April 2023

Longleaf Partners Fund Commentary

1Q23

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Low-60s%
Cash	5.3%
# of Holdings	22

			Annualized Total Return			
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Partners Fund	11.67	-13.84	18.06	2.51	4.48	9.27
S&P 500	7.50	-7.73	18.60	11.19	12.24	9.99
Russell 1000 Value	1.01	-5.91	17.93	7.50	9.13	9.53

* Inception date 4/8/1987

Longleaf Partners Fund added 11.67% in the first quarter, ahead of the S&P 500, which returned 7.50%. Two large factors dominated markets in the quarter – 1) the banking crisis in the wake of Silicon Valley Bank's (SVB) collapse and 2) a near-term rebound in tech/growth businesses that had begun to fall from grace in 2022. The Partners Fund portfolio has no direct exposure to banks and limited exposure to Information Technology stocks, and our returns varied materially from the Index.

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 1.00%. The Partners Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 0.79% of average net assets per year. This agreement is in effect until at least April 30, 2024 and may not be terminated before that date without Board approval.

As of March 9th (the day before the collapse of SVB), Finance was 20% of the Russell 1000 Value, while banks as a subset comprised 7%. We have historically had difficulty owning banks given the high leverage and lack of transparency that make these businesses difficult to understand and value over the long term. Today, there are undoubtably good banks being unfairly thrown out, as well as yield-chasing banks that are likely to be exposed. We suspect that this market dislocation will ultimately create compelling investment opportunities, and we will continue to stick to our discipline as we assess them. We have also had limited exposure to some of the heavy growth technology stocks that drove markets over the last decade because we felt that the valuations were too rich. This was a large relative drag on the Fund's performance until 2022, when we saw many (but not all) technology stocks decline precipitously. In the first quarter, we saw a revival, with Apple and Microsoft in particular driving the S&P 500. We believe this is likely a short-term bounce as some of the larger market favorites are still overvalued in our view.

Our largest performance drivers in the quarter came from some of the prior years' largest detractors that were overly punished. We have been pleased to see solid performance at these businesses but believe that there is significant additional upside from here. Our appraisal values continued to grow nicely across most of our businesses.

We encourage you to watch our video with Portfolio Managers Ross Glotzbach and Staley Cates for a more detailed review of the quarter.

Contribution To Return

1Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/23)
Warner Bros Discovery	59	2.83	5.9
General Electric	48	2.81	4.8
MGM Resorts	33	1.93	6.3
FedEx	33	1.83	6.0
PVH	26	1.42	6.1

1Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/23)
Lumen	-49	-2.61	2.4
AMG	-10	-0.63	5.3
Douglas Emmett	-28	-0.27	0.0
CNX Resources	-5	-0.26	5.8
CNH Industrial	-5	-0.18	3.7

- Warner Bros Discovery – Media conglomerate Warner Bros Discovery (WBD) was the top contributor in the quarter. WBD was a top detractor last year in the face of concerns over management's ability to effectively merge two businesses with different cultures, high leverage and exposure to cord cutting. In 2023, a solid plan is emerging for the integration of the businesses. This management team has a strong track record of integrating assets and growing free cash flow (FCF) per share, which is beginning to happen at WBD. Management has guided that the company will likely be below 4 times net debt to EBITDA by the end of 2023 and to 3x or less by the end of 2024, taking WBD out of the penalty box. We have seen this management team successfully execute this playbook before when Discovery bought former Southeastern holding Scripps in 2017. We are also finally beginning to see industry price rationality across the streaming world.

- General Electric – Industrial conglomerate General Electric (GE) was a top performer as it began to execute its plan to split the company into three businesses. GE spun its Healthcare business in the quarter, and we sold GE Healthcare as it traded at our value. We believe the remaining company is still undervalued, while CEO Larry Culp has reduced leverage, cut costs, streamlined operations and improved overall morale. In 1Q 2024, GE will separate Aviation and Power, which we believe will highlight the underlying values of each as the strong, defensive growth businesses they are.

- MGM Resorts – Casino and online gaming company MGM was a strong performer in the quarter, driven by double-digit revenue growth and strong 2023 bookings in Las Vegas, defying assumptions that the post-COVID travel rebound would ease this year. Vegas margins remain at pre-pandemic levels in the high-30's, though we assume these numbers will not last forever. The Macau business is coming back strongly, and licenses have been renewed for all players. BetMGM, the online gaming business jointly owned by MGM and Entain, continues to grow revenues, maintaining its strong market share position. Management confirmed in the quarterly earnings call that rumors of MGM buying all of Entain were not true, causing MGM's share price to rally and Entain's to fall on the news. MGM bought back 20% of discounted shares in 2022 and continues to repurchase at a double-digit annualized pace in 2023.

- FedEx – Global logistics company FedEx was a top contributor in the quarter. FedEx was another 2022 top detractor after a widely publicized earnings shortfall on the back of a disappointing economic report in the second half. In 1Q 2023, the stock rebounded after revenues were weak as forecasted, but FedEx was able to maintain strong pricing power in the face of rising inflation to improve earnings vs. expectations. FedEx's important Ground business also beat guidance by a large margin due to effective cost control. Even with weak overall revenues, margins increased by 200 basis points. FedEx aggressively bought back discounted shares, indicating management's confidence. We believe the company's earnings power is well over $20 longer term vs. current estimates of $15-16 per share, with additional potential upside. After quarter end, FedEx hosted an investor meeting on its DRIVE program which will improve operations and enable the company to achieve double-digit operating income margins in the near future. FedEx will consolidate Express, Ground and Services into one unified operating company.

- PVH – Apparel company PVH, which owns brands Tommy Hilfiger and Calvin Klein, was another strong performer in the quarter. PVH was a new purchase in 2022 when it was thrown out with industry weakness driven by inferior companies, and this was exacerbated when the company was kicked out of the S&P 500. CEO Stefan Larsson, whom we previously got to know at Ralph Lauren, is doing a great job streamlining the company and growing margins and FCF per share. Tommy Hilfiger and Calvin Klein are strong global brands, though they are not earning what they should in the US. The stock has significant additional upside from the current single-digit multiple of FCF power for a company that is relatively resistant to fashion trend risk with a management team that we believe will continue to deliver on operating margin growth from here.

- Lumen – Global fiber company Lumen was the top detractor in the quarter on the back of disappointing guidance. Revenues remained weak, and the company surprised negatively by cutting guidance by an additional $500 million in the quarter. New CEO Kate Johnson reiterated the potential for strong enterprise sales improvement, but this will require further selling, general, and administrative (SG&A) investment. Additionally, the company is spending to accelerate the automation of its middle market business, while also running off its declining legacy business. We still believe the key to unlocking the price-to-value gap is a strategic sale or separation of the consumer business, but the current financial pressure likely extends that timeline. To the positive, Lumen retired over $600 million debt in an exchange of new senior debt to retire existing unsecured debt. We reduced our Lumen position in the quarter and remain actively engaged with management and the board.

Portfolio Activity

The Fund saw higher-than-average activity in the quarter, as we initiated five new positions, sold three businesses and trimmed nine positions. In our 4Q22 letter, we discussed some portfolio management process improvements, based on lessons learned, that we put in place to limit overweight investments in the portfolio and to be more cautious of leverage and holding companies. We believe these changes, coupled with strong idea generation by the research team, have already led to a better portfolio. We used proceeds from sales and trims (due to a combination of positive performance and rebalancing to the new rules limiting position sizes to 6.5%) to buy multiple companies we have been patiently watching for a long time. Volatility in the first quarter finally allowed us to initiate positions. The new holdings cover a broad range of industries, spanning financial services/information technology (not banks), consumer discretionary, building products, consumer branded goods and media and entertainment. We are finding interesting opportunities in consumer businesses that are classified as discretionary and discounted over recession fears, but that are strong, long-term franchise businesses with staying power and margins that are not at peak levels.

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. 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*](https://southeasternasset.com/account-resources)***. Please read the Prospectus and Summary Prospectus carefully before investing.***

RISKS
The Longleaf Partners 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. Mid-cap stocks held by the Fund may be more volatile than those of larger companies.

The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3,000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Value index is drawn from the constituents of the Russell 1000 based on book-to-price (B/P) ratio.

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.

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.

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

As of March 31, 2023, the top ten holdings for the Longleaf Partners Fund: MGM Resorts, 6.3%; PVH, 6.1%; FedEx, 6.0%; Warner Bros Discovery, 5.9%; CNX Resources, 5.8%; Mattel, 5.8%; IAC, 5.3%; Affiliated Managers Group, 5.2%; Fairfax Financial, 5.2% and Hyatt Hotels, 5.0%. 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.

Funds distributed by ALPS Distributors, Inc.
LLP001412
Expires 7/30/2023