July 2024

Longleaf Partners International Fund Commentary

2Q24

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Mid-60s%
Cash	5.1%
# of Holdings	24

All data as of June 30, 2024

				Annualized Total Return			
	2Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
International Fund	-4.24	-0.75	2.39	-4.55	-0.36	1.08	5.97
FTSE Developed ex-North America	-0.75	4.68	11.22	1.98	6.37	4.34	5.67
FTSE Developed ex-North America Value	-0.88	3.99	11.47	2.80	5.57	--	--

***Inception date 10/26/1998. The FTSE Developed ex-North America Value Index began in September 2018. As such there is currently only a 5-year history for this index.**

Longleaf Partners International Fund declined -4.24% in the second quarter, the FTSE Developed ex-North America Index, fell -0.75%. The quarter started off with a robust Q1 reporting season, highlighting strong performance across most of our businesses and solid value growth. However, share prices peaked early and were subsequently overshadowed by broader macroeconomic concerns and election cycles, particularly in Mexico, the United Kingdom, and France, where we have relative overweight exposure, except in the United Kingdom, where we are in line with the index. We believe these

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 southeasternasset.com. The prospectus expense ratio before waivers is 1.27%. The International Fund's expense ratio is subject to a contractual fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 1.05% of average net assets per year. This agreement is in effect through at least April 30, 2025, and may not be terminated before that date without Board approval.

headwinds are temporary and may even prove beneficial for our companies. While the market dislikes the near-term uncertainty of election cycles, we own companies we believe are, at worst, immune due to the non-discretionary nature of their products and services, strong brands and/or diversified end market exposures with highly resilient market dynamics. We look forward to these companies demonstrating their structural strengths through the H1 reporting season, which we expect will refocus the market on stock-specific fundamentals where our investees excel. An exception to the negative election trend was India, where the market quickly rebounded after elections, as seen in the strong performance of HDFC Bank.

It's important to note that most of the businesses we own have significant exposure outside their domestic markets. For example, despite our significant overweight to France through Eurofins, Accor, and Vivendi, these organizations are large international entities with strong underlying value growth and crystallization drivers, in which we remain confident. The same is true for Mexico, where our holdings, Becle and Gruma, derive the majority of their value from international markets.

Our portfolio features competitively advantaged businesses, many led by owner-operators. We are eager for the market to refocus on fundamentals, which we believe remain strong for the businesses we own, once the election outcomes mentioned above are resolved.

After doing both videos and letters for over two years, we have decided to go back to letters only. There was not enough differentiation in content between the two formats. Plus, we express ourselves better in writing. Another factor in our decision is that in-person visits have become more accepted again as the COVID era has waned, further reducing the need for videos. We will continue with our P/V Podcasts and look forward to sharing more content in that format.

Contribution To Return As Of June 30, 2024

2Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Millicom	19	0.72	4.3
HDFC Bank	18	0.71	5.2
Prosus	13	0.60	5.0
Premier Foods	8	0.44	5.8
Melco International	3	0.29	3.5

2Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Becle	-23	-1.09	4.6
Eurofins	-20	-0.87	3.9
Delivery Hero	-17	-0.76	3.6
Accor	-9	-0.57	5.9
Jollibee	-14	-0.57	3.8

Millicom – Latin American wireless and cable company Millicom was the top contributor for the quarter. This quarter saw significant free cash flow (FCF) growth due to operational improvements driven by Iliad's growing influence at the company, as mentioned in previous letters. Organic revenues rose approximately 4%, while total costs decreased by about 3.5%, leading to a more than 20% increase in adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) and a rise in the stock price. However, the quarter ended with Iliad proposing to buy the entire company for $24 per share, around the current market price but well below our value. The bid seems aimed at managing regulatory thresholds for acquiring over 33% of a Luxembourg company, even if the initial tender offer is rejected. We continue to monitor developments actively, while remaining confident in the company's continued strong performance and intrinsic value.

HDFC Bank – HDFC Bank, the largest private sector bank in India, was a contributor this quarter. Results for the quarter ending March 2024 exceeded expectations, showing solid progress in deposit mobilization and reducing the loan-to-deposit ratio, a key market concern since the merger with HDFC Ltd. last year. Despite tight system liquidity, the bank reported impressive deposit growth, gained market share, improved its net interest margin and maintained excellent credit quality. We remain optimistic about the company's future. With best-in-class underwriting and a robust deposit franchise, the net interest margin is expected to improve as the bank replaces HDFC

Ltd.'s high-cost borrowings with low-cost deposits. Additionally, the cost-to-income ratio will decrease as recently opened branches mature. While the improvement will be gradual due to the bank's size and scale, the trajectory is certainly positive.

Prosus – Global consumer internet group Prosus contributed for the quarter. Nearly 80% of Prosus's net asset value (NAV) comes from its stake in Tencent, which saw improved trends in gaming and advertising. Profits grew much faster than revenue due to a shift towards higher-margin revenue streams. Tencent continued its significant share repurchases aiming to buy back HK$100 billion worth of shares this fiscal year. Additionally, Prosus achieved profitability in its consolidated e-commerce portfolio while maintaining strong top-line growth, marking an important milestone that demonstrates management's focus on profitable growth rather than growth at any cost. Most importantly, capital allocation has shifted towards shareholder returns, with Prosus buying back 22% of its float over the last two years, resulting in material NAV per share accretion.

Becle – Leading manufacturer of tequila and whiskeys Becle was the top detractor this quarter. The Mexican spirits company, known for the Jose Cuervo brand, faced macroeconomic and industry-specific challenges. Mexico's recent election strengthened the current ruling party, causing short-term fears about potential policy changes and leading to a depreciation of the peso. However, as an exporter generating over two-thirds of its revenue outside Mexico, this could benefit Becle long-term by providing a margin tailwind. Spirit sales were weaker than expected this year and Becle is not immune to short-term industry trends. However, tequila remains a strong growth segment, and the recent decline in agave prices, which had previously been a margin headwind, now offers another margin tailwind. While peers may see margins decline from all-time highs, Becle's margins are expected to improve. Additionally, the CFO change this quarter could be a long-term positive. The company is generating more FCF than it has in recent history, and we expect this trend to continue in the coming years.

Eurofins – The global leader in laboratory testing and services Eurofins detracted for the quarter. The company had a relatively quiet quarter until the final week of June when the share price fell over 20% following a short report by Muddy Waters. Eurofins has since issued a rebuttal. Our pre-investment analysis had already examined the key issues raised in the report, reaffirming Eurofins as one of our top investments. While frustrated by the timing, Eurofins must wait until it reports its first-half results in late July to respond with tangible actions. However, the company and its controlling shareholder/CEO have indicated they may consider significant share purchases if current prices persist. Despite the short-term setback, our long-term outlook on Eurofins remains positive. The short report may ultimately prove beneficial, as Eurofins is now looking to find a finite solution for one of the core issues raised, the historic related party transactions, all over a decade ago, that left the founder and controlling shareholder as a significant landlord for the group. They are also revisiting capital allocation priorities, which may result in larger near-term returns to shareholders.

Delivery Hero – German-listed food delivery business Delivery Hero was also a top detractor. Despite reporting inline results and upgrading its revenue guidance, the stock underperformed due to competition concerns in Korea, its largest market, and the potential entry of China's largest food delivery platform into the Middle Eastern market, starting with Saudi Arabia, a crucial and profitable market for Delivery Hero. However, there were several positive developments. The company struck a deal to sell its Taiwan business to Uber for $950 million, nearly three times the enterprise value (EV) to gross merchandise value (GMV) multiple at which Delivery Hero was trading. In other words, Delivery Hero is selling 3% of their GMV for 8% of the group's EV. This accretive transaction will help reduce financial leverage, although the market is not pricing it in until the deal closes next year after the competition review. Additionally, we are excited about board renewal activity. A credible activist shareholder took a meaningful stake and joined the board, and Prosus, another investment of ours that owns 30% of Delivery Hero, is also engaging more with the management team. We see significant opportunities for improved returns through revenue optimization, cost efficiencies, and portfolio rationalization, and we expect the renewed board to pursue these initiatives with urgency.

Portfolio Activity

We exited two positions, Kering and Alibaba, and initiated one new position in the quarter. Exiting Kering was driven by challenging near-term prospects, particularly amid a significant turnaround effort at Gucci and a tougher luxury goods market, which push the likelihood of a significant margin recovery further into the future. However, Kering remains on our watch list due to its high-quality business with strong brands and management team. We sold Alibaba due to a shift in management strategy prioritizing investments over profits and FCF, impacting our near-term value growth expectations. Under the new management team, Alibaba reversed the prior break-up strategy, cancelling the cloud spin-off and acquiring full ownership of Cainiao instead of listing it. The company is now focused on gaining market share which will require significant upfront investments in core e-commerce and cloud businesses. Despite this, we will continue to follow Alibaba given the strong cash generation and current undervaluation.

Our new investment is in Japan, a market we've followed for decades. Recent economic conditions, including inflation and yen depreciation benefiting exporters while challenging domestic consumers, have created opportunities. During a recent trip to Japan, we met with several on-deck companies and initiated a position in a company with a solid balance sheet and strong growth prospects despite current weaknesses in the Japanese consumer market. We look forward to providing further updates next quarter.

Outlook

Looking ahead, we are optimistic about the future. The valuation gap between the broader market and our portfolio is at a uniquely high level, reinforcing our confidence. We are pleased with the progress made across the businesses we own. The Fund ended the quarter with a price-to-value ratio in the mid-60s%, offering meaningful upside potential. Our on-deck list remains strong, and we are confident that the quality of our franchises will become evident in the upcoming quarters. Thank you for your continued support and investment.

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 https://southeasternasset.com/account-resources. 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-US 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.

The FTSE Developed ex-North America Index comprises Large and Mid-cap stocks providing coverage of Developed markets, excluding the US and Canada. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization. The FTSE Developed ex-North America Value Index measures the performance of the investable securities in the developed large and mid-cap value segment of the market, excluding the US and Canada, and includes companies that are considered more value oriented relative to the overall market. Net returns for the FTSE Developed ex-North America Index are not available for calendar years 1998 – 2003; therefore the since inception Index return is a gross return. All other periods presented for this index are net returns. Indexes are unmanaged, do not reflect the deduction of fees or expenses and 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.

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.

EBITDA is a company's earnings before interest, taxes, depreciation and amortization.

Net Asset Value (NAV) is a statement of the value of a company's assets minus the value of its liabilities.

Enterprise value (EV) is a company's market capitalization plus debt, minority interest and preferred shares, and less total cash and cash equivalents.

Gross Merchandise Value (GMV) is the total amount of sales a company makes over a specified period of time.

As of June 30, 2024, the top ten holdings for the Longleaf Partners International Fund: Richemont, 6.1%; Glanbia, 6.0%; Accor, 5.9%; Premier Foods, 5.8%; HDFC Bank, 5.2%; EXOR, 5.0%; GRUMA, 5.0%; Prosus, 5.0%; Becle, 4.6% and Millicom, 4.3%. 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.

Funds distributed by ALPS Distributors, Inc.
LLP001529
Expires 10/31/2024