July 9, 2019

Longleaf Partners International Fund Commentary

2Q19

Longleaf Partners International Fund gained 0.76% in the second quarter, adding to the Fund's strong absolute return in the first three months of 2019. The 13.37% year-to-date (YTD) performance was well above our absolute annual goal of inflation plus 10%. The MSCI EAFE Index added 3.68% in the second quarter and gained 14.03% YTD. As the Fund's manager and largest shareholder group, we are focused on delivering solid absolute and relative returns over three-year periods rather than three months. We believe the last three years, when the Fund rose 13.66% per year and the Index added 9.11%, are more representative of the long-term outperformance that the Fund could deliver.

Longleaf International's European investments helped performance in the second quarter, while declines at companies based in Hong Kong and China offset some of the gains. Like the Fund, the Index generated all its positive return from European holdings, but the much lower weighting (less than 4%) in China and Hong Kong versus

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Average Annual Total Returns (6/30/19): Longleaf Partners International Fund: Since Inception (10/26/98): 7.56%, Ten Year: 6.63%, Five Year: 2.54%, One Year: 5.40%. MSCI EAFE Index: Since 10/26/98: 4.51%, Ten Year: 6.90%, Five Year: 2.25%, One Year: 1.08%.

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, 2019, the total expense ratio for the Longleaf Partners International Fund is 1.18% (gross) and 1.15% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.15% of average annual net assets.

the Fund (over 25%) negatively impacted relative results. Worries about the outcome of Trump's trade war plus tighter credit in China, political friction and spiking interest rates in Hong Kong weighed on Asian businesses. Ironically, a drawn-out trade war and government oversight could strengthen the moat of Baidu, the Fund's primary performance detractor, as non-Chinese competitors like Alphabet would receive more scrutiny and be less likely to succeed in China's search market. The region's macro challenges have not hurt the premium prices being paid for Hong Kong real estate, which comprises the majority of our appraisals at both Great Eagle and CK Asset. Both continue to sell assets at good prices. Our investment cases for these companies, as well as for Melco, are tied more to the longer-term growth in the standard of living of China's massive population than a near-term political or economic trend.

When stocks are at extreme discounts, shareholder-oriented corporate managements go on offense, which can lead to unanticipated quick payoffs independent of broader stock market moves. We are engaged with our corporate partners to pursue opportunities to build and gain recognition of value. For example, the Fund's best performer in 2018, Belmond, which we finished selling in the quarter, rose instantly when management announced a strategic review that eventually led to the sale of the company at a large premium to the stock's price. Much management-led activity has occurred this year. Baidu authorized its third ever stock repurchase to take advantage of the deep share price discount. EXOR tried to merge its FCA holding with Renault- an effort that may not be over. LafargeHolcim sold assets in several emerging markets at attractive valuations. The Fund's newer holding, LANXESS continued intelligent capital allocation moves by completing an aggressive share buyback and pursuing the sale of a non-core business segment. Lazard issued 10-year debt to aggressively buy its severely discounted stock at a meaningful double-digit pace. CEO Lawrence Ho announced the sale of Melco International's Cyprus properties to operating company Melco Resorts to provide more capital to the parent, while opportunistically purchasing almost 20% of Australian casino company Crown. MinebeaMitsumi completed its previously announced tender offer of U-Shin at a discounted price. OCI announced the separation of its Middle Eastern assets into a joint venture.

Our confidence in the Fund's future results has much to do with our belief in the ability of our corporate leaders to deliver self-help that grows value per share and ultimately generates rewarding payoffs.

Contributors/Detractors

(Q2 Investment return; Q2 Fund contribution)

C&C Group, (27%, 1.02%), the manufacturer and distributor of branded beer, cider, wine, soft drinks and bottled water, performed well in the quarter for multiple reasons. Competition worries in Ireland eased as Bulmers's market share stabilized. In Scotland, Tennent's grew revenue 7% over the last year and remained well positioned. The AB InBev relationship successfully pushed Magners in the off-trade in England and Wales. Last year's acquisition and subsequent integration of Matthew Clark and Bibendum has exceeded management's expectations and provided further distribution channels for C&C's brands. At the company's Capital Markets Day, CEO Stephen Glancey highlighted C&C's ownership culture, emphasizing the importance of all employees having skin in the game.

EXOR (9%, 0.75%), the European holding company of the Agnelli family, made gains as Chairman and CEO John Elkann continued to apply an admirable approach to capital allocation and portfolio management in the quarter. The company extensively explored consolidation in the auto industry through Fiat Chrysler, in this instance through a proposed combination with Renault. We believe there is substantial strategic logic and potential shareholder value in such a move. The French state and Nissan, Renault's Japanese partner, were not immediately in favor of a combination, though the rest of Renault's board voted to proceed. There still may be potential for a constructive deal, but if there is no deal with Renault, there are other opportunities to explore. We are confident that management and the family owner-partners will evaluate every value-creating angle.

Baidu (-28%, -1.43%), the dominant online search business in China, was the primary detractor in the quarter. Baidu reported 2019 first quarter results in line with initial guidance, and Baidu Core revenue grew 16% year-over-year (YOY). However, second quarter growth guidance fell below expectations, mainly due to economic weakness impacting advertisers' budgets and increased online advertising inventory creating price pressure across the industry. Baidu's migration of all medical ad landing pages from third party sites onto its own servers to improve advertising quality and Baidu's control over content also negatively impacted short-term ad sales. Baidu's search dominance remained intact as traffic grew - June daily active users increased 27% YOY on Baidu's App and Smart Mini Program monthly average users rose 49% from the previous quarter. Additionally, the company's AI initiatives in areas such as voice activated smart speakers and autonomous driving represent substantial future earnings upside. The deeper stock price discount provided Baidu's management the opportunity to launch an additional US$1 billion share buyback program beyond its existing US$500 million one. The company is paying a low-single-digit free cash flow (FCF) multiple for a strong cash-generative and hard-to-replace asset.

Great Eagle (-15%, -0.72%), a Hong Kong real estate company that invests in and manages high quality office, retail, residential and hotel properties around the world, declined amid the China turmoil and spiking Hong Kong interest rates. Although most Hong Kong real estate companies are discounted, Great Eagle is more compelling to us because Chairman Lo Ka Shui, who owns over 26% personally and is a beneficiary of a family trust that owns another 32%, has focused successfully on building long-term shareholder value. He has been extremely disciplined on the prices he will pay for properties and methodically has been building the Langham brand in the luxury hotel market. The stock has grown at a double-digit rate since we first purchased it in 2015, even with the second quarter dip. In the second half of 2019, the company will be pre-selling units in its ONTOLO residential development at prices that should be significantly above Great Eagle's cost in the project. Lo recognizes the undervaluation in the current price and recently bought more shares personally.

Portfolio Activity

During the quarter, we added to several of the Fund's more recent purchases as our conviction level grew and prices cooperated. We established one new position, Domino's Pizza Group (DPG) in the UK. We have followed the company for years and long admired the underlying business quality and cash generation capabilities, along with the potential for continued growth. DPG is the master franchisee holder in perpetuity of the right to oversee Domino's operations in the U.K., Ireland and several

European markets. DPG pays the U.S. company, Domino's Pizza, Inc., a royalty fee for use of the name and intellectual property. DPG became attractively discounted in part because of the Brexit overhang on U.K. consumer companies, but primarily due to tension between key franchisee groups and the current executive team. We believe there are readily available solutions to that disagreement and plenty of opportunities to grow and realize value. We are actively engaged with the company on the way forward.

We exited three investments – two that successfully reached appraisal and one where the case deteriorated. We sold luxury hotel company Belmond. French luxury-goods company LVMH announced its acquisition of Belmond in December, but we delayed selling for tax reasons until the Fund's gains went long-term. We salute the management team with whom we were engaged, for recognizing the company's deep undervaluation and announcing a strategic review that served as the catalyst for getting a fair bid for the company and a 110% return for the Fund.

We sold Yum China (YUMC), the operator of KFC and Pizza Hut restaurants in China, for the second time in the three years since its separation from YUM! Brands in the U.S. Under the leadership of CEO Joey Wat and CFO Jacky Lo, KFC grew same store sales, as did Pizza Hut for the first time since 2018. The company also opened new stores faster than anticipated. Management returned capital to shareholders through buybacks and dividends. The gap between the share price and our appraisal quickly closed, and the investment gained over 40% during our holding period of seven months.

Although the sum-of-the-parts of thyssenkrupp was deeply discounted, we sold the position because the path to unlocking the different segments' values became narrower and more uncertain. The proposed Steel JV with Tata was blocked by regulators, and the macro environment was pressuring FCF such that value was not growing. We moved on to more compelling opportunities but recognized an over 40% loss during our holding period, most of which was reflected in performance prior to the second quarter.

Outlook

Most of the price pressure in the Fund came at the hands of macro concerns over global economic growth, trade wars and geopolitical uncertainties. Corporate fundamentals performed much better than the market, enabling our research team to build a robust on-deck list of prospective opportunities, including the new investment in Domino's. The portfolio is close to fully invested with 6% cash and trades at a mid-60s% price to value ratio (P/V).

Not only is the Fund attractively priced, but most of our investment cases are so far playing out as we anticipated. At many holdings, we are engaged with CEOs and boards who, in our view, are taking actions to drive value growth and create catalysts for recognition. The patterns for how stocks reach intrinsic worth are unpredictable, but appreciation can happen quickly. One of Southeastern's competitive advantages is taking a multi-year perspective to stock ownership, as prices ultimately should migrate to growing values. Given the discount in the portfolio, positive business fundamentals and corporate partners pursuing catalysts, we believe significant payoffs could occur in 2019 and beyond.

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 International 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 EAFE Index (Europe, Australia, 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.

Brexit ("British exit") refers to the June 23, 2016 referendum by British voters to leave the European Union.

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, 2019, the top ten holdings for the Longleaf Partners International Fund: EXOR, 8.9%; CK Hutchison, 6.4%; LafargeHolcim, 6.1%; MinebeaMitsumi, 6.0%; Melco, 5.8%; LANXESS, 5.1%; Bolloré, 4.6%; CK Asset, 4.6%; C&C Group, 4.4%; Baidu, 4.4%. 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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