July 9, 2019

Longleaf Partners Fund Commentary

2Q19

Longleaf Partners Fund declined -2.87% in the second quarter following the Fund's strong absolute return in the first three months of 2019. The Fund's 8.67% year-to-date (YTD) gain exceeded our absolute annual goal of inflation plus 10%. The S&P 500 Index added 4.30% in the second quarter and gained 18.54% YTD. As the largest shareholder group in the Fund, we are not pleased with results in the quarter or over the last year. We are heavily engaged with our corporate partners to pursue opportunities to build and gain recognition of value. We anticipate productive activity at the Fund's holdings that could deliver solid results in the second half of 2019.

The Index's performance in the quarter continued to be driven primarily by Information Technology, a sector where the Fund had no exposure. Additionally, the dominance of Growth stocks over Value stocks continued. Anticipated rate cuts by the Federal Reserve turned a May market decline into a June rally. Over half the companies in the portfolio rose. The Fund's primary performance detractors fell for unrelated, company-specific reasons that we do not believe impact the long-term cases for owning these businesses. Our appraisals remained steady even as the Fund's net asset value (NAV) declined, and the divergence between the two pushed the portfolio's price

---

Average Annual Total Returns for the Longleaf Partners Fund (6/30/19): Since Inception (4/8/87): 9.67%, Ten Year: 8.75%, Five Year: -0.22%, One Year: -11.46%. Average Annual Total Returns for the S&P 500 (6/30/19): Since Inception (4/8/87): 9.86%, Ten Year: 14.70%, Five Year: 10.71%, One Year: 10.42%.

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 Fund is 0.97%.

to value (P/V) ratio back below 60% in May, a discount rarely reached and from which subsequent long-term outcomes have been strong historically.*

Given the deep discounts at numerous Fund holdings, our partners are pursuing catalysts for value recognition that we believe could be months, not years, away. One announcement can create a quick shift to positive price momentum. Several companies that were most hated in the last twelve months began to change direction following management-led activity to close the gap between price and value.

- Allergan had been among the recent quarter's notable detractors, but days before quarter-end, the company announced that it had agreed to be acquired by AbbVie. The stock quickly rose over 25%, illustrating how unexpectedly payoffs can occur. The deal was structured to reduce risk while allowing for upside at the new company. Allergan CEO Brent Saunders had previously demonstrated a commitment to value recognition in 2016 with the opportune sale of the generics business to Teva and a negotiated sale of the company to Pfizer, which subsequently was scrapped when the U.S. changed its tax inversion policies. The AbbVie agreement illustrates the importance of a good partner serving shareholders.

- Comcast, which we bought last year when the company made a bid for Sky, subsequently highlighted CEO Brian Roberts' value per share discipline by not outbidding Disney for all of Fox. The drama around the deal has died down, and Comcast has delivered solid results. More recently, Comcast boosted value through the deal negotiated with Disney to monetize its one-third stake in Hulu. Roberts' strong transaction record has created catalysts for value growth and price recognition.

- General Electric, the Fund's worst performer in 2018, reversed course after CEO Larry Culp, who had already shown his willingness to monetize assets at the right price, announced an attractive sale of GE's Biopharma segment to Danaher, completed the improved spinout of the transportation business (Wabtec) and reported two quarters of no surprises at GE Capital. While up from extreme lows, we believe the stock price remains deeply discounted. Additional transactions could be forthcoming, as Culp remains focused on opportunities to monetize assets at fair prices.

- LafargeHolcim has sold several emerging market operations in the last six months, including Malaysia, Indonesia and the Philippines, as CEO Jan Jenisch has focused the company on maximizing profits in geographies where it has a long-term advantage. We expect to see more sales in non-core regions, such as the Middle East or Africa, that could be stock catalysts.

Many of our other corporate partners have a history of driving value recognition and currently are pursuing prospective near-term actions that could drive stock payoffs. We are engaged with management teams. Sometimes this means filing 13Ds to suggest board members and talk to interested parties. In other cases, we work privately to ask our management partners tough questions and improve outcomes. The following list illustrates some of the levers available to our partners.

- Affiliated Managers Group has acquired interests in investment managers at opportunistic points, leading to high return on investment (ROI) and value growth since the company's inception, and management historically repurchased meaningful shares when prices were substantially discounted. A similar opportunity to meaningfully build value per share through buybacks exists today.

- CenturyLink (CTL) has grown value through improved operations and fiber acquisitions, including Qwest prior to CTL's acquisition of Level 3 and Level 3's previous purchases of Global Crossing and tw telecom. CEO Jeff Storey announced a strategic review of the Consumer business in May. Given recent fiber transaction multiples at 2-3X CTL's current consolidated multiple, Storey's options range from separating the Fiber and Consumer businesses to selling some or all of the company's assets. We have a 13D filed to enable us to explore options with CTL and to suggest board members who would bring experienced perspectives on fiber's value to different potential acquirers.

- CK Asset and CK Hutchison, led by Chairman Victor Li, previously consolidated Cheung Kong and Hutchison Whampoa and separated the real estate assets into CK Asset. A similar opportunity exists to separate the infrastructure assets held across the two companies. Additionally, CK Asset can continue to sell its Hong Kong properties at premium prices, and several of CK Hutchison's segments, including the A.S. Watson's retail business, might receive higher multiples as pure-play entities.

- CNH Industrial was created in the Fiat Industrial and CNH merger conducted by John Elkann, who is Chairman of controlling owner EXOR. The opportunity remains to further simplify the company by separating its valuable Agriculture business from the non-core Commercial Vehicles and Construction segments.

- CNX Resources successfully separated its coal business from the natural gas company and has sold gas assets at good prices. CEO Nick Deluliis and the board, which includes three members suggested by Southeastern, can continue to sell some or all the company's gas reserves, as well as monetize its pipeline assets. Insider buying has been significant.

- FedEx, which Chairman Fred Smith built from scratch and transformed through acquisitions including Flying Tigers and RPS, should benefit as the company integrates its TNT acquisition in Europe. Earnings are troughing as this integration nears its end and the company's value and earnings shift more to its higher multiple Ground and Freight divisions.

- Mattel has decreased its cost structure and created joint ventures to produce media content for its Barbie and Hot Wheels brands since Ynon Kriez became CEO in April 2018. Mattel has significant opportunity to further extend its top brands into other revenue streams. Additionally, after various rumors of interested acquirers, the board, which includes a member introduced by Southeastern, could sell the company if offered full value.

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 generates rewarding payoffs. Any one or two catalysts mentioned above could have a meaningful impact on the Fund's return, as could announcements from other Fund investments that we did not highlight.

Contributors/Detractors

(Q2 Investment return; Q2 Fund contribution)

Allergan (15%, 0.72%), the medical aesthetics and pharmaceutical company, was the most notable performer in the quarter. As described above, the stock, which had been under pressure after management failed to announce a breakup or other strategic actions in its second quarter reporting, quickly turned direction when the company announced it had agreed to be acquired by pharmaceutical firm AbbVie. This transaction creates a stronger and more balanced combined entity. The cash portion of the deal reduces risk, while the AbbVie shares Allergan holders will receive are undervalued themselves.

CNX (-32%, -1.77%), the Appalachian natural gas company, was the Fund's largest detractor after reporting an increase in capital expenditures and missing sell-side quarterly earnings before interest, taxes, depreciation, and amortization (EBITDA) expectations by 10%. Lower natural gas prices and a few one-off factors were the primary reasons for the EBITDA miss. The capital expenditure change reflected a timing shift rather than a cost increase - CNX will invest more this year to begin production at three new wells but spend less in 2020 than previously planned. The business is on track to generate $500 million of free cash flow (FCF) in 2020, while the market value of the company is below $1.5 billion. Our appraisal of CNX moderately increased on solid results from CNX Midstream and the decision of the board and CEO Nick DeIuliis to repurchase the extremely discounted shares at an 8% annualized pace. Multiple directors also bought the stock personally.

Mattel (-14%, -0.80%), the toy company, declined during the quarter due to fears over litigation related to the Fisher Price Rock N' Play sleeper recall. The stock bounced back briefly with the catalyst of a takeover offer by Isaac Larian, the CEO of MGA Entertainment, but retreated when the offer proved to be an insincere approach that was withdrawn. Mattel CEO Ynon Kriez made progress with the announcements of licensing agreements with Pixar, Warner Bros. Entertainment and Sanrio (Hello Kitty) during the quarter. Ongoing cost cutting initiatives are ahead of initial plans.

Portfolio Activity

The Fund's holdings remained well below our appraisal values, but we trimmed some of the stronger performers during the quarter to manage position sizes. We added to CNX but did not purchase any new businesses. As the market sold off in May, our on-deck list became more interesting, with a handful of stocks within 10% of buying range.

Outlook

Corporate fundamentals performed better than the Fund's price, and consensus earnings across the holdings grew. The P/V finished the quarter in the low-60s%, a discount well-below the long-term average. The portfolio has 14% cash to deploy in new qualifiers.

The Fund's negative return came from a handful of companies that had unrelated, short-term disappointments or perceived issues. We believe a return to outperformance will also likely come from occurrences at individual holdings rather than overall economic and stock market trends. The patterns for how stocks reach intrinsic worth are unpredictable, but appreciation can happen quickly, as Allergan recently demonstrated. One of Southeastern's competitive advantages is taking a multi-year perspective to stock ownership, as we know that prices should ultimately migrate to growing values. In the near-term, we are highly engaged with CEOs and boards who are exploring transactions that could be catalysts for their stocks to more fully reflect intrinsic worth. Given the portfolio's discount, positive business fundamentals and corporate partners pursuing catalysts, we believe significant payoffs could occur in 2019 and beyond.

See following page for important disclosures.

**Quarter-ends since 1993 were identified where the Partners Fund's "price-to-value ratio" (P/V) was less than 60%. From each quarter end identified, the 1, 3, and 5 year cumulative returns for the Fund and the S&P 500 were calculated. Those returns were then averaged and the 3 and 5 year returns were annualized. Current circumstances may not be comparable.*

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 13D filing is generally required for any beneficial owner of more than 5% of any class of registered equity securities, and who are not able to claim an exemption for more limited filings due to an intent to change or influence control of the issuer.

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.

Return on Investment (ROI) measures the gain or loss generated on an investment relative to the amount invested.

As of June 30, 2019, the top ten holdings for the Longleaf Partners Fund: CenturyLink, 8.5%; GE, 7.8%; CK Hutchison, 7.4%; FedEx, 6.3%; Mattel, 5.7%; Fairfax Financial, 5.4%; CNH Industrial, 5.2%; LafargeHolcim, 5.0%; Comcast, 4.6%; Affiliated Managers Group, 4.6%. Fund holdings are subject to change and holdings discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.