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

Small-Cap Fund Management Discussion

Longleaf Partners Small-Cap Fund gained 5.2% in the quarter, outpacing the Russell 2000's 1.1%. Our high cash hampered relative results over the last twelve months, but over longer term periods, the Fund's performance surpassed that of the Index.

Cumulative Returns at March 31, 2014

	Since Inception	20 Year	15 Year	Ten Year	Five Year	One Year	1Q
Small-Cap Fund (Inception 2/21/89)	**1447.76%**	**1010.05%**	**395.99%**	**177.02%**	**239.49%**	**22.41%**	**5.18%**
Russell 2000 Index	975.52	512.04	259.56	126.78	196.88	24.90	1.12

Average Annual Returns at March 31, 2014

	Since Inception	20 Year	15 Year	Ten Year	Five Year	One Year
Small-Cap Fund (Inception 2/21/89)	**11.53%**	**12.79%**	**11.27%**	**10.73%**	**27.69%**	**22.41%**
Russell 2000 Index	9.93	9.48	8.91	8.53	24.31	24.90

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 Small-Cap Fund 0.92%. The expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.5% of average annual net assets.

Small-Cap's largest holding, cement producer Texas Industries (TXI), drove much of the Fund's return in the quarter, gaining 30% after Martin Marietta (the #2 U.S. producer of construction aggregates) announced an all-stock deal to acquire TXI. The shares of both companies rose on the announcement, and we sold our small stake in Martin Marietta to manage our combined exposure. The deal is expected to close in the second quarter.

Level 3 Communications appreciated 18% in the quarter. This fiber and networking company's strong results exceeded expectations largely due to growth in the Enterprise business, and management issued higher 2014 guidance. Over the last year since Jeff Storey became CEO, the stock has risen 93% reflecting the expansion of operating margins and improved balance sheet. Level 3 is now cash flow positive with value increasing. The stock remains one of the most discounted in the portfolio even after the significant run up since Storey's appointment.

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.

Graham Holdings (the renamed Washington Post) gained 7%. CEO Donald Graham continued to grow the company's value per share. In the quarter, he reached an agreement to exchange a combination of a Miami-based television station, Berkshire shares currently held by Graham Holdings, and cash for approximately 1.6 million shares of Graham Holdings stock currently owned by Berkshire Hathaway. Graham Holdings gets the benefit of both repurchasing its undervalued shares and selling the station tax-efficiently. Management also continued to make progress in turning around the Kaplan education business.

Media company Scripps Networks was the primary detractor in the quarter, down 12%. The stock sold off in January after rumored talks about a deal with Discovery did not materialize. Our appraisal grew, however, with stronger-than-expected 2014 guidance and additional undervalued share repurchases. The company's high quality assets (including HGTV, DIY Network, Food Network, Cooking Channel, and the Travel Channel) are attractively priced whether the company remains independent or becomes part of a larger content provider.

Vail Resorts, owner of U.S. ski resorts, was down 7% in the quarter. Vail downgraded earnings guidance for the year largely due to the drought at its three Lake Tahoe-area resorts. Conversely, the company reported impressive visitor increases at its Colorado locations. Our appraisal of the company grew during the quarter.

The continued run up in stock prices led to more sales and trims than purchases in the Fund. We did not find any new businesses that met our requisite discount to appraisal. We exited three positions: Legg Mason, Wendy's, and aforementioned Martin Marietta. In the fourteen months that we owned asset manager Legg Mason, the stock returned 81%. The company grew assets under management with strong market appreciation and experienced improved flows, while management repurchased significant amount of stock when it was discounted. We bought Wendy's in 2006, and our return was 45%. After the disappointing combination with Arby's ended, the company hired Emil Brolick who successfully worked with franchisees in introducing menu innovations and revitalizing stores. He also sold company-owned stores, freeing up capital and improving free cash flow.

Following these sales, the Fund's cash position was 37% at quarter-end. The P/V (price-to-value ratio) was in the mid-80s%. The cash level remains higher than we prefer, but as when we previously have had few new opportunities, we will continue to exercise patience and discipline until we find qualifying companies.

We are pleased to announce that effective with the May 1 Prospectus of Longleaf Partners Funds, senior analyst Ross Glotzbach will join Mason and Staley as a co-manager on Longleaf Partners Small-Cap Fund. Ross celebrates his tenth anniversary at Southeastern this year and has become an increasingly valuable member of the research team. Becoming co-portfolio manager of Small-Cap will not change Ross' daily focus on finding and following investments, but this new role acknowledges his immense collective contribution, particularly to Small-Cap's strong returns over the last few years.

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 Small-Cap 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. Smaller company stocks may be more volatile with less financial resources than those of larger companies.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3,000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. 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 Small-Cap Fund - Texas Industries (15.6%), Level 3 (7.9%), Graham Holdings (7.0%), Everest Re (5.2%), Empire State Realty Trust (4.3%), Vail Resorts (4.0%), tw telecom (3.9%), Fairfax (3.7%), Scripps Networks (3.6%), Hopewell (3.6%). 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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Expires July 15, 2014