Longleaf Partners Funds | Advised by Southeastern Asset Management, Inc.®

Global Fund Management Discussion

Longleaf Partners Global Fund gained 2.4% in the quarter, taking year-to-date (YTD) results to 5.2%, trailing the MSCI World Index's returns of 4.9% and 6.2% in the same periods. The Fund's one-year and since inception results outpaced the Index and far exceeded our absolute return goal of inflation plus 10%.

Cumulative Returns at June 30, 2014

	Since Inception	One Year	YTD	2Q
Global Fund (Inception 12/27/12)	**35.10%**	**31.29%**	**5.22%**	**2.43%**
MSCI World Index	34.73	24.05	6.18	4.86

Average Annual Returns at June 30, 2014

	Since Inception	One Year
Global Fund (Inception 12/27/12)	**22.10%**	**31.29%**
MSCI World Index	21.92	24.05

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 longleafpartners.com.

The December 31, 2013 total expense ratio for Longleaf Partners Global Fund is 1.73%. The expense ratios are subject to fee waiver to the extent normal annual operating expenses exceed 1.65% of average annual net assets.

The Fund's strongest performers in the second quarter also topped YTD contributors. Fiber and networking company Level 3 Communications announced a deal to acquire tw telecom and returned 12% in the quarter and 32% for the first half. With the deal, Level 3 gets increased tax benefits for its historic NOLs (net operating losses) due to the company's increased equity capitalization. The transaction also affords an identified $200 million in synergies, roughly half of which come from the straightforward traffic switch onto Level 3's backbone. The deal is expected to close in the fourth quarter. Beyond the merger, in his first year as CEO, Jeff Storey and his team have delivered solid revenue growth, margin improvements, and higher cash flow guidance.

Chesapeake, the U.S. oil and gas exploration and production company, rose 22% in the quarter and was up 17% YTD. During the quarter, the company announced better-than-expected production and realizations and raised yearly guidance on both of these metrics. Management continued to execute on the capital efficiency strategy, highlighted by the spin-off at quarter-end of its oilfield services business into a publicly traded company called Seventy Seven Energy. The spin-off eliminated approximately $1.5 billion of net debt from Chesapeake's balance sheet. Divestitures of noncore acreage in Oklahoma, Texas, and Pennsylvania were also completed. Our CEO partner, Doug Lawler, is positioning the company to focus on its strong assets in the Eagle Ford, Marcellus and Utica plays, while growing production profitably and keeping capital expenditures within cash flow.

Cheung Kong, the Hong Kong based conglomerate with businesses around the world, returned 15% in the second quarter, pushing the YTD return to 21%. Over the first half of 2014, management made value-enhancing asset sales across multiple business lines. In the first quarter, Cheung Kong Infrastructure spun off and listed Hong Kong Electric. Additionally, 50% owned affiliate Hutchison Whampoa sold 25% of A.S. Watson Group, the world's largest health and beauty retailer. In the second quarter, the company paid a HK$7 special dividend with the proceeds of the Watson sale. Sales of residential property in Hong Kong accelerated after some relaxation in stamp duty regulations. With high land valuations, our partners at Cheung Kong exercised the discipline we have come to expect - not acquiring a single piece of land in Hong Kong or China for over a year.

The primary detractors from Fund results in the second quarter were among those names that weighed most heavily on the YTD return. Global fertilizer and chemical producer OCI fell 14%. The company announced that no dividend would be paid on 2013 earnings due to pre-funding $1 billion in capital investment for 2014. We view substituting growth capital expenditure for the dividend as a solid capital allocation move by CEO Nassef Sawiris, who has generated solid returns over time through greenfield expansions and financial investments. In addition to eliminating the dividend, several short-term pressures impacted the stock. OCI's Algerian fertilizer plant, Sorfert, had shipments delayed in 2013 after the Algerian government required new export license agreements. As of

April 2014, the plant had returned to 100% utilization, and management expects this utilization to continue for the rest of the year. The company also reported weak utilization at its Egyptian plants due to gas curtailments, which we already accounted for in our appraisal.

Mineral Resources (MIN AU), an Australian based mining services company, declined 9% since we initiated the position in the second quarter. The company recently bought a 12.8% stake in Australian junior miner Aquila Resources but discussions regarding a full merger did not progress due to valuation issues. As the low cost provider of iron ore services underpinned by crushing services, MIN AU benefits from the volume of ore produced, and its outlook improves as miners focus on reducing costs, especially amid lower commodity prices. CEO Chris Ellison owns 14.5% of the company and, collectively, management holds over 20%. The price dip provided an opportunity to add to our position at a lower cost while the long-term investment case remained intact.

After being among the strongest first quarter contributors, EXOR, the Italian holding company of CNH Industrial, Fiat Chrysler Auto, and several smaller assets, fell 8% in the second quarter. The stock was up 3% in the first half. CNH reported weak earnings following a decline in agricultural equipment sales and working capital, both of which we expected given the cyclical and seasonal nature of the business. After market skepticism over Fiat Chrysler's five year plan weighed on the stock, EXOR senior executives John Elkann and Sergio Marchionne each purchased shares personally, indicating their confidence in the long-term prospects for the auto company. We completed the swap of our position in CNH Industrial for parent company EXOR.

Macau gaming company Melco International was down 17% YTD after a 10% second quarter decline. The price fell amid broader Macau gaming industry concerns, but Melco's business was impacted very little by much of the negative news which included lower gaming revenues, junket defaults, removal of illegal mobile credit card terminals from the gaming floor, restrictions on transit visas, and a smoking ban on the mass floor starting in October. Melco's profits are heavily weighted to the mass market, with approximately 75% of EBITDA (earnings before interest, taxes, depreciation and amortization) now coming from non-VIP business. The industry revenue decline and junket issues were related to VIP guests and had little impact on Melco. Mass gaming continued to grow over 30% without any other issues appearing to affect traffic. CEO Lawrence Ho personally bought $6 million (HK$ 48mm) worth of stock in the second quarter, adding for the first time since September 2011 when we first initiated our Melco position. We also increased our ownership during the quarter.

We bought five new companies in the first half, all based outside of the U.S. In addition to Vopak and Sino Land in the first quarter, we added Hopewell, K. Wah, and Mineral Resources over the last three months. As these recent purchases indicate, we are currently seeing more opportunities in companies that are based in - or impacted by - macroeconomic factors in the Asia Pacific region. Broad macro fears of reduced Chinese consumer demand, as well as worries of a potential Chinese real estate bubble, have impacted companies as far ranging as Hong Kong real estate, Macau gaming, and Australian mining services. What separates the companies we have bought from others impacted by China fears are our management partners, most of whom are significant owner-operators with track records of value creation. Conversely, in Europe and particularly the U.S., many companies are reaching and surpassing intrinsic worth. We sold DIRECTV in the first quarter and TNT Express more recently. The Fund's geographic distribution reflects the disparity in valuations – less than 40% of the portfolio is in U.S. companies while over one-third is in the Asia Pacific region.

The Fund's price-to-value ratio (P/V) is in the mid-70s% with cash at 9%. This liquidity will give us agility when individual stocks from our on-deck list come into the range of our required discount to intrinsic value. We expect new purchases at deep discounts will make the P/V even more attractive, as should the strong value growth we anticipate our management partners delivering.

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 longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf Partners Global 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 invest 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 Funds may be more volatile than those of larger companies. 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.

MSCI World Index is a broad-based, unmanaged equity market index designed to measure the equity market performance of 24 developed markets, including the United States. 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.

As of 6/30/14, the top 10 holdings in Longleaf Partners Global Fund - Level 3 (9.5%), Melco (6.9%), Cheung Kong (6.7%), EXOR (6.0%), Chesapeake Energy (5.4%), News Corp (4.8%), Loews (4.7%), K Wah (4.5%), OCI (4.5%), Bank of New York Mellon (4.3%). Holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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