April 2025

Longleaf Partners Small-Cap Fund 1Q25 Commentary

All data as of March 31, 2025

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	High-60s%
Cash	9.2%
# of Holdings	19

			Annualized Total Return			
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Small-Cap Fund	1.50	4.20	2.34	14.31	4.99	9.73
Russell 3000	-4.72	7.22	8.22	18.18	11.80	10.65
Russell 2000	-9.48	-4.01	0.52	13.27	6.30	8.86

Inception date 2/21/1989.

We were pleased with our performance in what was a difficult quarter for small cap stocks. This is the kind of downside protection the Fund has exhibited before and can be a consequence of our value investing discipline. We avoided challenged stocks and continued to improve the quality of the portfolio with companies that we believe are on offense in this volatile environment.

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

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 1.07%. The Small-Cap 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 0.95% 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.

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.

There was no clear theme driving our outperformance in the quarter, simply the result of solid stock-picking that was recognized by the market. Our portfolio continues to look extremely different than the average small-cap index, and we continue to believe that will be a good thing over the long-term. What will matter most for your prospective returns is how each of our individual holdings performs. With that, we will now talk through some of the more notable holdings in the quarter.

Notable Contributors & Detractors

Graham Holdings (GHC) – Diversified education, healthcare and media company Graham Holdings contributed for the quarter. The company reported a solid quarter of low-mid single-digit percentage value growth and continues to position itself well for tougher times with its net cash balance sheet. For a deeper dive into Graham, please listen to our podcast with CEO Tim O'Shaughnessy that we recorded in March.

Gruma – The world leader in tortillas and corn flour, Gruma was a contributor in the quarter. The company delivered another quarter of solid growth and execution, with its core US business finishing 2024 with 5% annual earnings before interest, taxes, depreciation and amortization (EBITDA) growth. During the quarter, we published our first Research Perspectives note, which provides more details on our investment case for Gruma.

PotlatchDeltic – Timberland and mill company PotlatchDeltic was a contributor for the quarter. The company performed fine in the quarter even though housing demand remains below trend. We slightly trimmed our position as the company was viewed as a potential tariff winner. While not the most exciting company, PotlatchDeltic remains an undervalued, reliable dividend payer with a disciplined management team.

Boston Beer Company – US beverage company Boston Beer detracted in the quarter. The stock price has been under pressure due to macro concerns around declining alcohol consumption trends, combined with concerns on the Truly brand's continued declines and overall company margins. Both we and the company believe these headwinds can be overcome, and the company has multiple drivers to grow in the next twelve months. Management is taking action to increase value per share in the meantime by being one of our larger share repurchasers in the portfolio currently. Expectations for growth have been reset to a flattish level, and from this lower base, we remain optimistic in the long-term opportunity.

CNX Resources – Natural gas company CNX Resources was a detractor for the quarter. While CNX was one of our stronger performers in 2024, the company 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 to the market's overreaction to this news 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 free cash flow (FCF) in a variety of price environments.

Park Hotels – Hotel owner and operator Park Hotels was a detractor for the quarter. As a stock that is sensitive to the macroeconomic environment, it traded lower as travel demand slowed even though the company reported solid results with 3%+ revenue per available room (RevPAR) growth. Park remains in a much better financial position than in recent years and will soon see debt related to former assets in San Francisco come off the books. The other positive is that we are finally beginning to see an uptick in hotel transaction activity, and we believe Park could be a compelling target.

Portfolio Activity

During the quarter we purchased three new positions in the portfolio: a telecommunications company with steadily growing recurring revenue, a digital distribution company that we have owned before and a beverage company that we know well. We look forward to discussing our case for these holdings in the coming months. We also exited two positions, Anywhere Real Estate and Liberty Live, for very different reasons. At Anywhere, our investment case changed as the company struggled with its leverage and multiple industry headwinds, so we ended up exiting and booking a loss. On the other hand, Liberty Live worked out more quickly than expected, with Live Nation trading well through its appraisal value during the quarter and the discount at Liberty Live narrowing meaningfully.

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. The Fund's price-to-value ratio in the high-60s% is attractive and improved materially after quarter end. 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/543069207/SP. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS
The Longleaf Small-Cap 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. Smaller company stocks may be more volatile with less financial resources than those of larger companies.

The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index. The Russell 3000 represents approximately 97% of the American public equity market and the Russell 2000 represents 10% of the Russell 3000. 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.

As of March 31, 2025, the top ten holdings for the Longleaf Partners Small-Cap Fund: Eastman Kodak, 13.4%; Graham Holdings, 6.4%; Gruma, 6.1%; CNX Resources, 6.1%; Mattel, 5.6%; PotlatchDeltic, 5.5%; Westrock Coffee, 5.2%; White Mountains, 5.1%; Atlanta Braves Holdings, 5.1% and Dole, 5.1%. 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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