July 2025

Longleaf Partners Small-Cap Fund 2Q25 Commentary

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	High-60s%
Cash	11.0%
# of Holdings	20

All data as of June 30, 2025

				Annualized Total Return			
	2Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Small-Cap Fund	2.70	4.24	11.75	9.28	12.11	5.41	9.74
Russell 3000	10.99	5.75	15.30	19.08	15.96	12.96	10.90
Russell 2000	8.50	-1.78	7.68	10.00	10.04	7.12	9.04

Inception date 2/21/1989. Effective May 1, 2024, the Fund changed its broad-based securities market index to the Russell 3000 Index due to regulatory requirements. The Fund retained the Russell 2000 Index as a performance benchmark because it is more closely aligned with the Fund's investment strategies and restrictions.

We continue to get questions about the addition of the Russell 3000 index in the table above. We reiterate what we wrote last year: this addition was entirely the result of an SEC mandate requiring a "broad index" to be listed. We remain absolute return focused investors and have not changed our approach as a result of this requirement. A permanent footnote will be added to our letters going forward for clarification.

Back to our investments, while it might have been implied in our brief note last time, it is not too surprising that we were not able to match the strong relative performance

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 1.04%. The Small-Cap 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 0.95% 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.

from the first quarter. The last time we wrote to you, we were analyzing numerous opportunities in the wake of “Liberation Day.” If there had been a week or so of continued market declines after that letter, the portfolio would have been much closer to fully invested. You are now reading a slightly different version of the letter we were mentally drafting mid-February when markets were also hitting their highs. We reinforced our confidence when we delivered relatively strong results during the more turbulent markets of mid-February through April.

Short-term stock returns are largely driven by the perception of near-term earnings per share. In our opinion, the overall market is not evenly distributing the widespread earnings uncertainty on a proper stock by stock basis. In our most recent Research Perspectives note, we wrote about the intersection of indexing and “never let you down” stocks driving this phenomenon. As the quarter went on, we also saw a concerning amount of speculation in lower quality stocks. An early July headline in the Wall Street Journal said it well: “Meme Stocks and YOLO Bets Are Back and Fueling the Market’s Rally.” We continue to avoid popular favorites and tilt to where we believe near term emotions have led to mispricings in our favor. In a dislocated market like we have today, we can have an attractive price-to-value ratio (P/V) in the 60s% range and a price-to-free cash flow (P/FCF) multiple for the portfolio of 10-12x when the market trades at well above 20x.

The securities we own all have stock-specific reasons they are undervalued, and some are also driven by a few themes worth calling out before we discuss individual holdings. First, tariffs remain a factor. While we have not had much tariff net impact so far this year, stocks like PotlatchDeltic, Mattel and potentially a few others in the portfolio could still be impacted by news on this front. We have been encouraged to see our holdings on offense with tangible actions such as share repurchases. Second, we have an overweight to the alcohol industry in the portfolio with Boston Beer and Becle. There is a debate in the market about how much current weak industry trends are driven by cyclical vs. structural factors. We have come down more on the side of cyclical, but most importantly we have aligned owners with histories of value creation at both companies. Third, the Fund remains overweight Real Estate. This overweight is diversified by both type and location, and we have made changes in the portfolio this year to improve our position further. We have a strong track record in this industry, and our partners are on offense at all holdings with share repurchase and other value-creating moves like asset sales at prices above our appraisals.

Ultimately, the performance of our individual holdings will be the primary driver of portfolio returns. Below are some of the more notable contributors and detractors from the past quarter.

Notable Contributors & Detractors

Oscar Health – Health insurance and software company Oscar was a top contributor for the quarter. The company delivered a solid quarter operationally, effectively managing what was within its control despite market sentiment experiencing wild swings, largely driven by the latest draft of the Trump bill. We remain confident in the long-term potential for this company considering its differentiated offering for its members, and our aligned management partners who are on offense with a great balance sheet. That said, we trimmed our position this quarter when sentiment was most favorable.

Becle – Leading manufacturer of tequila and whiskeys Becle contributed in the quarter. The company was undisclosed last quarter, when we took advantage of the share price dislocation to purchase during peak US/Mexico trade uncertainty. The company has strong brands that we know well having owned the company in our non-US strategy, even though most of the value comes from the US despite the company's Mexican listing. Becle's current undervaluation is further complicated by the broader market's cautious outlook on the alcohol industry as noted above. The company has aligned owners in the Beckmann family, and owning roughly 30% of the growing, global tequila market with 200+ year old brands positions them well for the long-term.

Atlanta Braves Holdings – This company, which owns the Atlanta Braves baseball team and real estate around the stadium, was another contributor in the quarter. This quarter was highlighted by the strategic acquisition of the Pennant Park office complex, significantly expanding the company's real estate footprint adjacent to "The Battery" development around their stadium. A well-received analyst day further highlighted the sum-of-the-parts valuation, while professional sports team valuations continue to increase. The team itself is currently struggling on the field this season, but we still like their long-term potential.

Westrock Coffee – Coffee producer Westrock was a detractor for the quarter. We continue to like the outlook for overall coffee demand going forward. Unfortunately, the company has faced challenges both internal and external over the last year. The good news is that it is nearing the final ramp up of its new facility in Conway, AR. This will lead to a more diversified business mix and additional cash flow to drive equity value. We were encouraged to see insider buying in the quarter.

Boston Beer Company – US beverage company Boston Beer detracted in the quarter. The stock price has continued to be under pressure due to macro concerns around declining alcohol consumption trends noted above. The company did report a solid operational quarter and is focused on what is within its control by growing margins. The company still has a strong net cash balance sheet to protect the downside, and it is continuing to execute substantial share repurchase at accretive prices. It feels way in the past at this stock price, but it was just a year ago that Boston Beer was the subject of takeover rumors.

PotlatchDeltic – Timberland and mill company PotlatchDeltic was a detractor for the quarter. Despite sentiment shifting from the company being a tariff winner in Q1 to now being the victim of a sluggish housing market, the underlying business continues to see growth. Consequently, our position evolved, and we became net buyers during the quarter after trimming in the first quarter. The company continues to stand out as an undervalued, reliable dividend payer with a disciplined management team, despite some considering it a boring company.

Portfolio Activity

We purchased two new positions in the portfolio during the quarter. One is a REIT; the other is a packaging company. We look forward to sharing more details about both holdings in the future. We exited our position in Howard Hughes at a profit over a brief one-year holding period. The case changed when it effectively became part of Pershing Square rather than pursuing further simplification or a full sale of the company. Since the quarter ended, we added two companies to the portfolio and exited one position. We are actively seeking more opportunities to further enhance the portfolio's quality and margin of safety. Our pipeline of potential investments is expanding, and we plan to deploy our cash balance in a measured way.

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, the Fund's price-to-value ratio is in the high-60s% with cash in the low double-digits. We are on track for solid returns and are pleased with our start to 3Q. 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://connect.rightprospectus.com/Longleaf/TVT/543069207/P. 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.

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.

Price / Earnings (P/E) is the ratio of a company's share price compared to its earnings per share.

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

PE multiple is a financial metric that frames a company's current stock price in terms of the company's earnings per share.

REIT is a Real Estate Investment Trust which is a company that owns, operates, or finances income-producing real estate.

As of June 30, 2025, the top ten holdings for the Longleaf Partners Small-Cap Fund: Eastman Kodak, 12.9%; CNX Resources, 6.3%; Mattel, 5.8%; White Mountains, 5.3%; Dole, 5.0%; TripAdvisor, 4.9%; Graham Holdings, 4.9%; Becle, 4.8%; PotlatchDeltic, 4.7%; and Gruma, 4.6%. Fund holdings are subject to change and holdings discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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