April 10, 2019

Longleaf Partners Global Fund Commentary

1Q19

Longleaf Partners Global Fund gained 12.62% surpassing our annual goal of inflation plus 10% in the first quarter and outperforming the MSCI World Index's 12.48% return. The market's rebound, following a double-digit fourth quarter decline in 2018, provided a tailwind. Almost all the stocks in the portfolio made gains, with the majority rising over 10% in just three months.

When stocks become as deeply discounted as we saw in December, it is not uncommon to have a big turnaround. The businesses that were primary drivers of performance had little in common beyond delivering solid results. As is normally the case in our concentrated, high active share portfolio, each company had its own idiosyncratic outcome - from strengthening the balance sheet, to returning capital to owners to rumored asset sales, to reasserting growth projections.

Even as the issues of global economic slowdown, tariff and trade disruptions, and geopolitical unrest remained unresolved, investor concern that dominated late 2018 appeared to dissipate. We have little insight into how macro questions about trade, China and U.S. economic growth, Brexit's eventual outcome, and inverted yield curves

---

Average Annual Total Returns (3/31/19): Longleaf Partners Global Fund: Since Inception (12/27/12): 6.64%, Ten Year: na, Five Year: 2.54%, One Year: -4.36%. MSCI World: Since 12/27/12: 9.69%, Ten Year: na, Five Year: 6.78%, One Year: 4.01%.

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 Global Fund is 1.48% (gross) and 1.20% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.20% of average annual net assets.

and trillions in negative yielding debt will be answered, but we are confident these uncertainties will continue to provide opportunities to disciplined, long-term business owners like ourselves. Indeed, we are finding plenty to do in Asia, the U.K. and Europe.

Information Technology (IT) stocks were the Index's strongest sector and largest contributor to performance by a wide margin. Despite the Fund's lack of IT exposure, the Fund outperformed. Strong returns at our holdings also overcame the strong U.S. dollar versus the Euro that impacted the Fund more than the Index, which had a much larger weight in U.S. and U.K. stocks.

We started the year actively assessing numerous new qualifiers, and despite the market's rally, still have an attractive on-deck list, with the largest number of opportunities outside of the U.S. We did not buy any new investments during the quarter, and we sold one position. Even with the double-digit return, we believe substantial upside remains in the portfolio, with few holdings selling at over an 80% price to value (P/V).

Contributors/Detractors

(Q1 Investment return; Q1 Fund contribution)

General Electric (37%, 2.13%), the aviation, healthcare and power company, was the largest contributor. CEO Larry Culp began fulfilling his promise to simplify operations and strengthen the balance sheet. Since becoming CEO in September, Culp and his team have funded GE Capital's mortgage liabilities and long-term care reserves, improved accounting across the board and sold numerous non-core assets for good prices. Deals for transportation, distributed power, lighting, Baker Hughes GE shares and biopharmaceuticals have closed or are scheduled to bring in cash by the end of the year. The biopharmaceuticals sale alone realized $21 billion plus a pension liability assumption at high multiples of revenues and EBITDA (earnings before interest, taxes, depreciation and amortization). GE Capital, historically the most difficult segment to appraise due to its complexity and leverage, is simpler and less leveraged than it has been for decades, and Culp still has assets to sell. Aviation announced strong quarterly results and increased annual guidance due to the success of the efficient LEAP engine. Beyond selling assets for full prices, Culp's operational priority is turning around the underperforming power segment. Returning to profitability in this segment will not happen this year, but the company will benefit over the long run from a healthy high-margin gas-turbine service business. After rallying almost 40% in three months, the stock still trades at a substantial discount to our value.

EXOR (19%, 1.54%), one of Europe's leading investment holding companies and the Fund's largest position, was a contributor. The main component pieces of our EXOR appraisal are FCA, PartnerRe, CNHI and Ferrari. In late 2018, FCA declared a special dividend after selling Magnetti Marelli and announced a new recurring dividend, doubling EXOR's annual corporate free cash flow (FCF). FCA's balance sheet started 2019 with €1.9 billion of net cash after the company generated €4.3 billion of FCF allowing the board to make these dividend commitments. EXOR CEO John Elkann is an owner-operator who has grown corporate value and seen the stock compound at nearly 20% per year since we invested in 2012. Notably, value has compounded just as quickly such that EXOR remains heavily discounted on our conservative appraisal. We have an overweight position in this collection of high-quality businesses and assets that have ample transformation value and are selling at a deep discount to the sum-of-the-parts and at lower multiples than peers.

OCI (35%, 1.38%), a leading producer of nitrogen fertilizers and methanol, was a strong contributor. OCI grew FCF 210% year-over-year and EBITDA over 100%. Strong cash generation should continue to help the company rapidly deleverage - net debt declined $327 million, and Net Debt/Operating Cash Flow fell from 7x to 4.4x over the last year. Volumes stepped up 16%, with U.S. assets increasing production up to 115% of nameplate, as OCI grew into its new capacities. Multiple strategic options are available to the company, which sells well below the replacement cost of its assets, and rumors of Saudi interest in the methanol plants helped the stock. CEO Nassef Sawiris is an owner operator who remains focused on value creation and recognition.

Melco International (15%, 1.07%), the Asian casino and resort holding company, rose after its operating business, Melco Resorts, reported strong Q4 results that beat forecasts. EBITDA gained 25% year-over-year, up 44% quarter-over-quarter. The new Morpheus Hotel within City of Dreams has ramped up well. Melco plans to build new non-gaming attractions at Studio City in 2019 to drive mass traffic and gross gaming revenue. The company has secured 98% ownership in the tender offer for its Philippines business. With more infrastructure built in the region, Macau's overall visitation, particularly of Melco's more important non-VIP business, should grow well longer term.

CK Asset (21%, 1.00%), the Hong Kong and China real estate company, reported solid results for 2018, with dividends increasing 12% year-over-year and book value per share growing 11%. In 2018, CK Asset sold the Center at below a 2.5% cap rate. CK Asset's hotel portfolio increased profits 22% with improvements in room rates and occupancy. Two hotels will open in 2019 and add around 15,000 rooms and serviced suites. Given relatively high land prices in Hong Kong, we expect Managing Director Victor Li to continue to deploy cash flow into global projects that offer attractive returns.

Yum China (34%, 0.98%), the operator of KFC and Pizza Hut restaurants in China, was a contributor to performance. Yum China (YUMC) reported good fourth quarter results with KFC recording same store sales growth of +3% on top of high comparables last year. Pizza Hut reported positive store traffic growth. These positive trends continued into the first two months of 2019, and YUMC's disciplined expense control mitigated margin pressure from promotions and cost inflation. The company remains committed to opening new stores, with the plan of adding 600-650 in 2019 and a total stores target of 10,000 by 2021. In addition to delivering solid operating results, CEO Joey Wat and CFO Jacky Lo returned $191 million to shareholders in the fourth quarter, primarily via share repurchases, and are committed to returning $1.5 billion over three years.

LafargeHolcim (20%, 0.96%), the world's largest global cement, aggregates, and ready-mix concrete producer, was another contributor to the Fund's return. After eighteen months as CEO, Jan Jenisch is delivering both operating efficiencies and value-accretive asset sales. Recent results showed efficiency gains and pricing that offset cost inflation. Cost savings were ahead of target, with Aggregates and Ready-Mix EBITDA margins improving considerably. The company also eliminated CHF400 million in central corporate expenditures. These cost initiatives combined with more favorable markets should meaningfully grow LafargeHolcim's earnings power. The company has pushed through pricing in its North American business. Latin America and Middle East & Africa are showing signs of stabilizing in 2019. Europe should experience modest growth this year. The company closed the sale of its Indonesian assets at an attractive price, and management plans to accelerate divestments in other regions over the next two years, providing meaningful cash proceeds to reinvest.

CenturyLink (-19%, -1.37%), the fiber and teleco company, was the primary detractor to first quarter returns after a dividend cut. We were disappointed by that decision and filed a 13-D to enable us to become more active in the investment through seeking to improve the board, encouraging opportunistic asset sales and exploring creating tracking stocks for the company's two segments. Private-market transactions of assets comparable to some of CenturyLink's (CTL) fiber assets have been over 15X EBITDA, far above CTL's depressed 5X EBITDA stock price. In addition to monetizing some of this fiber, separating the enterprise and consumer segments into distinct tracking stocks could help highlight the values and different opportunity sets for both. We believe that adding board members with experience in fiber and financial transactions can bring additional capital allocation discipline to drive value recognition. We maintain our support for Jeff Storey and his team operationally even while disagreeing about some capital allocation items. Storey bought $1 million in shares personally in the quarter, and CFO Neel Dev, as well as multiple directors, also increased their ownership of the stock.

Portfolio Activity

We examined several prospective investments but did not purchase any new companies in the quarter. We exited Westinghouse Air Brake Technology, GE's transportation business that was spun out and traded at our appraisal. We also trimmed several of the Fund's stronger recent performers as their P/Vs rose to reallocate to other investment opportunities.

Team Update

We welcomed Taieun Moon as a junior analyst in our Singapore office in the quarter. Taieun interned for Southeastern last summer and joins us full time following his graduation from The University of Hong Kong. We also concluded our search for a junior analyst in London. Alicia Cardale will join Southeastern in May. She has interned at several investment firms and most recently worked at a U.K. real estate company. Alicia has a Master's degree in Real Estate from the University of Reading. We look forward to the broad depth that Taieun and Alicia will add to our research team.

In March, we shut down the concentrated Europe Fund ("SCV"). Although SCV had a strong performance record over its four years, in the last fifteen months the Fund's cash balance grew to more than three-quarters of NAV. Over the same period, the International Fund's cash declined from 22% to less than 3%, as we were finding opportunities, including several European qualifiers. SCV's idea generation was no longer benefitting Southeastern's broader client base, and our investment partners could own the most compelling European engagement opportunities via the more flexible and less costly International and Global Funds. Consequently, we returned the capital to our partners, much of which was internal to Southeastern and will be re-deployed into the Longleaf Funds. Because Scott Cobb was solely focused on managing SCV, he will depart from Southeastern upon its closing. We thank Scott for his years of service to Southeastern and our clients.

Outlook

The Fund began the year at a rare discount, with the P/V below 60%. The double-digit rally is not surprising from such depressed prices. More encouraging is that rebounds from 50s% P/V's historically continued over several years in our longer-lived Funds*. At a mid-60s% P/V today with 5% cash, we believe the Fund has substantial upside. We are finding a number of new opportunities that meet our criteria primarily in Asia and Europe. Beyond the P/V math, we are seeing value growth at our companies, which should drive further opportunity. Additionally, our partners are taking proactive steps to drive value recognition at many of our holdings.

See following page for important disclosures.

**Quarter-ends since 1993 were identified where the Longleaf Partners Fund's "price-to-value ratio" (P/V) was less than 60%. From each quarter end identified, the 1, 3, and 5 year cumulative returns for the Fund and the S&P 500 were calculated. Those returns were then averaged and the 3 and 5 year returns were annualized. The results were: 18.46% for 1 year, 13.43% for 3 year, and 12.98% for 5 year for the Partners Fund and 7.39%, 8.29%, and 10.84% for the S&P 500. In addition, quarter-ends since 1998 were identified where the Longleaf Partners International Fund's "price-to-value ratio" (P/V) was less than 60%. From each quarter end identified, the 1, 3, and 5 year cumulative returns for the Fund and the MSCI EAFE were calculated. Those returns were then averaged and the 3 and 5 year returns were annualized. The results were: 17.00% for 1 year, 10.49% for 3 year, and 11.28% for 5 year for the International Fund and 6.95%, 6.25% and 9.08% for the EAFE Current circumstances may not be comparable.*

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 Global 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 invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. 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 World Index is a broad-based, unmanaged equity market index designed to measure the equity market performance of 24 developed markets, including the United States. 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.

Active share measures how much an equity portfolio's holdings differ from those of the benchmark index.

A 13D filing is generally required for any beneficial owner of more than 5% of any class of registered equity securities, and who are not able to claim an exemption for more limited filings due to an intent to change or influence control of the issuer.

Brexit ("British exit") refers to the June 23, 2016 referendum by British voters to leave the European Union.

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

Aggregates are materials such as sand or gravel that are ingredients in concrete.

Cap rate (capitalization rate) is the rate of return on a real estate investment property based on expected income.

Book Value is the value of an asset as carried on a company's balance sheet.

As of March 31, 2019, the top ten holdings for the Longleaf Partners Global Fund: EXOR, 8.5%; Melco, 7.4%; GE, 6.9%; CK Hutchison, 6.8%; CenturyLink, 6.1%; FedEx, 6.1%; CK Asset, 5.1%; OCI, 4.9%; Alphabet, 4.7%; LafargeHolcim, 4.6%. 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.

Funds distributed by ALPS Distributors, Inc.
LLP000889
Expires 7/31/2019