

April 9, 2020

Longleaf Partners Global Fund Commentary 1Q20

Longleaf / Partners
Funds

Longleaf Partners Global Fund declined -29.27% in the first quarter, while the MSCI World Index fell -21.05%. As the largest shareholder group in the Fund, we are disappointed in both our absolute and relative results. While looking to the future does not lessen or excuse the near-term performance pain, we are more excited for the long-term prospects of our portfolio than we have been in over a decade. As global markets have been rocked by extreme uncertainty and fear in the last two months, we have seen a rapid rise in stock price volatility and a steep decline in investor sentiment. We have only seen this level of disruption a handful of times in our 45-year history. Each of the seven bear markets Southeastern has lived through has felt uniquely difficult, and at the time felt like it might never end. In each case, we stuck to our

Average Annual Total Returns (3/31/20): Longleaf Partners Global Fund: Since Inception (12/27/12): 1.71%, Ten Year: na, Five Year: -1.03%, One Year: -24.39%. MSCI World: Since (12/27/12): 6.68%, Ten Year: na, Five Year: 3.25%, One Year: -10.39%.

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 southeasternasset.com. As reported in the Prospectus dated May 1, 2019, the total expense ratio for the Longleaf Partners Global Fund is 1.33% (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. Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 1.20% of average net assets per year. This agreement is in effect through at least May 1, 2020 and may not be terminated before that date without Board approval.

discipline and took advantage of market dislocations to upgrade the portfolio, which historically served us well with strong subsequent performance coming out of those periods. The drivers behind today's environment are unique, but our disciplined approach on how to navigate the turmoil remains the same.

Performance Review

We saw a continuation of the Growth outperforming Value, US outperforming all other markets and ever-stronger US dollar (USD) themes that have dominated the market narrative – and most of our Fund commentaries – for the last decade-plus. The MSCI World Value fell -26.96%, dramatically underperforming the MSCI World Growth's -15.20% decline. In fact, Value was the worst performer in the Global universe. Momentum and Growth, which have become synonymous with the higher P/E (price to earnings) Information Technology (IT) companies that have fueled the broader market's growth for a decade, meaningfully outperformed the Index. US markets saw the same wide gap between Value and Growth, but the S&P 500 (-19.60% in the quarter) held up relatively better than the MSCI EAFE (-22.83%) or MSCI World (-21.05). Additionally, the USD strengthened against every major currency in the quarter.

US Dollar Index

01-Jan-2020 to 31-Mar-2020 (Daily)



In this quarter, which has felt much longer than 91 days, growing fears over the now global COVID-19 pandemic, coupled with an oil price war, weighed on global markets,

and governments responded with heightened stimulus, resulting in even lower interest rates and greater global political uncertainty. We saw the largest one-day market decline since Black Monday in 1987 twice in one week in early March. Similarly, the market volatility index (VIX) broke through its highest absolute level and posted its largest single intraday move since the global financial crisis (GFC).

As the table below shows, the spread between equity and bond yields is near an all-time high, with equities growing increasingly compelling versus the perceived safety of bonds. The multiple of earnings to treasury yield is significantly higher than in 2009, highlighting the extremely compelling absolute and relative case for active equity investing today. While some investors are looking to gain exposure today via the index or ETF trading in an effort to time and capture market beta, we believe this is a dangerous game. Now more than ever, there will be differences between winners and losers on an individual security basis. Our bottom-up work on Business, People and Price helps us distinguish between businesses trading at single digit multiples of free cash flow (FCF) that will grow versus low multiple stocks with poor underlying businesses or those that feel safer at higher multiples but don't have the right people at the helm to navigate the current market storm. The Global Fund trades for an average P/E of 11x and average earnings yield of 9%, an almost 8% spread and approximately 7x multiple versus 30-year treasuries. As Warren Buffett said about US 10-year treasuries recently: "If somebody came to you with a stock and said, you know, 'This is a terrific stock. It sells at 70 times earnings. The earnings can't go up for 10 years,' you'd say, 'Well, explain that to me again.'"

	MSCI World LTM P/E	MSCI World Earnings Yield	30-Year US Treasury Yield	Difference	Earnings Yield to Treasury Yield Multiple
2002	24.5	4.08%	4.86%	-0.78%	0.84
2009	9.6	10.46%	3.57%	6.89%	2.93
2020	15.7	6.36%	1.32%	5.05%	4.83

Source: Factset

LTM P/E is the trailing price to earnings (P/E) multiple using the last twelve months (LTM) of actual earnings; Earnings yield is the inverse of the P/E ratio.

Market Sentiment – Calculus, Statistics and History

While we are not market forecasters or medical professionals who can predict how long this situation will last, we do need to take a broader look at how best to build our portfolios going forward. We do not believe that everything will “return to normal” in a few months. But, it is amazing how dramatically sentiment has shifted in the last few weeks. We try to remember a few simple mathematical principles during this period of great uncertainty. First is that exponential growth can be hard to fathom when things are going up, but the stock market typically reacts most to the second derivative of a curve – are things accelerating, decelerating or flattening out? While the absolute number of cases and deaths will grow in the near term, there is a chance that the worldwide rate of growth could begin decelerating with aggressive global mitigation measures being taken. This could be perceived positively by markets, as in 2009 when there was plenty of bad news after early March, but the market turned upward after the first “green shoots” sprouted. The second mathematical concept we need to remember is that, as the number of cases and testing increases around the world, this larger sample size gives the world more data to analyze. This in turn leads to increased potential for breakthrough treatments and a better understanding of who has already had the virus and recovered. This must be tempered with the fact that many experts expect that COVID-19 may be seasonal with a second wave in the fall. The market hates uncertainty, so while more data very likely will lead to more immediate negatives, the fact that there will be fewer “unknown unknowns” in the months to come will likely be a positive. Additionally, the worldwide focus on developing a COVID-19 vaccine gives us confidence that, as we look into 2021 and beyond, the market should begin discounting a more “normal” world, even if the new definition of normal looks very different than it did in 2019.

In this environment, we are focused on companies that can make it through the next 6-12 months without needing to rely on the kindness of banks or consumers, but we are not going to run for the hills and only own those companies that feel the “safest” now. Taking a longer-term view, we could also see the pandemic leading to profound changes on three fronts that have hurt our portfolio in relative terms over the last 10+ years. First, printing trillions of dollars around the world to keep things afloat in this period could finally lead to some inflation, after over a decade of anemic interest rates.

While the historical data is not 100% conclusive on the effects of inflation for value versus growth stocks, the extremes of the deflationary Great Depression (when growth won) and the inflationary 1974-early 1990s period (when value won) do suggest a potentially positive turn for our style of investing. Our businesses generally benefit from pricing power or gross profit royalties, which should help them thrive in a more inflationary environment. Second, as we move from fighting the coronavirus at all costs to figuring out how to pay the bill, we suspect we could see some profound changes in the US healthcare system. We have always had a hard time capitalizing the high returns of many healthcare players – for a life or death service – into perpetuity. The COVID-19 crisis is shining a hard light on the flawed system, where people are avoiding testing or treatment for a highly contagious disease because they are afraid of medical bills, resulting in a significantly worse public health crisis. Third, we expect to see an eventual rebalancing within Information Technology, the other sector that has dominated public and private markets for over a decade, outperforming even through this period of market distress. It feels somewhat counterintuitive today to make a case against the IT companies, as the world moves to remote working and turns to e-commerce apps and website, while we must abstain from other forms of direct commerce. However, a tougher environment and tighter financing terms will eventually compel these businesses to cut costs, raise prices and seek profits, thus ending the seemingly virtuous short-term customer satisfaction cycle of seeking higher volumes at all costs to meet increasingly challenging consumer demands, which ultimately punishes other industries. Finally, many IT giants have both the law of large numbers and worldwide regulators working to diminish future returns.

Confidence in What We Own: Stress Testing in a Stressful Period

Turning to what we own, we gain confidence in our portfolio in a number of ways. First and foremost, we look to our 45-year history as a reminder of how pay off patterns following large downturns can be quick and sizeable. We have historically seen short-term absolute and relative underperformance as markets declined. While always incredibly unpleasant, this is understandable because when markets crash, correlations head towards one. Value names are generally shunned in a crash's initial flight to quality. However, the absolute and relative outperformance in the 12+ months following the low points tends to be dramatic, as value imbalances generally correct in

the recovery. While the Global Fund's relatively short history (just over seven years) means it did not live through the GFC or other bear markets, this has been true for our longer-tenured Longleaf Funds.*

In periods like today, we maintain an even more active, engaged dialogue with our investee partners across our global portfolios. In some cases, we are looking for ways to add value by encouraging our management teams to pursue intelligent, value-accretive capital allocation moves or people changes to upgrade governance and oversight. In these times, our behind-the-scenes approach to engagement is even more productive and appreciated, and we look forward to sharing the fruits of that engagement as we see progress. In many cases, we are acting as a sounding board or otherwise cheering on our management partners who are already taking steps to grow value and ultimately get that value recognized, like at CNX. Our partners were fully hedged at great prices going into this downturn, closed an asset backed financing at a 6-7% interest rate in March, and used the money raised to buy in debt trading at a high teens yield. Many of our companies offer unique insight into the macro situation, which helps us refine our bottom-up, company-specific assumptions and also informs our broader macro view. The economists at FedEx are a fantastic worldwide economic barometer. We also look closely at our management teams' behavior, which often speaks louder than words. As we write this letter, insiders at seven of the Fund's holdings have bought shares personally this quarter, signaling their confidence in their companies. Additionally, we are reviewing each company that we own on a case-by-case basis to determine the potential value impact of this disaster and to ensure that our appraisal values are appropriately conservative as we face an uncertain future. We feel strongly that we own high-quality businesses with capable management teams that can adeptly navigate the current environment. However, long-term values are changing faster than we have ever seen, as near-term FCF has evaporated or decreased dramatically for certain regions and businesses.

As we wrote in our recent COVID-19 update, we broadly group our investments into three categories as we reassess our portfolio holdings:

- 1) Those where we expect minimal long-term impact and/or see the potential for the company to at least partially benefit from the current situation. We generally

expect to see a small near-term value impact but significant long-term value growth potential from these businesses that can more than make up for today's pain. Just over 30% of the Global Fund portfolio falls into this category, including CenturyLink, which is seeing increased demand for its fiber infrastructure as video-conferencing and streaming grow strongly around the world and end providers are running short on bandwidth, even as their Small and Medium Business customer base will see an impact. Canadian-based insurance conglomerate Fairfax Financial, led by Prem Watsa who dramatically grew the value of the company during the GFC with his conservative investing prowess, now has a large amount of liquidity to put to work in this environment. Alphabet, whose Search and YouTube businesses benefit from significantly higher demand in this environment, even as its travel and local advertising has taken a near-term hit. Additionally, natural gas company CNX Resources and pipeline operator Williams should be net beneficiaries from sub-\$30-40/barrel oil, as the growth in "associated gas" should slow dramatically as Permian basin oil drilling declines, creating a better future supply/demand balance for natural gas. Over 50% of Williams' value come from its stable, regulated utility interstate pipeline assets. Prosus is a holding company whose main asset is a 31% stake in Tencent, the dominant Chinese video games and messaging company. Tencent owns a group of competitively advantaged assets like WeChat which are growing in the current environment, while the company has a rock-solid balance sheet and top-notch management.

- 2) Those that we expect to feel a larger near-term hit (a low-to-mid-teens percentage decrease on average), but where we feel highly confident over the long term. This situation describes a majority of our holdings, approximately 57% of the Fund, just as it did in the GFC. We held onto and/or added to this category in the GFC, and those companies ultimately led the Fund's significant outperformance as we rebounded in 2009. We expect to see a similar pattern when we rebound from the current downturn. A prime example in this category is Asian casino and resort holding company Melco International, as it is beginning to show initial positive signs of recovery from the extreme lows in late February. While our value has declined this year in-line with gross gaming

revenue (GGR) declines, Melco is seeing a meaningful reduction in its cash burn, and it is competitively well-positioned with its majority mass gaming business mix and CEO Lawrence Ho, who has a strong track record of creating value in challenging times. United Technologies and General Electric will both be negatively impacted by aerospace supply chain issues, but UTX's Pratt and Whitney and GE Aviation's aircraft engine businesses are especially resilient, given the primary business is the recurring, contractual maintenance revenue, not new engine sales. Both companies have significant, uncorrelated, non-aerospace businesses, with GE's Medical business benefitting from worldwide demand for its products and UTX's split into Carrier, Otis and Defense/Aero which was completed shortly after quarter end. We were also able to sell our shares in Otis after quarter end at a price very close to our appraisal. Both GE and UTX have strong leaders with a great track record of capital allocation and operational execution and both trade at single digit multiples of earnings power. While we have categorized EXOR within this bucket, it could quickly move to the first category if the two recently announced deals – the merger of FCA and Peugeot and the sale of PartnerRe to Covea - continue as planned. Our appraisal values are not predicated on the deals closing, and CEO John Elkann remains a great partner for navigating a time like this.

- 3) Those where we expect to see a more material near-term hit and a potential long-term impairment to appraisal. While it is difficult to know how long the current crisis will continue, we could potentially see some material value declines (20% or greater on average) in this much smaller group (4% of the portfolio), reminiscent of the GFC. There are two Fund holdings that fall into this category currently – OCI and CNH Industrial. Nitrogen fertilizer company OCI has a significant amount of FX and commodity pricing risk (as it tends to track with oil prices) outside of its control, combined with debt that would be fine during normal or even slightly stressed times but might be a bit higher than the company would want if they could start fresh today. However, the company has been able to move to maintenance capex and generate FCF in this environment. CNH will still split into two companies to better highlight the value of each, but

the timeline has been pushed out while the company is going through a management change that we believe controlling-owner EXOR will navigate well.

We are carefully weighing each individual business, revisiting our case for each. The “category 3” businesses could prove to be a “category 1 or 2,” particularly in the hands of the great people at each. However, our discipline dictates that we will not add to companies where our value has taken a permanent impairment until our values have stabilized and begun to grow again. If we believe that the long-term business case or competitive advantages of a business become impaired and/or that our management partners are not capable of taking action to grow the value, then we will take action to upgrade our portfolio.

We recognize that it can be easy to fall prey to simply holding onto or doubling down on the companies that we already own and know in an uncertain environment, and we also recognize that we built our portfolios in a very different environment than today. We are therefore looking at each existing company and comparing it against opportunities to upgrade the quality and durability of the portfolio with any new additions. What will matter most going forward are the individual stocks we own and the changes we are making to our portfolios.

Contributors/Detractors

(Q1 Investment return; Q1 Fund contribution)

Prosus (-4%, 0.12%), the Fund’s newest position, held up strongly in the quarter and was the only positive contributor. Prosus is a Netherlands-listed holding company that was spun out of South African company Naspers in September 2019. It presents a rare opportunity to buy Tencent, one of the world’s strongest franchises that is growing above 20%, at a highly discounted price. The company’s 31% ownership in Tencent represents over 90% of our Prosus appraisal value. While COVID-19 is hurting a lot of industries and companies, Tencent is one of the few that benefits. Tencent’s WeChat is the world’s largest and most active social network with monthly active users (MAU) of over 1.1 billion and is embedded in people’s lives across online games, video, music, travel, ecommerce and financial services. Tencent is also a top global gaming company with a dominant position in China, having developed five of the top 10 most popular

international mobile games worldwide. Tencent's top games have seen a rapid acceleration in daily average users (DAU) and downloads in the quarter, as people are confined at home. Prosus has a net cash balance sheet, and its stake in Tencent alone represents around 130% of Prosus's market cap with Tencent at market price. We believe exposure via Prosus is far more attractive than when it was held by Naspers because it is listed in a developed market with no South African currency or political risk worries, and a much more liquid exchange. Prosus is the largest shareholder at Tencent with two board seats at the company. While Tencent does not look particularly cheap on a standalone basis, trading at 25x earnings, the company has several non-earning assets (NEAs) in the form of businesses in the investment phase that are still unprofitable or under-earning. However, if they were separately listed, they would be worth a lot today. If we exclude the value of its NEAs, we are buying Tencent at less than 10x FCF via our Prosus stake, for a business that is expected to continue compounding at over 20% annually. Beyond the Tencent exposure, we have great management partners and disciplined capital allocators in Bob van Dijk and Pat Kolek, who have experience leading dominant franchises in Classifieds, Food Delivery and Payment verticals in emerging markets, and are focused on closing the discount to value. While these businesses are small as a percent of value today, they represent free options at today's Prosus price, are expected to grow at double-digit rates with low capital intensity and will potentially be listed in time to help with value discovery.

Melco International (-49%, -3.47%), the Asian casino and resort holding company, was the top detractor in the quarter. Subsidiary Melco Resorts (Melco) achieved record high luck-adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) in the fourth quarter and the full year for 2019, with growth in both mass and VIP gaming well ahead of its peer set. The first three weeks of January were off to a record start, but both Macau visitation and GGR collapsed around Chinese New Year on the back of the COVID-19 outbreak. In February, Macau's GGR fell by 88% year-over-year (YOY), as the Macau government ordered the shutdown of casinos for 15 days, and the Chinese government suspended the issuance of IVS (individual visitor scheme) and group tours, causing all casino operators to sell off. Melco was not immune to the declines, but we are confident Melco, which derives over 90% of its Macau EBITDA from non-VIP business, will continue to compound value per share as a principal beneficiary of the structural growth in mass gaming. Melco is well-positioned

financially, with its \$1 billion dollar debt well supported by its 56% stake in Melco Resorts, which is currently worth around \$3.8 billion, and paid about \$180 million of dividends to Melco International last year. Melco Resorts has \$1.5 billion in cash on hand, and its \$1.75 billion credit facility is virtually undrawn. The recovery of the operation amid COVID-19 has been slow, with steady improvement in March. With renewed border controls by Macau and neighboring Guangdong province in late March, we expect April to get worse from March levels. Real recovery back to normalized earnings power will only happen once visa and quarantine restrictions are lifted. Although we are likely to see continued volatility in the near-term, our long-term outlook for the business remains strong. Over our many years of partnership with Lawrence Ho and his team, we have seen them adeptly navigate through tough times and allocate capital well, especially during downturns.

EXOR (-33%, -3.30%), a European holding company of the Agnelli family, was a detractor in the period, with the largest drag on its price coming from its dual-listing in Italy, one of the hardest-hit global markets in the quarter, despite the company's moving its headquarters to the Netherlands and listing on the Dutch stock exchange several years ago. The look-through revenue exposure to Italy is in the mid-single digits. While Fiat Chrysler (FCA) is a more cyclical business, it is competitively advantaged versus its US auto peers to survive the challenging environment given its strong liquidity position. Earlier in the quarter, EXOR agreed to the sale of global re-insurance business PartnerRe to Covea, a leading French mutual insurer for a total cash consideration of \$9.0 billion plus a cash dividend of \$50 million. Last year, the company announced a planned merger between France's PSA, which owns Peugeot, and Fiat Chrysler (FCA), which would create the world's fourth-largest carmaker and reshape the automotive sector. These deals are still expected to move forward as planned, despite today's more challenging environment. EXOR has also likely suffered as holding company structures often become more heavily discounted in a market sell-off. In our experience, a holding company structure is a magnifier of underlying management quality, and superior owner-operators, like CEO and Chairman John Elkann, who has a proven track record of strong capital allocation and portfolio management, are able to go on offense in this environment to emerge even stronger than before. We have what we believe to be a best-in-class collection of assets with Case New Holland (CNH), FCA, *The Economist*, Juventus and Ferrari control stakes under the strong leadership of Elkann.

and Managing Director Suzanne Heywood. In the interim, the balance sheet has strengthened by the lowering interest rates trend globally.

CenturyLink (-27%, -2.80%), the fiber telecom company, was another detractor, despite reporting over \$1 of FCF per share in the fourth quarter of 2019. Two sell-side analysts downgraded CenturyLink to a “sell” in the last few weeks of the quarter, with the primary points of concern being the long-challenged consumer and voice business and an expected decline in earnings before interest, tax, depreciation and amortization (EBITDA), as customers within the small and medium business (SMB) segment shut down in the current environment. Our case has always assumed that the “bad” consumer and voice business, comprising roughly one-third of EBITDA, continues to decline every year. The positive growth from the remaining “good” parts of the business comes from segments with long-term growth prospects, like Enterprise, SMB and International connectivity. The SMB business is challenged today by small business customers facing sudden existential threats, and we might see a one-time hit to EBITDA as the company addresses bad credit at these customers. However, this is positively offset by the Enterprise business seeing a significant increase in demand to support remote working and in-home streaming, illustrated in part by the growth of CenturyLink’s video-chat customer Zoom. The company, like many others, has suspended guidance in the current environment, but we believe it is well positioned to come out even stronger than before. The company’s net debt-to-EBITDA is in a much better position than in 2008-09, and it produces over \$3 per share in FCF. As noted above, we have a 13-D filed at the company and are actively engaged with CEO Jeff Storey and the board to explore numerous strategic options to bridge the substantial gap between share price and long-term appraisal value.

CK Hutchison (-30%, -1.97%), a conglomerate of telecommunications, health and beauty, infrastructure, global ports and energy, was another top detractor in the quarter. Its underlying stake in Husky Energy is facing strong headwinds in the current oil environment, but Husky only comprises a low single-digit percentage of CK Hutchison’s overall appraisal. Health and beauty chain Watsons stores in China have already seen the impact of COVID-19 peaking in February, and it began a solid recovery in March as the country is gradually reviving. Its European retail chain Superdrug is seeing strong double-digit sales growth and is likely to remain open, even in a potential

continent-wide lockdown, as it provides critical services. Telecom subsidiary 3 Group Europe reported a 17% year-over-year increase in EBITDA, driven by successful growth at Italy Wind Tre. CK Hutchison net debt/EBITDA is below 2x, and all three credit rating agencies have maintained a stable A rating. The stock trades above a 6% dividend yield today. The Li Ka-shing family and other directors of the company bought 1.25mn shares in the quarter, signaling their strong confidence in the current uncertain environment.

Portfolio Activity

We started the year with relatively high levels of cash, which we have used as dry powder to improve our portfolios. The fund added two new positions – Prosus, which we discussed in detail above and DuPont.

We initiated a new position in DuPont in February and added heavily during the March sell-off. After spinning its commodity chemicals business Dow in April 2019 and its seeds and agriculture chemicals business Corteva in June 2019, DuPont has a collection of high-return assets in nutrition, electronics and construction. CEO Ed Breen has a strong history of smart capital allocation, cost cutting and value additive M&A activity, and we believe he can lead the company effectively through this difficult period. We were especially encouraged by the announcement late last year that DuPont is spin-merging its Nutrition segment with International Flavors and Fragrances, creating a powerhouse business and improving DuPont's balance sheet even further when the deal closes later this year.

We trimmed several companies that have held in better than most at higher price-to-value (P/V) and price-to-FCF ratios. We have increased our positions in multiple holdings that are in groups 1 and 2, described above. Our cash is now down to 8%, and we continue to monitor our current holdings and our on-deck list for new opportunities to upgrade.

Southeastern's COVID-19 Business Plan

While we have discussed at great length the investment opportunity that the market disruption has created, we are deeply saddened by the devastating loss of life and dangerous health impact the COVID-19 pandemic has had for so many globally. The

health and safety of our employees, their families, our clients and the community around us remain our top priority. We have been heartened to see some of our companies taking steps to help where they can, such as General Electric working to help develop thousands of ventilators to aid coronavirus patients or EXOR and the Agnelli family making donations of funds and medical supplies to hospitals.

Southeastern is closely monitoring the rapidly-developing situation and following WHO and local government guidelines and best practices. We shifted employees to a remote working scenario over the course of the quarter and have temporarily restricted all business travel and conference attendance for all employees. All teams are coordinating to ensure maximum productivity with this arrangement and have managed with minimal disruption. We have a robust business continuity plan (BCP) and remote connectivity platform in place, and our global research team is used to communicating across multiple locations and time zones. The transition has been seamless, with no material issues with connectivity or disruptions to daily business activities.

Outlook

As we wrote at the beginning of this letter, our long-term outlook for the portfolio is the strongest it has been in over a decade. Although we expect to see some continued near-term volatility before we see a sustained upswing, we believe our portfolio is well positioned to weather the storm. We do not know when, but the COVID-19 situation will eventually stabilize, and global businesses will recover. When they do, equities should vastly outperform bonds, which are poised to lose capital in a meaningful way, as interest rates cannot go much lower. We believe our companies will outperform the market, as they have in prior recovery periods because they are more heavily discounted today, despite being strong, high quality businesses. Our management partners are exceptional and are taking the necessary steps to create significant value while navigating their businesses through this uncertain period to be even stronger in the future.

Southeastern employees have been adding to our investment in the Fund with the largest collective insider buying (outside of seeding a new strategy) since the Fund's inception. We believe it is a great time for our partners to be adding as well. Cash in

the portfolio is now 8%, and P/V is high-40s%, a rare level only seen once in our history of tracking the metric in our longer-lived Funds, during the GFC. We have historically seen strong absolute and relative performance in our longer-lived Funds in the subsequent 12+ months following periods of P/V below 60%.

Additionally, our on-deck list of qualified new potential holdings has more than doubled in the quarter. The opportunities are not limited to a single industry or region, as selling has opened opportunities across a broad spectrum of companies. Some of the more interesting opportunities where we are looking closely include "groups of people" stocks, primarily in the travel and entertainment space, that are competitively advantaged to weather the storm; misunderstood companies where the market is applying a 2008 scenario even though the business has changed significantly since the GFC; and industries or businesses that are great long-term value growers but are subject to short-term volatility. For example, we have been following a former retail holding for a long time, and it has finally flipped back into being an on-deck after a recently misunderstood set of results. We talked with a diversified industrial company that we regret missing in 2011-2012 the first time we did the work. We might now have another shot. We are now talking with users at a company that is undergoing a transition to more of a software business. We have done the work and are waiting on price at a blue-chip former winner with all-time great capital allocation. We have followed for a long time a misunderstood financial with a strong franchise, and now we are waiting on price. We believe that many Consumer Branded Goods, Utilities and Health Care companies remain broadly fair-to-overpriced, given their perceived defensiveness, but we would love to own some of these businesses at the right price and are closely monitoring them. We are avoiding undifferentiated companies with over-leveraged balance sheets no matter how statistically cheap they are, such as balance-sheet-heavy financials, oil (which we do not consider high enough quality, despite the large price drop), airlines, etc.

We have stepped up our communications with you over the last several weeks, and you should expect additional outreach from us as long as this crisis lasts. We hope that you have found our Podcast and FAQ helpful, and we encourage you to reach out to us at info@SEasset.com or podcast@SEasset.com with your questions and topics that you would like to see us cover in future communications. We thank you for your continued

partnership and patience. We believe it will be rewarded with strong future performance.

See following page for important disclosures.

Before investing in any Lingleaf 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 <https://southeasternasset.com/account-resources>. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Lingleaf 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.

*Quarter-ends since 1993 were identified where the Lingleaf 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: 18.28% for 1 year, 13.43% for 3 year, and 12.98% for 5 year for the Partners Fund and 8.59%, 8.29%, and 10.84% for the S&P 500. In addition, quarter-ends since 1998 were identified where the Lingleaf 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.

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.

VIX is the CBOE Volatility Index, which reflects the market's expectation of near-term S&P 500 volatility based on a range of index options.

The Global Financial Crisis (GFC) is a reference to the financial crisis of 2007-2008.

Price / Earnings (P/E) is the ratio of a company's share price compared to its earnings per share.

Capital Expenditure (capex) is the amount spent to acquire or upgrade productive assets in order to increase the capacity or efficiency of a company for more than one accounting period.

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.

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.

EBITDA is a company's earnings before interest, taxes, depreciation and amortization.

As of March 31, 2020, the top ten holdings for the Longleaf Partners Global Fund: CenturyLink, 8.6%; EXOR, 8.0%; FedEx, 7.1%; GE, 6.0%; Williams, 5.9%; CK Hutchison, 5.1%; Melco, 4.9%; Prosus, 4.6%; DuPont, 4.2%, CK Asset, 4.2%. 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.

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