Global Fund Management Discussion

Longleaf Partners Global Fund returned 3.9% in its first quarter of operation, trailing the MSCI World Index return of 7.9%. The primary reason for the underperformance was the high cash balance from shareholder purchases at the first of the year.

Cumulative Returns at March 31, 2013

	Since Inception 12/27/12	1Q
Global Fund	**3.90%**	**3.90%**
MSCI World Index	7.92	7.73

See page 26 for additional performance information.

Southeastern's disciplined approach of buying securities at a significant discount to a conservative appraisal prevented us from investing much of the Fund's cash following the year-end launch. We temporarily closed the Global Fund in January. Since then, the Fund has gradually become more fully invested as more companies met our criteria of business, people and price. As of April 16, the Fund re-opened to new investors.

Most holdings had positive performance in the first quarter. DIRECTV continued to grow its cash flow through pricing in the U.S. satellite business and increasing subscribers in Latin America. The stock rose 13% as management used excess cash to shrink undervalued shares at a 16% annualized rate and walked away from bidding for Vivendi's GVT, a Brazilian internet and phone business.

The Fund's insurance holdings were positive performers in the quarter. Bermuda-based reinsurer Everest RE returned 15%. Earnings and operations showed strong progress in the past two quarters. The company bought in 4% of its discounted shares. Fairfax Financial Holdings was another top performer after it appreciated 9%. The company reported strong fourth quarter earnings after its equity portfolio rallied and it booked gains on government bond sales, as well as claims management company Cunningham Lindsey.

The price of Mondelez, the snack business that was spun out of Kraft last fall, rose 21% with attention placed on the company by Trian's newly-held stake.

Few names declined in the quarter, with most down only slightly. Level(3) lost 12%. Although the company achieved its goal of 2% sequential sales growth, extra costs reduced operating income versus expectations. Management lowered EBITDA guidance accordingly. Given our disappointment over the last several years in Level(3)'s results, we encouraged the company to add Peter van Oppen to the board, and his appointment became effective during the quarter. Peter owns a private investment firm focused on technology and telecommunications and has specific knowledge of both long haul and enterprise businesses. Additionally, his financial background and experience on multiple boards will bring added discipline. In mid-March, Jim Crowe announced his plan to resign, and by mid-April, COO Jeff Storey was appointed the new CEO. The solid board, combined with Jeff's experience and operational focus, make us optimistic about the value of this company's assets being recognized over time.

Hong Kong-based conglomerate Cheung Kong declined 4%. Broad fears over Chinese and Hong Kong real estate prices impacted the company, which has minimal financial leverage. Despite heavy government crackdown on prices, including increased mortgage rates and stamp duties, Cheung Kong has low cost inventory that will enable it to profit even at much lower real estate prices. Cheung Kong actually raised its sales targets, expecting to sell 30% more Hong Kong residential property than last year. Cheung Kong Chairman KS Li is personally buying shares.

The market volatility late in the quarter gave us an opportunity to fill out a number of positions in the Fund. With over 87% of the Fund invested, we have set much of the foundation for successful long-term compounding. We own companies with strong market positions and financial strength, and we have partnered with management teams who are driving value growth across the majority of our holdings.

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