July 2025

Longleaf Partners International Fund 2Q25 Commentary

Longleaf Partners Funds

All data as of June 30, 2025

Fund Characteristics

P/V Ratio	High-60s%
Cash	9.8%
# of Holdings	27

				Annualized Total Return			
	2Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
International Fund	14.89	15.73	14.28	11.43	6.03	3.98	6.27
FTSE Developed ex North America	12.63	19.86	17.31	15.46	10.85	6.47	6.14

Inception date 10/26/1998.

Longleaf Partners International Fund returned +14.89% in the second quarter, outperforming the benchmark index which returned +12.63%. Despite our underweight positions in the Industrials and Financials sectors which benefited from policy tailwind especially in Europe, we delivered strong absolute and relative returns as some of our coiled spring investments partially uncoiled during the quarter, reversing the performance disconnect that occurred in Q1. Importantly, this performance reversal was primarily driven by underlying fundamental performance of our investee companies rather than any in-fashion theme or macro policy drivers.

The quarter began with a sharp sell-off globally, driven by the US Administration's decision to impose record high tariffs on its trading partners. US equity markets, US fixed income markets and the US dollar dropped simultaneously as concerns regarding ballooning fiscal deficits and trade policy uncertainty came to the fore. The US dollar fell

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 1.21%. 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, 2026, and may not be terminated before that date without Board approval.

against all major currencies, suffering its worst quarter in decades. While tariffs were placed on a temporary 90-day pause (and extended until August 1st), the uncertainty remained and was compounded by geopolitical tensions in multiple regions from India/Pakistan to Israel/Iran along with the ongoing Russia/Ukraine war. Mr. Market looked through these concerns, betting that rationality will prevail, wars will subside, and the policy environment will be adjusted to ease equity market pain.

We commented on European performance at length in our Q1 letter, particularly the fact that index performance was largely macro-driven (Russia/Ukraine war and Trump tariff impacts) with a handful of key industries (Defense, Industrials, Financials) and large-cap companies benefitting. It is interesting to note that these outperformers drove the EuroStoxx600 to its largest ever quarterly outperformance over the S&P500 since its inception in 1987. As bottom-up, concentrated, fundamental investors, our portfolio naturally performs best when individual business performance and fundamentals return to the fore. We saw this to a degree in Q2 as investors re-focussed on the qualities of individual businesses and their robustness in a continuing volatile world. Our portfolio of competitively advantaged businesses continues to deliver strong operational results and value growth, which over the long-term should be reflected in share prices regardless of macro-gyrations. Volatility remained high during the quarter, giving us an opportunity to initiate three new investments (two in Asia and one in Europe) and exit our investments in Naver (discussed below) as well as Louis Hachette, the recent spin-off from Vivendi.

Notable Contributors and Detractors

Glanbia – Irish sports nutrition company Glanbia was a top contributor in the quarter, having been a top detractor in Q1. As we explained in our last letter, the volatility and uncertainty in Q1 made it a bad time to disappoint the market, and we were confident the market reaction to higher-for-longer input costs at Glanbia was a gross overreaction. In Q2 a touch more rationality started to prevail as Glanbia revealed Q1 results which were better than feared. While whey input costs remained high, they moved down from their peak levels, lending credibility to the expectation that prices will fall further as new whey production capacity comes online towards the end of the year. The second market concern, the impact of an own-brand Costco competitor, had a continued but stable impact on the topline trend quarter-on-quarter, again supporting the argument that the impact will be a one-off annualized effect rather than a constant headwind.

We firmly believe that from a fundamental perspective H1 will be the trough for both earnings and market perception for Glanbia. Margins in the Performance Nutrition division will start to improve as the whey price falls, benefitting from strong demand for protein products. The headwind on sales from the underperforming SlimFast and Body&Fit brands will also eventually abate as those businesses are going through a disposal/closure process. We are also expecting further progress on strategic rationalization in H2. Beginning July 1st, the Dairy Nutrition business began operating as a standalone unit, a precondition to launching a sale process for this division for which Glanbia is no longer the best owner. Our valuation of this division accounts for almost 50% of Glanbia's current market cap, for a business the market largely ignores. That will force the market to reassess the implicit undervaluation of the core Performance Nutrition and Nutritional Health divisions. In the meantime, Glanbia has plenty of balance sheet capacity for further buybacks to create value from an undervalued share price.

Eurofins - French laboratory testing business Eurofins was a top contributor in the quarter, benefitting from both a more rational market evaluation of the business, and from self-help measures being undertaken. After a volatile 2024 which included a spurious short-report attack, Eurofins is getting on with the job of delivering on their potential for strong organic growth and margin accretion, supported by bolt-on M&A and ongoing share buybacks. Q1 should prove to have been the toughest quarter of 2025 with challenging organic comps and still being in the window between one large biopharma trial ending and the next beginning (from Q3). Yet Eurofins still delivered 3.9% topline organic growth in Q1, with Food/Feed testing and Environment particularly strong, benefitting from sustainable structural growth drivers (regulatory standards and consumer protection).

On the self-help front, Eurofins accelerated their pace of buybacks, purchasing 2.6% of the share capital in Q1 alone, when the shares were heavily undervalued – a sure sign of a smart capital allocator. At their annual meeting they announced a new buyback program, targeting an additional 4.5% on top of the 4% executed already this year. Simultaneously, the Board sought approval to repurchase the property currently owned by founder/CEO Gilles Martin's family investment company. These related party transactions have been a weak spot, allowing short attacks to cast aspersions on the integrity of historic business decisions. The reality is that these property purchases took place over a decade ago when Eurofins was investing heavily in building out the lab network and didn't have the balance sheet capacity to grow as fast as its ambitions demanded. Regardless of the justification, it is a positive that the Board is now moving to clean up this perception by purchasing the property at market value, hopefully removing an overhang on the stock.

Canal+ – French pay-TV operator Canal+ was a top performer in the quarter. Canal+ is one of the Vivendi spin-off entities we mentioned in our Q4'24 letter, and our only remaining position of those spun entities. It had a difficult start as a standalone listing. The problems were multifaceted, stemming from the timing of the spin (December 16th), the listing location (London, for a French company) and the governance structure (with the Bollore Group owning over 30% of the shares). Those factors notwithstanding, the value the market ascribed to Canal+ became, and in our view remains, farcical. It is true that the timing of the launch caused additional problems for Canal+, as they were going through a major tender offer process for the largest African pay-TV operator MultiChoice Group. Because the offer was awaiting South African competition commission clearance there has been an informational vacuum in which company executives have been heavily limited in what they can say about the financials of the business, including the synergy potential and longer-term financial objectives. Instead, the market has had to focus on the historic financial data available for the group, which we believe is very misleading in terms of the business potential. Canal+ is a turnaround story in its legacy geography of France. This business was loss-making but has since undergone a dramatic restructuring of both content and service. It now boasts a growing subscriber base, having successfully integrated the streamers onto its platform to become a super-aggregator. Canal+ France has reached breakeven, and with a significant ongoing cost-saving plan, including the rationalization of its sport-rights payments, it is on a path to solid profitability. However, the consolidated financials hide this potential, implicitly leading the market to capitalize on the historic losses in France and therefore ascribing a negative enterprise value to the French pay-TV business as a whole.

It is a similar story for the growth-engine, Africa. There is significant volatility in this division given the nature of the economies involved and particularly the foreign exchange impact. But the opportunity here is significant. Canal+ dominates the French-speaking geographies in Africa, with the English-speaking geographies covered by MultiChoice. The combination of the two will release significant synergies in both operating costs and content as, uniquely, Canal+ will be able to negotiate content on a continent-wide basis. Yet until the deal is approved and closed the management team cannot discuss the synergies, or growth and margin potential for the combined business. Having received a positive judgement in the first stage of the competition commission process, the shares have responded positively, and final confirmation should follow shortly. After that we expect the company to host an investor day to present the 'new' Canal+ in greater detail. That needs to include a more detailed divisional breakdown that allows investors to more accurately value the sum of the parts. For instance, the company has an African fiber business, GVA, which is loss-making, but a key component to driving pay-TV adoption in Africa. We believe GVA will soon achieve break-even and has significant potential that is hidden within the current reporting structure.

Canal+ is one of the most discounted stocks in the portfolio today, currently trading at half of what we believe it to be worth. Yet it has one of the most unique sets of assets, dominant market positions, a very strong operational management team with significant equity ownership and a significant shareholder with a proven track record of value creation in the Bollore Group. Once the MultiChoice deal completes (likely in Q3) we believe the investment case will be transformed, allowing a far better understanding of these unique qualities, and also opening the door to more accretive capital uses, including buybacks.

Melco Resorts - Macau casino operator Melco Resorts was a top contributor for the quarter. Melco reported a strong set of Q1 results beating street expectations while founder CEO Lawrence Ho struck an upbeat tone on April and May holiday performance. Having changed senior management and the marketing strategy last year, we saw early signs of market share gains this quarter. Melco was the biggest market share gainer in the quarter – its Macau Gross Gaming Revenue (GGR) market share increased from 14.7% in 4Q to 15.7% in 1Q (helped by VIP luck factor but even mass share increased by over 40 basis points year-over-year (YoY)). The company re-launched its popular show House of Dancing Water in May, which is bringing additional foot traffic to its flagship resort, enabling it to maintain its market share momentum. This gain is even more impressive in light of the new supply in the market (The Londoner Macao by Sands China and Capella at Galaxy Macau) and reduced operating cost (marketing investment) by Melco.

The company also bought back US $165 million worth of shares YTD (over 7% of market cap) despite high financial leverage. The CEO made the following comments on the earnings call on undervaluation: "But as we've stated, our main focus in the last couple of years has been on taking down debt and bringing down debt. But at these ridiculous share price levels, it's just kind of a once in a lifetime opportunity. We don't think we'll have this chance ever again to get to buy shares at these prices. So I think for us we're always thinking about how to maximize shareholder value. So I think at the current five, and then it was even in the fours [stock price level] earlier for Melco. But I think we're hoping that now that the market has turned a corner and hopefully people have more confidence in gaming stocks, in general."

Entain - UK sports betting and online casino company Entain was a contributor during the quarter. Entain had a challenging 2024 being without a permanent CEO whilst trying to turnaround online market share losses in its key UK, US (through the BetMGM JV) and Brazilian markets, combined with regulatory concerns in New Zealand and the fallout from a Serious Fraud Office (SFO) fine in Turkey. This turnaround took longer than we had hoped but is now coming to fruition, reflected in the strong share price performance in Q2. The regulatory scrutiny Entain faced over the last couple of years put them at a disadvantage vs. peers in the UK, and this was only corrected towards the end of 2024. Well-respected Chair Stella David was appointed as the permanent CEO, bringing stability and market credibility. The fruits of the turnaround efforts (including better content and tech investments) also finally started to be realized with improving trends in the UK and Brazil hinting at market share recapture, which we expect to be solidified through the rest of the year. Importantly BetMGM has also delivered, with market share stabilization and, crucially, an improved profitability outlook for the year lending credibility to mid-term targets for $500 million EBITDA. The market had worried that the US segment would require significant additional investment to gain share in the US, at the expense of profits. BetMGM is in the early stages of proving they have the brand and the product that allows them to compete with market leaders FanDuel and DraftKings while also generating returns for investors.

The Fund had no material detractors in the quarter.

Portfolio Activity

As referenced above, we initiated three new positions in the quarter - Koninklijke Philips, Medley and Treasury Wine. We exited two positions, Naver and Louis Hachette.

Naver - The dominant search and e-commerce marketplace operator in Korea was a contributor for the quarter. The company reported better than expected Q1 results with both search and e-commerce revenue growing at ~12% YoY and EBITDA growing at 21% YoY. Naver has been focusing on bolstering its e-commerce value proposition with a separate Plus Store app, improved logistics (next day delivery), better fresh grocery offering (Market Kurly alliance) and membership benefits (Netflix bundle). As a result, Naver is gaining market share with its on-platform GMV growing at 10% YoY, much faster than the industry. Using AI technology, Naver is improving its content development, feed personalization and ad targeting, helping accelerate the advertising revenue growth. Despite strong operating performance so far, there are legitimate long-term concerns around the terminal value of its search platform in light of increasing competition from generative AI applications. After Korean Presidential elections in early June, the share price increased strongly in the hopes of potential benefits from a sovereign AI initiative. Furthermore, Naver Cloud's AI Innovation Center head was appointed to lead Korea's sovereign AI project, further boosting market confidence. As price reached our value, we took the opportunity to exit Naver and recycle capital into more attractive opportunities.

Koninklijke Philips - We initiated a position in Dutch medical equipment manufacturer Philips during the quarter. Philips is one of the world's leading manufacturers of large medical equipment, such as MRI/CT scanners, Ultrasound and Image-Guided Therapy (IGT), as well as the devices and software to accompany them. The servicing of the installed base is also a significant aspect of the business model. Along with GE Healthcare and Siemens Healthineers, these three companies account for the majority of market share amongst the international manufacturers, competing with a number of smaller specialists and local players, particularly in China. Philips reached the point where it traded at a significant discount to its international peers, despite having no clear disadvantage in terms of their equipment quality or exposures. The discount, as is often the case, relied on a backwards looking analysis of this business. Philips has indeed endured a challenging post-Covid history. They suffered far more severe supply chain disruptions than peers, leaving them with a shortage of product and lost market share. This came on the back of the issues with their CPAP machines in the US, which resulted in a class action lawsuit (now settled) and a consent decree with the DOJ and FDA investigation. The final share price capitulation came from weak China sales through H2'24 from weak Chinese consumers (Philips is a leading manufacturer of electric toothbrushes and razors) and a Chinese anti-corruption drive within hospitals which delayed new orders whilst the audits were ongoing.

New CEO Roy Jakobs has taken decisive action, simplifying the product platforms, focusing on their key strengths in cardio and IGT, restructuring the R&D function towards a more commercial output and building a more robust supply chain. From the second half of 2025, China should return to growth, removing a key drag on reported organic growth (the US and Europe have continued to perform well). The China drag has hidden the underlying progress being made on both growth and margins across the group. We believe Philips is past the trough in terms of underlying performance, but this is not yet evident in the reported numbers, giving us the opportunity to invest ahead of the operational improvement.

Treasury Wine - We initiated an investment in Australia-listed Treasury Wine Estates (TWE) during the quarter. TWE is a global wine leader with best-in-class portfolio of luxury and premium wine brands including Penfolds, Daou Vineyards, Frank Family Vineyards, Stags' Leap, Beaulieu Vineyard, Beringer, Wynns and Matua generating sales in over 70 countries. Penfolds is TWE's crown jewel generating 36% of group sales and 58% of group EBIT. Penfolds is the leading luxury wine brand in China with 29% market share. Daou is the top selling and fastest growing Cabernet priced above $20 in the US (the biggest luxury wine market globally).

While overall wine (and broader alcohol) consumption has been weak in recent years, luxury wine category continues to grow as consumers are "drinking less but better." In line with this consumption trend, TWE has been premiumizing its portfolio with premium and luxury driving ~90% of sales vs. 47% in 2015.

China had implemented an over 180% tariff on Australian wines in late 2020 which effectively decimated TWE's (Penfolds) business in China. With China market closed, TWE reallocated Penfolds wines to other regions in Asia but these sales came at lower margins as TWE had to invest in brand marketing to develop these new markets. China tariffs were removed in mid-2024 and TWE has since been re-establishing its presence there. We expect Penfolds can continue to deliver solid growth in China as it is starting from zero due to tariff disruption and the market remains supply constrained in the higher priced Bin and Icon categories.

We were able to invest in TWE below its net liquidation value. Key reasons for undervaluation include weak consumption trends in key markets (US and China), distribution channel disruption fears in the US, surprise change in key management and technical selling due to removal from MSCI World Index. The company announced its intention to launch a 5% share buyback as the current stock price is well below their own estimate of intrinsic value. We initiated a half position in TWE as we await our new CEO Sam Fischer who will start later this year.

Medley - Japan's leading online HR platform for medical staff with around 8-10% market share. Medley benefits from strong network effects where more job hunters using the platform inherently attracts more employers to post job listings on its platform, which attracts more job hunters to its platform. As a result of its technology-focused online solution, Medley is able to charge a much lower take-rate of 2-13% compared to traditional head-hunters (offline, labor-intensive) at 20-35% of employee's annual salary. This strong value proposition for employers has resulted in them garnering a large customer base of 419,000 medical institutions (or ~36% penetration rate) and over 2.5 million healthcare workers. Medley is an asset light, high growth business with its Return on Invested Capital (ROIC) per new user improving as less marketing expenditure is required thanks to its strong network effect.

For over a decade, nominal wage growth in Japan has been relatively flat, with the Japanese healthcare sector being no exception. However, this situation started to change over the past year, with inflation picking up and the Japanese government establishing a 4.5% wage increase target over two years (2024-25). This wage inflation negatively impacted healthcare workers' motivation to switch jobs, pressuring Medley's placement volumes and giving us an opportunity to invest in this high-quality franchise at an attractive valuation. We believe this situation is temporary and its peers in other job verticals are already seeing job seekers' motivation recover in recent months. More importantly, we expect incremental wage inflation for healthcare workers to be limited in the medium term because more than 60% of Japanese hospitals (the employers) are already operating at a loss. Further wage increases will pressure their profitability even more.

At Medley, we are partnering with Founder CEO Kohei Takiguchi who owns around 20% of the company and is a smart capital allocator. The management is focused on "Maximizing Long-term Free Cash Flow" and is consolidating the market at accretive multiples.

Outlook

We are optimistic about the future. The companies in our portfolio are making solid operational strides and are well-positioned for growth, despite new challenges and uncertainties caused by geopolitical tensions. While the market continues to reach new all-time highs and does not strike us as particularly attractive, with the Fund's price-to-value ratio in the high-60s%, we believe there is substantial opportunity in the portfolio today. We thank you for your continued partnership.

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. 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.

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.

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.

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

Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. A company's stock is generally classified as large-cap, mid-cap, small-cap, or micro-cap based on size.

The STOXX Europe 600, also called STOXX 600, SXXP, is a stock index of European stocks designed by STOXX Ltd. This index has a fixed number of 600 components representing large, mid and small capitalization companies among 17 European countries, covering approximately 90% of the free-float market capitalization of the European stock market (not limited to the Eurozone).

As of June 30, 2025, the top ten holdings for the Longleaf Partners International Fund: Glanbia, 5.7%; Canal+, 5.0%; HDFC Bank, 4.7%; Accor, 4.5%; Prosus, 4.5%; Eurofins, 4.5%; EXOR, 4.1%; Melco Resorts, 4.0%; Jollibee, 4.0% and Premier Foods, 3.8%. 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.