Asia Pacific UCITS Fund Commentary
2Q24

Longleaf Partners Funds

For Professional Investors Only

Portfolio Returns on 30/6/24 – Net of Fees

Calendar Year Total Returns (%)

Past performance does not predict future returns.

	Class I (USD)	FTSE Asia Pacific (USD)	MSCI AC Asia Pacific (USD)	Class I (GBP)	FTSE Asia Pacific (GBP)	MSCI AC Asia Pacific (GBP)
2014*	-1.30	-1.34	-1.39	NA	NA	NA
2015	-2.74	-1.10	-1.96	NA	NA	NA
2016	12.29	5.32	4.89	NA	NA	NA
2017**	37.94	30.50	31.67	7.75	8.59	8.18
2018	-21.45	-13.76	-13.52	-16.94	-8.40	-8.14
2019	18.58	18.84	19.36	14.04	14.25	14.75
2020	10.97	19.77	19.71	7.50	16.07	16.01
2021	-14.70	-0.38	-1.46	-13.77	0.54	-0.55
2022	-8.24	-16.42	-17.22	2.70	-5.89	-6.80
2023	-2.49	11.88		-7.47	5.57	

* 2014 is a partial year, from inception of 2 December 2014

** 2017 is a partial year for Class I (GBP), from inception of 15 September 2017

Additional Performance Data (%)

Past performance does not predict future returns. The following performance is in addition to and should be read only in conjunction with the performance data presented above.

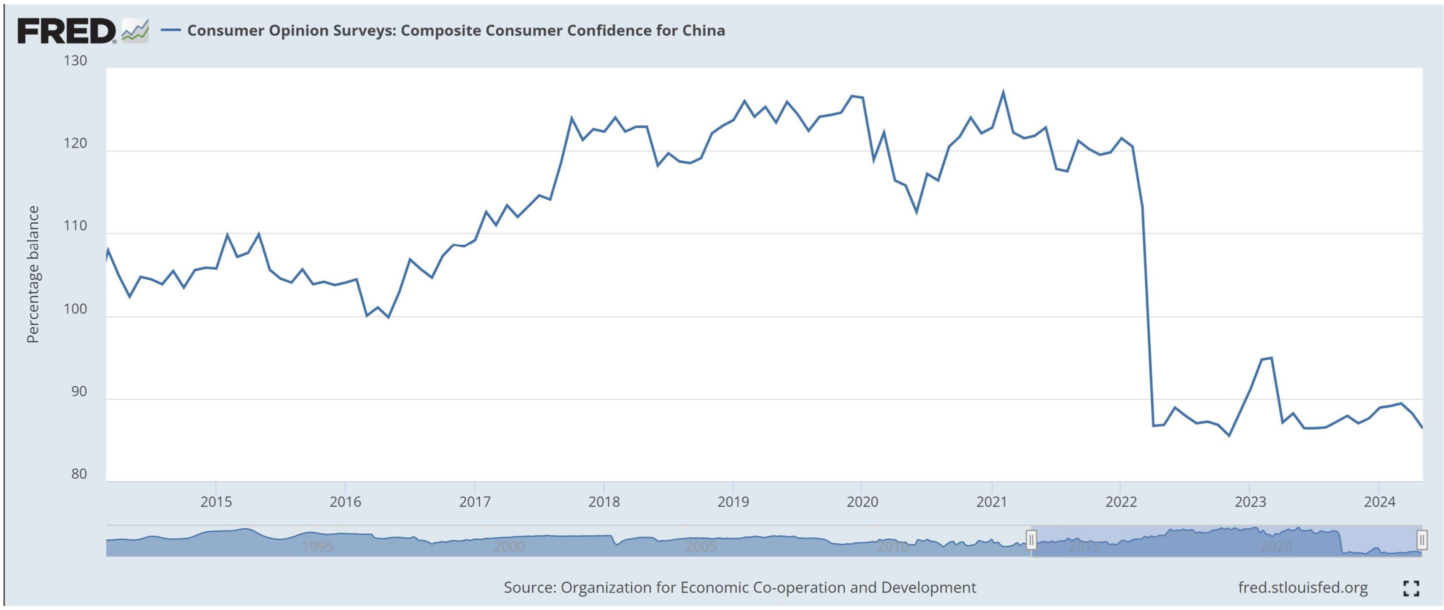
	2Q24	YTD	1 Year	3 Year	5 Year	Since Inception 2/12/2014
APAC UCITS (Class I USD)	-1.22	3.41	5.11	-10.59	-1.84	2.04
FTSE Asia Pacific Index	2.19	7.20	13.13	-1.78	5.23	5.32
Relative Returns	-3.41	-3.79	-8.02	-8.81	-7.07	-3.28

Selected Indices	2Q24	YTD	1 Year	3 Year	5 Year
Hang Seng Index (HKD)	8.91	6.16	-2.38	-12.08	-6.16
TOPIX Index (JPY)	1.60	20.12	25.59	15.87	15.36
TOPIX Index (USD)	-4.42	5.18	12.69	2.43	6.51
MSCI Emerging Market (USD)	5.00	7.49	12.55	-5.06	3.10

Commentary

In the second quarter, the Fund generated returns of -1.2%, underperforming the benchmark by about 3.4%, driven primarily by our overweight to Chinese consumption, which underperformed during the quarter. The quarter was off to a strong start, with our companies reporting strong results and hopes of supportive policy measures from Beijing. However, the property measures announced mid-May were below market expectations, and the rally in Chinese markets fizzled out. Mr. Market was not very discerning between winners and losers in this downdraft. Underlying fundamentals, solid operating performance, and smart capital allocation were largely overshadowed by broader negative sentiment towards China.

Our investments in China are primarily exposed to domestic consumption, which weakened further during the quarter. Consumption sentiment is at record lows as consumers suffer from a double whammy of wealth and income effects. Around 60% of household assets are in property where prices have declined for around three years. Employment and income per capita growth have remained weak, impacting consumer confidence. We see signs of consumption downgrading across the board as consumers save rather than spend.

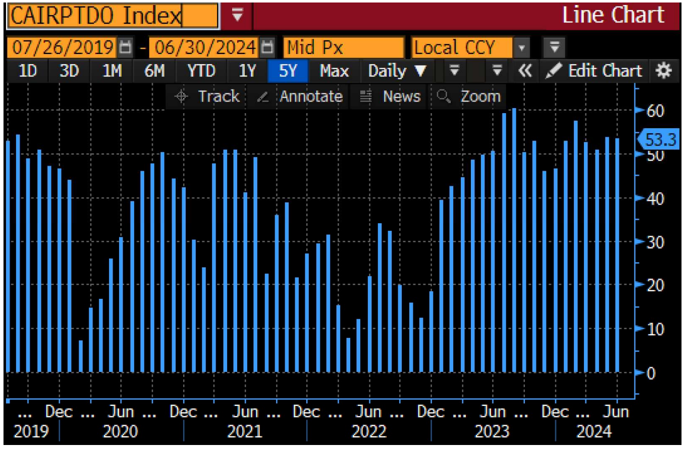


Source: Federal Reserve of St. Louis

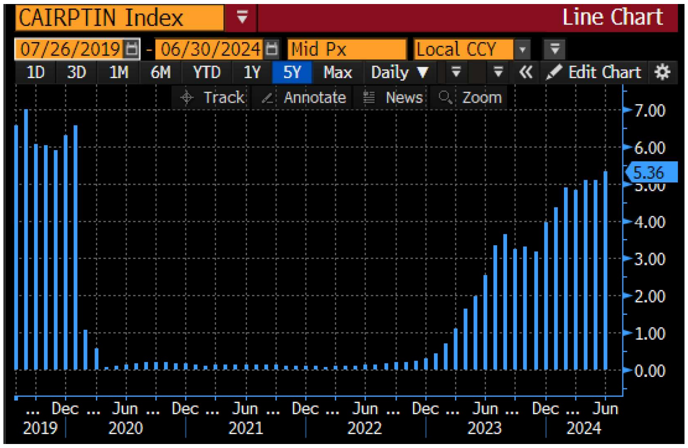
Our Chinese travel-related names were weak in the quarter, as revenue per available room (RevPAR) remained soft due to weak business travel, waning pent-up leisure demand, and higher hotel supply at tourist attractions. Summer travel bookings are lower than last year's post-COVID travel boom, affecting sentiment towards Chinese online travel agency Tongcheng Travel Holdings and hotel operator H World Group. However, we believe Tongcheng and H World are market share gainers in a structurally growing market.

Although Chinese overseas passenger traffic is still lower than pre-COVID levels, it is rapidly improving, at just 12% lower than pre-pandemic. Overseas travel is diluting domestic travel and consumption, as seen clearly from LVMH's Asia ex-Japan revenues, down 14% in Q2 but up 57% in Japan, driven by Chinese tourists taking advantage of the cheapest yen relative to the Chinese yuan in over 30 years. Chinese consumers are delaying purchasing luxury products in China as they can purchase the same product cheaper in Japan, where the yen is weak, and the 10% consumption tax is refunded to tourists.

China Domestic Airline Passenger Volumes



China International Airline Passenger Volumes

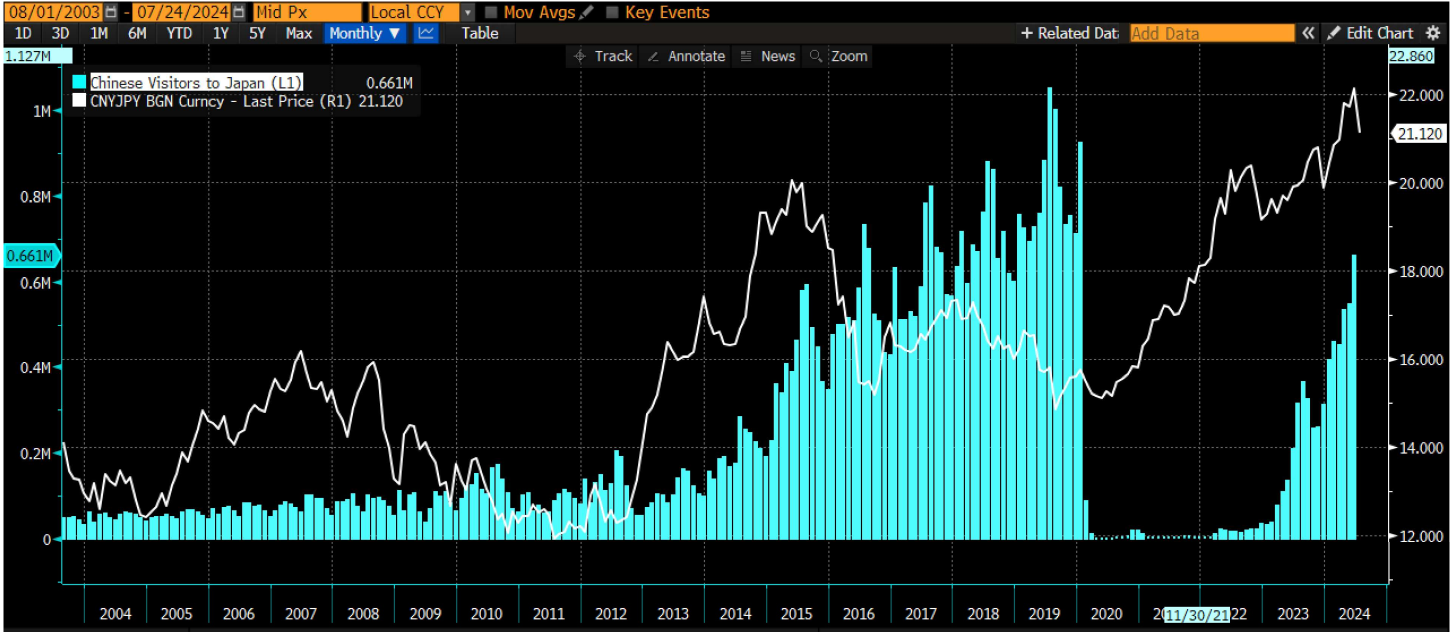


Source: Bloomberg

The same LVMH dynamics also apply to HK-listed luggage maker Samsonite, our largest detractor in the quarter. While Samsonite's China revenue was up 23% in the first quarter, management noted weaker growth in the first two months of the second quarter, with sales being lumpier around national holidays. However, the base effect is the main factor in lower China sales growth in Q2, as China emerged from COVID in Q1 2023, and Q2 was very strong last year. Similarly, while Korea grew 33% in Q1, April and May growth rates have partly normalized. Japan sales rose 26% in Q1, and management noted that trends remained strong in April and May, supported by increasing tourist spending.

As in the case of LVMH, the rapidly growing overseas travel by the Chinese is diluting the consumption of Samsonite in China. In Japan, June arrivals from China jumped strongly, up 21% month over month, and July and August arrivals from China are typically higher than June. We believe consumers are now purchasing luggage closer to travel periods. We expect sales to peak during summer travel time in June through August, with revenue growth more robust in Japan than in China due to the cheap yen and VAT refund schemes for tourists. However, it is important to remember that less than 10% of Samsonite's revenue is generated from China.

Chinese Visitors to Japan vs. JPY/CNY Exchange Rate


08/01/2003 - 07/24/2024 Mid Px Local CCY Mov Avgs Key Events
1D 3D 1M 6M YTD 1Y 5Y Max Monthly Table
+ Related Data Add Data Edit Chart
Track Annotate News Zoom
Chinese Visitors to Japan (L1) 0.661M
CNYJPY BGN Curncy - Last Price (R1) 21.120
1.127M
1M
0.8M
0.661M
0.6M
0.4M
0.2M
0
22.860
22.000
21.120
20.000
18.000
16.000
14.000
12.000
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2007
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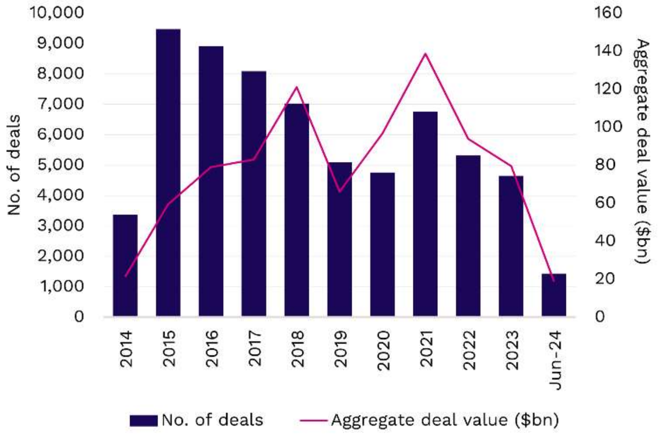
11/30/21
2022
2023
2024

Source: Bloomberg

The Chinese luxury auto space has not been spared from the pressure its peers face in luxury goods. Volumes are down significantly, and many dealers are losing money selling new cars. Dealers have faced persistent and further escalating pricing pressure as the demand for foreign-branded luxury cars declined. Luxury Original Equipment Manufacturers (OEM) such as Porsche have voluntarily lowered sales volumes in China by about 30% in the first half; however, discounts have not narrowed as demand continues to weaken. OEMs like Porsche provide increasing subsidies to dealers who meet sales targets. China MeiDong, one of the largest Porsche dealers in China, is a relative winner in a challenging market. Focused on cash flow and profitability, we are confident that MeiDong will remain free cash flow positive.

Number & Value of VC deals in Greater China 2014 – June 2024



¹Figures exclude add-ons, grants, mergers, secondary stock purchases, and venture debt.

Source: Preqin Pro. Data as of June 2024

While it is challenging to generalize conditions for a country as vast as China, with 1.4 billion people, a significant degree of downtrading is occurring as consumers become more conscious of their spending habits. Hundreds of thousands of highly compensated Chinese tech workers have lost their jobs in the past few years as government regulations tightened, and the number and value of venture capital deals collapsed. Private companies in Greater China raised $12.3 billion in Q1 2024, down 42% on the previous quarter. According to Techradar, 80,000 tech workers have lost their jobs this April year to date, on top of the 263,000 workers laid off in 2023. At Alibaba, the full-time employee count as of March is down by 54,000, 21% from its peak of 259,000 in December 2021. Chinese e-commerce company Vipshop's employee count is down by 51,000 or 88% from its peak in 2017. Highly paid, upwardly mobile tech workers are typical consumers of Western luxury brands, which benefitted from the consumption upgrade trend. The beneficiaries of the consumption upgrade trade – whether it's Starbucks, Yum China's KFC or Pizza Hut, or premium Chinese spirits producer Kweichow Moutai – are suffering from the consumption downgrade. Chinese consumers are becoming more value-conscious, focusing on price and quality, not just price.

The drive towards value has dramatically impacted consumer brands such as Starbucks, long an aspirational brand for upwardly mobile Chinese professionals. In uncertain times, Starbucks' 40 RMB ($5.50) lattes are no longer competitive when Luckin Coffee offers good quality Arabica coffee for about half the price, and Cotti Coffee, established by Luckin's Founder, offers all beverages for 9.9 RMB ($1.37) per cup. Luckin Coffee has a network of 18,500 stores as of March, almost double the 9,300 stores it had in March 2023. Luckin built more stores in one year than the 7,000-store network Starbucks has built since it entered China in 1999. In addition, Luckin and Cotti are more willing to offer drinks beyond the traditional coffee menu. For example, Luckin x Kweichou Moutai's baijiu-infused soy sauce latte and chocolate latte were very successful, and Luckin's coconut milk latte is one of their most popular items. Luckin's partnership with Kweichou Moutai allows Luckin to associate with a famous heritage brand while enabling premium Kweichou Moutai to reach younger audiences with affordable products. The coffee-drinking culture in China is still relatively undeveloped, so offering drinks that appeal to consumers that go beyond the standard Western coffee menu is an important differentiator in China. Notably, Luckin x Kweichou Moutai's second collaboration, a chocolate latte, doesn't contain any coffee. Luckin and Cotti use coffee as just an ingredient in their drinks and will create anything that sells well. This intense competition and consumers' pursuit of 'value' products resulted in Starbucks China's second-quarter same-store-sales growth (SSSG) shrinking by 11%.

Chinese consumers' pursuit of value and quality is also evident in the pizza industry. While Yum China's Pizza Hut experienced -5% SSSG in the first quarter, Domino's China (DPC Dash) continued to deliver its 28th consecutive quarter of positive SSSG since 3Q17 in the second quarter. Domino's positioning as a value brand likely drove this idiosyncratic performance, where most sales come from pizzas priced below 50 RMB ($6.93). Domino's value strategy has worked particularly well in this more challenging macro environment. While Pizza Hut scrambles to find its footing in this new value environment, as seen in its pivot to expand its 'value' pizza offerings, Domino's China is hyper-focused on extending its winning strategy via store expansion. Domino's China is on track to open its 1,000th store by December and intends to accelerate its openings to 300-350 stores annually in 2025-26. Impressively, as of June 30, DPC Dash holds all top-20 positions for first 30-day sales among Domino's network of more than 20,000 stores globally.

Domino's China is a reminder that it's not just about the business and macro but also leadership. Russell Weiner, CEO of Domino's Pizza, Inc, said this about Aileen Wang, CEO of Domino's China, in May: "Years of growth within China weren't happening until we got the right leader. So the partner needs to be right, and they need to be in it for the long term…Aileen Wang, who's the CEO, and that team are doing a tremendous job…One of the best operators, one of the best franchisees we have in the system, she just won the biggest award that you can at Domino's, is Aileen Wang, the CEO of Domino's Pizza China. Before Aileen, we were in China for many years, and you never would have heard me talk about China at a meeting like this. We were one of those brands who wasn't growing. But she's got an amazing team in place. They are machines right now. And so we've got plenty of years of lack of success in China, and we just have a team that's hitting it on all cylinders right now." We initiated an investment in HK-listed DPC Dash during the second quarter.

Last quarter, we discussed investing in HK-listed companies that don't naturally belong on the HK stock market because most of their revenues are outside China. We are focused on HK investments where we believe the owner-managers are willing and able to make inorganic moves to realize shareholder value. We also mentioned that we added to this category of world-class companies listed in HK, with limited exposure to China and growth coming from markets ex-China run by owner-managers motivated to maximize shareholder value. While the Hang Seng Index was up 9% in the second quarter, the Hang Seng Property Index (HSP) was down 2% in Q2 and 15% in Q1. Since 2019, the HSP index is down about 54%, reflecting the deep distress in the Chinese property industry. In this dark corner (real estate) of one of the worst-performing stock markets in the world – Hong Kong – we found an opportunity in HK-listed real asset manager ESR Group.

ESR Group is an APAC-focused integrated real estate logistics, warehouse, and data center investment manager. Since the beginning of 2022, its share price spiraled downwards due to the weak property market in China and a slew of corporate governance issues. By April 2024, its share price had declined by about 50% since its IPO in 2019, trading at 0.5x book value, despite the business being much larger and of higher quality than when it first listed. ESR has transformed itself significantly since its IPO. Its high-margin and stable fund management business, which previously accounted for about 20% of operating profits, now accounts for 66% and will continue to increase as it divests asset-heavy businesses. Its China exposure has also decreased, with its Mainland China mix of AUM down from 21% in 2019 to 9% by the end of 2023, significantly de-risking the business. In June, ESR received regulatory approvals for the first China Logistics publicly listed REIT; cornerstone investors have already been secured with an indicative cash distribution rate of 4.5%-4.6%. This will allow ESR to accelerate the process of going capital light in China by recycling on-balance sheet assets by injecting them into the C-REIT at a premium to book value and, in turn, increasing capital light management fees, which attract better valuation multiples.

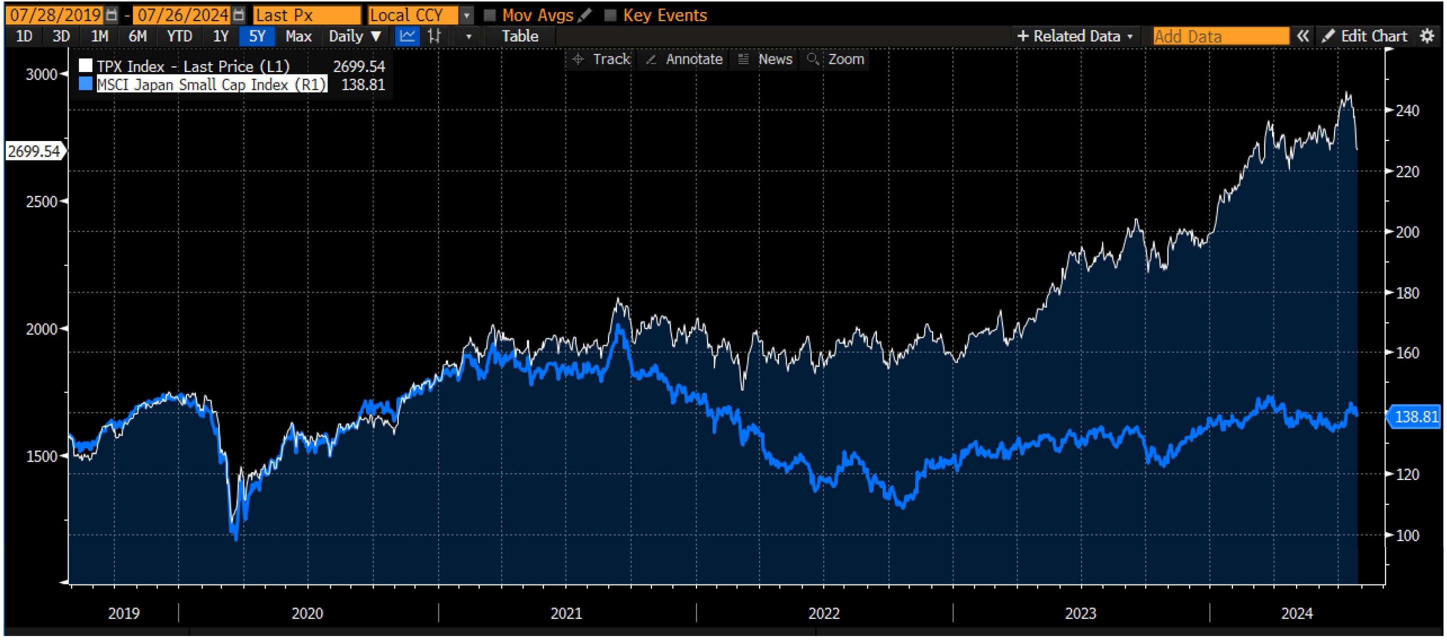
We became interested in ESR when we realized the disconnect between the share price, which trades in line with the China-heavy HSP, and the fundamentals of the business, which have bright prospects. While its share price continued to move downwards with the HSP, its Senior and Perpetual bond prices remained stable. On a fundamental level, the company is shifting from an asset-heavy warehouse development business to a capital-light fund management fee business, with decreasing China exposure. Furthermore, the corporate governance overhang from the margin call of one of its co-founders has been resolved with the entry of Starwood Capital, which purchased the co-founder's 10% stake this year. With roughly 37% of the company held by Warburg Pincus, Starwood Capital, Sixth Street Partners, and the founders, we saw a pathway for motivated owners to act on the persistent China discount that was dragging down the valuations of a world-class Asian company with low exposure to Mainland China with a strong growth profile. A few weeks after initiating our investment in ESR, the company received a non-binding and conditional proposal from Starwood Capital and Sixth Street

Partners about a possible privatization of the company. The company has formed an independent Board Committee to consider the Indicative Proposal and has retained financial advisors.

ESR is the third HK-listed company in our portfolio to take action to erase its persistent HK discount. This year, L'Occitane's majority shareholder offered to privatize the company at HK$34/share, and we exited our investment in the quarter. Samsonite intends to seek a dual listing in a market closer to its US headquarters. Given its undemanding 8.7x earnings and 6.5x 2024 EBITDA valuations, we would not be surprised if private equity bidders are exploring bids for Samsonite.

We continue to focus on opportunities in Japan despite the market's run-up. As in other regions, Japan's small-cap companies have been left behind in the market rally. Most incremental funds flows have gone into ETFs, disproportionately benefiting large-cap companies on the TOPIX index. After the quarter ended, we initiated some new investments in Japanese small caps, which we will elaborate on in the next quarter.

Topix Index vs. MSCI Japan Small Cap Index Performance



Source: Bloomberg

Portfolio Review

	2Q24	
	Contribution to Portfolio Return (%)	*Total Return (%)*
Top Five		
SharkNinja	*+1.06*	*+21*
Tencent	*+0.94*	*+24*
ESR Group	*+0.82*	*+30*
HDFC Bank	*+0.67*	*+16*
Hitachi	*+0.65*	*+23*
Bottom Five		
Samsonite	*-1.20*	*-21*
Jollibee Foods	*-0.92*	*-14*
Tongcheng Travel	*-0.80*	*-25*
China MeiDong	*-0.78*	*-30*
Baidu	*-0.69*	*-17*

	1H24	
	Contribution to Portfolio Return (%)	*Total Return (%)*
Top Five		
MGM China	*+2.65*	*+27*
L'Occitane	*+2.54*	*+46*
SharkNinja	*+1.97*	*+47*
Hitachi	*+1.83*	*+56*
Tencent	*+1.07*	*+28*
Bottom Five		
Naver	*-1.46*	*-30*
Baidu	*-1.31*	*-27*
China MeiDong	*-1.21*	*-54*
Jollibee Foods	*-1.05*	*-15*
CK Asset	*-0.71*	*-21*

SharkNinja, a leading small household appliance manufacturer, was a top contributor for the quarter. SharkNinja reported an extremely strong 1Q24, with Adj. net sales growth of +27.6% year-over-year (yoy) and Adj. EBITDA margin of 21.6% (+30bps yoy). The strong revenue growth was mainly driven by North America, which accounts for ~70% of sales, growing +22.1% yoy as retailers finally began restocking inventory. Despite some aid from inventory replenishment, underlying demand for SharkNinja's products remains strong in the US, with sell-through at +14-15% yoy in 1Q24. This was significantly higher than peers. In addition, its overseas business grew +30.7% yoy as it further penetrated existing and new markets. The team at SharkNinja continues to launch exceptional products, with new launches being out-of-stock. We remain optimistic about SharkNinja's prospects and see multiple near-term tailwinds: (1) US retailers continue to run on lower-than-historical inventory levels, (2) Selling into large new customers such as ULTA in the US, and (3) Improved brand equity with the recent signing of English football star David Beckham as its brand ambassador.

Tencent, China's leading internet and technology company, contributed to the quarter. Tencent reported strong 1Q24 results, with revenue growth of +6% yoy and net profit growth of +54% yoy. The outlook for Tencent continues to remain positive. As a result of management efforts, its Gaming segment has started to inflect, with key titles such as Honor of Kings, Peacekeeper Elite, and Supercell Games showing good trends in April 2024. In addition, DNF Mobile, launched in China in late May, has shown strong demand, topping the Top Grossing iOS China charts. In the ad business segment, video accounts continue to gain traction with consumers, with time spent on video accounts now being over 2x compared to Weixin Moments. There continues to be a long runway for growth, with video accounts ad load only one-quarter that of competitors. Management remains shareholder-friendly, with Tencent being the top share repurchaser on the Hong Kong exchange, repurchasing about $7.8 billion worth of shares (1.9% of shares outstanding) this year as of 26th July.

ESR Group, the leading APAC real asset manager, contributed to the quarter. ESR's share price rose significantly as they confirmed on 25 April 2024, that they had received a proposal from a consortium of investors regarding the company's possible privatization. The consortium includes Starwood Capital, which acquired a 10.67% equity stake on 19 March 2024, due to the margin call on one of ESR's founders. Bloomberg further reported that the consortium seeks additional partners in July 2024. While such privatization efforts have provided a nice catalyst to our business case, we remain optimistic about ESR Group at current prices. We believe the market is significantly undervaluing ESR's shift from an asset-heavy development business to an asset-light fund management business. In addition, the corporate governance overhang regarding the founder's margin call has now been removed with the purchase of the co-founder's stake by Starwood Capital.

HDFC Bank, India's largest private sector bank, contributed for the quarter. Results for the quarter ending March 2024 exceeded our expectations, showing solid progress in deposit mobilization and reducing the loan-to-deposit ratio, a key market concern since the merger with HDFC Limited last year. Despite tight system liquidity, HDFC Bank reported impressive deposit growth, gaining market share in assets and liabilities, improving its net interest margin, and maintaining excellent credit quality. With best-in-class underwriting and a robust deposit franchise, the net income margin is expected to improve as the bank replaces HDFC Limited's high cost of borrowing with low-cost deposits. Additionally, the cost-to-income ratio will decrease as recently opened branches mature. The trajectory is positive, but the improvement will be gradual due to the bank's size and scale. We continue to remain optimistic on HDFC Bank.

Hitachi, a Japanese conglomerate, was a contributor for the quarter. Hitachi reported strong results for the quarter ending March 2024, with sales and adjusted operating profit beating expectations, coming in at JPY 2,510 billion and JPY 230 billion, respectively. In June 2024, Hitachi hosted its Investor Day, during which management intends to increase its leverage and reduce its cost of capital. More importantly, Hitachi rolled out a new management policy that will include ROIC – WACC spread as an assessment criteria for its operations from FY3/26 onwards. Capital allocation decisions will be made based on ROIC. We remain optimistic about Hitachi as its management remains highly disciplined in capital allocation, driving underlying business value growth.

Samsonite, a global luggage manufacturer, was the top detractor for the quarter. In 1Q24, while Samsonite continued to improve its gross profit margin to 60.4%, its revenue came in weaker-than-expected at +4.1% yoy, on a constant-currency basis. The weakness mainly stemmed from North America and India, where travel demand started normalizing. More importantly, management downgraded their full-year 2024 guidance from previous low-double digit constant-currency revenue growth to high-single digits. The guidance downgrade was mainly attributable to (1) Intense price competition in India, (2) Slower-than-expected recovery in International flight capacity for China, and (3) Normalization of travel demand in North America. Despite this, we believe Samsonite remains extremely cheap, now trading at less than 9.0x NTM P/E – which significantly undervalues its brand equity and exposure to the GDP+ travel market. In addition, we believe we have a financially savvy and aligned management team that will help crystallize Samsonite's intrinsic value. Chairman Timothy Parker and CEO Kyle Gendreau own a combined ~6.2% stake in Samsonite (worth about US$240 million at today's depressed prices).

Jollibee, the largest quick-service restaurant (QSR) player in the Philippines, was a detractor for the quarter. Jollibee reported 1Q24 results, with an overall SSSG of +5.5%, driven by a robust Philippine SSSG of +6.9%, and dragged by weakness in its International markets of -3.2% SSSG. The share price weakness is caused primarily by the continued outflow of foreign capital from the Philippine stock market and consumption weakness in its International markets in 1Q24. In particular, China (-3.7% SSSG), Highlands Coffee (-9.0% SSSG), and Smashburger (-4.1% SSSG) were the source of the weakness in its International market. Despite continued weakness in its International market, things are improving incrementally, with Smashburger and The Coffee Bean & Tea Leaf now having the right management to drive growth, which should help generate operating leverage and improve operating margins. In early July, Jollibee announced the acquisition of Korea-based Compose Coffee, a high-margin, 100% franchised, value coffee player in South Korea for less than 7x forward EV/EBITDA. This marks a shift in management's mindset towards capital allocation, where they are now highly selective in future acquisitions and investments and focused on achieving high incremental returns on invested capital. We remain optimistic given its low International operating profit margin (OPM) of only 1.7% (vs. the Philippines' 9.9% OPM) and believe that investors are underestimating the strength of the Jollibee brand in International markets. Jollibee stores in North America generate about US$13,000 per store per day in revenue, or about twice that of peers such as KFC and Popeyes. Jollibee was recently ranked as the #1 Fast Food Chain for Fried Chicken by USA Today. This award highlights the significant potential of the Jollibee brand in North America and the long runway for network growth through capital-light franchising. We increased our investment in Jollibee recently.

Tongcheng Travel, the leading Online Travel Agency (OTA) in China, was a detractor for the quarter. Tongcheng is a market share winner in the growing travel industry and is run by smart owner-operators. After a strong start in 2024, the stock gave back some of the gains despite reporting better-than-expected results for 1Q24 and reaffirming full-year guidance. Revenue in its core OTA segment grew +24% yoy, driven by continued market share gains and solid operational execution. There are a few reasons for the share price underperformance. One of these was due to the overall macro and consumption weakness, which resulted in a sector-wide pullback for Chinese travel-related stocks. In addition, 2Q24 core OTA growth is expected to slow down (to a still impressive 20% level) given the unprecedented pent-up demand that was unleashed in 2Q23. While Tongcheng is currently making sales & marketing investments to grow its outbound (international) business, which is leading to margin dilution, these are the right investments as they will ultimately lead to sustainable, profitable growth.

China MeiDong, a luxury auto dealer in China, was a detractor for the quarter. China MeiDong continues to suffer from weak consumer spending and geopolitical tensions. In June 2024, The European Commission imposed a tariff of up to 38% on Chinese EVs. This has caused concerns regarding potential retaliation from China – with China MeiDong potentially being negatively impacted as it imports Porsches from Europe. German luxury players have also adopted an aggressive volume strategy, causing discounting in the range of 30-50% below MSRP in 1H24. On the positive side, we believe the situation is improving incrementally as OEMs realize that such discounting methods have failed to generate significant volume growth. In 2Q24, Porsche continued to adjust their deliveries to China, with 13,211 units shipped to China, or -41.2% yoy. BMW China and Audi China started introducing new pricing policies in July 2024, with modest dealer price increases. We believe the situation might be at an inflection point and are cautiously optimistic.

Baidu, China's leading search and AI company, was a detractor for the quarter. Baidu Core Search revenue came in weak at +3% yoy in 1Q24, driven by a tough macro environment and management diverting traffic from traditional search to Gen AI. In addition, management continues to guide for further weakness in 2Q24 and 3Q24 in its Search. While AI has been causing some cannibalization in its Traditional Search, Baidu's AI Cloud business is starting to see some green shoots. In 1Q24, Baidu's AI Cloud revenue grew +12% yoy driven by Gen AI and foundation model. The mix of its Gen AI foundation model business now accounts for 6.9% of its total Cloud revenue, accelerating from 5% in FY23. Also, advertisers are seeing better conversion and more sales leads with the help of ERNIE, the company’s AI chatbot. We believe ERNIE should help drive incremental revenue for Baidu going forward.

See the following pages for important disclosures.

The Fund is actively managed. It uses the FTSE Asia Pacific Index (USD) (FactSet ID: 100658) as a 'comparator benchmark' to compare the performance of the Fund against, but which is not used to constrain portfolio composition or as a target for the performance of the Fund.

Risk/Reward Profile: As this Fund has such a broad selection of investment choices, there are many factors that could affect performance. These could include changes in the performance of different industrial sectors and individual securities. The performance of the Class I GBP Shares may also be affected by the exchange rate with US Dollars, the currency in which the Fund is denominated, as the Investment Manager will not purchase financial instruments to mitigate any such potential changes. Because the Fund generally invests in 20 to 25 companies, each holding could have a more significant impact on the Fund's performance than if a greater number of securities were held. Because the Fund invests in companies in the Asia Pacific Region, adverse events related to the Asia Pacific Region could have a more significant adverse impact on performance than in a more geographically diversified Fund. Investment in China and other emerging markets may expose the Fund to more social, political, regulatory, and currency risks than securities in developed markets. A party with whom the Fund contracts with regard to the Fund's assets may fail to meet its obligations or become bankrupt, which may expose the Fund to a financial loss. Derivatives may fluctuate in value rapidly and certain derivatives may introduce leverage which may result in losses that are greater than the original amount invested. Losses to the Fund may occur as a result of human error, system and/ or process failures, inadequate procedures or controls. The value of the shares may go down as well as up and investors may not get back the amount invested. For a more detailed explanation of these and other risks please refer to the Prospectus under the "Risk Factors and Special Considerations" section.

This is a marketing communication. Please refer to the link below for the Prospectus and other offering documentation before making any final investment decision. A Prospectus is available for the Fund and key investor information documents ("KIIDs") are available for each share class of the Fund. The Fund's Prospectus can be obtained from www.southeasternasset.comand is available in English. The KIIDs can be obtained from this website and are available in one of the official languages of each of the EU Member States into which each share class has been notified for marketing under the Directive 2009/65/EC (THE "UCITS Directive"). Full information on associated risks can be found in the Prospectus and KIIDs. In addition, a summary of investor rights is available on this website. The summary is available in English. The Fund is currently notified for marketing into a number of EU Member States under the UCITS Directive. KBA Consulting Management Limited ("KBA"), the management company, can terminate such notifications for any share class of the Fund at any time using the process contained in Article 93a of the UCITS Directive.

Any subscription may only be made on the terms of the Prospectus and subject to completion of a subscription agreement.

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.

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Southeastern Asset Management, Inc. ("Southeastern") has authorised the issue of this material for use solely by wholesale clients (as defined in the Corporations Act 2001 (Cth)) of Southeastern or of any of its related bodies corporate. By accepting this material, a wholesale client agrees not to reproduce or distribute any part of the material, nor make it available to any retail client, without Southeastern's prior written consent. Southeastern is exempt from the requirement to hold an Australian financial services licence (AFSL) under the Corporations Act 2001 (Cth) in respect of financial services, in reliance on ASIC Class Order 03/1100, a copy of which may be obtained at the web site of the Australian Securities and Investments Commission, http://www.asic.gov.au. The class order exempts bodies regulated by the US Securities and Exchange Commission (SEC) from the requirement to hold an AFSL where they provide financial services to wholesale clients in

Australia on certain conditions. Financial services provided by Southeastern are regulated by the SEC, which are different from the laws applying in Australia.

Important information for Danish investors:
Each Fund's prospectus has not been and will not be filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in Denmark and the shares have not been and are not intended to be listed on a Danish stock exchange or a Danish authorized market place. Furthermore, the shares have not been and will not be offered to the public in Denmark. Consequently, these materials may not be made available nor may the shares otherwise be marketed or offered for sale directly or indirectly in Denmark.

Important information for Guernsey investors:
Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Longleaf Partners UCITS Funds or for the correctness of any of the statements made or opinions expressed with regard to it. If you are in any doubt about the contents of this document you should consult your accountant, legal or professional adviser or financial adviser.

Southeastern Asset Management has taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. It should be remembered that the price of Fund shares and the income from them can go down as well as up.

Important information for Hong Kong investors:
No person may offer or sell in Hong Kong, by means of any document, any Shares other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.
WARNING
The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

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Important information for Swedish investors:
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Important information for Swiss investors:
The jurisdiction of origin for the Fund is Ireland. The jurisdiction of origin for the Fund is Ireland. The Representative for Units distributed in Switzerland is Waystone Fund Services (Switzerland) SA., Av. Villamont 17, 1005 Lausanne, Switzerland. The Prospectus, the Simplified Prospectuses in respect of the Fund, the trust deed, as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland. The current document is intended for informational purposes only and shall not be used as an offer to buy and/or sell shares. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be a reliable guide to future performance.

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