

April 2024

# Longleaf Partners Global Fund Commentary 1Q24

Longleaf/Partners  
Funds

## Fund Characteristics

P/V Ratio	Mid-60s%
Cash	5.8%
# of Holdings	22

All data as of March 31, 2024

	Annualized Total Return					
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Global Fund	8.39	15.60	-1.26	3.82	3.18	5.38
FTSE Developed	8.63	24.77	8.16	11.82	9.24	10.55
FTSE Developed Value	6.75	17.27	6.08	7.64	6.35	7.92

\*Inception date 12/27/2012. FTSE Developed Value 10 Year and Since Inception returns are gross returns, as net returns for those periods are not available. All other performance figures above are net returns.

Longleaf Partners Global Fund returned 8.39% in the first quarter compared to the FTSE Developed index's return of 8.63%. However, we outperformed the FTSE Developed Value Index and exceeded our absolute annual return goal of inflation plus 10%. Strong stock performance across many of our portfolio holdings drove solid returns in a quarter when value investing faced headwinds relative to growth strategies. Our non-US companies contributed to portfolio returns through strong

*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](http://southeasternasset.com). The prospectus expense ratio before waivers is 1.33%. The Global 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 1.05% of average net assets per year. This agreement is in effect through at least April 30, 2025, and may not be terminated before that date without Board approval.*

operational and financial results rather than any strong macro trends. The portfolio's relative overweight to Communication Services and lack of exposure to Information Technology weighed on relative results.

This quarter rhymed with 2023 as US mega-cap stocks drove overall market returns, but last year's Magnificent 7 has now shrunk to a few that are most focused on artificial intelligence (AI). The more concentrated the market gets, the more this could signal a turn towards more sensible investing. Japan's overweight position in the index also contributed to its performance. While Japan does exhibit some structural positives such as improving corporate governance and shareholder activism, this is broadly reflected in valuations, especially for franchises in our investment universe.

We remain focused on what is within our control. Our companies are growing their value per share in aggregate and our management partners are continuing to take actions to realize value via discounted share buybacks and other intelligent actions. 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 (%) (3/31/24)
CNX Resources	18	1.12	6.3
FedEx	15	1.04	6.2
Fidelity National Information Services	24	0.95	4.5
Glanbia	21	0.75	3.6
Delivery Hero	4	0.72	3.9

### 1Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/24)
Warner Bros Discovery	-24	-1.20	3.9
Undisclosed	-17	-0.34	2.5
Warner Music Group	-7	-0.12	1.7
Undisclosed	-2	-0.06	2.7
Melco International	-12	-0.03	0.0

- **CNX Resources** – Natural gas company CNX Resources was the top performer in the quarter. It has been a tough natural gas price environment over the last several months, but CNX came into this year more hedged than peers and with a strong balance sheet that has funded continued share repurchase at a double-digit

annualized pace. The company is also executing well operationally. Our partners CEO Nick Deluliiis and Chairman Will Thorndike continue focusing on growing long term free cash flow (FCF) and value per share. The quarter saw EQT, a larger competitor in the Appalachian basin, decide to recombine its pipeline business with its upstream business. CNX had already done this in 2020 at what we believe was a better time and a better price, so it was nice to see additional validation of this decision. CNX remains very discounted and one of our stronger value growers over the last few years, which is why we added to our position earlier in the quarter when it was trading at a larger discount.

- **FedEx** – Global logistics company FedEx performed well for the period. The company beat consensus estimates in the quarter and showed material progress in its DRIVE cost reduction program that we have written about previously. FedEx also repurchased substantial stock in the quarter. Its 6% annualized repurchase pace is very strong compared to its history, and the company authorized another \$5 billion share repurchase program. FedEx also lowered capital expenditures guidance for the fiscal year, further helping FCF generation. We believe the company is approximately halfway through its cost cutting program with more room to go that is still not appreciated by the market.
- **Fidelity National Information Services (FIS)** – The technology solution provider for financial institutions was another top contributor in the quarter. We first started buying this company last year when its bank customers were going through stock market turmoil after the failure of Silicon Valley Bank. We have learned how steady this industry tends to be even through crises, and FIS has demonstrated this once again with the company's core bank software business getting back to solid growth this year. CEO Stephanie Ferris is proving to be a great partner since she was elevated to the role less than a year and a half ago. FIS recently monetized a non-core business at a good value and is using the proceeds to repurchase 10% of the company. This is a stable company that is on offense yet still trading at a reasonable multiple of FCF – not easy to find in today's market.
- **Warner Bros Discovery (WBD)** – Media conglomerate Warner Bros Discovery was the top detractor in the quarter. The market disliked the company's lack of guidance for 2024. While there are tentative signs that the advertising market is

slightly improving, we understand why the market remains in show-me mode on this part of the business. The Warner Bros Studio has gone from a big hit with the Barbie movie last summer to some misses lately. As we have discussed before, April 2024 represents the two-year anniversary of Warner Bros and Discovery merging. After this date, the company will have more options to go more on offense. Unfortunately, this is overlooked in the near term by daily Paramount headlines. We are ready to see how the rest of this year plays out. WBD still generates substantial FCF and is de-levering its balance sheet rapidly. The company remains dramatically undervalued today, but we need to see more positives before increasing our position further.

### **Portfolio Activity**

We initiated two new positions in the quarter and added to six positions. We exited five holdings while trimming several strong performers. The new positions are non-US companies in industries we know well. We sold our positions in Fairfax Financial, Melco International, Fortune Brands, Hyatt, and PVH. We have owned Fairfax multiple times for a large portion of the last 25 years and think highly of the management team led by Prem Watsa. However, the stock exceeded our value in the quarter, so it was time to move on. Melco was another long-time holding, but we exited for different reasons as we felt it no longer qualified qualitatively as a top 20 holding for the portfolio. We exited smaller positions in Fortune, Hyatt and PVH profitably as price to value gaps closed in the quarter.

### **Outlook**

We are pleased with the progress made across the businesses we own. Our on-deck list remains healthy and our price to value ratio is still in the mid-60s. The research team has done significant work on several companies that can hopefully get into the portfolio soon. Our investment discipline provides a process by which we weigh the quality of the businesses we already own versus those on the on-deck list. We thank our long-time clients for their continued partnership and look forward to talking more about the portfolio as the year progresses.

*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://connect.rightprospectus.com/Longleaf/TADF/543069108/SP>. 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-US 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 Index is a market-capitalization weighted index representing the performance of large and mid-cap companies in Developed markets. The index is derived from the FTSE Global Equity Index Series (GEIS) which covers 98% of the world's investable market capitalization. The FTSE Developed Value Index measures the performance of the investable securities in the developed large and mid-cap value segment of the market, which includes companies that are considered more value oriented relative to the overall market. An index cannot be invested in directly.

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 holding 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.

"Margin of Safety" is a reference to the difference between a stock's market price and Southeastern's calculated appraisal value. It is not a guarantee of investment performance or returns.

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, 2024, the top ten holdings for the Longleaf Partners Global Fund: CNX Resources, 6.3%; FedEx, 6.2%; EXOR, 5.9%; Afiliated Managers Group, 5.6%; IAC, 5.4%; Live Nation Entertainment, 5.1%; Prosus, 4.8%; Kellanova, 4.7%; Bio-Rad, 4.7% and Millicom, 4.6%. 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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