September 30, 2017

3Q17

Longleaf Partners International Fund Commentary

Longleaf Partners International Fund gained 5.64% in the third quarter, outperforming our annual absolute goal of inflation plus 10% as well as the MSCI EAFE Index return of 5.41%, in spite of the Fund's large cash position. The Fund's substantial year-to-date (YTD) performance of 24.61% surpassed both our absolute goal and the index's 19.96% return and contributed to the Fund's relative strength over the last 1, 3, and 5 years.

Almost all of the Fund's investments posted gains in the quarter, and there were no notable return detractors. The three most substantial contributors were located on different continents and had company-specific drivers. Their common thread was deeply aligned management partners who are pursuing transactions aimed at building value per share.

Over the last three months we added to two of our more discounted investments in Europe but bought no new companies. We sold one of our three Asian gaming related companies and trimmed the other two after strong price appreciation over the last 18 months. We also sold our Cemex bonds. The high cash and lack of new investments mask the activity level of our analyst team. As the year has progressed, in spite of strong broad market performance, our on-deck list of companies that meet our qualitative criteria and are within 10-15% of our required discount has grown. In our bottom up search for new investments, more performance dispersion amid our universe has generated a number of deeper-dive appraisals and prospective opportunities.

The Funds's long-term potential to outperform will be due largely to our concentrated, bottom up approach that makes the portfolio dramatically different from the index (as evidenced by the 95+ active share). Our flexibility to own companies outside of the index provides opportunity distinct from the benchmark. Two of the Fund's largest contributors in the quarter - Baidu and Fairfax – and YTD - Melco and Yum China – were not part of EAFE. Likewise, the portfolio is positioned opportunistically with no country or sector exposure requirements. The Fund outperformed in the third quarter without any investments in the four countries - Japan, the United Kingdom, France, and Germany - that made up over 60% of the benchmark's allocation and performance. The weak dollar was a tailwind for the Fund and EAFE, but because the index had roughly two-thirds of its exposure in Europe versus one-third for the Fund, currency accounted for over 35% of EAFE's return but only roughly 20% of the Fund's. We believe the portfolio flexibility and current holdings of the International Fund's make it much more attractively positioned than EAFE. The Fund's cash is also an advantage, providing liquidity when we find new qualifiers, but also acting as a buffer in the event that the bull market reverses course.

Contributors/Detractors

(3Q portfolio return; 3Q Fund contribution)

Baidu (+38%, +1.54%), the dominant online search business in China, also was a top contributor. Baidu reported strong second quarter results after stricter regulations requiring more careful vetting of online advertisers and limiting the amount of paid search results that can appear on a web page had affected the search business last year. Growth of its core online marketing services revenue turned positive (+6%) after three consecutive quarters of decline. Operating profits grew 47% YOY with margins expanding to above 20%, the highest in two years, as Baidu reduced subsidies for its online to offline (O2O) business. The approximately 30% like-for-like growth guidance for the third quarter indicates Baidu's confidence in its core business recovery. In August, Baidu disposed of its margin dilutive food delivery business, following its plan to refocus back on its core search business as well as artificial intelligence. News of a potential IPO of iQiyi, Baidu's video content business with over 30 million paying subscribers, was positive as it would reduce the significant investment that Baidu has been making in content. The demonstrable progress at the company corresponded with the January 2017 arrival of Dr. Qi Lu, Vice Chairman and Group President of Baidu, who has proven an excellent partner. The stock remains well below our appraisal, and we believe management will grow value per share further with the renewed focus on the company's most profitable businesses.

EXOR (+17%, +1.38%), one of Europe's leading investment holding companies, is the Fund's largest position and was a strong contributor to third quarter performance. EXOR owns over 30% of Fiat Chrysler Automobiles (FCA) whose share price rose 64%. FCA announced that profits increased over 200% year-over-year (YOY) driven by strength in its Maserati brand and in South America and Europe. Additionally, takeout

Average Annual Total Returns (9/30/17): Since Inception (10/26/98): 8.01%, Ten Year: 1.34%, Five Year: 8.78%, One Year: 24.22%

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.

As reported in the Prospectus dated May 1, 2017, the total expense ratio for the Longleaf Partners International Fund is 1.33%. The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.75% of average annual net assets.

speculation persisted with rumors surrounding potential Asian buyers. Our partners at EXOR, Chairman and CEO John Elkann, a member of the founding Agnelli family, and Vice Chairman Sergio Marchionne (also CEO of FCA) first drew us to EXOR and have demonstrated superior capital allocation judgement. In the quarter, they announced plans to separate Magneti Marelli, FCA's low margin component parts business. Over our five year holding period, the work of our partners has enabled our base EXOR appraisal to grow at an impressive 14% per annum. The company's composition has changed, most notably with the acquisition of PartnerRe last year. The component pieces of our appraisal today are FCA (32%), PartnerRe (28%), CNH Industrial (19%), Ferrari (16%). The substantial value growth at EXOR has enabled the stock to remain attractively discounted, even following strong returns. We believe management can continue to produce double-digit value growth and that attractive upside optionality remains in the underlying pieces of EXOR, particularly in the investing opportunity at PartnerRE and the margin leverage at CNH Industrial as demand for agricultural equipment rebounds.

Fairfax Financial Holdings (+20%, +1.02%), the Canadian based property and casualty (P&C) insurer and reinsurer, is the Fund's newest holding and was among the largest performance contributors in the third quarter. Several material corporate actions helped bring clarity to pieces of hidden value that CEO Prem Watsa had built. In India, Fairfax sold a portion of its stake in ICICI Lombard through an IPO and a private market transaction, producing a combined $950 million gain. In Singapore, Fairfax sold its subsidiary, First Capital, to Mitsui Sumitomo, one of Japan's largest insurers, at a price more than three times book value. This multiple, which was much higher than traditional U.S. P&C companies receive, highlighted the inherent value in some of Fairfax's international insurance subsidiaries. The First Capital transaction not only generated a $900 million after-tax gain, but also provided Fairfax with a continuing 25% quota share in First Capital's underwriting and with the potential to participate in the difficult to access Japanese reinsurance market through Mitsui Sumitomo. The proceeds from these transactions will help fund Fairfax's newly announced share repurchase program and will also replenish capital from recent hurricane losses, putting Fairfax in an excellent capital position to take advantage of a potentially hardening P&C market after these multiple catastrophes.

Portfolio Changes

As mentioned above, we made no new purchases. We added to our newer European investments during the quarter, Ferrovial and Belmond. Over the last twelve months, half of our new investments (Ferrovial, Yum China, and Fairfax) came from "recycled names," businesses that we previously have owned directly or as part of another company. Our level of conviction in recycled names is usually higher because we know the businesses and management teams more intimately after being owners.

We exited two investments, Cemex bonds and K. Wah. We sold Cemex convertible bonds for a 23% gain two years after buying them. Trading above par and denominated in pesos, there was not enough upside left to keep us involved despite Cemex's strong U.S. operating results and improved pricing in Mexico. Our Asian gaming investments, Melco, Genting, and Galaxy via our K. Wah position, performed strongly over the last 12-18 months, and we sold K. Wah and trimmed Melco and Genting. K. Wah benefitted from strength in its China and Hong Kong residential real estate business as well as Galaxy's rebound. Because we had some reservations about management's allocation of capital towards the company's expensive land bank in Hong Kong and China, we sold K. Wah to reduce our overall exposure to Asian gaming given higher P/V levels. The investment returned 20% over our three year holding period.

Asian gaming, particularly in Macau, exemplifies how Southeastern uses our time horizon of 3-5+ years as an advantage when short-term fears dominate a stock's price. In early 2016, Macau gaming was the Fund's most discounted opportunity. Prices reflected the substantial drop in VIP revenue following China's anticorruption campaign, but they ignored the longer term increase in much more profitable mass gamblers and the growth in visitors that new properties and infrastructure under construction would bring. Less than two years later, newly opened casinos and hotels have drawn more visitors and mass gaming revenue has grown double digits. Unexpectedly, VIP visitors also have increased from their low levels. The stocks have soared but remain below our appraisals because of the value growth. None of these positives yet reflects the impact of the new bridge to Hong Kong, expected to open in 2018, or other longer term infrastructure improvements.

Outlook

Company-specific results drove the Fund's outperformance in the quarter and YTD in spite of the 25% cash position. The Fund's flexibility to look different from the index and our bottom up, valuation driven discipline should allow the International Fund to continue to earn strong long-term returns. The companies we currently own offer additional attractive upside given their P/V in the high-70%s and the value growth that our management partners are capable of delivering. We do not need a market correction to find new qualifiers. Our edge comes in finding the best stock-specific opportunities rather than in investing in broadly discounted markets. Increasing dispersion generally favors our bottom up approach. The research work we have done throughout the year has given us a number of prospective investments simply waiting on prices to move in our buying range, and our liquidity will be an advantage when opportunity strikes. We believe each new investment will provide the Fund additional foundation for successful future compounding.

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 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-U.S. 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.

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.

Active Share measures how much an equity portfolio's holdings differ from those of the benchmark index.

IPO is an initial public offering.

As of September 30, 2017, the top ten holdings for the Longleaf Partners International Fund:EXOR, 9.1%, LafargeHolcim, 7.4%, CK Hutchison, 6.5%, OCI, 6.3%, Fairfax, 5.9%, Baidu, 5.3%, CK Asset, 5.2%, Melco International, 4.8%, Great Eagle, 4.7%, Yum China, 4.4%. 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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