Longleaf Partners Funds | Advised by Southeastern Asset Management, Inc.®

International Fund Management Discussion

Longleaf Partners International Fund gained 3.0% in the first quarter, strongly outpacing the MSCI EAFE Index's return of 0.7%. The Fund nearly doubled the performance of EAFE since inception and beat the Index in most trailing periods as indicated below.

Cumulative Returns at March 31, 2014

	Since Inception	15 Year	Ten Year	Five Year	One Year	1Q
International Fund (Inception 10/26/98)	**303.72%**	**249.64%**	**70.06%**	**110.71%**	**23.13%**	**3.01%**
MSCI EAFE Index	114.01	93.17	88.22	110.17	17.56	0.66

Average Annual Returns at March 31, 2014

	Since Inception	15 Year	Ten Year	Five Year	One Year
International Fund (Inception 10/26/98)	**9.47%**	**8.70%**	**5.45%**	**16.07%**	**23.13%**
MSCI EAFE Index	5.06	4.49	6.53	16.02	17.56

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.com.

The total expense ratio for the Longleaf Partners International Fund is 1.29%. The expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.75% of average annual net assets.

Italian holding company Exor was the largest contributor for the quarter, adding 12%. Exor owns Fiat Chrysler Auto, which had strong performance after Fiat merged with Chrysler in the period. Exor also benefitted from a strong rebound in Italian stock markets in response to political progress and broad enthusiasm about the direction of the Italian economy and government. Another Exor holding, agriculture equipment and truck company CNH Industrial, remained on track with the integration of its recently combined pieces, Fiat Industrial and CNH. Exor Chairman and CEO John Elkann, who has an excellent investing track record, has net cash available to provide liquidity when compelling investment opportunities arise. We swapped the Fund's direct holding in CNH Industrial for an increased weight in Exor in the quarter.

Norwegian branded food company Orkla returned 10%. Orkla reported a solid quarter, with improved working capital and net debt. The company announced a new CEO, Peter Ruzicka, who has a long track record in branded consumer goods and has been on the Orkla board since 2008. He is committed to Chairman Stein Erik Hagen's plan to transform the company by selling noncore assets and focusing on consumer branded goods.

Infrastructure company Ferrovial added 12% in the quarter, driven by solid results from the ETR-407 toll road in Toronto and London's Heathrow airport along with higher than expected cash balances after collecting cash owed from regional governments in Spain. Ferrovial has €1.7 billion in net cash at the holding company. Management recently announced a €0.30/share complementary dividend will be paid in May. Special dividends have consistently been paid in previous periods when management could not find suitable investment opportunities that met their demanding internal return hurdle. Because the Texas toll roads that Ferrovial is building are on schedule and nearing completion, and because the company's other world-class infrastructure assets continue to grow in value, we expect free cash flow to increase meaningfully in the coming years.

Fairfax Financial, the property/casualty insurer, was up 11% in the quarter. Andy Barnard has successfully managed the insurance operations with solid underwriting and integration of acquisitions done in years past. A low number of catastrophes also helped recent results. CEO Prem Watsa's investment returns have been held back by high cash and equity hedges over the last year, but he is off to a good start this quarter.

Macau gaming company Melco lost 9% making it the Fund's largest detractor in the quarter. Market concerns over short-term weak January gaming growth, driven primarily by the timing of Chinese New Year, impacted the stock, as did stories about Macau shortening license renewal periods. The company later reported record growth in February with fiscal year (FY) 2013 luck-adjusted EBITDA (earnings before interest, taxes, and amortization) up 44% and revenues up 27% year-over-year. Melco announced a special dividend of $191 million.

Hong Kong property company K Wah International declined 1%. Through its 3.9% stake in Macau gaming company Galaxy Entertainment, K Wah was negatively impacted by the same short-term market concerns as Melco. K Wah's property business benefitted in the quarter from sale proceeds of both an investment property in Singapore and residential property in China. K Wah is slowing its land acquisition activity and is currently focused on selling its high-end Shanghai residential project. Galaxy Entertainment comprised over 75% of K Wah's market capitalization at quarter end, meaning the remaining property business is trading at 0.2x book. Meanwhile, Galaxy, like Melco, is growing value per share extremely quickly.

We sold Nitori and ACS as each reached our appraisals. We bought four new businesses in the quarter. Unlike in 2011-2012, when we saw broad macroeconomic "themes" driving pockets of geographic (i.e. Europe) and/or sector (i.e. industrials, materials, insurance) cheapness, we are finding new ideas today across a broad range of sectors and geographies, based on more idiosyncratic, stock-specific factors.

The portfolio P/V (price-to-value ratio) is in the mid-70s%, and cash is just over 12%. After strong performance in global markets in the past two years, we remain highly alert to how potential macro risks may impact the overall portfolio. We believe the quality of what we own will help protect and grow intrinsic values, even if market prices slide. We believe our businesses are:

- Financially strong (many with net cash) and well-positioned to take advantage of market dislocations to buy in shares, make smart acquisitions, or sell assets at attractive prices;
- Led by management teams with track records of value creation, as evidenced by what they have done in previous times of crisis; and
- Industry leaders that have pricing power to protect against deflationary or inflationary scenarios.

Before investing in any Longleaf Partners fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current Prospectus and Summary Prospectus, which contain this and other important information, visit longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf Partners International Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invest in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Mid-cap stocks held by the Funds may be more volatile than those of larger companies. Investing in non-U.S. securities may entail risk due to non-US economic and political developments, exposure to non-US currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index cannot be invested in directly.

P/V ("price to value") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. The ratio represents a single data point about a Fund and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

As of 3/31/14, the top 10 holdings in Longleaf Partners International Fund – EXOR (7.0%), Cheung Kong (6.9%), Lafarge (6.8%), OCI (5.8%), K Wah (5.6%), Philips (5.0%), Orkla (4.9%), Ferrovial (4.6%), News Corp (4.5%), Melco (4.5%). Holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by Rafferty Capital Markets, LLC. As of May 1, 2014, Funds distributed by ALPS Distributors, Inc.

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