April 2024

Longleaf Partners International Fund Commentary

1Q24

Fund Characteristics

P/V Ratio	Low-70s%
Cash	4.3%
# of Holdings	25

All data as of March 31, 2024

	Annualized Total Return					
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
International Fund	3.64	8.37	-2.78	0.66	1.38	6.21
FTSE Developed ex-North America	5.47	15.52	3.95	7.21	4.85	5.78
FTSE Developed ex-North America Value	4.91	16.32	4.33	6.23	--	--

*Inception date 10/26/1998. The FTSE Developed ex-North America Value Index began in September 2018. As such there is currently only a 5-year history for this index.

Longleaf Partners International Fund returned 3.64% in the quarter, which compared to the FTSE Developed-ex-North America Index return of 5.47%. The first quarter was largely a continuation of 2023. Our European companies drove positive portfolio returns through strong operational and financial results rather than any strong macro

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 1.26%. 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 1.05% 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.

trends, while our regional allocation within Asia, overweight Greater China (Hong Kong plus China) and underweight Japan, was the primary relative drag on performance. Japan has benefitted from capital inflows at the expense of markets like China and Hong Kong. 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. The Japanese yen depreciation also supported earnings growth in recent quarters, which could quickly reverse course.

Our portfolio is a result of bottom-up stock selection based on business, people, and price. Our investee companies have strong balance sheets and pricing power enabling them to navigate challenging external environments and consistently generate growing free cash flow (FCF). We are pleased with the progress made at most of our portfolio companies, as our management teams are taking positive steps to create value and to crystallize value recognition.

We encourage you to watch our video with Portfolio Managers John Woodman and Manish Sharma 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)
Glanbia	21	1.25	6.3
Accor	22	1.19	6.3
Becle	20	0.79	4.5
Richemont	11	0.70	5.6
EXOR	11	0.61	5.8

1Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/24)
HDFC Bank	-16	-0.70	4.2
Naver	-20	-0.61	2.3
LANXESS	-15	-0.49	2.7
Domino's Pizza Group (UK)	-9	-0.44	4.0
Undisclosed	-17	-0.33	2.0

- Glanbia – International consumer goods and ingredients business Glanbia was the top contributor for the quarter. Continuing its strong performance from last year, the company reported strong full year results in the quarter. Its key brand, Optimum Nutrition, grew revenues 17% last year and is now a $1 billion brand which continues to show strong momentum in a fast-growing, underpenetrated category. The company demonstrated strong operational performance, delivering both top line growth and margin improvement ahead of market expectations. Glanbia executed significant buybacks last year and announced its intention for a further €100 million buyback in fiscal year 2024, starting with an initial €50 million. We are excited to see management continue to take the opportunity of the undervalued share price to create value for shareholders through discounted buybacks, while also actively investing in new products, expanded distribution and enhanced marketing. Over our holding period, we have engaged with management to simplify Glanbia's reporting structure. At fiscal year 2023 results, Glanbia was also able to highlight the clarified accounting treatment of the US cheese joint ventures for the first time, resulting in reported margins significantly increasing. We believe that the perception of Glanbia as a lower margin company has historically hindered its valuation, so to the casual observer this change makes the company far more attractive. With strong value growth and a management team taking active steps to address the undervaluation of the stock, we believe there is substantially more upside to come.

- Accor - French hospitality business Accor was another top contributor for the quarter, with the stock returning over 25% in local currency. Continued strong operational performance drove returns in the quarter. The hotel industry continues to shift towards the biggest and most recognized brands globally, and Accor has one of the strongest brand portfolios, particularly outside of the US. It is well placed geographically as the market leader in Asia, Latin America, and the Middle East, all of which are structural growth travel markets with strong post-Covid recoveries now apparent. Accor also has a strong, investment grade balance sheet allowing increased share buybacks of undervalued shares. Previously the company was unable to use the capital on its balance sheet for buybacks due to a need to achieve an investment grade rating. That hurdle was cleared in the second half of 2023, after which management quickly utilized cash to execute a €400 million buyback at the end of 2023 and reauthorize another €400 million at the beginning of this year (which they have already fully executed). We remain excited about the Accor brand portfolio and geographic exposure for long-term growth, alongside our confidence in CEO Sébastien Bazin and the management team.

- Becle – Leading manufacturer of tequila and whiskeys Becle contributed strongly in the quarter. The company is one of our more volatile holdings quarter-to-quarter in terms of its reported results, but not necessarily in terms of its stable and growing long-term value. The quarter saw reported results that were better than the market expected. There had been fears that the spirits industry was slowing and what that meant for its earnings power, but Becle guided for growth to continue in 2024 and beyond. After years of high agave pricing (a key input for tequila), this headwind is now abating, which should improve margins going forward. We believe the share price remains undervalued. This is a great business run by the Beckmann family who are aligned with us as big owners.

- HDFC Bank – The largest private sector bank in India, was the top detractor for the quarter. The merger between HDFC Ltd and HDFC Bank was completed in July of last year. The first couple of quarters post-merger have been challenging as some financial metrics, like Net Interest Margin and Return on Assets, are reset in the combined entity. A key concern is their elevated loan to deposit ratio. This ratio is elevated because HDFC Ltd was a wholesale funded Non-Banking Financial Company (NBFC) coming into the merger with HDFC Bank. The company is focused on lowering this ratio, which means near-term loan book growth will trail deposit growth, which is itself constrained by tight system liquidity. Despite this near-term headwind, we continue to like HDFC for its long-term compounding potential. It has around 15% lending market share and around 11% deposit share in India. We expect merger synergies to be meaningful in terms of higher cross-selling opportunities and lower cost of funds as the bank gradually replaces legacy high-cost borrowings from HDFC Ltd with low-cost granular deposits. The cost to income ratio is elevated currently due to accelerated branch openings and should come down as these branches mature. HDFC Bank is the best-in-class banking franchise in India with unparalleled multi-decade track record of growth, margins, credit quality and returns. We added to the position during the quarter.

- Naver – Korea's leading search and e-commerce platform was a detractor for the quarter. The key market concern is the increasing competition in the Korean e-commerce space from Chinese entrants like Alibaba and Pinduoduo. These entrants are growing quickly in Korea, but they are starting from a very low base. These competitors have less than 3% market share in a very fragmented market.

Naver's recent deceleration in Gross Merchandise Value (GMV) growth is driven by their focus on monetization and exposure to long tail products which are more vulnerable to weak consumption sentiment. Naver is focused on profitable growth. They are increasing their take rates, with revenue growth much higher than GMV growth. Notably, this is a marketplace business with no inventory risk and the entrance of new players enriches the marketplace. As Chinese entrants come in, they will increase digital ad spend, which will benefit Naver. We continue to like Naver's competitive positioning in Search and E-commerce, and its runway for growth. We expect margins to improve as management's mindset shifts from topline growth to profitable growth.

- LANXESS – German-listed specialty chemical company LANXESS was also a detractor for the quarter. 2023 was a difficult year for the chemical industry. Energy prices significantly weighed on margins last year, combined with low demand out of China in addition to low industrial demand and destocking globally. Picking the exact trough is an impossibility and while those headwinds abated in the first quarter, they are far from fully reversed. The good news is that management is optimistic we are in the early stages of recovery, and indeed over recent weeks we have seen the first signs of improving data. Additionally, management took the opportunity of a challenging 2023 to remove structural costs across the company. This puts the company in a strong position as demand recovers, which will flow through into high operational gearing, leading to a strong rebound in EBITDA and cash generation. We believe there is a clear path to improving previous balance sheet concerns over the next 12 months. We expect weak first quarter results in May but expect the second quarter to be stronger and then accelerate in the second half of the year as comps get easier and demand improves. The company delivering solid EBITDA generation in 2023 despite utilization rates in the 50-60% range (where historically chemical producers would have been heavily loss-making) is a testament to the structural changes made by the current management team. Given their strong operational gearing we anticipate rapid value growth as end markets stabilize and internal cost measures take effect, which is clearly not yet appreciated by the market.

Portfolio Activity

We continue to upgrade the portfolio on qualitative and quantitative fronts. We initiated four new positions in the quarter, two in Asia and two in Europe across several industries. We exited three holdings while trimming strong performers and adding to several discounted holdings. We sold our positions in Fairfax Financial, WH Group and Juventus. We have owned Fairfax multiple times over the 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. We exited WH Group and Juventus as we saw an opportunity to further upgrade the portfolio when considering IRRs and larger margins of safety elsewhere.

Outlook

We are pleased with the progress made across the businesses we own. The portfolio ended the quarter with 4% cash and a P/V in the low-70s%, offering plenty of upside potential going forward. The new purchases reflect our efforts as we continue to find compelling opportunities globally. We have a strong on-deck list and will continue increasing the quality of the portfolio when we find the right opportunities at the right price. 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. Combining high-quality businesses with strong management teams who understand maximizing shareholder returns through intelligent capital allocation excites us. It continues to be a fertile stock picking environment for us, and we are excited about the prospects for the rest of this year and beyond.

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 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. The FTSE Developed ex-North America Value Index includes companies which are considered more value oriented relative to the overall market. 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.

"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.

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

Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows from an investment equal zero.

As of March 31, 2024, the top ten holdings for the Longleaf Partners International Fund: Glanbia, 6.3%; Accor, 6.3%; EXOR, 5.8%; Premier Foods, 5.7%; Richemont, 5.6%; GRUMA, 4.8%; Becle, 4.5%; Prosus, 4.5%; HDFC Bank, 4.2% and Eurofins, 4.1%. 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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