July 2024

Longleaf Partners Small-Cap Fund Commentary

2Q24

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Low-60s%
Cash	12.3%
# of Holdings	19

All data as of June 30, 2024

	2Q (%)	YTD (%)	1 Year (%)	Annualized Total Return 3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Small-Cap Fund	-4.24	2.32	13.73	-1.04	4.70	5.03	9.68
Russell 3000	3.22	13.56	23.13	8.05	14.14	12.15	10.77
Russell 2000	-3.28	1.73	10.06	-2.58	6.94	7.00	9.08

***Inception date 2/21/1989.**

Longleaf Partners Small-Cap Fund returned -4.24% in the second quarter, underperforming both the Russell 3000 and Russell 2000 in another tough quarter for small-cap stocks. The Fund is still up in absolute terms and ahead of the Russell 2000 for the year. The Fund's objective has remained the same since its inception: to deliver long-term, double-digit absolute returns. This quarter, a new SEC rule regarding "the selection of broad-based indexes for funds" requires us to list the Russell 3000 in addition to our longtime benchmark, the Russell 2000. This is not us moving the goalposts in any way. We will continue to show the Russell 2000 because we believe it

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 1.07%. Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 0.95% 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.

is more representative of our small-cap universe than the larger-cap-weighted Russell 3000.

While most of our companies saw operational progress in the quarter, this did not translate into stock price gains. Over 100% of the Russell 3000's performance was driven by the Information Technology sector and many of its larger-cap components. Conversely, the Russell 2000 saw a decline for the quarter, with only two sectors positively contributing to returns. This compared to the Russell 2000 Value, a more style-appropriate index, that was down -3.64% in the quarter, with no sectors contributing positively.

We have written before about the Small-Cap Fund's long history of benefitting from corporate actions such as asset sales, spin-offs and whole company sales and mergers. After a deferral of these events during the last few years, we are now to a point where over 50% of the portfolio's NAV is in at least 10 investments with heightened odds of value-realizing corporate events occurring over the next 6-12 months. We will not bat 1.000 on these opportunities, but this uniquely high percentage boosts our confidence in near term future returns. With US Treasury interest rates stabilizing at historical norms, we believe the environment is becoming increasingly favorable for true bottom-up stock pickers like us. In the long run, stock picking will be what matters most and is where we can deliver the most value for our clients.

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 (%)
Oscar Health	6	0.69	4.8
Eastman Kodak	5	0.49	10.5
CNX Resources	2	0.17	6.0
Undisclosed	4	0.11	3.3
White Mountains	2	0.09	4.5

2Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Anywhere Real Estate	-46	-1.91	2.4
Mattel	-18	-1.06	5.2
PotlatchDeltic	-15	-0.74	4.3
Park Hotels & Resorts	-13	-0.64	4.6
Graham Holdings	-9	-0.53	5.9

Oscar Health – Health insurance and software platform Oscar was the top contributor for the quarter. The stock experienced strong performance early in the quarter but gave back some gains later. In May, the company reported strong 1Q results with revenues up over 40% with a substantial portion of this growth dropping to the bottom line, leading to improved free cash flow (FCF). Oscar continues to gain share in the Affordable Care Act (ACA) market due to its superior customer experience and technology. In early June, the company held an investor day outlining growth plans within and outside of (e.g. small employer plans) the ACA market in a variety of environments, projecting over $2/share of pre-tax earnings power by the end of its current three-year plan. However, at the end of the quarter, the Presidential debate negatively impacted the stock price. The market's perception is that a Republican victory in November could pressure the ACA market. Despite this, the ACA's strong growth in many red and purple states makes aggressive cutbacks unlikely due to potential swing-state backlash. However, we are not banking on an aggressive scenario where the status quo remains in place and acknowledge there could be short-term drama. Despite strong stock price performance this year, value per share growth has been even stronger, so Oscar remains under a sixty-cent dollar on our conservative appraisal.

Eastman Kodak – Licensing, imaging and technology company Kodak contributed for the quarter. It is important to note that we hold a convertible preferred security which acts more like a bond than common stock. Our security performed well, driven by Kodak's significantly overfunded pension. This asset, long evident on the company's balance sheet, gained attention recently due to Kodak's hiring of investment consultant NEPC. NEPC is working to monetize this asset in a way that takes care of plan participants first but likely leaves ample cash and borrowing power to repay our security before its maturity in early 2026. The realization of this dynamic has begun to benefit the price of the stock and our security, with further positive impact expected.

Anywhere Real Estate – Real estate brokerage franchisor Anywhere was the top detractor for the quarter. Anywhere has faced the most challenging news flow in the first half of the year among our holdings. First was the National Association of Realtors (NAR) settlement affecting buy-side commissions that we wrote about last quarter. Despite this already being in the numbers, the entire industry, including Anywhere, was hit hard in the second quarter as existing home sales remained weak. To compound the issue in the short-term, Anywhere was removed from the S&P Small-Cap Index at the end of the quarter. Given the high percentage of index fund ownership, this was particularly damaging to the stock price but, of course, not to the value. Despite these challenges, we remain invested for two main reasons. First, Anywhere can produce FCF over the next twelve months even in today's tough industry environment, and this FCF could be substantial in a more normalized environment. Second, the company is buying back its debt at discounts, strengthening the balance sheet and adding value beyond simply paying it back at par. We continue to have confidence in the management team to work on what is within their control.

Mattel – Global toy and media company Mattel detracted for the quarter. The company reported what we viewed as solid quarterly results and an affirmation of 2024 guidance. We were particularly encouraged by their decision to increase their share repurchase program, which positions them well for FCF per share growth. As the quarter went on, however, the market focused on weaker consumer purchase trends impacting Mattel and its peers. The market also seems to have moved past the success of last year's Barbie movie, but we believe there is significant upside from media and entertainment revenue streams that are not yet reflected in today's earnings expectations.

PotlatchDeltic – Timberland and mill company PotlatchDeltic was a detractor after we initiated a position in the first quarter. We have owned this company in various forms over the years, including Potlatch in the late 2000s/early 2010s, Deltic twice before and post-merger PotlatchDeltic in the late 2010s/early 2020s. We have the opportunity to invest again because the stock market is overly focused on the challenging near-term housing market. This most impacts the lumber mill segment, which is less than 20% of our appraisal. The company's mills are currently operating at break-even, which is commendable in such a tough environment, demonstrating cost efficiency relative to peers. Long-term value will be driven by the vast majority of the value that comes from high-quality timberlands in the southern US and Idaho. While log prices are depressed currently, timberland has a long history of growing value and alternative use development that is not currently recognized in the stock price. For example, the growing solar market is driving developers to pay $10,000 to $15,000 per acre for land we previously valued at $1,500 to $2,000 per acre. Additionally, PotlatchDeltic has a strong management team that we know well, with a proven history and the ability to buy back stock at a significant discount to the private market net asset value. Meanwhile, we benefit from a solid, tax-efficient dividend.

Portfolio Activity

We had a productive quarter and initiated three new investments. We are currently building these positions and hope to discuss them more as the year progresses. In the first part of July before the recent small cap rally, our cash level went under 10% due to these purchases and others. During the quarter, we exited real estate company Douglas Emmett. Despite our efforts, we never established a full position in this stock. Over the past year, we strategically trimmed this position and recently decided to fully exit at a gain. We also trimmed several positions in the quarter on stock price strength.

Outlook

Despite a challenging environment for small-cap stocks, we are successfully finding new opportunities to enhance the portfolio. Our holdings consist of competitively entrenched businesses with robust balance sheets and proactive management teams focused on growing and recognizing value per share. The Fund ended the quarter with a price-to-value ratio in the low-60s%. As we identified more bottom-up opportunities throughout the quarter, we improved the portfolio's overall quality and reduced the cash balance. We have a strong on-deck list of prospective investments that can further reduce this cash balance to a more normal single-digit percentage level. We are confident that our portfolio is well-positioned for future absolute returns and relative outperformance across various market conditions. 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://connect.rightprospectus.com/Longleaf/TADF/543069207/SP. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf Small-Cap 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. Smaller company stocks may be more volatile with less financial resources than those of larger companies.

The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index. The Russell 3000 represents approximately 97% of the American public equity market and the Russell 2000 represents 10% of the Russell 3000. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

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.

Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows from an investment equal zero.

"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.

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.

As of June 30, 2024, the top ten holdings for the Longleaf Partners Small-Cap Fund: Eastman Kodak, 10.5%; Westrock Coffee, 6.4%; CNX Resources, 6.0%; Graham Holdings, 5.9%; GRUMA, 5.9%; Mattel, 5.2%; Atlanta Braves, 4.9%; Oscar Health, 4.8%; Park Hotels & Resorts, 4.6% and White Mountains, 4.5%. 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.

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