Longleaf Partners International Fund Commentary

Longleaf Partners International Fund declined 13.62% in the third quarter and 11.30% for the year-to-date (YTD). The Fund underperformed the MSCI EAFE Index's declines of 10.24% for the quarter and 5.28% YTD. Over the life of the Fund, it has outperformed the index.

China economic fears broadly impacted our companies with direct or indirect exposure. The slowing Chinese economy, collapse in the China A-share market, and an unexpected Renminbi devaluation created a ripple effect of angst across countries with economic ties to China, including many emerging markets (EM), where local stocks were down but currencies also suffered. LafargeHolcim, one of the highest quality names we have ever owned with large economic emerging markets exposure, suffered for that exposure as its EM revenues were translated into strong Swiss francs. Our Macau gaming companies stock declined with pressure of lower revenue comparisons and a variety of other negative news. Our Hong Kong based companies declined as well, in part because they became a source of liquidity for investors unable to sell their China-A shares. Our two Australian holdings, which have businesses that serve mining and natural resources, were meaningful detractors as their stocks declined in the Australian market, and the currency translation into USD further hurt returns. BR Properties appreciated in Brazil, but the weak Real hurt performance in USD. Likewise, Genting Berhad suffered as a proxy for Malaysian economic weakness and even more due to, the ringgit's decline. In total, the currency translation impact from our holdings in these three countries cost our performance close to 2%.

Despite our frustration over recent returns, the China related stock price volatility among our businesses was not indicative of a decline in the long-term positive fundamentals that we believe will be reflected in our companies' prices. Following previous periods when broad macro pressures weighed heavily on our absolute returns, we posted strong returns when macro fears subsided. At each of the low points, our portfolios had similar characteristics to today including price-to-values (P/V) below 65%, an expansive on-deck list, and solid value growth prospects. Our concentrated, bottom-up approach has historically produced strong, long-term results for our partners, but the ride can be volatile. In our strongly held opinion, we are confident in our future returns because our portfolio companies have the competitive strength and management skill to grow value per share, as well as the margin of safety between the stock price and corporate worth to deliver attractive returns from this point.

As the largest contributor, German-based global sportswear and equipment brand adidas returned 5% after reporting a strong quarter of organic growth for its core adidas brand. This growth is being driven by adidas' incredibly strong positions in Europe, China, and Latin America. We have had ongoing constructive engagement with management and believe the managerial changes in the U.S. business will lead to the brand regaining market share there over time. The company has spent €750 million repurchasing nearly 5% of shares this year and is authorized to repurchase another €750 million over the coming year. After selling its non-core Rockport brand at a price above our appraisal value earlier this year, adidas recently announced that it is exploring strategic options for its golfing brands, including TaylorMade.

After announcing board and shareholder approval of a planned merger with Brazilian offshore shipping company ASGAARD, Brazilian iron ore company Manabi appreciated 7%. As part of the merger, approximately 60% of the Manabi value will be distributed to shareholders as cash, while the remaining portion will be held as common stock in the newly formed company, with a simplified shareholder structure potentially allowing for greater liquidity in the future.

During the quarter, all conditions of the merger between cement makers Lafarge and Holcim were met, and the transaction was completed. Eric Olsen now serves as CEO of LafargeHolcim, and Wolfgang Reitzle and Bruno Lafont serve as Co-Chairmen of the Board. The stock price of the newly combined entity declined 25% in the quarter due mainly to volume and currency weakness in its emerging market and Europe. North America was strong. Olsen called out Indonesia, India, Brazil, and Egypt as markets where targeted cost reduction programs will commence as well as sixteen markets where pricing, along with lower costs, will be a focus. Management has set a total synergy goal of €1.2 billion to be realized over the next three years for the newly combined entity. Each geographic region will have accountability to

Average Annual Total Returns (9/30/15): Since Inception (10/26/98): 6.63%, Ten Year: 0.96%, Five Year: 0.11%, One Year: -17.15%

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 longleafpartners.com.

The total expense ratio for the Longleaf Partners International Fund is 1.25%. The Funds' expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.75% of average annual net assets.

meet the cost saving targets. Additionally, management has signaled that the company is open to further non-strategic asset divestitures if selling can create the most value for shareholders.

K. Wah International, a Hong Kong real estate company and 3.8% owner of Macau casino company Galaxy, was down 23%, largely due to Galaxy's weakness and market volatility in China's domestic stock market. The sharp China A-share correction and subsequent government intervention measures left Hong Kong listed stocks as a primary source of liquidity. K.Wah's real estate transactions are on a record pace with 2015 volumes projected to be four times as high as 2014. Operationally, K. Wah delivered strong results, and there was also strong insider buying at the company.

The news flow out of Macau continued to be negative in the quarter, impacting Melco International's price, which was down 21%. Headlines about junkets and arrests continued to depress global sentiment about Macau, yet almost exclusively relate to the VIP business, not the mass business which should almost entirely drive Macau's long-term economic future. Melco Crown's mass volumes, which represent over 90% of EBITDA, remained solid. The new $3.2 billion Studio City casino is on track to open in late October. Negative sentiment and broader economic concerns in China are allowing us to own this competitively entrenched, long-term growth business at very attractive free cash flow (FCF) multiples.

Another top detractor, Mineral Resources declined -43% despite a recovery in iron ore prices—particularly as measured in Australian dollars—and greater-than-expected fiscal year 2015 results. The crushing services business maintained steady volumes and strong margins and happily surprised by reducing costs in the iron ore mining segment at a pace that maintained positive cash flow margins. The stock price does not reflect company fundamentals, and Mineral Resources has a strong history of building value during down cycles.

Australian-based testing, inspection, and certification company ALS Limited also declined in the third quarter, by 27%. After a strong first half, ALS's share price was punished by AUD weakness and pressure on natural resource prices. ALS's Minerals business provides services to miners but has minimal direct exposure to iron ore. The majority of the company's value lies in its competitively entrenched and growing Life Services and other non-commodity related businesses which remain strong. CEO and Chairman Greg Kilmister is making progress in effectively managing costs.

During the quarter, we added four new positions in the Fund, including one in CEMEX convertible bonds. CEMEX is one of the global leaders in the building materials industry, manufacturing and distributing cement, ready-mix concrete, and aggregates in more than 50 countries. We have owned the company in the past, and the converts became attractive again on weakness in emerging markets. Buying the converts versus straight equity allows for an advantageous risk/reward scenario. We believe risk is limited given that asset values at CEMEX more than cover outstanding company debts, as validated by comparable transactions. Upside will be dictated by the company's value growth going forward as it capitalizes on primary end market exposure to both Mexico's infrastructure spending and continued growth in the U.S.

We also bought Sika, a Swiss provider of specialty materials and services for the construction industry. Sika is an innovative leader in its industry with global scale and a strong reputation for trustworthiness. In his five years as CEO, Jan Jenisch has improved returns on invested capital, enhanced operating margins, and reinvested back into the business for future growth. Prior to our investment, the founding family made an agreement to sell its 16% stake to Saint-Gobain at an 80% premium without a concurrent offer to others shareholders. We have taken a public stand that all owners should be treated equally, but whether or not the deal proceeds in its current form, we believe Sika is a most compelling investment.

Another new investment in the Fund, Baidu is the dominant internet search provider in China with over 70% market share in search page views and 80% of revenues. Baidu's dominance strengthened after Google exited China in 2010. Baidu only focuses on Chinese language search, mastering the subtleties of that market. The recent panic in China's stock market offered a window for us to pay a single-digit FCF multiple for Baidu search, which is growing at 30% per year with 50% operating margins. The company took advantage of weakness in the stock price and initiated a $1 billion stock buyback.

Lastly, we purchased Irish drinks company C&C for the second time. CEO Stephen Glancey and CFO Kenny Neison have been shareholder-oriented management partners who navigated the company through a challenging economic environment in the core markets of the U.K. and Ireland. We are pleased to have the opportunity to own this market leader with top notch cider and beer brands.

We exited two positions in the Fund during the third quarter. Colt Group, a British company that provides business communications and information technology solutions to companies primarily in Europe, was acquired by Fidelity Investments in the quarter. Our investment in Colt beginning in the second quarter of 2014 produced a 27% annualized return for the International Fund.

We sold one of our most fully valued companies, Christian Dior, to fund more deeply discounted new positions. French luxury goods business and holding company for LVMH Moët Hennessy-Louis Vuitton (LVMH), Christian Dior added 17% since we initiated the position in the first quarter of last year. Owner-operator Bernard Arnault drove the strong outcome by distributing LVMH's shares in Hermès to Christian Dior shareholders and focusing on improving results in its core LVMH business. The investment approached its appraisal value more quickly than our average five year holding period, driven by value accretive capital action by its management team.

The Fund has two categories of companies that we see driving returns. Approximately 60% of the portfolio is a collection of what we feel are industry leading businesses that have the

competitive strength and management leadership to compound value per share at a potentially high rate. Based on our appraisals, as a group this category of holdings sells for below 65 cents on the dollar and, on average, less than 12X after-tax free cash flow (real cash P/E). Prospects for these holdings' value growth, especially as a diversified basket, are greatly enhanced due to their combinations of pricing power and gross profit royalty status. Their managements' track records and ownership alignment suggest strongly that these steadily growing FCF streams should be reinvested to build even more corporate value.

In our opinion, among the holdings in this group are the most value-generating holding company in the world since the Global Financial Crisis in EXOR (thanks to its leaders Sergio Marchionne and John Elkann), one of the world's two best sports brands in adidas, the most dominant worldwide cement oligopolist in LafargeHolcim, the highest-quality global conglomerate in CK Hutchison, Macau's best local mass gaming company in Melco, the world's most compelling real estate company in Cheung Kong Property, and China's best internet search engine in Baidu. These companies are among those that offer a combination of competitive advantages, balance sheet strength, and glaring undervaluation that gets lost in the focus on the pressures that have hurt recent results. As the largest portion of the portfolio, however, it is this group of holdings that we look to as the primary long-term driver of potential future outperformance.

The second category of holdings includes companies being led through transitions by strong management partners who are focused on growing and unlocking values by highlighting their competitive business segments and/or reinvesting substantial cash in high-return opportunities. OCI is merging most of its assets into CF Industries; Philips is heading toward becoming a leading healthcare company; ALS Limited owns a highly valuable life sciences business temporarily obscured by a depressed energy segment; BR Properties is basically liquidating, having sold or contracted to sell more than half its assets; Great Eagle holds net cash and securities totaling more than its stock price in addition to many hotels and other valuable properties; DSM is far down the road in slimming itself into a purer-play nutritionals company; and Vivendi holds the world's largest music company, dominant French media assets, and significant cash to deploy. This group comprises almost 40% of the portfolio and we feel should drive performance when the gap between price and value closes as our management partners lead these transitions.

Not only do these two categories of companies create the possibility of future outperformance, but within the groups, the specific stocks that hurt most this quarter are compelling longer term in part because of the same factors that drove down recent results. Broadly speaking, management teams in Hong Kong and Singapore are buying back undervalued shares at record rates in response to the recent steep price declines. Many of our partners also are making large insider purchases. More specifically, Macau will prosper long-term based on its mass gaming appeal, regardless of all the well-chronicled issues around higher profile but far lower margin VIP gaming. Our Australian businesses offer large growth and competitive advantage having nothing to do with iron ore or energy prices, even though those drove their stocks this quarter. Emerging markets' long-term population and economic growth make cement critical to these areas over time with LafargeHolcim as a beneficiary. Our Hong Kong stocks had short-term correlations with the Chinese and Hong Kong markets, but their business segments and geographies are far better diversified than recent high correlations imply.

Although we cannot predict short-term prices, we believe the International Fund has reached an attractive level for long-term investors to add capital. The Fund's P/V ratio is in the high-50s%, and the sharp uptick in global market volatility, which has now reached its highest level since 2011, has been a precursor to strong Fund returns in the past. While a useful data point, the historic performance is not the basis for our confidence in returns going forward. The competitiveness of our businesses our extremely capable management partners, and the attractive margin of safety in our companies' stock prices makes us highly confident that the companies we own can perform well and reward your patience and ours.

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 longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf Partners 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. Mid-cap stocks held by the Fund may be more volatile than those of larger companies.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index 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.

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

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.

Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

As of September 30, 2015, the holdings discussed represented the following percentages of the Longleaf Partners International Fund: EXOR,8.4%; adidas, 8.3%; LafargeHolcim, 6.9%; CK Hutchison, 6.9%; Melco International, 6.3%; K. Wah, 5.7%; OCI, 5.4%; Cheung Kong Property, 5.1%; CEMEX, 5.0%; Philips, 4.9%; ALS, 4.7%; BR Properties, 4.3%; Great Eagle, 3.6%; Baidu, 3.6%, Sika, 3.2%, Genting Berhad, 2.9%, Mineral Resources, 2.1%, DSM, 2.0%, C&C, 1.7%; Manabi, 1.3%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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