

April 2023

Longleaf Partners International Fund Commentary 1Q23

Longleaf Partners
Funds

Fund Characteristics

P/V Ratio	Mid-60s%
Cash	1.9%
# of Holdings	25

	Annualized Total Return					Since Inception (%)*
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	
International Fund	12.30	3.81	9.62	-0.06	2.69	6.13
FTSE Developed ex North America	8.05	-2.58	12.78	3.15	4.95	5.37

*Inception date 10/26/1998

Longleaf Partners International Fund added 12.30% in the first quarter, ahead of the FTSE Developed ex North America Index, which returned 8.05%. Essentially the whole portfolio delivered solid results in the quarter, with our European holdings performing particularly well. After a very challenging year of macro and geopolitical headwinds in Europe in 2022, we saw individual business fundamentals reflected in strong stock price performance in the quarter. As Asia emerges from three years of lockdown, consumer sentiment is rebounding strongly. China is arguably the only economy of size that is easing on a regulatory, fiscal and monetary perspective, while the rest of the world is tightening. We believe the region offers compelling upside from both an

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. The prospectus expense ratio before waivers is 1.17%. The International Fund's expense ratio is subject to a contractual fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 1.15% of average net assets per year.

economic and valuation perspective. Our management teams across Europe and Asia are taking positive steps to create value and to crystallize value recognition in the market via strategic actions, effective capital allocation decisions and governance improvements. This is driving positive performance, including across many of the prior year's detractors that were overly punished.

Contribution To Return

1Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/23)
Millicom	50	1.68	4.2
Accor	30	1.31	5.3
Richemont	25	1.16	4.9
Kering	29	0.86	3.5
Glanbia	15	0.85	5.7

1Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/23)
Eurofins	-3	-0.07	1.9
Domino's Pizza Group (UK)	0	-0.02	4.0
Lazard	-3	-0.01	3.2
Jollibee	0	0.00	3.8
HDFC	1	0.01	2.5

- Millicom** - Latin American wireless and cable company Millicom was the top contributor in the quarter after being a top detractor in 2021/2022. Millicom returned almost 50% in the quarter amid news of two interested third parties. In January, rumors broke (and were later substantiated) that Apollo Global Management and former SoftBank executive Marcelo Claure were exploring a potential acquisition. Separately, French billionaire Xavier Niel, founder of French broadband Internet provider Iliad, built a 21% ownership stake over the last several months via his investment vehicle Atlas Investissement. As a long-term, large, potentially anchor holder, he took a seat on the Nomination Committee, where Southeastern also has a seat. The Nomination Committee's primary responsibilities are to identify potential board members, propose the compensation for all directors and present proposals on the election and compensation of the statutory auditor. Niel is asking for multiple board seats as well, highlighting his active interest in the business. Millicom sells for an incredibly low multiple of discretionary cash flow before cable and fiber growth capital expenditure. We

believe Millicom offers significant potential upside from today's still overly discounted price.

- **Accor** - French hospitality company Accor was another strong performer in the quarter after reporting operational results well above market expectations. Accor sold its residual stake in Chinese hotel group Huazhu (now H World) with a \$1 billion capital gain on the original investment. CEO Sébastien Bazin has a strong capital allocation record and is actively pursuing other opportunities to grow free cash flow (FCF), strengthen the balance sheet and crystallize value across the business. Management is separating Accor into two businesses – Luxury and Lifestyle, where they have already sold a 10% stake at 18x earnings before interest, taxes, depreciation and amortization (EBITDA), and the Economy and Mid-Scale business, which is a franchise cash cow. Market peers are trading anywhere between 16 to 20x EBITDA, a 40%+ premium to Accor on a look-through basis. We see significant potential upside in the hands of an aligned and proven management team.
- **Richemont** and **Kering** – Our two luxury goods companies, Richemont and Kering, were both strong performers with similar drivers in the quarter. Both businesses benefited from the anticipation of China reopening, although the continued strength in demand for their brands has been driven globally. Both businesses, Richemont in particular, put up solid results throughout the year. Richemont's jewelry maisons (Cartier and Van Cleef & Arpels) delivered 8% like for like sales growth in 4Q, despite the negative impact from Russia and China lockdowns, demonstrating their continued underlying strength. Going forward, we expect to see tailwinds for both businesses and ongoing strong performance from their market-leading luxury brands.

Portfolio Activity

We initiated a new position in the quarter, added to an existing discounted holding and trimmed five companies on the back of positive price appreciation. The new position is a high-quality Japanese company with a global footprint, pricing power and improving margin profile. The value-per-share-focused CEO is actively optimizing the business portfolio and the balance sheet by selling non-core businesses at attractive valuations, trimming crossholdings, improving cash conversion and buying back

discounted shares. We are increasingly seeing an improvement in management teams taking the right strategic decisions, particularly in Southern Europe and in Asia-ex-China, creating compelling investment opportunities.

Portfolio Manager Update

We are excited to announce an update to the International Fund Portfolio Management (PM) team that we believe will improve our stock-selection, focus and accountability, leading to better long-term returns. Singapore-based Manish Sharma, who joined Southeastern in 2010, and London-based John Woodman, who joined in 2016, have been named Co-Portfolio Managers of the Fund. Ken Siazon, Staley Cates and Josh Shores will roll off as PMs on the Fund. Southeastern's Founder Mason Hawkins remains a PM and continues to provide insight from his nearly five decades of experience.

We have worked over the last decade to develop our local presence on the ground in Asia and Europe, which has led to a deeper network, stronger local expertise and increased idea generation. John and Manish have demonstrated strong stock-picking ability, and they each have years of PM experience on Southeastern's Europe and Asia Pacific strategies. Staley will continue in his role as Co-PM of the Partners, Small-Cap and Global Funds, concentrating more on the Americas. Ken will focus on his role as PM of the Asia Pacific strategy. Josh came to the difficult decision to leave Southeastern. After 16 years at the firm, he is stepping back to identify his next challenge. Josh worked closely with the team to ensure a smooth transition and remains a close friend of Southeastern.

We encourage you to watch our [video](#) with Manish and John for an overview of their professional background, investment philosophy and outlook for the portfolio.

Benchmark Update

We have changed the benchmark for the International Fund from MSCI EAFE to FTSE Developed ex North America. As long-term, bottom-up, fundamental investors, we are benchmark agnostic and have never managed portfolio construction against an index. The change in benchmark does not impact our return goal (proactively or retroactively). The two indices are similarly constructed, and annualized performance between the two indices has differed by only 38 basis points since inception of the

Fund. The FTSE indices are in the same index family as Russell, which are indices we already use extensively. Consolidating to FTSE/Russell allows us to realize economic efficiencies without a material change to our reporting.

Outlook

We were pleased to see strong performance across the majority of our businesses in a quarter that was not favorable to the value investing style and following a challenging year of global uncertainty in 2022. While many top-down macro questions and pressures remain, we continue to see solid progress and value growth across our businesses. Our management teams are focused on using financial strength to their advantage to get the underlying value of their businesses recognized. Today the portfolio has less than 2% cash, and we are focused on systematically reviewing our existing portfolio companies against new on-deck opportunities to ensure we own the best possible portfolio of businesses. Senior management at Southeastern is excited for John and Manish to lead the International Fund going forward and remains the largest collective investor in the Fund via their personal and charitable foundation investments. We believe we are in the beginning stages of longer-term outperformance.

See following page for important disclosures.

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 <https://southeasternasset.com/account-resources>. 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 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.

The FTSE Developed ex North America Index comprises Large and Mid cap stocks providing coverage of Developed markets, excluding the US and Canada. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization.

PV ("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. PV does not guarantee future results, and we caution investors not to give this calculation undue weight.

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.

As of March 31, 2023, the top ten holdings for the Longleaf Partners International Fund: EXOR, 6.0%; Glanbia, 5.7%; Accor, 5.3%; Applus Services, 5.3%; GRUMA, 5.2%; Richemont, 4.9%; Alibaba, 4.9%; Premier Foods, 4.5%; Prosus, 4.4% and Millicom, 4.2%. Fund holdings are subject to change and holdings discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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