October 2023

Longleaf Partners International Fund Commentary 3Q23

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Mid-60s%
Cash	8.1%
# of Holdings	25

				Annualized Total Return			
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
International Fund	-3.94	9.33	29.45	2.64	-1.21	1.27	5.88
FTSE Developed ex-North America	-3.98	6.97	25.48	5.31	3.04	3.85	5.24

*Inception date 10/26/1998. All data as of September 30, 2023.

Longleaf Partners International Fund declined -3.94% in the third quarter, in line with the FTSE Developed ex-North America Index, which fell -3.98%. Equity markets were in risk-off mode during the third quarter, driven by high inflation and higher-for-longer interest rates in Western markets, coupled with a weak Chinese economy. With persistent geopolitical headwinds, sentiment broadly remained negative, and volatility was high.

We saw this risk-off sentiment particularly reflected in the portfolio's luxury holdings, resulting in Consumer Discretionary being the Fund's worst absolute and relative performing sector. It was a challenging quarter for most consumer-related industries, but especially those with exposure to China. The underlying structural themes that

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 1.26%. 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 1.15% of average net assets per year.

make the consumer and luxury businesses we own so attractive – namely the emerging middle class in China and the continued shift towards branded products – are still very much intact, and our luxury companies like Richemont and Kering remain well positioned to benefit over the long term. These companies are currently trading at long-term trough valuation multiples, and we believe the near-term negative sentiment is more than priced in. We took advantage of the extreme price dislocation in the quarter to add to Richemont.

By and large, our companies continue to deliver solid operational results. Our management partners are going on offense and taking action to address the price-to-value discount, ranging from material share buybacks (as at Alibaba, Prosus, Kansai Paint, Man Wah, Glanbia, EXOR, Domino's Pizza Group, Accor), to exiting non-core assets and splitting or spinning out business lines (Accor, Glanbia, Domino's Pizza Group, Delivery Hero, Kansai Paint, Alibaba, Lanxess, Prosus) to selling the entire company (Applus). This translated into positive stock performance at some of our larger positions in a quarter when only Energy and Financials were positive absolute sectors for the FTSE Developed ex-North America Index. Our companies can create their own outcomes, even in a challenging environment.

We encourage you to watch our video with Portfolio Managers John Woodman and Manish Sharma for a more detailed review of the quarter.

Contribution To Return As Of September 30, 2023

3Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Domino's Pizza Group (UK)	32	1.26	4.5
Glanbia	11	0.66	7.0
Fairfax Financial	9	0.36	5.2
GRUMA	7	0.36	5.5
Alibaba	5	0.19	4.5

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Richemont	-27	-1.41	4.4
Delivery Hero	-34	-1.13	2.5
Kering	-17	-0.52	2.6
Prosus	-12	-0.49	3.9
LANXESS	-16	-0.48	2.8

- Domino's Pizza Group – UK-listed Domino's Pizza Group (DPG) was the top performer in the quarter. We were directly engaged with the company during its search for a new CEO and are highly confident in Andrew Rennie, who became permanent CEO in August. Rennie joins DPG from within Domino's network with a strong track record, good credibility with the franchisees and a remuneration package that ensures he is well aligned with shareholders. The company announced strong top-line growth in the quarter, outperforming the broader market in the UK. DPG completed the sale of its shares in its German joint venture (JV) to the JV partner Domino's Pizza Enterprises, and the company announced $70 million in proceeds would go to buying back discounted shares. We believe that the pieces are now in place for the management team and board under the leadership of Rennie to unlock the underlying value of this business and expect significant additional upside from here.

- Glanbia – Irish-listed global nutrition company Glanbia was another positive performer in the quarter. We have similarly been engaged behind the scenes at Glanbia over the last several years and are seeing the company take steps to get the underlying value of its business recognized. In the first half of the year, Glanbia sold its cheese JVs in Europe and the UK, getting out of the legacy dairy business to focus on its much more valuable performance nutrition business. Optimal Nutrition reported mid-teens top-line growth in the quarter, and stripping away the accounting complexity of the historic JVs is allowing the market to better appreciate the value. We believe there is a lot more upside here, and the company is using its strong balance sheet to buy back discounted shares.

- Richemont and Kering – After being top contributors in 1Q2023 (and in the case of Richemont, a top contributor for 4Q2022), our two luxury goods companies, Richemont and Kering, were top detractors in the quarter. As discussed above, the luxury goods industry faced macro concerns over a weakening consumer in the US and Europe and a less linear than initially anticipated recovery in China, underscored by pre-emptive earnings downgrades for both businesses in anticipation of expected weak 2H23 results. Richemont owns some of the highest quality brands in any industry globally in Cartier and Van Cleef, both of which benefit from the structural trend towards branded jewelry, which is still under-penetrated compared to most consumer goods industries. We had trimmed our position in Richemont earlier in the year on the back of strong performance, and now the company is trading at a trough valuation multiple. Kering also has a stable of high-quality brands, but with more fashion exposure. We view Kering as an undervalued self-help story through the rejuvenation of Gucci and the ability to extract group synergies from its impressive stable of brands. We believe both are well positioned to benefit from long-term structural growth themes for investors that can look past near-term stock price volatility.

- Delivery Hero – German-listed food delivery business Delivery Hero, a new position initiated in 2Q23, was also a top detractor. We have followed the business closely through our investment in Prosus, which is a 30% owner of Delivery Hero. Delivery Hero is headquartered and listed in Germany, but the majority of its business is in Asia, the Middle East and North Africa, where it has number one market share in countries like Korea, Saudi Arabia and UAE. Delivery Hero was a large beneficiary of Covid lockdowns, when people were stuck at home and used the service to deliver food and groceries, leading to unsustainable demand growth that has plateaued this year, resulting in a sharp decline in the share price. This extreme swing gave us the opportunity to invest in this high-quality business with a management team that is clearly focused on balancing growth and profitability, with compensation aligned to these goals. We expect to see management exit markets where they do not have a leading position, which would reduce cash burn substantially and focus the business on core markets. We believe that Prosus' presence will ensure capital allocation and operational discipline, and we added to the position in the quarter as the stock price pulled back.

Portfolio Activity

After a busy first half of the year, we further upgraded the portfolio by exiting two positions and initiating one new position in a business we also own in our Asia Pacific strategy. We exited CK Hutchison as a result of a lack of value growth and disappointing capital allocation, coupled with increasingly challenging macro-economic headwinds. Similarly, we sold Lazard on the back of a change in management and a more muted outlook for the business in the current environment.

We also sold half our position in Applus, which was the top performer in the first half after two private equity firms made bids for the entire business, as discussed in more detail in last quarter's letter. We've been actively engaged with the company, pushing management to find a way to crystallize the value. We cut the position in half, recognizing we are likely at the end game, giving us more cash to redeploy in a volatile market that is producing a growing on-deck list of attractive opportunities.

Outlook

Despite disappointing short-term absolute returns in the quarter, we are pleased with the progress made across the businesses we own. We are partnered with management teams that are taking steps to crystallize value, regardless of the challenges of the current economic circumstances. Our portfolio holdings in aggregate have grown their values this year. The portfolio ended the quarter with a price-to-value ratio in the mid-60s%, offering meaningful upside potential. As more bottom-up opportunities have qualified this year, we have improved the quality of the portfolio over the last several quarters and have a strong and growing pipeline of new investments. We are confident in the portfolio's position for future relative outperformance in multiple market environments.

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.

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 September 30, 2023, the top ten holdings for the Longleaf Partners International Fund: Glanbia, 7%; GRUMA, 5.5%; EXOR, 5.3%; Fairfax Financial, 5.2%; Accor, 4.8%; Premier Foods, 4.7%; Domino's Pizza Group (UK), 4.5%; Alibaba, 4.5%; Richemont, 4.4% and WH Group, 4%. 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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