

July 13, 2018

Longleaf Partners Global Fund Commentary 2Q18

Longleaf / Partners
Funds

Longleaf Partners Global Fund gained 0.95% in the quarter, behind the MSCI World Index's 1.73%. Though positive, the Fund and Index both trailed inflation plus 10%. Year-to-date (YTD) returns were -0.34% and 0.43% respectively. The Global Fund had a handful of companies with double-digit gains over the last three months, but the aggregate impact of few small detractors and a strong U.S. dollar offset much of the positive contributors. Currency translation cost approximately -2%, reflecting foreign exchange fluctuations rather than challenges to our companies' underlying operations or quality.

Information Technology (18% of the MSCI World) remained the main driver of the Index, gaining 6%. Consumer Discretionary (13% of the MSCI World), where Amazon and Netflix reside, was the other major Index contributor. Energy was the only sector with double-digit gains, as oil prices reached their highest level since 2014. "Growth" once again significantly outperformed "Value," with a 4% difference in just the last three months. We manage the portfolio without regard to index weights or top-down style categories. Our investment criteria require both "growth" and "value" - quality businesses that will grow purchased at material discounts to what they are worth. The

Average Annual Total Returns (6/30/18): Since Inception (12/27/12): 8.64%, Ten Year: na, Five Year: 8.94%, One Year: 5.38%.

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.

As reported in the Prospectus dated May 1, 2018, the total expense ratio for the Longleaf Partners Global Fund is 1.48% (gross) and 1.20% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.20% of average annual net assets.

Fund's long-term returns will depend on the outcomes of the limited number of companies we own, not on broader market trends. For example, Telecommunications (Telco) was among the Index's worst performing sectors, declining almost 3%, but the Fund's investment in CenturyLink, which gained 17%, made Telco the best performing sector and biggest contributor to performance by far.

Companies with large emerging market (EM) and trade related exposure were the largest collective pressure on those stocks that declined, including CK Hutchison, CNH, FedEx, EXOR, LafargeHolcim, Vestas Wind Systems and United Technologies. The EM Index fell almost 8% as rising U.S. bond yields, heightened geo-political tensions, weaker EM currencies and increased prospects of a trade war all conspired to create the sell-off in EM equities. It is too early to know how tariffs will settle out, but, in most cases, even where segments of our companies could be negatively impacted, other parts of the business seem largely immune or have catalysts that could help insulate them. Higher oil prices also created a headwind for LafargeHolcim, FedEx, and EXOR's investment in Fiat Chrysler.

Stock price volatility and increasing return dispersion produced a growing on-deck list of prospective investments. The list increasingly includes U.S. companies, given how much the market drivers narrowed over the last year, but the trade war fears and U.S. dollar strength made other markets even more discounted. We are currently debating how best to deploy the Fund's remaining cash. We did not buy any new companies, nor did we exit any investments.

Contributors/Detractors

(Q2 Investment return; Q2 Fund contribution)

CenturyLink (+17%, +1.27%), the global fiber telecommunications company that is the Fund's largest position, made notable gains in the quarter and was the largest contributor in 2018, although the stock still sells for less than half of our appraisal. The merger integration with Level 3 progressed, with synergies realized as planned, cost cutting initiatives at the legacy segments, and a focused reduction in capital spending. Earnings results confirmed management's confidence in maintaining the substantial dividend. CenturyLink (CTL) is viewed more as a traditional landline business akin to overleveraged, lower-quality peers Frontier Communications and Windstream Holdings, but CTL's declining legacy landline business is becoming less relevant to the

company's total value, as the mix shifts to the growing Enterprise services fiber segment. For decades, Southeastern has found opportunities in this kind of "good segment / bad segment" situation. CEO Jeff Storey and CFO Sunit Patel are focused on maximizing value in both parts of the business to benefit shareholders.

OCI (+17%, +0.70%), a leading producer of nitrogen fertilizers and natural gas-based chemicals in the U.S., Europe and the Middle East, made gains. The company refinanced its debt, pushing out maturities and lowering cost. OCI has reached a deleveraging phase, as free cash flow will ramp up materially with the methanol plant now online, the completion of major capital expenditure projects, and a positive pricing environment. The Iowa plant benefited from fertilizer pricing's "Midwest premium" to New Orleans (NOLA), which CEO Nassef Sawiris indicated is likely to increase, given the logistics of getting product to the Corn Belt. Methanol's 2Q contract prices were strong at \$490 (vs. mid-\$300s last year). Global demand for both nitrogen and methanol is increasing. The pricing outlook is strong for the foreseeable future with no new capacity coming online in the next 4-5 years and Chinese exports down 80% with the possibility of going away completely, given their cost disadvantage to U.S. natural gas and the Chinese government's shutdown of higher polluting coal plants. In the quarter, OCI tendered for the remaining shares of OCI Partners, the master limited partnership that is majority owned by OCI, primarily made up of a single integrated methanol and ammonia facility on the U.S. Gulf coast. OCI sells for well below the replacement cost of its assets. Sawiris is an owner-operator focused on value creation and recognition, as well as optimizing the capital structure and generating significant free cash flow.

CNX (+15%, +0.59%), the Appalachian natural gas company, rose again in the second quarter following its notable first quarter gain. At 36% year-over-year growth, production came in ahead of expectations. With the majority hedged over the next four years, the stock's outperformance does not require higher natural gas strip pricing. Due to CNX's consolidated accounting following the intelligent purchase of its pipeline's General Partner stake, the company's net debt per share appears higher than the effective debt burden, and many ignore the value of that pipeline stake. Chairman Will Thorndike and CEO Nick Deluliis continued to improve operations and de-risk CNX's balance sheet and production, growing the value of this pure-play gas business.

Fairfax Financial Holdings (+10%, +0.54%), the global insurance company, was also a positive contributor. Fairfax underwrote a solid 96% combined ratio, while growing premiums. CEO Prem Watsa repurchased the company's discounted shares, and picked up Canadian Toys "R" Us stores and Carillion's Canadian operations out of bankruptcy. His liquid investment portfolio positions the company to go on offense in these more volatile markets and to take advantage of higher interest rates in the fixed income portion of the portfolio.

The Fund had no significant detractors. As mentioned above, most stocks that declined had some mix of currency translation, trade war fear and higher energy cost pressure.

Portfolio Activity

Trading was relatively quiet during the quarter with no new or exited positions. We trimmed several holdings that have performed well in the last six months to manage position sizes relative to those stocks' discounts. We added to General Electric near its low for the quarter, before the welcome news of the company's plan to separate and/or sell its Healthcare and Energy businesses. We also added to Comcast during the quarter, as the bidding for Twenty-First Century Fox heated up. We expect Comcast's growing, profitable residential and small enterprise broadband to drive value growth at the company, whatever the conclusion to the Fox drama. The shrinking residential video customers are a minimal part of the value and do not impact the formidable broadband and NBCUniversal entertainment assets.

Outlook

The Global Fund has the potential to deliver above average long-term returns with less risk because the Fund owns good businesses that sell materially below their values. The price-to-value ratio in the high-60s% offers excess return opportunity. Successful acquisition integration should help produce higher earnings at CTL, LafargeHolcim, FedEx, Fairfax and United Technologies. Furthermore, at CTL, CNX, Fairfax, Allergan, Alphabet, OCI, Ferrovia, Hopewell, Melco and United Technologies, we expect under-earning or non-earning assets to contribute substantial additional earnings. The values of the wonderful businesses at CTL, Comcast, Ferrovia, GE and Melco are dwarfing their poorer segments that created the misperceptions for us to invest. As the Fund's largest owner, we are encouraged by having a large on-deck list for the Fund's limited liquidity. We are confident that our companies' increased earnings generation over the

next couple of years in combination with the market's more appropriate weighing of our investees' values can yield important excess returns.

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 invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. 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.

"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.

Capital Expenditure (capex) is the amount spent to acquire or upgrade productive assets in order to increase the capacity or efficiency of a company for more than one accounting period.

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.

As of June 30, 2018, the top ten holdings for the Longleaf Partners Global Fund: CenturyLink, 8.7%; EXOR, 6.8%; Comcast, 5.9%; Allergan, 5.5%; Fairfax, 5.2%; OCI, 5.2%; FedEx, 5.2%; General Electric, 5.2%; Ferrovial, 4.7%; CNX Resources, 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.

Funds distributed by ALPS Distributors, Inc.

LLP000779

Expires 10/31/18