Small-Cap Fund Management Discussion

Longleaf Partners Small-Cap Fund rose 5.98% in the first quarter, outpacing the 4.32% that the Russell 2000 Index delivered. Our strong gain kept 1 and 5-year results well above both our absolute goal of inflation plus 10% and the index. For the longer term periods shown below, the Small-Cap Fund has compounded at double-digit annual rates and consistently outperformed the benchmark.

Cumulative Returns at March 31, 2015

	Since Inception	25 Year	20 Year	15 Year	Ten Year	Five Year	One Year	1Q
Small-Cap Fund (Inception 2/21/89)	**1654.43%**	**1418.66%**	**1092.16%**	**452.43%**	**171.85%**	**114.63%**	**13.35%**	**5.98%**
Russell 2000 Index	1063.83	991.62	527.64	183.40	132.80	97.37	8.21	4.32

Average Annual Returns at March 31, 2015

	Since Inception	25 Year	20 Year	15 Year	Ten Year	Five Year	One Year
Small-Cap Fund (Inception 2/21/89)	**11.60%**	**11.50%**	**13.19%**	**12.07%**	**10.52%**	**16.50%**	**13.35%**
Russell 2000 Index	9.86	10.03%	9.62	7.19	8.82	14.57	8.21

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 Small-Cap Fund is 0.91%. The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.50% of average annual net assets.

During the quarter our businesses had solid operating performance, coupled with value-accretive actions taken by our management partners. The majority of names were positive performers, with double-digit returns at many. The Fund outperformed the index in spite of our high cash position, as corporate activity across many holdings drove strong excess returns. We put some cash to work, adding four new positions in the quarter.

Media and education company Graham Holdings was the top contributor in the quarter, up 22%, with all divisions performing well. Kaplan Higher Education's margins improved, and Kaplan Test Prep had strong revenue growth. CEO Don Graham grew value per share and worked to get value recognized. In February, the company announced the sale of 38 unprofitable Kaplan college campuses to Education Corporation of America (ECA) in an all-stock transaction that will give Kaplan a preferred equity interest in ECA. Cable One's operating income and margins grew, and its spin-off will happen this summer. Late in 2014 we purchased California Resources (CRC), the largest producer of oil and gas in the state of California. CRC gained 38% in the first quarter with the company's decision to cut its capex budget by 80% and its indication that year-over-year production would be flat given CRC's low decline rate. News that CRC's lenders amended covenants in light of the weak commodity pricing environment was also a positive development.

Fiber and networking company Level 3 Communications appreciated 9% after another strong quarter of margin and revenue growth. The integration with recently merged tw telecom is proceeding smoothly as the transaction enhances Level 3's competitive positioning with a complementary product set and larger footprint. Level 3's growth in its North American enterprise business remains solid as CEO Jeff Storey and his team invest in expanding its fiber network and portfolio of connected buildings.

The primary detractor from performance in the quarter was CONSOL Energy, down 17% on weak natural gas and coal prices. During the quarter the company reduced its capex budget and grew production strongly. The company is uniquely positioned to navigate these prices with low cost reserves and plans to monetize non-core assets, including the thermal coal master limited partnership (MLP) in mid-2015 and the met coal initial public offering (IPO) in late 2015. CONSOL is one of our most discounted holdings, and CEO Nick Deluliis expressed his agreement with a significant share repurchase announcement.

In the quarter we added four companies, all in the beaten down energy sector, and did not exit any positions. HollyFrontier Corporation (HFC), one of the largest independent refiners in the U.S., operating in advantaged markets in the Rocky Mountain, Southwest, and Mid-Continent regions, gained 28% following our purchase. The sharp advance largely coincided with the widening Brent-WTI price spread that had reached parity early in 2015. HFC owns a 39% interest in Holly Energy Partners MLP (HEP), which has a large percentage of revenues tied to long-term contracts with minimum payment obligations for volume/or revenue commitments. CEO Michael Jennings has a strong track record of capital allocation and returning cash to shareholders, and currently has financial flexibility with net cash on the balance sheet. Triangle Petroleum (TPLM) is a Bakken-focused exploration and production company with internally developed oil services (RockPile) and a joint-ventured pipeline business (Caliber). TPLM's integrated strategy provides a cost advantage in North Dakota where there is little infrastructure. Management is showing discipline in a challenged environment by announcing a 71% cut in capex without an offsetting huge reduction in production and reducing vendor costs by 10-20%. Northern Oil & Gas (NOG) is an exploration and production company with operations in the Bakken and Three Forks formations within the Williston Basin. The company utilizes a non-operating strategy, partnering with a diversified group of partners with acreage spread across the Bakken play. NOG reviews multiple well proposals and strives to allocate capital to only the best projects. Management rejected the majority of proposals as energy prices declined. NOG cut its capex budget for FY 2015 while maintaining production levels, and reported fourth quarter production and earnings above the market's expectations, causing the stock to gain 46% after we began buying. We are partnered alongside renowned investor Robert Rowling. Additionally, we bought offshore drilling rig operator Diamond Offshore (DO) after the company announced a cut in its special dividend to further fortify its balance sheet and preserve cash for opportunities that might arise from financially distressed competitors. Under the guidance of parent Loews, a longstanding Partners Fund holding, DO has a history of discounted equipment purchases during weak drilling cycles. Loews capitalized on DO's undervaluation by purchasing an additional 1.6 million shares over the last four months.

We believe the portfolio is well positioned for the long term. The price-to-value (P/V) ratio is in the high-70s%. We believe we own high quality businesses with greater FCF yields and stronger future growth potential than the Russell 2000 Index. Our 22% cash position provides dry powder to act quickly as new names qualify. Our aligned management partners are taking actions to drive strong value growth.

See following page for important disclosures.

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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.

A master limited partnership (MLP) is, generally, a limited partnership that is publicly traded on a securities exchange.

Free Cash Flow Yield (FCF Yield) equals a company's free cash flow per share divided by the current market price per share.

As of March 31, 2015, the holdings discussed represented the following percentages of the Longleaf Small-Cap Fund: Graham Holdings, 9.6%; California Resources, 4.3%; Level 3, 9.7%; CONSOL Energy, 5.1%; Holly Frontier 2.9%; Northern Oil and Gas, 0.4%; Diamond Offshore Drilling, 0.7%. Fund 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.***

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