June 30, 2015

Longleaf Partners International Fund Commentary

Longleaf Partners International Fund gained 3.13% in the second quarter, outpacing the MSCI EAFE Index's return of 0.62%. Year-to-date the Fund returned 2.68% and trailed the index's 5.53% return. Over the last 15 years, the International Fund's cumulative returns have more than doubled the index.

In the second quarter, the majority of our businesses made positive progress, as our management partners took smart actions to drive long-term value growth. Double-digit returns at top performers Colt and CK Hutchison (formerly Cheung Kong) demonstrated how quickly share prices can respond to productive corporate activity. Although most of our investments were positive performers in the quarter, much of our partners' value-building efforts at the businesses we own is not being fully reflected in the fund's returns. Our Asian gaming-related companies remained the top absolute and relative detractor, faced with the Chinese government's anti-corruption crackdown.

Colt Group, the British based company that provides business communications and information technology solutions to companies primarily in Europe, was the fund's biggest contributor in the quarter. The stock gained 49% with Fidelity's offer to buy the ~37% of shares outstanding it does not already own. We invested in Colt in the second quarter of 2014, and the offer price represents a 35% premium to our average cost.

Also a large contributor to the fund's performance in the quarter, CK Hutchison, merged with its 50% owned subsidiary, Hutchison Whampoa, and spun off their combined real estate businesses into Cheung Kong Property. With the stock's move from HK$125 prior to the restructuring announcement in January to HK$196 for the combined pieces after the spin in June, this corporate restructuring succeeded in reducing two persistent discounts the market applied to CK Hutchison. First, the complexity of the corporate structure and diversified set of businesses within two layers of holding companies made valuing the company difficult. Second, market concerns related to property exposure in Hong Kong and China has weighed heavily on the stock. CK Hutchison was the largest constituent of the Hang Seng Property Index, yet many property investors could not own the stock given its significant non-property businesses. The restructuring creates a pure play property company – Cheung Kong Property – and moves CK Hutchison from the Hang Seng Property Index to the Hang Seng Conglomerates Index.

Australian-based testing, inspection, and certification company ALS Limited gained 19% in the quarter. We bought ALS late last year, when the company become overly discounted, as iron ore prices declined 49% in 2014. Its minerals business provides services to miners, but ALS has minimal direct exposure to iron ore. The majority of the company's value lies in its competitively entrenched and growing life sciences and other non-commodity related businesses. In the recent quarter, life sciences reported revenues above expectations and further expansion of its South American business. The minerals and energy segments maintained healthy double-digit operating margins, despite revenue declines, highlighting impressive cost flexibility in the hands of disciplined CEO and Chairman Greg Kilmister.

Several stocks detracted from performance in the quarter. Genting Berhad, the Malaysian holding company with gaming, property, plantation, and oil and gas assets, fell 12% during the quarter with weak demand in the Singapore casino duopoly. While China's anti-corruption campaign has caused VIP investors to avoid Macau and frequent other regional destinations, Singapore's rules preventing junket participation has muted demand growth in that jurisdiction. Analyst coverage of Genting largely focuses on the gaming business. We believe the company's limited disclosure on its oil and gas assets has led to significant undervaluation. Genting recently announced that its Indonesian Kasuri block, which is adjacent a BP liquefied natural gas facility, has proven oil and gas reserves.

Also negatively impacting the Fund's second quarter results, BR Properties, Brazil's largest commercial office real estate investment company, was down 16%. A strengthening U.S. dollar coupled with political uncertainty after last year's election and overall economic decline in Brazil hurt BR Properties' performance this year. In the second quarter, Brazil's central bank raised interest rates again to 13.75%, the highest level since 2009. In the first quarter, BTG Pactual filed an initial takeover offer at a price below our appraisal. In early July, subsequent to quarter-end, BTG withdrew its offer following much shareholder resistance, including our own, to the low price. BR Properties has a strong balance

Average Annual Total Returns (6/30/15): Since Inception (10/26/98): 7.67%, 10 Year: 3.25%, 5 Year: 6.26%, 1 Year: -13.91%

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 total expense ratio for the Longleaf Partners International Fund is 1.25%. The Funds' expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.75% of average annual net assets.

sheet, a high quality office portfolio in prime locations, and blue chip tenants with high switching costs to exit leases. Although same-store rents rose year-over-year, they are flat-to-marginally down when adjusting for inflation. Financial vacancy rates are up year-to-date, but down over twelve months. CEO Claudio Bruni and his team historically have sold assets at good prices and returned cash to shareholders in the form of dividends and buybacks.

With continued pressure on the Macau gaming industry, Melco International declined. We see early signs of revenue stabilization. In spite of industry challenges, Melco gained market share during the recently reported quarter and was quicker than peers in reducing costs. The new, mass market-oriented Studio City casino is on track to open by October and advances the government's efforts to broaden tourism beyond gaming. CEO Lawrence Ho is a large owner and is building value by buying back deeply discounted shares, investing in high-return projects to increase visitor traffic, further shifting their mix towards higher margin mass and premium mass business, diversifying into non-gaming revenue sources that the government supports, refinancing debt at attractive rates, securing long-term credit lines to increase financial flexibility, and exploring ways to maximize returns on a limited supply of baccarat tables. We believe growth in the higher margin mass market will drive a bright future for Macau gaming and Melco. New casinos with diverse non-gaming attractions and much-needed hotel room supply, as well as ongoing government investments in infrastructure, will facilitate more mass visitors. The reversal of the transit visa restriction announced on June 30 is the first sign of supportive regulatory policy to improve economic conditions in Macau. This should be positive for VIP and premium mass volumes.

During the quarter, we bought no new positions in the fund. We sold our successful investment in Orkla, the Norwegian consumer goods company, as price reached our appraisal. Orkla Chairman Stein Erik Hagen has been a fantastic partner, growing value by monetizing assets at attractive prices and focusing the company on its core branded consumer goods business.

We believe the International Fund is well positioned for strong absolute and relative performance. The price-to-value ratio (P/V) is in the high-60s%. Many international markets are priced with little margin of safety, with global mergers, acquisitions, initial public offerings (IPOs) near 2007 peak levels and at multiples well above our appraisals. We remain focused on owning discounted, strong businesses that can generate organic value growth and that have good managements who are pursuing opportunities to build and monetize value per share. We are engaged to varying degrees with our management partners and believe their near-term steps to close the gap in price will reward us.

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 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.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. 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.

Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

As of June 30, 2015, the holdings discussed represented the following percentages of the Longleaf Partners International Fund: CK Hutchison, 6.2%; CK Property, 3.7%; Colt Group, 6.7%; ALS, 4.2%; Genting Berhad, 3.0%; BR Properties, 4.0%; Melco International 6.4%. Fund 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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