepsiCo. In the financial services sector, AmeriCredit was our largest investment. We purchased AmeriCredit heavily in the last quarter of 2007, and due to the panic in financial stocks, as well as some business-specific issues, it slid throughout much of 2008 and into early 2009. We believed the shares were a bargain, and we added to our position as the price dropped. As fears of a financial meltdown subsided, AmeriCredit's price increased in 2009.

As the market declines accelerated in 2008, we invested excess cash and decreased positions in some of our defensive stocks that had held up well, in order to purchase consumer-based cyclical stocks which were trading at extremely high cash yields and were significantly underpriced based on normal (non-severe economic environment) earnings. We also made significant purchases in media, starting with Viacom, and later adding News Corporation and Comcast, bought shares in retailers Williams-Sonoma and Abercrombie & Fitch, and a materials stock, USG. We also purchased small positions in Bank of America and Barclays when they were being priced for doomsday.

We outperformed when the market dropped in 2008 and again outperformed when it recovered in 2009. Looking forward, we will continue to objectively examine investment opportunities. If we believe we will get a similar return, we would rather own more Coca Cola, than a financial or a cyclical company with higher business risk.

In the last few months we have moved back towards consumer franchise companies, many of which did not participate materially in the rally. In our top 10 holdings, PepsiCo, Clorox, Comcast, Procter & Gamble, and Johnson & Johnson were all laggards as the market rose, allowing us to initiate a new position or increase our position in these securities at very attractive valuations.

Overall, the strong returns of 2009 more than offset the losses in 2008. Being prepared before the severe declines, opportunistic during the turmoil, and objective throughout allowed us to produce solid results in what was a difficult two-year period for the S&P 500.

	2 Year Total Return	2008-2009 Annualized
The Yacktman Fund	17.81%	8.54%
The Yacktman Focused Fund	24.54%	11.60%
S&P 500	-20.32%	-10.74%

At Yacktman Asset Management we enjoy market volatility. It creates opportunities. The very best bargains are often available during periods of pronounced market swings. We think that our ability to perform over long periods of time, and especially in difficult markets, is evident in our results.

Portfolio Review

The portfolio is very well positioned today. The severe market correction of 2008-09 created some spectacular bargains, which, despite significant recoveries from the bottom, continue to offer substantial upside. In 2009, we reduced the percentage weighting in some positions, like AmeriCredit and Liberty Interactive that performed exceptionally well, and increased or took new positions in stocks which lagged in the market rally.

The Yacktman Funds, Inc.

Media

During the fourth quarter, we increased our position in Comcast, the largest provider of pay television, when the shares declined on fears that the company would overspend to purchase majority ownership of NBC/Universal, a leading provider of cable content and film and television programming. When the final terms of the transaction were announced, investors breathed a sigh of relief and the shares rallied a bit. At year end, Comcast's stock, traded at less than half the level it was at in 1999, even though its sales per share have more than doubled since then, and its earnings per share have increased dramatically.

The terms of the NBC/Universal deal also highlighted the value in two of our other significant positions, News Corporation and Viacom. If Viacom were valued at the same multiple of pre-tax earnings as NBC/Universal, its shares would now be more than 60% above today's level. News Corp's stock would also see a significant rise using this valuation methodology.

Back to the Future

During the latter half of the year, we increased the consumer products company holdings in both The Yacktman Fund and The Yacktman Focused Fund. Our funds are now positioned more like they were a couple of years ago, with an emphasis on very high quality consumer franchise companies, though many of the securities we own are cheaper today than they were then. Cash levels are also lower than a few years back due to more attractive investment opportunities.

As mentioned earlier, we have increased our holdings in PepsiCo, Procter & Gamble, Clorox, and Johnson & Johnson. Their stock prices lagged during 2009 as securities which had greater potential to benefit from an economic recovery rallied significantly more than stable consumer franchises in general, and these securities

specifically. PepsiCo, Procter & Gamble, Clorox, and Johnson & Johnson are “old friends” which we have owned off and on since our firm was founded in 1992. They all produce significant amounts of free cash flow, have dominant market shares in many of their product categories, and have the ability to take pricing higher if inflation becomes an issue.

Conclusion

We are pleased with the results we delivered in 2009 and for the entire decade. Our strong team, disciplined investment approach, and objectivity should serve shareholders well in the new decade. We are optimistic about the current positions in The Yacktman Fund and The Yacktman Focused Fund, and as always will diligently look for new bargains to add to our holdings.

Both funds have seen strong growth in assets. We feel we currently have the ability to manage significantly more money without materially impacting our ability to produce results. The Yacktman team gets its greatest satisfaction by performing well. Should our growth reach a point where we feel it could impact our ability to generate the kind of longer term results investors have come to expect, we will take steps to limit inflows.

At year end, Jason Subotky, a Vice President of the Yacktman Funds, joined Donald and Stephen Yacktman as a co-manager of The Yacktman Fund and The Yacktman Focused Fund. Jason has been part of the investment team at Yacktman Asset Management since 2001 and has made a significant contribution to our results.

Our team will work hard to examine the opportunities ahead. We appreciate the confidence of our shareholders and, as always, we will continue to be diligent, objective, and patient when managing the funds.

Sincerely,

The Yacktman Team

EXPENSE EXAMPLE

For the Six Months Ended December 31, 2009 (Unaudited)

As a shareholder of the Yacktman Funds (the “Funds”), you incur ongoing costs, including management fees and other Fund expenses. If you invest through a financial intermediary, you may also incur additional costs such as a transaction fee charged on the purchase or sale of the Fund or an asset-based management fee. 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 period from July 1, 2009 to December 31, 2009.

Actual Expenses

The first line of the table on the next page 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 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 the period.

Hypothetical Example for Comparison Purposes

The second line of the table on the next page provides information about hypothetical account values and hypothetical expenses based on the Funds’ actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds’ 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 costs that may be associated with investing in the Fund through a financial intermediary. Therefore, the second line of the table is useful in comparing the ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if any costs associated with investing through a financial intermediary were included, your costs would have been higher.

THE YACKTMAN FUND

	Beginning account value 07/01/09	Ending account value 12/31/09	Expenses paid during period 07/01/09- 12/31/09 ¹
Actual	\$1,000.00	\$1,280.90	\$5.29
Hypothetical (5% return before expenses)	1,000.00	1,020.57	4.69

THE YACKTMAN FOCUSED FUND

	Beginning account value 07/01/09	Ending account value 12/31/09	Expenses paid during period 07/01/09- 12/31/09 ¹
Actual	\$1,000.00	\$1,260.80	\$7.12
Hypothetical (5% return before expenses)	1,000.00	1,018.90	6.36

¹ Expenses are equal to the Funds' annualized expense ratios (0.92% for The Yacktman Fund and 1.25% for The Yacktman Focused Fund), multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

The Yacktman Fund

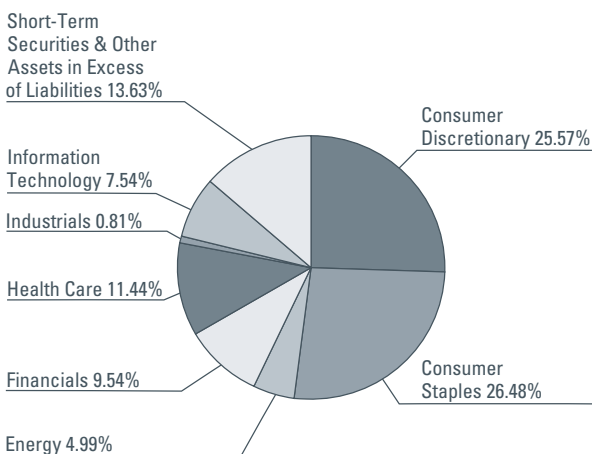
TOP TEN EQUITY HOLDINGS

December 31, 2009 (Unaudited)

	Percentage of Net Assets
PepsiCo, Inc.	8.85%
News Corp., Class A	8.50%
Coca-Cola Co.	7.06%
ConocoPhillips	4.99%
Comcast Corp., Class A	4.56%
Pfizer, Inc.	4.54%
Viacom, Inc., Class B	4.29%
Microsoft Corp.	4.26%
Procter & Gamble Co.	4.24%
Clorox Co.	3.70%
Total	54.99%

FUND DIVERSIFICATION

December 31, 2009 (Unaudited)



The Yacktman Fund

EQUITY PURCHASES & SALES

For the Six Months Ended December 31, 2009 (Unaudited)

NEW PURCHASES	Net Shares Purchased	Current Shares Held
Bank of New York Mellon Corp. <i>Bank of New York Mellon Corporation is a global financial services company. The company provides a complete range of financial and securities services to financial institutions, corporations and individuals worldwide.</i>	300,000	300,000
CareFusion Corp. <i>CareFusion Corporation provides health care products and services. The company offers products that focus on breaking the cycle of harmful medication errors and reducing hospital acquired infections.</i>	55,000	55,000
Clorox Co. <i>The Clorox Company produces and markets non-durable consumer products sold primarily through grocery and other retail stores.</i>	850,000	850,000
H&R Block, Inc. <i>H&R Block, Inc. provides a wide range of financial products and services through its subsidiaries. The company provides tax services to the general public, accounting and consulting services, and consumer financial and personal productivity software.</i>	1,330,000	1,330,000
Stryker Corp. <i>Stryker Corporation develops, manufactures, and markets specialty surgical and medical products.</i>	110,000	110,000

The Yacktman Fund

EQUITY PURCHASES & SALES (Cont'd.)

For the Six Months Ended December 31, 2009 (Unaudited)

NEW PURCHASES	Net Shares Purchased	Current Shares Held
Wal-Mart Stores, Inc.	290,000	290,000
<i>Wal-Mart Stores, Inc. operates discount stores, supercenters, and neighborhood markets. The company's discount stores and supercenters offer merchandise such as apparel, housewares, small appliances, electronics, and hardware.</i>		

PURCHASES	Net Shares Purchased	Current Shares Held
Bank of New York Mellon Corp.	300,000	300,000
H&R Block, Inc.	1,330,000	1,330,000
CareFusion Corp.	55,000	55,000
Clorox Co.	850,000	850,000
Coca-Cola Co.	1,035,000	1,735,000
Comcast Corp., Class A	3,470,000	3,990,000
ConocoPhillips	725,000	1,370,000
Interpublic Group of Cos., Inc. Preferred	2,500	21,000
Johnson & Johnson	420,000	620,000
Loews Corp.	10,000	270,000
Microsoft Corp.	780,000	1,960,000
News Corp., Class A	5,710,000	8,700,000
PepsiCo, Inc.	1,540,000	2,040,000
Pfizer, Inc.	1,630,000	3,500,000
Procter & Gamble Co.	540,000	980,000
Stryker Corp.	110,000	110,000
The Bancorp, Inc.	33,100	709,454
UnitedHealth Group, Inc.	690,000	1,150,000
U.S. Bancorp	770,000	1,410,000
Viacom, Inc., Class B	540,000	2,020,000
Wal-Mart Stores, Inc.	290,000	290,000

SALES	Net Shares Sold	Current Shares Held
American International Group, Inc. Preferred	225,000	—
AmeriCredit Corp.	242,400	2,350,000
BAC Capital Trust I	25,000	—
BAC Capital Trust X	16,300	48,700
Furniture Brands International, Inc.	446,800	818,200
Liberty Media Holding Corp., Interactive - Series A	192,000	2,900,000
Williams Sonoma, Inc.	350,000	—

The Yacktman Fund

PORTFOLIO OF INVESTMENTS

December 31, 2009

	Number of Shares	Value
COMMON STOCKS - 83.46%		
Banks - 2.99%		
The Bancorp, Inc. (a)	709,454	\$ 4,866,854
Bank Of America Corp.	352,000	5,301,120
U.S. Bancorp	1,410,000	31,739,100
		<u>41,907,074</u>
Beverages - 15.91%		
Coca-Cola Co.	1,735,000	98,895,000
PepsiCo, Inc.	2,040,000	124,032,000
		<u>222,927,000</u>
Building Products - 0.59%		
USG Corp. (a)	585,950	8,232,598
Capital Markets - 0.60%		
Bank Of New York Mellon Corp.	300,000	8,391,000
Commercial Services & Supplies - 2.15%		
H&R Block, Inc.	1,330,000	30,084,600
Computers & Peripherals - 1.41%		
Dell, Inc. (a)	480,000	6,892,800
Hewlett-Packard Co.	250,000	12,877,500
		<u>19,770,300</u>
Consumer Finance - 0.68%		
American Express Co.	235,000	9,522,200
Distributors - 0.25%		
Prestige Brands Holdings, Inc. (a)	446,600	3,510,276
Diversified Financial Services - 3.38%		
AmeriCredit Corp. (a)	2,350,000	44,744,000
Resource America, Inc., Class A	659,226	2,663,273
		<u>47,407,273</u>
Food Products - 0.86%		
Lancaster Colony Corp.	242,500	12,052,250

See notes to financial statements.

	Number of Shares	Value
Health Care Equipment & Supplies - 0.84%		
CareFusion Corp. (a)	55,000	\$ 1,375,550
Covidien Plc	100,000	4,789,000
Stryker Corp.	110,000	5,540,700
		<u>11,705,250</u>
Health Care Providers & Services - 3.21%		
Cardinal Health, Inc.	110,000	3,546,400
UnitedHealth Group, Inc.	1,150,000	35,052,000
WellPoint, Inc. (a)	109,500	6,382,755
		<u>44,981,155</u>
Household Durables - 0.32%		
Furniture Brands International, Inc. (a)	818,200	4,467,372
Household Products - 8.35%		
Clorox Co.	850,000	51,850,000
Colgate-Palmolive Co.	70,000	5,750,500
Procter & Gamble Co.	980,000	59,417,400
		<u>117,017,900</u>
Industrial Conglomerates - 0.22%		
Tyco International Ltd.	87,500	3,122,000
Insurance - 0.71%		
Loews Corp.	270,000	9,814,500
MGIC Investment Corp. (a)	30,000	173,400
		<u>9,987,900</u>
Internet Retail - 1.87%		
eBay, Inc. (a)	1,110,000	26,129,400
Media - 20.90%		
Comcast Corp., Class A	3,990,000	63,879,900
Dish Network Corp., Class A (a)	420,000	8,723,400
Liberty Media Holding Corp., Interactive-Series A (a)	2,900,000	31,436,000
News Corp., Class A	8,700,000	119,103,000

See notes to financial statements.

The Yacktman Fund

PORTFOLIO OF INVESTMENTS (Cont'd.)

December 31, 2009

	Number of Shares	Value
Media - 20.90% (Cont'd)		
Viacom, Inc., Class B (a)	2,020,000	\$ 60,054,600
The Walt Disney Co.	300,000	9,675,000
		<u>292,871,900</u>
Oil, Gas & Consumable Fuels - 4.99%		
ConocoPhillips	1,370,000	69,965,900
Pharmaceuticals - 7.39%		
Johnson & Johnson	620,000	39,934,200
Pfizer, Inc.	3,500,000	63,665,000
		<u>103,599,200</u>
Software - 4.27%		
Microsoft Corp.	1,960,000	59,760,400
Specialty Retail - 1.57%		
Abercrombie & Fitch Co. - Class A	145,000	5,053,250
Home Depot, Inc.	50,000	1,446,500
Wal-Mart Stores, Inc.	290,000	15,500,500
		<u>22,000,250</u>
TOTAL COMMON STOCKS (Cost \$949,528,671)		<u>1,169,413,198</u>
CONVERTIBLE PREFERRED STOCKS - 1.12%		
Advertising - 1.12%		
Interpublic Group of Cos., Inc., Series B	21,000	15,667,858
TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$9,117,925)		<u>15,667,858</u>

See notes to financial statements.

	Number of Shares	Value
PREFERRED STOCKS - 0.97%		
Banks - 0.07%		
BAC Capital Trust X, Series B	48,700	\$ <u>944,293</u>
Diversified Financial Services - 0.90%		
Federal National Mortgage Association, Series F (a)	110,055	158,479
Federal National Mortgage Association, Series M (a)	134,188	194,573
Federal National Mortgage Association, Series S (a)	160,000	176,000
SLM Corp., Series A	324,200	<u>12,183,436</u>
		<u>12,712,488</u>
TOTAL PREFERRED STOCKS (Cost \$9,973,308)		<u>13,656,781</u>

	Principal Amount	Value
CONVERTIBLE BONDS - 0.20%		
Mortgage REITs - 0.20%		
RAIT Financial Trust 6.875%, 04/15/2027 (c)	\$ 6,750,000	<u>2,835,000</u>
TOTAL CONVERTIBLE BONDS (Cost \$5,046,791)		<u>2,835,000</u>
CORPORATE BONDS - 0.62%		
Advertising - 0.36%		
Interpublic Group of Cos., Inc. 6.250%, 11/15/2014	5,250,000	<u>5,066,250</u>
Specialty Retail - 0.26%		
Limited Brands, Inc. 7.600%, 07/15/2037	4,000,000	<u>3,580,000</u>
TOTAL CORPORATE BONDS (Cost \$4,591,925)		<u>8,646,250</u>

See notes to financial statements.

The Yacktman Fund

PORTFOLIO OF INVESTMENTS (Cont'd.)

December 31, 2009

	Principal Amount	Value
SHORT-TERM INVESTMENTS - 11.19%		
Commercial Paper - 6.24%		
General Electric Capital 0.025%, 01/06/2010	\$43,695,000	\$ 43,694,970
Intesa Funding 0.250%, 01/06/2010	43,695,000	43,694,696
		<u>87,389,666</u>
Demand Notes - 4.95%		
U.S. Bancorp 0.000% (b)	69,356,047	<u>69,356,047</u>
TOTAL SHORT-TERM INVESTMENTS (Cost \$156,745,713)		<u>156,745,713</u>
Total Investments (Cost \$1,135,004,333) - 97.56%		1,366,964,800
Other Assets in Excess of Liabilities - 2.44%		<u>34,262,935</u>
TOTAL NET ASSETS - 100.00%		<u><u>\$1,401,227,735</u></u>

Percentages are stated as a percent of net assets.

(a) Non-Income Producing

(b) Variable rate security. Rate shown represents the rate as of
December 31, 2009.

(c) Restricted security as defined in Rule 144(a) under the Securities Act
of 1933.

See notes to financial statements.

The Yacktman Focused Fund

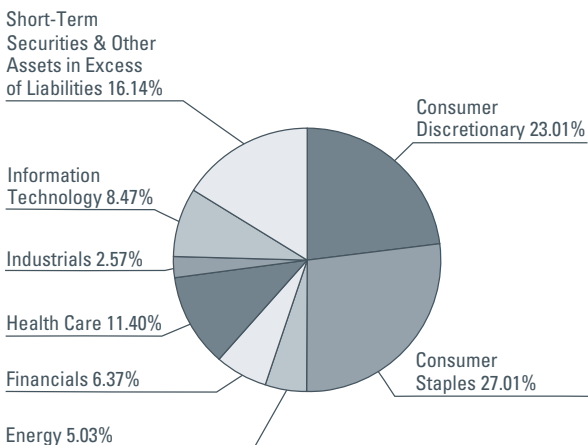
TOP TEN EQUITY HOLDINGS

December 31, 2009 (Unaudited)

	Percentage of Net Assets
PepsiCo, Inc.	9.26%
News Corp., Class A	8.99%
Coca-Cola Co.	6.98%
Microsoft Corp.	6.19%
Pfizer, Inc.	5.57%
Viacom, Inc., Class B	5.11%
ConocoPhillips	5.03%
Comcast Corp., Class A	4.33%
Clorox Co.	4.28%
Procter & Gamble Co.	3.89%
Total	59.63%

FUND DIVERSIFICATION

December 31, 2009 (Unaudited)



The Yacktman Focused Fund

EQUITY PURCHASES & SALES

For the Six Months Ended December 31, 2009 (Unaudited)

PURCHASES	Net Shares Purchased	Current Shares Held
Clorox Co.	470,000	470,000
Coca-Cola Co.	500,000	820,000
Comcast Corp., Class A	1,660,000	1,810,000
ConocoPhillips	431,000	660,000
Hewlett-Packard Co.	5,000	95,000
H&R Block, Inc.	580,000	580,000
Johnson & Johnson	240,000	310,000
Lancaster Colony Corp.	111,200	171,200
Loews Corp.	10,000	90,000
Microsoft Corp.	715,000	1,360,000
News Corp., Class A	2,580,000	4,400,000
PepsiCo, Inc.	735,000	1,020,000
Pfizer, Inc.	1,415,000	2,050,000
Procter & Gamble Co.	300,000	430,000
The Bancorp, Inc.	33,100	224,426
Toyota Industries Corp.	375,000	500,000
U.S. Bancorp	505,000	680,000
UnitedHealth Group, Inc.	370,000	530,000
Viacom, Inc., Class B	505,000	1,150,000
Wal-Mart Stores, Inc.	135,000	135,000

SALES	Net Shares Sold	Current Shares Held
American International Group, Inc. Preferred	67,000	—
AmeriCredit Corp.	95,000	880,000
BAC Capital Trust XII	23,000	—
Dish Network Corp.	87,000	—
Williams Sonoma, Inc.	60,000	—

The Yacktman Focused Fund

PORTFOLIO OF INVESTMENTS

December 31, 2009

	Number of Shares	Value
COMMON STOCKS - 82.60%		
Auto Manufacturers - 2.20%		
Toyota Industries Corporation - ADR	500,000	<u>\$ 14,755,000</u>
Banks - 2.67%		
The Bancorp, Inc. (a)	224,426	1,539,562
Bank Of America Corp.	67,000	1,009,020
U.S. Bancorp	680,000	<u>15,306,800</u>
		<u>17,855,382</u>
Beverages - 16.24%		
Coca-Cola Co.	820,000	46,740,000
PepsiCo, Inc.	1,020,000	<u>62,016,000</u>
		<u>108,756,000</u>
Building Products - 0.37%		
USG Corp. (a)	175,000	<u>2,458,750</u>
Commercial Services & Supplies - 1.96%		
H&R Block, Inc.	580,000	<u>13,119,600</u>
Computers & Peripherals - 0.96%		
Dell, Inc. (a)	105,000	1,507,800
Hewlett-Packard Co.	95,000	<u>4,893,450</u>
		<u>6,401,250</u>
Consumer Finance - 0.30%		
American Express Co.	50,000	<u>2,026,000</u>
Diversified Financial Services - 2.63%		
AmeriCredit Corp. (a)	880,000	16,755,200
Resource America, Inc.	215,000	<u>868,600</u>
		<u>17,623,800</u>
Food Products - 1.27%		
Lancaster Colony Corp.	171,200	<u>8,508,640</u>

See notes to financial statements.

The Yacktman Focused Fund

PORTFOLIO OF INVESTMENTS (Cont'd.)

December 31, 2009

	Number of Shares	Value
Health Care Equipment & Supplies - 0.21%		
Covidien Plc	30,000	\$ 1,436,700
Health Care Providers & Services - 2.64%		
UnitedHealth Group, Inc.	530,000	16,154,400
WellPoint, Inc. (a)	26,000	1,515,540
		<u>17,669,940</u>
Household Durables - 0.13%		
Furniture Brands International, Inc. (a)	160,000	<u>873,600</u>
Household Products - 8.42%		
Clorox Co.	470,000	28,670,000
Colgate-Palmolive Co.	20,000	1,643,000
Procter & Gamble Co.	430,000	26,070,900
		<u>56,383,900</u>
Insurance - 0.49%		
Loews Corp.	90,000	<u>3,271,500</u>
Internet Retail - 1.32%		
eBay, Inc. (a)	375,000	<u>8,827,500</u>
Media - 19.79%		
Comcast Corp., Class A	1,810,000	28,978,100
Liberty Media Holding Corp., Interactive-Series A (a)	840,000	9,105,600
News Corp., Class A	4,400,000	60,236,000
Viacom, Inc., Class B (a)	1,150,000	34,189,500
		<u>132,509,200</u>
Oil, Gas & Consumable Fuels - 5.03%		
ConocoPhillips	660,000	<u>33,706,200</u>
Pharmaceuticals - 8.55%		
Johnson & Johnson	310,000	19,967,100
Pfizer, Inc.	2,050,000	37,289,500
		<u>57,256,600</u>

See notes to financial statements.

	Number of Shares	Value
Software - 6.19%		
Microsoft Corp.	1,360,000	\$ 41,466,400
Specialty Retail - 1.23%		
Abercrombie & Fitch Co. - Class A	30,000	1,045,500
Wal-Mart Stores, Inc.	135,000	7,215,750
		<u>8,261,250</u>
TOTAL COMMON STOCKS (Cost \$460,578,537)		<u>553,167,212</u>
CONVERTIBLE PREFERRED STOCKS - 0.56%		
Advertising - 0.56%		
Interpublic Group of Cos., Inc., Series B	5,000	3,730,443
TOTAL CONVERTIBLE PREFERRED STOCKS (Cost \$2,125,000)		<u>3,730,443</u>
PREFERRED STOCKS - 0.20%		
Diversified Financial Services - 0.20%		
Federal National Mortgage Association, Series S (a)	30,000	33,000
Federal National Mortgage Association, Series N (a)	48,949	73,423
Federal National Mortgage Association, Series L (a)	8,000	11,840
SLM Corp., Series A	31,903	1,198,915
TOTAL PREFERRED STOCKS (Cost \$1,001,598)		<u>1,317,178</u>

See notes to financial statements.

The Yacktman Focused Fund

PORTFOLIO OF INVESTMENTS (Cont'd.)

December 31, 2009

	Principal Amount	Value
CONVERTIBLE BONDS - 0.09%		
Mortgage REITs - 0.09%		
RAIT Financial Trust 6.875%, 04/15/2027 (Acquired 08/15/2007) (c)	\$1,250,000	\$ 609,000
TOTAL CONVERTIBLE BONDS (Cost \$1,062,908)		<u>609,000</u>
CORPORATE BONDS - 0.41%		
Advertising - 0.21%		
Interpublic Group of Cos., Inc. 6.250%, 11/15/2014	1,500,000	<u>1,447,500</u>
Specialty Retail - 0.20%		
Limited Brands, Inc. 7.600%, 07/15/2037	1,500,000	<u>1,342,500</u>
TOTAL CORPORATE BONDS (Cost \$1,567,652)		<u>2,790,000</u>

See notes to financial statements.

	Principal Amount	Value
SHORT-TERM INVESTMENTS - 12.20%		
Commercial Paper - 7.32%		
General Electric Capital 0.025%, 01/06/2010	24,516,000	\$ 24,515,983
Intesa Funding 0.250%, 01/06/2010	24,516,000	24,515,830
		<u>49,031,813</u>
Demand Notes - 4.88%		
U.S. Bancorp 0.000% (b)	32,646,884	<u>32,646,884</u>
TOTAL SHORT-TERM INVESTMENTS (Cost \$81,678,697)		<u>81,678,697</u>
Total Investments (Cost \$548,014,392) - 96.06%		643,292,530
Other Assets in Excess of Liabilities - 3.94%		<u>26,368,741</u>
TOTAL NET ASSETS - 100.00%		<u><u>\$669,661,271</u></u>

Percentages are stated as a percent of net assets.

ADR American Depository Receipt

(a) Non-Income Producing

(b) Variable rate security. Rate shown represents the rate as of December 31, 2009.

(c) Restricted security as defined in Rule 144(A) under the Securities Act of 1933.

See notes to financial statements.

The Yacktman Funds, Inc.

STATEMENTS OF ASSETS & LIABILITIES

December 31, 2009

	The Yacktman Fund	The Yacktman Focused Fund
ASSETS:		
Investments, at value (Cost \$1,135,004,333 and \$548,014,392 respectively)	\$1,366,964,800	\$643,292,530
Cash	16,300,795	15,925,042
Receivable for fund shares sold	25,296,853	19,672,960
Dividends and interest receivable	1,886,581	681,872
Prepaid expenses	86,104	48,146
Total Assets	<u>1,410,535,133</u>	<u>679,620,550</u>
LIABILITIES:		
Payable for fund shares redeemed	1,780,728	475,613
Payable for investments purchased	6,434,922	8,886,351
Accrued investment advisory fees	699,992	439,899
Other accrued expenses	391,756	157,416
Total Liabilities	<u>9,307,398</u>	<u>9,959,279</u>
NET ASSETS	<u>\$1,401,227,735</u>	<u>\$669,661,271</u>
NET ASSETS CONSIST OF:		
Capital stock	\$1,172,550,249	\$576,939,618
Undistributed net investment income	7,691	1,238
Undistributed accumulated net realized loss	(3,290,672)	(2,557,723)
Net unrealized appreciation investments	231,960,467	95,278,138
Total Net Assets	<u>\$1,401,227,735</u>	<u>\$669,661,271</u>
CAPITAL STOCK, \$0.0001 par value		
Authorized	500,000,000	500,000,000
Issued and Outstanding	92,087,004	41,517,235
NET ASSET VALUE, REDEMPTION PRICE, AND OFFERING PRICE PER SHARE	<u>\$ 15.22</u>	<u>\$ 16.13</u>

See notes to financial statements.

The Yacktman Funds, Inc.

STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2009

	The Yacktman Fund	The Yacktman Focused Fund
INVESTMENT INCOME:		
Dividend income ⁽¹⁾	\$ 13,195,200	\$ 4,653,726
Interest income	2,354,628	628,298
Total investment income	<u>15,549,828</u>	<u>5,282,024</u>
EXPENSES:		
Investment advisory fees	4,212,748	2,589,932
Shareholder servicing fees	1,235,568	463,089
Administration and accounting fees	248,380	73,120
Reports to shareholders	92,290	34,340
Professional fees	51,052	30,497
Compliance expenses	54,710	17,995
Federal and state registration fees	115,741	64,860
Custody fees	55,707	24,900
Directors fees and expenses	27,630	11,255
Miscellaneous expenses	24,352	5,305
Total expenses before reimbursements	<u>6,118,178</u>	<u>3,315,293</u>
Expense reimbursements (See Note 5)	—	(77,878)
Net Expenses	<u>6,118,178</u>	<u>3,237,415</u>
NET INVESTMENT INCOME	<u>9,431,650</u>	<u>2,044,609</u>
REALIZED AND UNREALIZED GAIN:		
Net realized gain on:		
Investments	6,086,225	395,568
Written options	—	148,999
Total	<u>6,086,225</u>	<u>544,567</u>
Change in unrealized appreciation on:		
Investments	268,992,040	106,998,246
Written options	—	(143,999)
Total	<u>268,992,040</u>	<u>106,854,247</u>
Net realized and unrealized gain on investments	<u>275,078,265</u>	<u>107,398,814</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$284,509,915</u>	<u>\$109,443,423</u>

(1) Net of \$0 and \$9,594, respectively in foreign withholding taxes.

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

OPERATIONS:

- Net investment income
- Net realized gain on investments
- Net change in unrealized appreciation (depreciation)
on investments
- Net increase (decrease) in net assets resulting
from operations

CAPITAL SHARE TRANSACTIONS:

- Proceeds from shares sold
- Proceeds from reinvestment of distributions
- Redemption fees

- Payments for shares redeemed
- Net increase

DISTRIBUTIONS PAID FROM:

- Net investment income
- Net realized gains
- Total distributions

TOTAL INCREASE (DECREASE) IN NET ASSETS

NET ASSETS:

- Beginning of period
- End of period (including undistributed net investment
income of \$7,691, \$0, \$1,238 and \$0 respectively)

TRANSACTIONS IN SHARES:

- Shares sold
- Issued in reinvestment of distributions
- Shares redeemed
- Net increase

See notes to financial statements.

<u>The Yacktman Fund</u>		<u>The Yacktman Focused Fund</u>	
<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>
\$ 9,431,650	\$ 5,164,426	\$ 2,044,609	\$ 892,817
6,086,225	782,343	544,567	1,682,260
<u>268,992,040</u>	<u>(90,439,239)</u>	<u>106,854,247</u>	<u>(21,628,540)</u>
<u>284,509,915</u>	<u>(84,492,470)</u>	<u>109,443,423</u>	<u>(19,053,463)</u>
974,703,674	261,825,791	580,342,430	65,280,545
17,513,359	6,367,896	3,762,203	4,350,042
93,244	161,978	67,513	20,248
<u>992,310,277</u>	<u>268,355,665</u>	<u>584,172,146</u>	<u>69,650,835</u>
<u>(153,959,735)</u>	<u>(172,240,981)</u>	<u>(85,485,750)</u>	<u>(47,722,837)</u>
<u>838,350,542</u>	<u>96,114,684</u>	<u>498,686,396</u>	<u>21,927,998</u>
(9,423,959)	(5,352,880)	(2,043,371)	(955,328)
(8,867,709)	(1,184,867)	(1,891,918)	(3,504,831)
<u>(18,291,668)</u>	<u>(6,537,747)</u>	<u>(3,935,289)</u>	<u>(4,460,159)</u>
<u>1,104,568,789</u>	<u>5,084,467</u>	<u>604,194,530</u>	<u>(1,585,624)</u>
<u>296,658,946</u>	<u>291,574,479</u>	<u>65,466,741</u>	<u>67,052,365</u>
<u>\$1,401,227,735</u>	<u>\$296,658,946</u>	<u>\$669,661,271</u>	<u>\$65,466,741</u>
73,413,825	23,591,917	40,860,941	5,238,874
1,140,936	672,428	231,236	447,075
<u>(13,106,413)</u>	<u>(15,398,687)</u>	<u>(6,143,497)</u>	<u>(3,906,759)</u>
<u>61,448,348</u>	<u>8,865,658</u>	<u>34,948,680</u>	<u>1,779,190</u>

See notes to financial statements.

FINANCIAL HIGHLIGHTS

For a Fund share outstanding throughout each year

NET ASSET VALUE:

Beginning of period

OPERATIONS:

Net investment income

Net realized and unrealized gain (loss)
on investment securities

Total from operations

LESS DISTRIBUTIONS:

From net investment income

From net realized gains

Total distributions

NET ASSET VALUE:

End of period

TOTAL RETURN

SUPPLEMENTAL DATA AND RATIOS

Net assets; end of period (000's)

Ratio of net expenses to average net assets

Ratio of net investment income to average net assets

Portfolio turnover rate

See notes to financial statements.

The Yacktman Fund

Year Ended December 31,				
2009	2008	2007	2006	2005
\$ 9.68	\$ 13.39	\$ 15.79	\$ 14.67	\$ 15.34
0.10	0.17	0.35	0.30	0.28
<u>5.64</u>	<u>(3.66)</u>	<u>0.21</u>	<u>2.05</u>	<u>(0.48)</u>
<u>5.74</u>	<u>(3.49)</u>	<u>0.56</u>	<u>2.35</u>	<u>(0.20)</u>
(0.10)	(0.18)	(0.34)	(0.30)	(0.28)
<u>(0.10)</u>	<u>(0.04)</u>	<u>(2.62)</u>	<u>(0.93)</u>	<u>(0.19)</u>
<u>(0.20)</u>	<u>(0.22)</u>	<u>(2.96)</u>	<u>(1.23)</u>	<u>(0.47)</u>
<u>\$ 15.22</u>	<u>\$ 9.68</u>	<u>\$ 13.39</u>	<u>\$ 15.79</u>	<u>\$ 14.67</u>
<u>59.31%</u>	<u>(26.05)%</u>	<u>3.39%</u>	<u>15.95%</u>	<u>(1.30)%</u>
<u>\$1,401,228</u>	<u>\$ 296,659</u>	<u>\$ 291,574</u>	<u>\$ 429,072</u>	<u>\$ 438,912</u>
<u>0.93%</u>	<u>0.95%</u>	<u>0.95%</u>	<u>0.96%</u>	<u>0.92%</u>
<u>1.43%</u>	<u>1.92%</u>	<u>1.71%</u>	<u>1.90%</u>	<u>1.86%</u>
<u>14.29%</u>	<u>32.77%</u>	<u>23.82%</u>	<u>17.93%</u>	<u>8.64%</u>

See notes to financial statements.

The Yacktman Funds, Inc.

FINANCIAL HIGHLIGHTS (Cont'd.)

The Yacktman Focused Fund

For a Fund share outstanding throughout each year

NET ASSET VALUE:

Beginning of period

OPERATIONS:

Net investment income

Net realized and unrealized (loss) on investment securities

Total from operations

LESS DISTRIBUTIONS:

From net investment income

From net realized gains

Total distributions

NET ASSET VALUE:

End of period

TOTAL RETURN

SUPPLEMENTAL DATA AND RATIOS

Net assets; end of period (000's)

Ratio of expenses before expense reimbursements
to average net assets (See Note 5)

Ratio of net expenses to average net assets

Ratio of net investment income to average net assets

Portfolio turnover rate

See notes to financial statements.

The Yacktman Focused Fund

Year Ended December 31,				
2009	2008	2007	2006	2005
<u>\$ 9.97</u>	<u>\$ 14.00</u>	<u>\$ 16.00</u>	<u>\$ 14.96</u>	<u>\$ 15.83</u>
0.05	0.15	0.23	0.21	0.22
<u>6.21</u>	<u>(3.45)</u>	<u>0.34</u>	<u>2.20</u>	<u>(0.51)</u>
<u>6.26</u>	<u>(3.30)</u>	<u>0.57</u>	<u>2.41</u>	<u>(0.29)</u>
(0.05)	(0.16)	(0.23)	(0.21)	(0.22)
<u>(0.05)</u>	<u>(0.57)</u>	<u>(2.34)</u>	<u>(1.16)</u>	<u>(0.36)</u>
<u>(0.10)</u>	<u>(0.73)</u>	<u>(2.57)</u>	<u>(1.37)</u>	<u>(0.58)</u>
<u>\$ 16.13</u>	<u>\$ 9.97</u>	<u>\$ 14.00</u>	<u>\$ 16.00</u>	<u>\$ 14.96</u>
<u>62.76%</u>	<u>(23.48)%</u>	<u>3.46%</u>	<u>16.13%</u>	<u>(1.83)%</u>
<u>\$669,661</u>	<u>\$ 65,467</u>	<u>\$ 67,052</u>	<u>\$ 90,534</u>	<u>\$ 84,608</u>
<u>1.28%</u>	<u>1.35%</u>	<u>1.38%</u>	<u>1.35%</u>	<u>1.32%</u>
<u>1.25%</u>	<u>1.25%</u>	<u>1.25%</u>	<u>1.25%</u>	<u>1.25%</u>
<u>0.79%</u>	<u>1.31%</u>	<u>1.23%</u>	<u>1.40%</u>	<u>1.30%</u>
<u>8.26%</u>	<u>67.11%</u>	<u>30.49%</u>	<u>30.61%</u>	<u>5.62%</u>

See notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

1. ORGANIZATION

The Yacktman Funds, Inc. (comprised of The Yacktman Fund and The Yacktman Focused Fund, hereafter referred to as the "Funds") is registered as an open-end management investment company under the Investment Company Act of 1940 (the "1940 Act"). The Funds consist of two investment portfolios: The Yacktman Fund is a diversified fund that commenced operations July 6, 1992 and The Yacktman Focused Fund is a non-diversified fund that commenced operations May 1, 1997. The objective of each of the Funds is to produce long-term capital appreciation with current income as a secondary objective. Yacktman Asset Management Co. is the Funds' investment adviser (the "Adviser").

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain 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.

a) Subsequent Events Evaluation - In preparing these financial statements, the Funds have evaluated events and transactions for potential recognition or disclosure resulting from subsequent events through February 25, 2010, the date the financial statements were issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

b) Investment Valuation - Securities which are traded on a national stock exchange are valued at the last sale price

on the securities exchange on which such securities are primarily traded. Securities that are traded on the Nasdaq National Market or the Nasdaq Smallcap Market are valued at the Nasdaq Official Closing Price. Exchange-traded securities for which there were no transactions are valued at the current bid prices. Securities traded on only over-the-counter markets are valued on the basis of closing over-the-counter bid prices. Short-term debt instruments maturing within 60 days are valued by the amortized cost method, which approximates fair value. Debt securities (other than short-term instruments) are valued at the mean price furnished by a national pricing service, subject to review by the Adviser and determination of the appropriate price whenever a furnished price is significantly different from the previous day's furnished price. Options written or purchased by The Yacktman Focused Fund are valued at the last sales price if such last sales price is between the current bid and asked prices. Otherwise, options are valued at the mean between the current bid and asked prices. Any securities for which there are no readily available market quotations and other assets will be valued at their fair value as determined in good faith by the Adviser pursuant to procedures established by and under the supervision of the Board of Directors. The fair value of a security is the amount which a Fund might reasonably expect to receive upon a current sale. Valuing securities for which there are no readily available market quotations involves greater reliance on judgement and there can be no assurance that the Funds could obtain the fair value assigned to a security if they were to sell the security at approximately the time at which the Funds determine their net asset value per share.

Valuation Measurements

The Funds have adopted authoritative fair valuation accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 (Cont'd.)

techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs, if any, during the period. In addition, these standards require expanded disclosure for each major category of assets. These inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Funds' net assets as of December 31, 2009:

THE YACKTMAN FUND

	Level 1	Level 2	Level 3	Total
Common Stock				
Consumer				
Discretionary	\$ 333,923,622	\$ —	—	\$ 333,923,622
Consumer Staples	371,007,926	—	—	371,007,926
Energy	69,965,900	—	—	69,965,900
Financials	117,215,448	—	—	117,215,448
Health Care	160,285,605	—	—	160,285,605
Industrials	11,354,597	—	—	11,354,597
Information				
Technology	105,660,100	—	—	105,660,100
Total				
Common Stock	1,169,413,198	—	—	1,169,413,198
Convertible				
Preferred Stock*	—	15,667,858	—	15,667,858
Preferred Stock*	13,656,781	—	—	13,656,781
Convertible Bonds*	—	2,835,000	—	2,835,000
Corporate Bonds*	—	8,646,250	—	8,646,250
Short-Term				
Investments	—	156,745,713	—	156,745,713
Total Investments				
in Securities	\$1,183,069,979	\$183,894,821	\$—	\$1,366,964,800

* Please refer to the portfolio of investments to view securities by industry type.

The Yacktman Funds, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 (Cont'd.)

THE YACKTMAN FOCUSED FUND

	Level 1	Level 2	Level 3	Total
Common Stock				
Automobiles	\$ —	\$ 14,755,000	—	\$ 14,755,000
Consumer				
Discretionary	147,547,900	—	—	147,547,900
Consumer Staples	180,864,290	—	—	180,864,290
Energy	33,706,200	—	—	33,706,200
Financials	40,776,682	—	—	40,776,682
Health Care	76,363,240	—	—	76,363,240
Industrials	2,458,750	—	—	2,458,750
Information				
Technology	56,695,150	—	—	56,695,150
Total				
Common Stock	538,412,212	14,755,000	—	553,167,212
Convertible				
Preferred Stock*	—	3,730,443	—	3,730,443
Preferred Stock*	1,317,178	—	—	1,317,178
Convertible Bonds*	—	609,000	—	609,000
Corporate Bonds*	—	2,790,000	—	2,790,000
Short-Term				
Investments	—	81,678,697	—	81,678,697
Total Investments in Securities	\$539,729,390	\$103,563,140	\$—	\$643,292,530

* Please refer to the portfolio of investments to view securities by industry type.

The Funds have adopted derivative instruments disclosure standards, in order to enable the investor to understand how and why an entity used derivatives, how derivatives are accounted for, and how derivative instruments affect a Fund's results of operations and financial position.

The Yacktman Focused Fund

The Yacktman Focused Fund may use options to generate income and to hedge against losses caused by declines in the prices of stocks in its portfolio or for any other permissible purposes consistent with the Fund's investment objective.

The Yacktman Focused Fund did not hold any derivatives as of December 31, 2009.

The Effect of Derivative Instruments on the Statement of Operations for the Period Ended December 31, 2009

**Amount of Realized Gain or (Loss) on
Derivatives Recognized in Income**

Derivatives not accounted for as hedging instruments	Written Options	Total
Equity Contracts	\$148,999	\$148,999
Total	\$148,999	\$148,999

**Change in Unrealized Appreciation or (Depreciation)
on Derivatives Recognized in Income**

Derivatives not accounted for as hedging instruments	Written Options	Total
Equity Contracts	\$(143,999)	\$(143,999)
Total	\$(143,999)	\$(143,999)

See Note 4 for additional disclosure related to transactions in written options during the period.

c) Option Writing - When The Yacktman Focused Fund writes an option, an amount equal to the premium received by The Yacktman Focused Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by The Yacktman Focused Fund on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether The Yacktman Focused Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by The Yacktman Focused Fund. The Yacktman Focused Fund as a writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. A risk of using derivatives is that the counterparty to a

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 (Cont'd.)

derivative may fail to comply with their obligation to the Fund.

d) Federal Income Taxes - It is each Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all investment company net taxable income and net capital gains to its shareholders in a manner which results in no tax cost to the Fund. Therefore, no federal income tax provision is required.

The Funds have adopted financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Funds have reviewed all open tax years and major jurisdictions and concluded that there is no impact on the Funds' net assets and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Funds did not incur any interest or penalties. The Funds are not subject to examination by U.S. federal tax authorities for any tax years before 2006.

e) Distributions to Shareholders - Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. Distributions to shareholders are recorded on the ex-dividend date. The character of distributions made during the year from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain items for financial statement and tax purposes. Additionally, the Funds may utilize earnings and profits distributed to shareholders on redemption of shares as part of the dividends paid deduction for income tax purposes. Where appropriate, reclassifications between capital accounts are made for such differences

that are permanent in nature. No such reclassifications were made for the year ended December 31, 2009.

f) Guarantees and Indemnifications - In the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims against the Funds that have not yet occurred. Based on experience, the Funds expect the risk of loss to be remote.

g) Redemption Fee - Effective April 1, 2005, those who buy and sell the Funds within thirty calendar days will incur a 2% redemption fee, retained for the benefit of long-term shareholders, recorded as additional capital in the statement of changes in net assets.

h) Other - Investment transactions and shareholder transactions are accounted for on the trade date. Net realized gains and losses on securities are computed on the basis of specific security lot identification. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Withholding taxes on foreign dividends have been provided for in accordance with the Funds' understanding of the applicable country's tax rules and regulations. Expenses incurred by the Funds that do not relate to a specific fund are allocated to the individual Funds based on each Fund's relative net assets or another appropriate basis (as determined by the Board of Directors.)

3. INVESTMENT TRANSACTIONS

For the year ended December 31, 2009, the aggregate purchases and sales of securities, excluding short-term securities, were \$725,845,709 and \$84,365,537 for The Yacktman Fund and \$408,811,792 and \$19,032,441 for The Yacktman Focused Fund, respectively. For the year ended December 31, 2009, there were no purchases or sales of U.S. Government securities for The Yacktman Fund and The Yacktman Focused Fund.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 (Cont'd.)

4. OPTION CONTRACTS WRITTEN

The premium amount and number of option contracts written during the year ended December 31, 2009 in The Yacktman Focused Fund, were as follows:

	Amount of Premiums	Number of Contracts
Outstanding at 12/31/2008	\$(148,999)	(1,000)
Options written	—	—
Options expired	148,999	1,000
Options closed	—	—
Outstanding at 12/31/2009	\$ —	—

See Note 2 for additional disclosure about written options.

5. INVESTMENT ADVISORY AGREEMENT

The Funds have agreements with the Adviser, with whom certain officers and directors of the Funds are affiliated, to furnish investment advisory services to the Funds. Under the terms of these agreements, The Yacktman Fund will pay the Adviser a monthly fee at the annual rate of 0.65% on the first \$500,000,000 of average daily net assets, 0.60% on the next \$500,000,000 of average daily net assets and 0.55% on average daily net assets in excess of \$1,000,000,000, and The Yacktman Focused Fund will pay the Adviser a monthly fee at the annual rate of 1% of its average daily net assets. The Adviser has contractually agreed to reimburse The Yacktman Fund for all expenses exceeding 2.00% of its average daily net assets (exclusive of interest, taxes, brokerage commissions and extraordinary expenses). The Adviser has voluntarily agreed to reimburse The Yacktman Focused Fund for all expenses exceeding 1.25% of its average daily net assets (exclusive of interest, taxes, brokerage commissions and extraordinary expenses). The Funds are not obligated to reimburse the Adviser for any fees or expenses waived in previous fiscal years. During the year ended December 31, 2009, the Adviser voluntarily waived \$77,878 of investment advisory fees for The Yacktman Focused Fund.

6. LINE OF CREDIT

The Yacktman Fund and The Yacktman Focused Fund have established a line of credit ("LOC") with U.S. Bank, N.A. to be used for temporary or emergency purposes, primarily for financing redemption payments, using the securities in each Fund's respective portfolio as collateral. The LOC will mature, unless renewed, on March 31, 2010 for each of the Funds. For The Yacktman Fund, borrowing under the LOC is limited to the lesser of \$15,000,000, 10% of the preborrowing net assets of the Fund, 10% of the market value of the assets of the Fund, or 33 1/3% of the sum of the market value of certain assets of the Fund. For The Yacktman Focused Fund, borrowing under the LOC is limited to the lesser of \$15,000,000, 33 1/3% of the preborrowing net assets of the Fund, 33 1/3% of the market value of the assets of the Fund, or 33 1/3% of the sum of the market value of certain assets of the Fund. The interest rate paid by the Funds on outstanding borrowings is equal to the Prime Rate, less 0.50%, which was 2.75% as of December 31, 2009. During the year ended December 31, 2009, The Yacktman Fund had average outstanding borrowings of \$45,315 under the LOC and paid a weighted average interest rate of 2.75%. During the year ended December 31, 2009, there were no borrowings for The Yacktman Focused Fund.

The Yacktman Funds, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 (Cont'd.)

7. TAX INFORMATION

As of December 31, 2009 the components of distributable earnings on a tax basis were as follows:

	The Yacktman Fund	The Yacktman Focused Fund
Tax cost of investments	<u>\$1,138,295,825</u>	<u>\$551,311,964</u>
Gross unrealized appreciation	247,163,331	98,684,730
Gross unrealized depreciation	<u>(18,494,356)</u>	<u>(6,704,164)</u>
Net tax unrealized appreciation	<u>228,668,975</u>	<u>91,980,566</u>
Undistributed ordinary income	8,511	47,543
Undistributed long-term capital gains	<u>—</u>	<u>693,544</u>
Accumulated earnings	8,511	741,087
Other accumulated gains/(losses)	<u>—</u>	<u>—</u>
Total accumulated earnings	<u>\$ 228,677,486</u>	<u>\$ 92,721,653</u>

The tax basis of investments for tax and financial reporting purposes differs, principally due to the deferral of losses on wash sales.

The tax character of distributions paid during the fiscal years ended December 31, 2009 and December 31, 2008 were as follows:

	The Yacktman Fund	The Yacktman Focused Fund
2009		
Ordinary income	\$18,291,668	\$3,935,255
Long-term capital gains	\$ —	\$ 34
2008		
Ordinary income	\$ 6,537,747	\$2,097,803
Long-term capital gains	\$ —	\$2,362,356

The Yacktman Funds, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
The Yacktman Funds, Inc.

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of The Yacktman Funds, Inc., comprising The Yacktman Fund and The Yacktman Focused Fund (the "Funds"), as of December 31, 2009, and the related statements of operations for the year then ended, and the statements of changes in net assets and the financial highlights for each of the two years in the period then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the periods indicated prior to December 31, 2008, were audited by another independent registered public accounting firm, who expressed unqualified opinions on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2009 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the funds constituting The Yacktman Funds, Inc., as of December 31, 2009, the results of their operations for the year then ended, and the changes in their net assets and financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

COHEN FUND AUDIT SERVICES, LTD.

Westlake, Ohio
February 25, 2010

ADDITIONAL INFORMATION

(Unaudited)

For the year ended December 31, 2009, 71.64% and 100.00% of the dividends paid from net investment income, including short-term capital gains, for The Yacktman Fund and The Yacktman Focused Fund, respectively, qualify for the dividends received deduction available to corporate shareholders.

For the year ended December 31, 2009, 70.55% and 100.00% of the dividends paid from net investment income, including short-term capital gains, for The Yacktman Fund and The Yacktman Focused Fund, respectively, are designated as qualified dividend income.

The Funds hereby designate approximately 48.48% and 48.07% as short-term capital gain distributions for The Yacktman Fund and The Yacktman Focused Fund, respectively, for the purposes of the dividends paid deduction.

PROXY VOTING POLICIES AND PROCEDURES

For a description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities, please call 1-800-525-8258 and request a Statement of Additional Information. One will be mailed to you free of charge. The Statement of Additional Information is also available on the Web site of the Securities and Exchange Commission at <http://www.sec.gov>. Information on how the Funds voted proxies relating to portfolio securities during the twelve month period ended June 30, 2009, is available without charge, upon request, by calling 1-800-525-8258 or by accessing the Web site of the Securities and Exchange Commission.

DISCLOSURE OF PORTFOLIO HOLDINGS

The Funds will file complete schedules of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. Each Fund's Form N-Q will be available on the Web site of the Securities and Exchange Commission at <http://www.sec.gov>.

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The Yacktman Funds, Inc.

DIRECTOR AND OFFICER INFORMATION

(Unaudited)

Name	Age	Address	Current position held with the Funds
Independent Directors			
Bruce B. Bingham	61	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Director
Albert J. Malwitz	73	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Director
George J. Stevenson	70	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Director
Interested Director*			
Donald A. Yacktman	68	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Director President Treasurer
Officers			
Stephen Yacktman	39	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Vice President Secretary Officer

* The Interested Director serves as director and officer of The Yacktman Funds.

Additional information about the Funds' directors is available in the Statement of Additional Information and is available, without charge, upon request, by calling 1-800-525-8258.

Term of office and length of time served	Principal occupation during the past five years	Number of portfolios overseen within the Fund complex	Other directorships held outside the Fund complex
Indefinite, until successor elected 11 years	Mr. Bingham has been a partner in Hamilton Partners, a real estate development firm, for more than five years	2	None
Indefinite, until successor elected 11 years	Mr. Malwitz has been owner and chief executive officer of Arlington Fastener Co., a manufacturer and distributor of industrial fasteners, for more than five years	2	None
Indefinite, until successor elected 11 years	Mr. Stevenson has been President of Stevenson & Company, a registered business broker, and President of Healthmate Products Co., a fruit juice concentrate manufacturing company, for more than five years	2	None
Indefinite, until successor elected 18 years	Mr. Yacktman has been President of Yacktman Asset Management Co. since April, 1992	2	None
Indefinite, until successor elected 7 years	Mr. Yacktman has been Vice President of Yacktman Asset Management Co. for more than five years	N/A	None

The Yacktman Funds, Inc.

DIRECTOR AND OFFICER INFORMATION

(Unaudited) (Cont'd.)

Name	Age	Address	Current position held with the Funds
Kent A. Arnett	68	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Vice President Chief Compliance Officer
Jason Subotky	39	c/o Yacktman Asset Management Co. 6300 Bridgepoint Parkway Building One, Suite 320 Austin, TX 78730	Vice President

Term of office and length of time served	Principal occupation during the past five years	Number of portfolios overseen within the Fund complex	Other directorships held outside the Fund complex
Indefinite, until successor elected 5 years	Mr. Arnett has been Vice President and Chief Compliance Officer of Yacktman Asset Management Co. for five years	N/A	None
Indefinite, until successor elected 2 years	Mr. Subotky has been Vice President and Portfolio Manager for Yacktman Asset Management for more than five years	N/A	None

**For Fund information and
shareholder services, call
1-800-525-8258
Web site: www.yacktman.com**

The Yacktman Funds, Inc.
Shareholder Services Center
615 East Michigan Street, 3rd Floor
Milwaukee, Wisconsin 53202-5207

This report is submitted for the general information of shareholders of The Yacktman Funds. It is not authorized for distribution to prospective investors unless accompanied or preceded by an effective Prospectus for the Funds, which contains more information concerning the Funds' investment policies, as well as fees and expenses and other pertinent information. Read the Prospectus carefully.