Longleaf Partners Fund Commentary

Longleaf Partners Fund's 2.98% decline in the quarter brought the year-to-date return to -4.03%. These results fell below the S&P 500 Index's returns of 0.28% and 1.23% for the same periods. For the last three and five years, the Partners Fund exceeded our annual absolute return goal of inflation plus 10%, despite falling short of the index. The Fund's disappointing results over the last year have negatively impacted our longer-term relative performance. Large swings in relative returns are not unusual in our concentrated portfolio and have contributed to our outperformance over 15+ year periods.

In the second quarter, the majority of our companies made positive business progress, as our management partners took smart actions to drive value growth. Double-digit returns at top performer CK Hutchison (formerly Cheung Kong) demonstrated how quickly share price can respond to productive corporate activity. However, much of our partners' value-building efforts at the businesses we own is not being fully reflected yet in their stocks. Our energy-related companies, where a meaningful amount of beneficial activity has occurred and is ongoing, were the largest drag on relative and absolute performance in the quarter.

During the quarter, the portfolio's largest contributor, 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.

Also a top performer in the quarter, global capital goods company CNH Industrial (CNHI) rose 15%, as stronger corn prices helped the outlook for agricultural equipment and orders for commercial trucks increased. These short-term indicators are far less important to our investment case than CNH's long-term competitive position alongside Deere. The company's ability to raise prices during a time of huge unit declines is testament to its franchise strength. Notably, demand for the company's IVECO commercial vehicles improved materially in the Europe, Middle East and Africa regions with the forward order book growing almost 20% year-over-year. IVECO has cut costs and rationalized its production footprint which should enable CNHI to improve margins. In its agriculture equipment segment, CNHI decreased production for high horsepower tractors and combines by around 40% to help control farm inventory. CEO Rich Tobin and his team have managed well through what has been a tough environment, especially for agricultural equipment.

French media company Vivendi returned 11% in the quarter after reporting top line revenue growth at underlying businesses Universal Music Group and Canal+. Vivendi received the initial payment for its 20% stake in SFR and completed its sale of Brazilian telecommunications company GVT for an enterprise value of €7.5 billion. Vivendi paid a €1 per share interim dividend in June, with another planned in February 2016. Chairman Vincent Bolloré increased his stake in Vivendi to over 14%. Effective March 2016, France will reward long-term owners by granting double voting rights on registered shares held for at least two years, and Mr. Bolloré received the rights at the recent annual general meeting. Given his track record of value creation, we support this increased voting influence. Mr. Bolloré has stated his plans to build Vivendi into a media powerhouse over time, reiterating the need to "pay the right, fair price, then create value."[1]

As noted, our energy-related holdings were the primary performance detractors. Over the last year we have adjusted our valuations for the more austere conditions following dramatic oil, gas, and coal declines. However, our asset quality and capable leadership teams make us confident that these companies should be meaningful contributors to strong returns. Any bounce back in commodity prices will be additional upside. The lower commodity prices have served as a catalyst to sharpen our management partners' focus on how best to optimize the returns on their valuable assets. Our discussions with them have been ongoing and productive over the last few years, and have contributed to

1 *Financial Times; April 17, 2015*

Average Annual Total Returns (6/30/15): Since Inception (4/8/87): 10.92%, 10 Year: 5.50%, 5 Year: 12.53%, 1 Year: -5.97%

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 Fund is 0.91%. The Funds' expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.50% of average annual net assets.

adding board members, monetizing assets, selling all or portions of reserves, and separating disparate segments. In spite of significant progress, the work is ongoing. Stock prices have yet to reflect past improvements or significant ones our managements are currently pursuing. We expect to see additional value accretive activity in the remainder of the year, and we believe that our energy stocks could rise appreciably as they reflect these initiatives.

Chesapeake Energy, one of the largest producers of natural gas, natural gas liquids and oil in the U.S., declined 21% in the quarter. In line with our Chesapeake options accounting for slightly over half of our position exposure, the options accounted for a similar portion of the return. The company reported results in line with our expectations, but the stock was punished when Chesapeake failed to close the gap between operating cash flow (OCF) and capital expenditures (capex) as much as investors wanted. Full year expectations for 45% capex reductions versus 2014 remain intact, and the OCF gap is expected to close by year-end. The company maintains strong liquidity, irrespective of low commodity prices, with $2.9 billion in cash and a $4 billion untapped credit facility. The company's valuable assets support our appraisal, which held steady in the quarter as oil and gas prices stabilized somewhat. CEO Doug Lawler has proven that he is willing and able to monetize assets at attractive prices, and we have a heavily vested board that is fully engaged to build and recognize value per share.

CONSOL Energy fell 22% in the quarter despite reporting OCF above Wall Street expectations and buying in shares at a 4% annualized pace. Positive gas basis differentials versus NYMEX and good cost control at the Buchanan metallurgical coal mine contributed to the solid results but could not overcome the continued pressure on coal prices. In adjusting to the current commodity price environment, the company announced several cost-cutting measures, including a move to zero-based budgeting. As expected, CONSOL monetized non-core thermal coal assets in the Bailey Mine Complex by offering shares in the master limited partnership (MLP) CNX Coal, which generated $200 million in proceeds. The price was below earlier expectations because of lower coal prices. Management is pursuing additional monetization opportunities where proceeds can be reinvested in higher return alternatives, including CONSOL's deeply discounted shares.

Wynn Resorts, the luxury gaming and hotel company with properties in the United States and Macau, lost 21% in the second quarter. Although Wynn's Las Vegas casino reported a disappointing quarter, the stock was most impacted by Wynn's decision to cut its dividend from $6/share to $2/share to provide financial flexibility with the uncertain Macau environment where the Chinese government's ongoing corruption crackdown has reduced gross gaming revenue (GGR) significantly in Macau. Over the next few years, the declines should reverse as new casinos with diverse non-gaming attractions and much-needed hotel room supply, as well as ongoing government investments in infrastructure, will facilitate more visitors to Macau. More immediately, 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. CEO Steve Wynn has positioned the company to weather the downturn while having a pipeline of casinos for future growth. Wynn's Palace is under construction and set to open in Macau's Cotai Strip in 2016, and the Boston-area casino is advancing through the planning stages. These demands on cash were a bigger driver of the dividend cut than the current level of cash flow from Macau.

We initiated one new position during the quarter, and we sold our successful investment in Bank of New York Mellon as price approached our appraisal. Over our five-plus year holding period, the stock returned 83%.

We believe the Partners Fund is well positioned to meet our absolute goal and deliver strong relative performance. The price-to-value ratio (P/V) is in the low-70s%, with effective cash below 4%. The Partners Fund's composition is dramatically different than the S&P 500's with 30% of the portfolio in global companies domiciled outside the U.S. and 16% in two of the only broad industries that are dramatically undervalued - energy and Macau gaming. These portfolio differences are by design, and we believe will help drive future outperformance as the U.S. market has no margin of safety, with mergers, acquisitions, initial public offerings (IPOs), and share buybacks 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.

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. 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.

A master limited partnership (MLP) is, generally, a limited partnership that is publicly traded on a securities exchange.

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 Fund: CK Hutchison, 7.1%; CK Property, 4.1%; CNH Industrial, 5.8%; Vivendi, 3.9%; Chesapeake Energy, 1.9%; CONSOL Energy, 4.4%; Wynn Resorts, 4.6%. 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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