

April 2026

# Longleaf Partners Fund 1Q26 Commentary



## Fund Characteristics

P/V Ratio	Mid-50s%
Cash	12.0%
# of Holdings	17

All data as of March 31, 2026

	Annualized Total Return (%)					
	1Q	1 Year	3 Year	5 Year	10 Year	Since Inception
Partners Fund	-4.46	3.66	6.05	1.34	5.80	9.01
S&P 500	-4.33	17.80	18.32	12.06	14.16	10.61
Russell 1000 Value	2.10	15.87	14.31	9.43	10.58	9.89

The year started off much like the second half of 2025, with most stocks going up and caution being penalized. February brought a market that was best described as “weird” with multiple, large sector wide moves driven by themes like perceived AI winners and losers. Then the Iran War and growing systemic private credit risk complicated matters more. We lagged the market to start the quarter but performed better relatively as “weird” turned to “bad.” We ended the quarter with a P/V in the mid-50s%, a rare level for us that bodes well for absolute returns moving forward.

A theme so far this year is that it has not been a good time to report a complicated quarter as a public company. Our investees that needed more explanation were overly punished by the market. To quantify this effect, stocks in the portfolio that each detracted more than 50 basis points individually combined for a negative impact of

*Inception date 4/8/1987. 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 0.97%. 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, 2026, and may not be terminated before that date without Board approval.*

over 650 basis points. However, the value per share decline for these stocks was less than 25 basis points in aggregate. While we will always have winners and losers in any given quarter, this was an abnormally large mismatch between price and value change. Many of these companies had results that could be read as disappointing to short-term earnings per share, but there was little to no impact to the free cash flow (FCF) per share that we believe will materialize and/or is the consensus estimate for 2027+.

While this dynamic gives us comfort that we remain on the right track, we are not waiting for the market to be a weighing machine instead of a voting machine. We have stepped up our behind-the-scenes engagement with our investees and are optimistic some of this work (that could go public) will show results as the year goes on. We have already had one instance of that in the [Longleaf Small-Cap Fund](#). At our investments at larger and/or controlled companies such as FedEx, IAC and Exor where minority shareholders have less say (in theory), we have solid relationships and constructive dialogue with management teams. We are encouraged that newer holdings like Regeneron and Albertsons are off to a good start on the People angle. On the other hand, where we have neither a company on offense nor strong partners, we have sold to concentrate in higher conviction holdings.

This was a relatively good quarter for the value index. It was especially good for the Big Oil part of the [Big Banks, Oils and Pharmas that we have written about before](#), as large, unhedged oil majors were the biggest driver of the index. While the short-term earnings power of Exxon and others went up materially in the quarter, we do not think the long-term value per share of these companies – as defined by the futures curve and common sense – went up 40%. Another thing to consider is that those value investors who made the decision to pay higher multiples for growth over the last 10+ years generally had rougher first quarters, whereas those who have been more broadly diversified and focused on paying low multiples of current earnings did better in the quarter. We have a more eclectic approach than either extreme and delivered returns in between over this limited period. The average, non-energy “value stock” that trades at a low multiple of current earnings and did not do anything notable this quarter remained flattish, which beat the S&P 500. As we have said before, just because something trades at a low multiple on readily determined earnings, that does not mean it is undervalued, nor does it qualify on Business and People, which come before Price for us.

Our better relative performance in the later, more intense selloff part of the quarter rhymed a lot with what happened almost exactly one year ago around “Liberation Day”

when we outperformed. Much like how the tariff issue went down the list of investor concerns as '25 went on, it is possible that we have peace in the Middle East and everything works out well with private credit over the next year or two. It is also possible (or likely) that these two issues (and potentially others) are not as “correctable” as tariffs were. We are not positioned overly defensively via a top-down call, but rather because the market is paying us to own underrecognized quality companies on offense. Along those lines, it is worth calling out some companies that did not rise to contributor status as we define it below but did have solid quarters. For example, the related group of IAC and MGM Resorts both continued to generate FCF and sell non-core assets, while rumored bids for what we believe to be inferior Caesars Entertainment suggest a much higher price for MGM Resorts and by extension IAC. CNX, with its more hedged earnings stream vs. other, lower-quality energy companies, only saw its stock price go up 5% in the quarter, but we think the long-term value of safe, USA natural gas went up more than that. Regeneron reported a solid quarter, as did PVH on the first day of the second quarter. We also think it unlikely that valuation gaps such as the public market multiple disparity between Albertsons and Kroger and/or the public/private market difference between Magnum Ice Cream and Froneri will persist long-term.

### **Notable Contributors & Detractors**

**CNH** – A leading global agriculture and construction equipment manufacturer, was a contributor for the quarter. The company reported better than expected Q4 2025 results and issued a conservative guide for 2026. CNH’s revenues have been coming down over the last three years, and operating margin in the core agricultural equipment business is forecast to decline from over 15% in 2023 to around 5% in 2026. 2026 is likely to be at or close to the cyclical trough, and we expect sales will start growing again from 2027 onwards. CNH operates in a concentrated industry with rational competition and pricing power. With sales growth, operating margin and earnings can expand at a rapid clip. In addition, we are glad to see that the company has restarted partnership discussions for its sub-scale construction equipment business. A potential partial monetization or an outright sale of this business could be value accretive and would allow management to focus on the agricultural business.

**FedEx** – Global logistics company FedEx was a contributor for the quarter. The stock responded to another quarter of strong execution, led by continued momentum at the Federal Express (FEC) segment, where volume growth, yield growth, and cost control again translated into meaningful profit growth. FEC delivered its most profitable peak holiday season ever, with margins expanding for a sixth consecutive quarter as more

volume flowed through Network 2.0-optimized facilities and management continued to move the business toward higher-value B2B verticals. FedEx Freight remains on track to be spun off on June 1st and will be well positioned to benefit from a recovery in industrial demand as an independent company. Even after the stock price move, we continue to believe the market underappreciates the earnings power of the core parcels business and the value that can be unlocked through the Freight separation.

**Rayonier/PotlatchDeltic** – Timberland companies Rayonier and PotlatchDeltic completed their merger in the quarter to become our largest single position in the Fund. While the combination of the pre-merger-close price move up in PotlatchDeltic and the post-merger-close price move down in Rayonier did not combine to make this a material contributor, it is worth noting the post-merger weakness we believe did not line up with the solid value creation opportunity at a company like this. While some of the sell-off was likely short-term/technical (index moves), timberland remains a great and long-term store of value. Interest rate moves and housing market sentiment can impact perception in the short term, but this asset class has historically been an inflation hedge that has performed well in a variety of environments. Post-merger, new Rayonier has a strong balance sheet and the ability to go on offense. We believe that targeted asset sales and share repurchase can drive value per share growth from here. We also wrote about the company in our most recent Research Perspectives [note](#).

**Avantor** – Life-sciences company Avantor detracted for the quarter. The stock price declined due to new CEO Emmanuel Ligner providing a 2026 outlook lower than expectations, with bioprocessing revenues expected to be stagnant vs. other peers guiding for growth in 2026. We believe self-inflicted but fixable production inefficiencies are the cause, and the appointment of Mary Blenn as COO is a positive given her supply chain and operational experience at Cytiva and GE Healthcare. We believe this new team is correcting previous missteps that will enable improved revenue growth and margin improvement. Avantor continues to produce solid FCF, and several directors recently demonstrated confidence with substantial open market purchases.

**Exor** – Global holding company Exor was a detractor for the quarter, with the holding company discount widening to record levels. The same negatives we discussed in our last 4Q letter (the market's cooling toward Ferrari following a stretched valuation and sluggish share price performance at both Stellantis and CNH) have been compounded by a deteriorating broader macro backdrop. None of this has moved the needle materially on underlying value per share. What has changed for the better, and what

we believe the market is not crediting, is the quality and composition of what underpins the company: a record cash and liquidity position, €3.6 billion (more than 10% of NAV), alongside a portfolio that has been meaningfully enhanced through the capital allocation actions we outlined last quarter. We have continued our engagement with management and find it hard to understand how they allow a discount of over 50% to persist. They have been clear in expressing their preference for a "next Philips" style investment, an attractively priced stake in a high-quality business where Exor can be an engaged, value-adding owner, and this is not an either/or, vs. highly accretive share repurchase.

**Fortune Brands (FBIN)** – Building products company Fortune Brands saw its stock price decline due to near-term earnings weakness and leadership uncertainty. 4Q25 results missed expectations due to weakening markets. Guidance for 2026 was lower than expectations due to market demand remaining soft and likely some internal execution missteps. Nick Fink resigned as CEO to take the CEO spot at Constellation Brands, and the board too quickly announced Amit Banati, a current board member, as the new CEO. Ed Garden of Garden Investments subsequently disclosed a substantial position in FBIN stock and publicly implored the board to reconsider their CEO decision and conduct a national search. While disruptive in the near term, this led to multiple benefits including improved governance changes at the board level, a new CEO search, and Ed Garden taking a board seat. We have been in constructive dialog with all parties and are glad that these strong brands will receive renewed leadership going forward.

**Mattel** – Children's toy, media, and consumer products creator Mattel was a detractor in the quarter. The stock fell due to an unexpected \$150 million (15% of EBITDA) in incremental spending on initiatives including mobile gaming, Brick Shop (Mattel's competitor to LEGO), and direct to consumer marketing. CEO Ynon Kreiz cited a one-year payback on this spend, but the market remains in show-me mode and the price declined proportionate to the 2026 earnings per share guidance reduction. This was compounded by 4Q results that missed expectations, especially in the US. To the positive, the company committed to \$1.5 billion in share repurchase over the next 3 years, which equates to 33% of shares outstanding at today's price. 2026 should have demonstrated the true FCF power of Mattel given traction on IP initiatives including two new movies (Masters of the Universe and Matchbox), two new mobile game launches, and licensing momentum with Toy Story 5 and KPop Demon Hunters. Unfortunately, this was delayed, and we are focused on what we can do to improve this situation.

**Portfolio Activity**

During the quarter we had no new purchases and exited three holdings: Louisiana-Pacific, PayPal and Walt Disney. We exited a small, brief and successful investment in Louisiana-Pacific after housing market optimism early in the year led the share price to approach our appraisal value. We exited our underweight position in PayPal after a disappointing operational quarter and a surprising management change decreased our qualitative and quantitative assessment of the company. We also sold Walt Disney earlier in the quarter as it was one of our higher P/V and more economically sensitive investments, but we hope to get a chance to invest in the company again.

**Outlook**

Looking ahead, the war in Iran remains a source of uncertainty for a few holdings, but we do not own businesses that depend on a single outcome for success. More broadly, we believe the portfolio is positioned to benefit as potential private credit stress exposes weaker balance sheets and excess leverage, which our portfolio has little direct exposure to either. We continue to see unique opportunities in the portfolio driven by companies on offense with the help of Southeastern, and the portfolio remains attractively priced with the price-to-value ratio in the mid-50s%.

Thank you for your partnership.

*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://regdocs.blugiant.com/longleaf/#>. 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.

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.

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

Mergers and Acquisitions (M&A) are business transactions in which the ownership of a company, business organization, or one of their operating units is transferred to or consolidated with another entity.

As of March 31, 2026, the top ten holdings for the Longleaf Partners Fund: Rayonier, Inc. 8.2%; IAC, Inc. 7.9%; Mattel, Inc. 7.1%; Albertsons Companies, Inc. 7.0%; EXOR N.V. 6.9%; Magnum Ice Cream Company N.V. (The) 5.9%; CNX Resources Corporation 5.6%; FedEx Corporation 4.9%; Kraft Heinz Company (The) 4.9% and Regeneron Pharmaceuticals, Inc. 4.8%. 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.

LLP001630 expires 7/15/2026