April 2025

Longleaf Partners Fund 1Q25 Commentary

All data as of March 31, 2025

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Low-60s%
Cash	20.2%
# of Holdings	17

			Annualized Total Return			
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Partners Fund	-5.14	-3.18	-0.29	13.62	3.80	9.16
S&P 500	-4.27	8.25	9.06	18.59	12.50	10.43
Russell 1000 Value	2.14	7.18	6.64	16.15	8.79	9.73

Inception date 4/8/1987.

While our stock price performance was close to the volatile index by quarter end, our confidence in prospective returns grew as the quarter progressed. We are invested in what we believe to be quality companies that can thrive in turbulent times. This resilience was demonstrated by our portfolio materially outperforming the index since the market peak on Feb 19th. Our underlying value per share growth exceeded our stock price performance in the quarter.

Performance in the first half of the quarter was impacted by a cluster of companies with over 10% stock price moves: Bio-Rad, CNX, FedEx, Hyatt, Mattel, PayPal and PVH (Mattel had good results and the share price went up, but the results were not 10%+ good in our view). This group had a net negative ~500bps (basis points) performance impact in the quarter. This impact can be overcome with better results as the year

---

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 1.05%. The Partners 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 0.79% 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.

goes on, as we discuss on several holdings below. While we own companies that are relatively boring and growing free cash flow (FCF) per share over the long-term, we can still have some bumps along the way to value realization. Some of these short-term, stock price disappointments in the quarter came from earnings reports, while others were driven by geopolitical uncertainty.

We wrote in the annual letter how we thought Trump 2.0 would be different than Trump 1.0. So far, that has been the case. As we type this letter, there is much uncertainty about where things are going. On the one hand, doomsayers believe this could be the beginning of a reordering of the world in a way that leaves permanent marks, much like how OPEC's actions in the early 1970s ushered in a rough ten years that ended in a single digit PE multiple for most markets in the early 1980s. On the other hand, optimists would suggest (more cautiously lately) that there is a plan at work, thus the stock market pain so far has been self-inflicted and is quickly reversible. In times like these, it is good to take a breath while reassessing our portfolio versus the market. We still believe this is setting up to be a better environment for value stock picking, where nimble companies on offense are rewarded and the biggest companies in the index do not continue to go straight up. While we were down in the immediate days following "Liberation Day," it was encouraging to see our portfolio significantly outperform the index at that point, on top of the outperformance in the second half of the first quarter as mentioned above. This is a noted contrast to our underperformance in the global financial crisis, Covid or 2022 but more in-line with how we did in the early days of the market turn in 2000. We have worked to improve our portfolio management to have more balanced weightings across companies on offense, which we now firmly believe we have in the portfolio.

The index was hurt by its IT overweight in the quarter, which was relatively good for us. However, it was helped by the "BBOPs" (Big Banks/Oils/Pharmaceuticals), which created a relative headwind for us, especially versus the value index. In a market that is ETF-driven in the short term, we can see how initial steps away from growth favorites could first favor the BBOPs that are bigger weights in value ETFs. We generally own fewer of these companies than the index or the average value manager because we do not believe they are high-quality enough on business or people. Additionally, two out of these three are economically sensitive: bank earnings in total will likely struggle to grow in a recession, and oil prices also generally correlate with economic activity. This showed through in the post-Liberation Day outperformance for our portfolio mentioned above. We did increase our healthcare weighting in the quarter, but this

was done in a targeted way focusing on what we believe are high-quality partners that are on offense.

What will matter most for your prospective returns is how each of our individual holdings performs. We will now talk through some of the more notable holdings in the quarter.

Notable Contributors & Detractors

Albertsons – US grocery retailer Albertsons was a contributor for the quarter. Albertsons was a new purchase in 2024, after we had followed the company and its predecessors for years. In an otherwise turbulent quarter, Albertsons stands out as a stable business that remains undervalued because it had fallen off the radar during a protracted deal process with Kroger that ultimately failed. The company should grow at a moderate pace and has plenty of financial firepower to repurchase shares, all while it has multiple strategic options (such as unlocking its real estate value and/or selling non-core markets) to realize value per share.

IAC – Digital holding company IAC was another solid contributor for the quarter. In January, the company announced that former CEO Joey Levin would be shifting his focus to become Executive Chairman at IAC portfolio business Angi. Barry Diller is taking on a larger role at IAC while continuing to be its Chairman. Initially, the market reacted cautiously, but as the quarter went on, the potential benefits became clearer, especially in conjunction with the recently completed spin-off of Angi. During the quarter, we published our first Research Perspectives note that provides more details on our investment case for IAC.

Mattel – Global toy and media company Mattel contributed for the quarter, reporting solid results for the all-important 4Q, with 2% revenue growth and 6% growth in earnings before interest, taxes, depreciation and amortization (EBITDA). We were also pleased to see management repurchase a material amount of shares at great prices and commit to repurchasing at a high-single-digit percentage of shares outstanding in 2025 if the share price remains attractive. Mattel provided a relatively straightforward and growing outlook for 2025, even taking into account tariff risk at the time. Although conditions have deteriorated since then, CEO Ynon Kreiz’s foresight in diversifying the company’s supply chain years ago will pay dividends. The market continues to price in little future growth for the existing business or further success in media and gaming.

RTX – Aerospace and defense company RTX was a contributor this quarter. We purchased RTX at a significant discount in 2023 when concerns over Pratt & Whitney's Geared Turbofan (GTF) issues reached what turned out to be a point of max pessimism. We also were able to partner with great leaders in Greg Hayes & Chris Calio, who took advantage of this opportunity to repurchase a material amount of stock while improving operations. Just last quarter, we wrote how strong industry tailwinds, prudent capital allocation and a solid balance sheet provide a foundation for sustained growth and eventual full value recognition. That thesis played out this quarter, as the stock price traded through our value, and we exited our position at a gain.

Bio-Rad – Life sciences company Bio-Rad detracted for the quarter. The company remains a stable business with growth potential. The quarter was a story of two halves. Early on, industry trends showed improvement after a period of normalization post-Covid, prompting us to trim on the back of price appreciation. However, later in the quarter, news of government funding cuts and a disappointing quarter of results weighed on the stock price. Despite this, we remain optimistic about Bio-Rad's outlook. Academic and government spending in the US accounts for only a low-single-digit percentage of this company's revenue, even though public perception suggests otherwise. Meanwhile, the company has a net cash balance sheet, a large hidden asset in its Sartorius stake and a proven history of smart capital allocation.

CNX Resources – Natural gas company CNX Resources was a detractor for the quarter. While CNX was one of our stronger performers in 2024, it started the year with a disappointing outcome regarding government incentives for its coal mine methane gas capture program. The incentives were below our unrisked upside case that could have helped our value by $10-20/share+. While this was a disappointing few dollars per share hit to our risked value, the silver lining is that both we and CNX were able to buy more shares at a price that, in our view, does not fully appreciate all the other good things going on at the company. CNX remains focused on what is within its control, leveraging its low-cost structure and disciplined hedging strategy to generate FCF in a variety of price environments.

FedEx – Global logistics company FedEx was a detractor for the quarter. The company faced macro headwinds, including tariff threats and ongoing demand weakness in the US. The company is growing market share and margins in its formerly challenged European business, and this was a driver for the Express business to report low-single-digit topline growth that turned into double-digit cash

flow growth. The Freight business saw a decline like its peers who are also wrestling with weak industrial conditions. FedEx remains on track to separate into two entities: Express and Freight. This split should provide both companies with greater financial flexibility and accountability, allowing them to be run more efficiently. The market has consistently undervalued FedEx's Freight operations, and a large discount to UPS is no longer warranted for the Express business. Tariff headwinds will be challenging to navigate, but we are glad the company is more on offense now than it has been in previous downturns.

PayPal – Digital payments platform PayPal was a detractor for the quarter. The stock price declined significantly more than the few percentage points decline in our appraisal value after mildly disappointing results. Growth was in the mid-single-digit range when the market was hoping for high-single-digits. While we trimmed part of our position early in the quarter, in hindsight a larger reduction would have been prudent. However, we continue to see a compelling path forward for this high-quality business, which is still not optimized under relatively new CEO Alex Chriss.

PVH – Global apparel brand PVH was a detractor for the quarter. Two key factors weighed on the stock price. First, consumer discretionary spending faced broad pressure, and PVH was no exception. Second, China placed PVH on its restricted list as trade tensions and tariff rhetoric between the US and China escalated throughout the quarter. PVH has done nothing wrong but was unfortunately selected instead of other companies in its industry. After the end of the quarter, PVH reported solid, flattish results in this tough environment and a new accelerated share repurchase authorization that led to the stock reacting nicely. The company still trades at a mid-single-digit multiple of FCF that can grow, and our great partner Stefan Larsson is focused on closing this price to value gap.

Portfolio Activity

We initiated one new position in the portfolio during the quarter, a leading healthcare company with a net cash balance sheet and great owner-partners. We look forward to discussing it in more detail later this year. We also exited one position, RTX, discussed above. 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, 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. While the S&P 500's 18x next-twelve-months' price-to-earnings ratio does not look that attractive to us (especially on earnings that could be too high), the Fund's price-to-value ratio below 60% is highly attractive. We believe there is substantial opportunity in the portfolio today while the on-deck list continues to grow. Our still higher than usual cash position at quarter end has been coming down in April as we have put money to work to improve our margin of safety.

We also continue to take our time reviewing applicants to find the right person for our next US Junior Analyst and welcome referrals from our client partner network. Thank you for your partnership on all fronts. We look forward to communicating 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 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. S&P 500 Value Index constituents are drawn from the S&P 500 and are based on three factors: the ratios of book value, earnings, and sales to price. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 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. An index is unmanaged, does 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.

Price / Earnings (P/E) is the ratio of a company's share price compared to its earnings per share.

Enterprise value (EV) is a company's market capitalization plus debt, minority interest and preferred shares, and less total cash and cash equivalents.

OPEC stands for "organization of the petroleum exporting countries," whose member countries seek to coordinate and unify their petroleum policies.

PE multiple is a financial metric that frames a company's current stock price in terms of the company's earnings per share.

A Basis Point is one hundredth of one percent.

As of March 31, 2025, the top ten holdings for the Longleaf Partners Fund: Albertsons, 6.6%; IAC, 6.4%; CNX Resources, 6.2%; Fidelity National Information Services, 6.0%; Mattel, 5.8%; FedEx, 5.5%; HF Sinclair, 5.2%; EXOR, 5.0%; Affiliated Managers Group, 4.7% and Bio-Rad, 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.

Funds distributed by ALPS Distributors, Inc.
LLP001573
Expires 08/15/2025