April 2025

Longleaf Partners International Fund 1Q25 Commentary

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Mid-60s%
Cash	12.0%
# of Holdings	26

All data as of March 31, 2025

			Annualized Total Return			
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
International Fund	0.73	-4.75	2.33	6.34	2.87	5.78
FTSE Developed ex North America	6.42	3.38	5.18	11.40	5.28	5.71

Inception date 10/26/1998.

Longleaf Partners International Fund returned +0.73% in the first quarter, trailing the relevant indexes. Index performance was driven by strong returns in the European market fuelled by the promise of debt funded fiscal stimulus by Eurozone economies, potentially benefiting local Defense, Energy, and Industrial sectors (as discussed below). There was a large dispersion in returns between large-cap vs. small and mid-cap (SMID), and between stimulus beneficiary sectors vs. the rest. Our overweight in Consumer sectors and underweight in European Industrials, Financials, Energy sectors largely explains the majority of our relative underperformance.

In Asia, lacking the stimulus support (or hope thereof) and reflecting the geopolitical and tariff uncertainty, key markets including Japan and Australia were down in the quarter. A notable exception was China / Hong Kong, which staged a strong comeback in the first quarter, outperforming the US market by the largest margin since 2007. This

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 1.27%. 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.

was primarily driven by optimism around Chinese technology stocks post DeepSeek model release, stimulus measures, regulatory support and inexpensive valuations.

In Europe, the quarter was dominated by two themes. Firstly, the perception of a reproachment between the Trump administration and Russia, seemingly at the expense of the traditional democratic alliance of Canada, Europe and the UK. Secondly, the overarching threat of US tariffs. Taken at face value, you would expect both of these to have a profoundly destabilizing impact on investor sentiment and would likely predict a negative stock market return. How, then, to explain Europe's STOXX 600 positive return of +5.9% in the quarter? The answer is to be found in the response of European politicians. Seemingly jolted from beneath their comfort blanket of US protection, there has been a flurry of calls for investment into European rearmament via increased defense budgets and into support for industrial and energy infrastructure spending (particularly in Germany). The EU has a mixed track-record of converting lofty ambitions into on-the-ground activity, so whether the rhetoric translates into real-world spending, we will have to wait to see, but in Q1, it was the projection of solidarity which mattered most.

Yet, the performance at the index level may be misleading and skewed by the extraordinary share price performance of a relatively small number of perceived beneficiaries. These naturally included Aerospace and Defense companies, as well as a number of German industrials. But it also included gold-related stocks, with the gold price responding to the raised volatility in a more predictable way, alongside financials with the promise of credit growth and higher interest rates, and traditional risk-averse assets such as utilities.

This potentially misleading index performance becomes evident when we look more closely at the three largest European markets, UK, France and Germany. Take the UK as an example, while the index of the largest 100 stocks (the FTSE100) had a positive performance of +6.1%, the indexes for the next largest 500 stocks (the FTSE 250 and FTSE Small-Cap) were both negative (-5.0% and -4.2% respectively). And yet, the FTSE All-Share index (which is these 600 stocks combined) still had a positive performance not far off the FTSE100 index (+4.5%). This demonstrates the strong outperformance of large-caps (which prevailed across all European markets) and reaffirms how skewed indexes are to their largest constituents.

Indeed, the majority of stocks in these three key markets underperformed their indexes, with the minority outperformers heavily skewed to large caps. These

unbalanced skews in terms of extreme performance and large-cap bias account for the unusual situation where the index performance can confound rational expectations, but the underlying performance of the majority of stocks was, more predictably, negative.

The reliance on a minority of stocks to drive outperformance lends a higher degree of fragility to the index performance overall. We have started to see a rapid reversal in the first weeks of April following the US tariff announcement, with many of those standout share price performers in Q1 being down the most heavily so far in Q2.

Our prudent, bottom-up approach to stock-picking, looking for high-quality businesses trading at a significant discount to their fair value, often leads us to the lesser-explored corners of markets. That includes mid-caps and under-appreciated business models or industries which, as we have attempted to show above, were largely underperformers in the quarter. While the share prices of some of our investments disappointed, the performance of the businesses themselves and their leadership teams did not, barring a couple of exceptions we discuss in more detail below.

We would suggest that index performance is always a crude measure of circumstance, hiding a wealth of complexity. Taking a step back and considering the main geopolitical and macroeconomic headlines during the quarter, would we have predicted a positive return for the portfolio (or indexes) all other things being equal? Probably not. The fact that our portfolio constituents were able to generate a positive overall return under such circumstances indicates the resilience of the businesses we own, and the large margin of safety baked into our positions.

Impact of US Trade Tariffs on our Portfolio:

On April 2nd, President Trump announced "reciprocal" tariffs under the International Emergency Economic Powers Act (IEEPA), citing a national emergency related to foreign trade practices. A baseline 10% tariff on imports from all countries took effect on April 5th, followed by higher tariffs for countries with unfair trade practices, effective April 9th. Specific rates include 34% for China (on top of 20% imposed earlier this year), 20% for the European Union, 46% for Vietnam, 26% for India, 24% for Japan, and 10% for the UK. This amounts to a simultaneous trade war against all the key economies globally and has had the predictable effect of a sharp selloff in equity markets globally, especially in names exposed to global trade with the US.

US exceptionalism, driven by mega-cap US technology stocks, is also starting to crack. The Old-World order is getting reorganized under US President Trump. Countries that have long been allied with the US are being alienated, and this has the potential to create strange bedfellows.

While the rapid market selloff has been broad-based, which has impacted our portfolio, the majority of our portfolio companies cater to predominantly domestic consumption and are largely insulated from direct tariff impact. This has been a deliberate decision over the past few years. We consciously repositioned the portfolio to more domestically focused names to avoid the inherent risks and uncertainties that geopolitics has always posed, particularly in relation to our China and broader Asia exposure. We exited Man Wah during first quarter partly driven by this objective (given their high exposure to US sales sourced from Vietnam).

We want to own businesses which have a greater control over their own prospects, through the ability to manage the variables of supply, demand and capital allocation inherent to successful value creation. The companies in our portfolio with significant US exposure to physical products sales typically either manufacture locally or have a product we believe is hard to replicate domestically.

Glanbia generates 80%+ of revenue in the US. Virtually all of these products are produced domestically, including the inputs (largely whey) and therefore not subject to any direct tariff impact.

Samsonite is the most exposed company in our portfolio to direct tariff impacts, as it generates 36% of its revenue from the US. Of its US product, 15% is sourced from China, while the remaining 85% is sourced from ASEAN countries, including Thailand, Cambodia, Indonesia, Vietnam, and the Philippines.

Becle, the leading manufacturer of tequila, exports tequila to the US as well as Irish whiskey from Ireland. Tequila is part of the United States-Mexico-Canada Agreement (USMCA) list, which has so far avoided a worst-case tariff hit.

Gruma, the world's leading tortilla maker with nearly 80% of its value in the US, follows a local production for local consumption strategy, and therefore does not have material tariff risk.

Lanxess, a global speciality chemical company, derives approximately 30% of revenue from the US, predominantly from local production. It is, of course, nonetheless exposed to secondary impacts, likely to include end-market demand weakness.

Notable Contributors and Detractors

Millicom – Latin American telecommunications operator Millicom extended its standout 2024 performance into the first quarter of this year. The share price reflects exceptional operational delivery, driving an inflection in equity free cash flow growth, on which the new management team, supported by its largest shareholder, Iliad Group (Atlas) with a 40% stake, has relentlessly focused since 2023. This progress became more visible starting in the second quarter of 2024, and we expect it to continue from here.

We were confident the market would eventually recognize the material year-on-year (YoY) and sequential free cash flow growth profile that Millicom's results would gradually reveal. Indeed, the company exceeded its already twice-raised 2024 equity free cash flow guidance of approximately $650 million, ultimately delivering $728 million for the year. Looking ahead, Millicom has guided further growth to the $750 million range for 2025. Our conversations with management bolster our confidence in the sustainability of this strong cash flow generation, underpinned by efficiency gains across both OPEX and CAPEX initiatives.

The restart of the company's dividend policy followed the achievement of its steady-state leverage target of 2.5x in December. This capital allocation move makes cash flow improvements very tangible to us as shareholders today, thanks to the ongoing $150 million share buyback program and a well-supported dividend of $3 per share in hard currency. At current prices, this represents a yield above 10%, limiting downside risk in today's highly volatile markets and significantly improving the risk/reward of our investment in Millicom. In the meantime, we continue to partner with management while they drive operational improvements to full fruition over 2025.

In addition to this compelling fundamental setup, we continue to see multiple ways to win in what promises to be a catalyst-rich year for Millicom. The delisting of its Swedish shares was completed at the end of March 2025, leaving a single US listing that should enhance liquidity and attract greater institutional investor interest—further facilitating the closure of Millicom's price-to-value gap. Meanwhile, progress on the $1 billion acquisition of Telefonica's operations and Millicom's minority interests in Colombia remains on track. Management recently confirmed that they expect regulatory approval

by year-end, and they remain excited about the prospect of generating value on these assets via operational turnaround and cost synergies.

Prosus - Global consumer internet group Prosus was among top contributors for the quarter, continuing its strong performance from 2024. Tencent, which represents close to 80% of net asset value (NAV) for Prosus, delivered better than expected results in Q4. The company reported YoY revenue growth of 11% and adjusted net profit increase of 30%, benefiting from improved operational leverage. Tencent is stepping up its investment in AI and is adopting a multi-model strategy (including DeepSeek) to provide the best user experience. Its internally developed Hunyuan model is helping boost ad targeting, content creation and operational efficiency. We remain optimistic about Tencent's investments in AI yielding a high return on investment at the application layer, particularly given the vast amount of data generated by their WeChat super app and its 1.3 billion monthly active users. Prosus continued its open-ended share buyback program and announced two reasonably priced acquisitions (Just Eat Takeaway in food delivery and Despegar in online travel) for a total of $6 billion (~3% of its NAV).

Lanxess – Global specialty chemical company Lanxess was one of the top performers in the quarter, being a clear beneficiary of both macro drivers and internal initiatives. We have argued for some time that Lanxess was undervalued in relation to the quality of its assets and the actions management was taking to allow for significantly improved performance and returns once the end-demand environment started to show signs of improvement. Yet ironically it was the macro prospect of an ending of the war in Ukraine, followed by the expectation of renewed investment into German industrial capabilities, which saw Lanxess shares perform strongly this quarter. Lanxess has approximately 25% production exposure to Germany and a mid-teen demand exposure. Lower gas prices in Germany would certainly help with input costs, but we remain cautious about just how much Russian gas will be allowed to flow through Ukraine and how much Germany will want to tie itself back into a Russian supply network. The €500 billion infrastructure blitz proposed by new Chancellor Merz would certainly help the domestic construction market, but again, we need to see evidence of this on the ground.

We prefer to rely on levers within the company’s control, and Lanxess made further progress through the quarter. The sale of the Urethanes division completed as expected with gross proceeds of €500 million, which will be used to reduce debt back to an approximate 3x leverage ratio. Q4 results were good, with cost savings on track and more to be delivered this year. Guidance for 2025 was conservative at +10%

earnings before interest, taxes, depreciation and amortization (EBITDA), but prudent given the end-market environment has remained weaker for longer than they would normally expect. There is significant upside margin potential in the coming years as demand feeds directly through to utilization improvements with a very high incremental margin. We are also getting closer to the sale of their stake in the Envalior JV (put option from Apr 2026). This asset and its shareholder loan are worth over 35% of Lanxess's market cap today, yet analysts and the market largely ignore it or have written it down to a very low valuation. This reflects the fact Lanxess is strictly limited in what they are allowed to disclose about Envalior, and markets abhor a vacuum. Yet the debt agency reports (S&P Global, 13 Dec 2024 publicly available online) make it clear what this asset is worth if one cares to look. With a fixed exit-multiple of 12x EBITDA guaranteed in the put option, we are confident a strong cash inflow will be achieved on the sale, allowing for significant further debt reduction and finally opening the possibility of accretive buybacks.

Richemont - Swiss jewellery and watch producer Richemont was another top performer in the quarter. Their fiscal Q3 results (calendar Q4) released in mid-January again demonstrated the brand strength which enables pricing power and market share gains. Like-for-like sales growth of 10% substantially outperformed expectations, with the US being the standout geography, but with strength across the board except for China. With the prospect for YoY comparisons easing further through the year (and in January at least, consumer prospects seemingly strong) the share price strongly outperformed our value growth. This reduced our IRR expectation, and we started to trim the position as the price to value approached 100%. We ultimately exited our position fully in the quarter, which proved to be the right decision as the market became more concerned about consumer weakness and the impact of tariffs in the US, seeing the share price pull back.

We continue to like Richemont, as owner of the strongest brands in the hard-luxury industry, Cartier and Van Cleef & Arpels. We have long-held a preference for hard luxury (jewellery and watches) over soft luxury (bags, clothes) given the long-term store-of-wealth characteristics and occasion-linked purchasing (engagements, birthdays, anniversaries, etc.) Hard luxury globally has significantly lower penetration of brands than soft luxury, with many emerging markets still being precious metal/stone dependent rather than brand/design dependent. We continue to expect brands to win market share, disproportionately favouring the most desirable brands, providing Richemont with a long-term structural tailwind. We will continue to follow the company closely.

Glanbia - Irish sports nutrition and ingredients company Glanbia was a top detractor in the quarter. The shares had already performed poorly in H2 2024, as the price of their key input cost for their performance nutrition brands, whey protein isolate (WPI), rose above historic peaks. There is a shortage of WPI supply, but with new capacity due to come online later this year, the company expected prices to remain rational and ultimately to reduce. That did not happen, and through December and into January, prices rose further, forcing Glanbia to forward-purchase at prices far above their budgeted costs. Glanbia is simultaneously the largest consumer of WPI and the largest producer, giving them the best insight into this commodity market, and even they were caught out given the unprecedented nature of the price move. Despite finding mitigations that allowed them to offset 75% of the extra $200 million cost headwind for this year, it still resulted in a $50 million downgrade to guidance for 2025 at the FY results. That is a 9% downgrade to consensus expectations, with the share price falling over 3x that. An aggravating factor has been concerns about increased competition. Costco is an important channel for Glanbia, accounting for a mid-teen percentage of sales, but being more substantial as a growth driver. Costco introduced a competitor product under their Kirkland brand in Q3 last year, which has caused a headwind to growth for Glanbia's key Optimum Nutrition (ON) protein powder. Performance so far has been stable, impacting ON volumes but not showing progressive deterioration, yet it introduces a further concern to an already nervous market.

Glanbia's other division, Nutritional Solutions, is the largest producer of WPI and therefore benefits from the current high prices, but the market has historically focused solely on the consumer branded division, and that has continued to be the case. Looking at the value of its assets, Glanbia now on 9x price-to-earnings (PE), trades well below comparators for each of their divisions: Sports Nutrition Brands, Supplements & Ingredients, and Dairy/Cheese producers. We have impressed upon the Board and Management their vulnerability at the current share price and the need to respond with affirmative action. That would include enlarging and accelerating share buybacks and exploring a strategic process to separate and sell certain divisions. We believe the company is considering such a strategy, having already announced the reorganisation into three divisions, which would be a necessary precursor to a sale of the new Dairy Protein division. We believe that business alone is worth approximately 50% of the company enterprise value (EV) today, with the more valuable consumer brands (GPN) and ingredients (Health & Nutrition) also being potential sale targets. We continue to like the structural drivers of growth in Glanbia's health-focused businesses and are working with management to ensure a higher degree of urgency in crystalising value.

Becle - Global beverage company Becle was a detractor for the quarter. Industry trends remained weak, and while the company gave guidance that it can get back to growth this year, the market is skeptical. Last quarter, we wrote: "While it remains to be seen what Trump will do, Becle is trading dramatically below its private market value and below where it has traded before on all metrics as a public company, including the first time we successfully invested in the company when Trump was President. 2025 will be an important year for the company to demonstrate its path to growth and prudent capital allocation." Throughout most of the first quarter, the situation looked precarious as Trump initially focused his tariffs on Canada and Mexico. However, after quarter end the tequila industry received a reprieve as we wrote above. We continue to believe that Becle has multiple factors within its control to realize value per share and look forward to continuing our dialog with management.

Jollibee - The largest quick-service restaurant (QSR) player in the Philippines, Jollibee, was a detractor for the quarter. The company reported disappointing results for Q4, missing its earnings expectations. While its domestic business in the Philippines continues to perform well, with same-store sales growth (SSSG) increasing from 6.4% in the previous quarter to 7.4% in the most recent one, the Group's overall performance was negatively impacted by its international operations, particularly in the China region and with Smashburger.

In China, EBITDA fell 57% YoY due to a challenging competitive environment and a weak consumer market. Meanwhile, in the US, Smashburger's EBITDA returned to negative territory as the revamp of the menu and increased marketing spending did not yield the desired results. Jollibee is actively implementing changes in these underperforming markets and brands. The company plans to limit losses in China by focusing on an asset-light approach. Additionally, Jollibee has changed the management of Smashburger and is pursuing a more cost-conscious strategy under the new President, Jim Sullivan, who is working to eliminate unnecessary overhead.

Jollibee Group remains focused on return on invested capital (ROIC), intending to raise it to 20% by fiscal year 2028. Encouragingly, they are seeing positive signs with the launch of Jollibee's US Franchising Program, set for early March 2025. The Jollibee brand in North America reported an 8% increase in same-store sales last year and has average daily sales (ADS) of $13,300, nearly triple the ADS of KFC and double that of Popeyes in the US. Additionally, Jollibee Group is ready to begin franchising Coffee Bean & Tea Leaf beyond its core markets of Malaysia and Singapore.

Samsonite - Samsonite, a global luggage manufacturer, was a detractor for the quarter. While Samsonite's 4Q24 results beat consensus, its weak 1Q25 guidance of low-to-mid single-digit decline weighed on its share price. In 4Q24, Samsonite grew revenue by +1.0% YoY on a constant currency basis (cFX). This was driven by continued weakness in its Asia region, with revenue declining 6.3% YoY, on a constant FX-basis. In Asia, China continues to suffer from the weak consumption environment, and India has been impacted by the aggressive competitive landscape. Management continues to enforce their price discipline to uphold the integrity of its brand for the longer term, with gross margin and adjusted EBITDA holding strong at 60.2% and 20.7%, respectively. On its 1Q25 guidance, the weak outlook was attributable to its Asia and North America regions. North America saw dampened consumer sentiment from the increasingly volatile geopolitical landscape while Asia suffered from a high base effect, particularly in China, where 1Q24 saw an extremely strong Chinese New Year. On the positive, management continues to aggressively engage in share buybacks and is actively preparing for its dual listing in the US (subject to market conditions, which have not been conducive lately).

Portfolio Activity

During the quarter we did not initiate any new positions in the portfolio. However, we did exit three positions, Havas (from the Vivendi spin at the end of last quarter), Man Wah and Richemont. Following quarter end, in the wake of Trump's "Liberation Day" announcements, we are finding more opportunities to continue upgrading the portfolio's quality and margin of safety. Our on-deck list is growing fast, and we plan to take action, in a measured way, to deploy our cash balance from quarter end.

Outlook

We remain excited about 2025 and beyond. The businesses we own are making solid operational progress and are well-positioned to go on offense, even as the ripple effects of the newly implemented tariffs bring new challenges and uncertainty. With the Fund's price-to-value ratio in the mid-60s% we believe there is substantial opportunity in the portfolio today. The Fund's non-US portfolio managers have been increasing their own investments in the portfolio given the attractive business – people – price opportunity we see today. Our cash position grew over the quarter based on the exits listed above but has decreased some in April as we have put money to work to improve our margin of safety (including one new position).

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-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 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. Net returns for the FTSE Developed ex North America Index are not available for calendar years 1998 – 2003; therefore the since inception Index return is a gross return. All other periods presented for this index are net returns. Indexes are unmanaged, do not reflect the deduction of fees or expenses and 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.

Net Asset Value (NAV) is a statement of the value of a company's assets minus the value of its liabilities.

Gross Merchandise Value (GMV) is the total amount of sales a company makes over a specified period of time.

Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. A company's stock is generally classified as large-cap, mid-cap, small-cap, or micro-cap based on size.

The STOXX Europe 600, also called STOXX 600, SXXP, is a stock index of European stocks designed by STOXX Ltd. This index has a fixed number of 600 components representing large, mid and small capitalization companies among 17 European countries, covering approximately 90% of the free-float market capitalization of the European stock market (not limited to the Eurozone).

The Financial Times Stock Exchange 100 Index, also called the FTSE 100 Index, FTSE 100, FTSE, or, informally, the "Footsie," is the United Kingdom's best-known stock market index of the 100 most highly capitalised blue chips listed on the London Stock Exchange.

The Financial Times Stock Exchange 250 Index, also called the FTSE 250 Index, FTSE 250, or the "Footsie 250," is a stock market index that consists of the 101st to the 350th mid-cap blue chip companies listed on the London Stock Exchange.

The FTSE SmallCap Index is an index of small market capitalisation companies consisting of the 351st to the 619th largest-listed companies on the London Stock Exchange main market.

The FTSE All-Share Index, originally known as the FTSE Actuaries All Share Index, is a capitalisation-weighted index, comprising around 600 of more than 2,000 companies traded on the London Stock Exchange.

As of March 31, 2025, the top ten holdings for the Longleaf Partners International Fund: Prosus, 5.8%; Millicom, 5.7%; Premier Foods, 5.4%; HDFC Bank, 4.9%; Eurofins, 4.5%; Accor, 4.5%; Jollibee, 4.4%; Glanbia, 4.0%; Domino's Pizza Group (UK), 3.9% and H World, 3.9%. 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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