October 2023

Longleaf Partners Fund Commentary

3Q23

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	Low-60s%
Cash	7.3%
# of Holdings	20

				Annualized Total Return			
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Partners Fund	-1.82	15.28	25.23	10.30	1.94	4.02	9.22
S&P 500	-3.27	13.07	21.62	10.15	9.92	11.91	10.00
Russell 1000 Value	-3.16	1.79	14.44	11.05	6.23	8.45	9.41

* Inception date 4/8/1987. All data as of September 30, 2023.

Longleaf Partners Fund declined -1.82% in the third quarter, holding up better than the S&P 500 and Russell 1000 Value, which fell -3.27% and -3.16%, respectively in a challenging, "risk-off" period. Most of our companies saw solid operational progress, translating into positive stock performance at some of our larger positions in a quarter when only Energy and Communication Services were positive absolute sectors for the S&P 500.

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 1.03%. The Partners Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 0.79% of average net assets per year. This agreement is in effect through at least April 30, 2024, and may not be terminated before that date without Board approval.

The Partners Fund has no exposure to the small handful of mega-cap stocks that have dominated the market and are trading at historic valuation multiples. Many headlines refer to the "Magnificent Seven," but we prefer to look at the top 11 most actively traded stocks globally, all of which are in the US. These 11 stocks (comprised of the Magnificent Seven + Advanced Micro Devices, Adobe, Broadcom and Netflix) have a combined market cap of just over $11 trillion and a weighted average price to earnings ratio (P/E) of 29x, while the rest of the S&P 500 trades at approximately 15.5x. These already huge companies are facing increased competition against one another coming off all-time-high aggregate profits on the back of increased interest rates. By contrast, Partners Fund owns high-quality businesses, led by management teams that are executing across the board, and the portfolio trades at 13x P/E on not yet optimized earnings, even after returning 25% over the last 12 months. We are confident in the portfolio's positioning for future relative outperformance in multiple market environments.

9/30/2023	Price-to-Earnings Ratio (Next Twelve Months)	
	Average	Weighted Average
Partners Fund		12.70
S&P 500 Top 11	29.49	29.46
S&P 500		17.86

We encourage you to watch our video with Portfolio Managers Ross Glotzbach and Staley Cates 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 (%)
CNX Resources	27	1.53	6.3
Warner Music Group	21	0.92	5.2
Mattel	13	0.68	6.3
Liberty Broadband	14	0.59	5.3
Fairfax Financial	9	0.47	5.1

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
IAC	-20	-1.04	4.7
Warner Bros Discovery	-13	-0.80	5.3
MGM Resorts	-16	-0.70	3.9
Affiliated Managers Group	-13	-0.66	4.8
CNH Industrial	-16	-0.66	3.7

- CNX Resources – Natural gas company CNX Resources was the top performer in the quarter. The company benefited from rising energy prices, as well as strong operational execution. CNX remains highly discounted, as the market does not give the company credit for its longer-term undrilled assets or its "new technology investments", which include methods to reduce carbon on a net basis. Management expects this to be a material business for CNX over the longer term, but for now it is a high-quality hidden asset. CNX has taken advantage of the price disconnect through meaningful share repurchase.
- Warner Music Group – Global music entertainment company Warner Music Group (WMG) was another positive contributor in the quarter. The company reported an improved streaming growth rate back in line with long-term expectations, recovering from a disappointing 1Q. Even more meaningful for the long term, digital service providers (DSPs), including Spotify, finally implemented pricing increases for streaming services with no signs of increased churn. WMG CEO Robert Kyncl called it "an encouraging start" and highlighted the potential for significant upside if audio streaming follows video streaming pricing.
- Mattel – Global toy and media company Mattel contributed in the quarter on the back of the success of the Barbie movie. Beyond the near-term positive financial impact, the Barbie movie is emblematic of Ynon Kreiz's plan to monetize the strong intellectual property that the company owns. When we interviewed Kreiz on the Price-to-Value Podcast in June 2020, he said, "Barbie is so much more than a toy.

Barbie at this point is a cultural phenomenon, and the consumers have a very strong emotional connection with our brands." We expect Mattel to continue to monetize more of its strong brands in ways beyond selling toys.

- IAC – Digital holding company IAC was the largest detractor in the quarter after reporting weak earnings, particularly at underlying holding Angi, which represents a relatively small (single-digit %) proportion of the value but has an outsized impact on IAC's stock price. Casino and online gaming company MGM Resorts (which we also own directly and was a detractor in the quarter) comprises the largest portion of the IAC value. MGM faced multiple headwinds this quarter with a cyberattack that impacted all its properties and pending labor strikes in Las Vegas. Even with these events factored into our appraisal, MGM remains highly discounted today, and management is taking advantage of the price weakness to add value through meaningful share repurchase. Dotdash Meredith should begin showing its true earnings power as synergies of the merger begin to materialize. IAC is focused on growing the value of its hidden assets, like Care.com and Turo, which might go public later this year. IAC is well positioned with a net cash balance sheet to go on offense in any kind of market environment and offers a meaningful margin of safety and upside opportunity from today's depressed level.
- Warner Bros Discovery – Media conglomerate Warner Bros Discovery (WBD) declined in the quarter with a combination of the writers' and actors' strikes headlines, and a fight between Charter and Disney that led to more concerns about the linear and streaming profit structure. Although both situations actually improved as the quarter went on, both created uncertainty that weighed heavily on the WBD stock price in the near term. The underlying business is executing better, with solid free cash flow generation reported in the quarter that should continue for the foreseeable future. The competitive landscape is getting brighter with multiple streamers taking price increases. WBD is in the hands of a strong management team and board that are focused on creating long-term value for shareholders.

Portfolio Activity

After a busy first half of the year, we initiated one new position in the quarter in a business we have successfully owned previously and were able to buy again at a discount within a new corporate structure. We opportunistically trimmed and added to several positions throughout the quarter, and we exited General Electric (GE) and our small position in Hasbro after the share price ran away from us. GE was a multi-year portfolio holding for us that started out rocky but ultimately was a good illustration of owning a “quality” business that was temporarily viewed as “value” (aka, perceived as low quality) before ultimately being weighed properly by the market. CEO Larry Culp was a great partner, creating significant value for shareholders and closing the price-to-value gap. Under his leadership, GE materially improved its operations and is well under way on plans to simplify the business by separating it into three world-class companies. The market has finally caught up with reality versus perception and is pricing GE accordingly. Unfortunately, this means we no longer see a margin of safety for the business but will continue to watch GE and Culp closely and hope to have the opportunity to partner with him again.

Outlook

The Fund held its own in a challenging market with investors increasingly turning to an ever-narrower group of mega-cap companies or, on the other side of the barbell, retreating to cash that now earns something. As the valuation gap between what has worked and the rest of the market stretched even wider, we have grown more confident in our outlook for the portfolio from here. We own competitively entrenched businesses with strong balance sheets and management teams that are on offense. Our portfolio holdings in aggregate have grown their values this year. The portfolio ended the quarter with a price-to-value ratio in the low-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 our businesses will continue to deliver and are grateful 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 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.

The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3,000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Value index is drawn from the constituents of the Russell 1000 based on the book-to-price (B/P) ratio.

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.

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

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.

As of September 30, 2023, the top ten holdings for the Longleaf Partners Fund: CNX Resources, 6.3%; FedEx, 6.3%; Mattel, 6.3%; Warner Bros Discovery, 5.3%; Liberty Broadband, 5.3%; Warner Music Group, 5.2%; Fairfax Financial, 5.1%; Affiliated Managers Group, 4.8%; IAC, 4.7% and Bio-Rad, 4.7%. 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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