

October 2024

Longleaf Partners Fund Commentary 3Q24

Longleaf/Partners
Funds

Fund Characteristics

P/V Ratio	Low-70s%
Cash	22.6%
# of Holdings	18

All data as of September 30, 2024

	Annualized Total Return						
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Partners Fund	10.42	10.27	19.09	3.81	9.43	4.53	9.48
S&P 500	5.89	22.08	36.35	11.91	15.98	13.38	10.63
Russell 1000 Value	9.43	16.68	27.76	9.03	10.69	9.23	9.87

Inception date 4/8/1987.

The Longleaf Partners Fund returned 10.42% in the third quarter, outperforming both the S&P 500 and Russell 1000 Value, which returned 5.89% and 9.43%, respectively. Over half of our portfolio holdings delivered double-digit returns, with only a few detractors. It is encouraging to see the market beginning to recognize the value in many of the companies we mentioned in our first two letters this year.

Throughout the year, we have trimmed or sold several strong performers, which has increased our cash position to a higher-than-normal 23%, adding to the margin of safety in the portfolio compared to the index. We own companies with durable competitive advantages and the financial strength to opportunistically go on offense. We also remain optimistic about the historically high valuation gap between what we

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 1.05%. The Partners 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 0.79% of average net assets per year. This agreement is in effect through at least April 30, 2025, and may not be terminated before that date without Board approval.

own and the index. We have seen faint signs of market sanity trying to emerge recently, but we will remain focused on what is in our control for the remainder of 2024 and beyond.

During the quarter, we announced that after 38 years with Southeastern, Vice Chairman and Co-Portfolio Manager Staley Cates will be retiring at year-end to fully focus on his civic engagements. We are grateful to Staley for all that he has meant to Southeastern and encourage you to read the full notice [here](#).

Contribution To Return As Of September 30, 2024

3Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Kellanova	39	2.18	0.0
CNX Resources	34	1.93	6.5
PayPal	34	1.08	3.9
Bio-Rad	23	0.98	4.9
Affiliated Managers Group	14	0.89	5.8

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
MGM Resorts	-12	-0.63	4.3
FedEx	-8	-0.52	5.3
PVH	-5	-0.19	3.2
Undisclosed	-1	-0.06	4.7
Undisclosed	0	0.00	2.4

Kellanova – Packaged food company Kellanova was the top contributor for the quarter. The company is being purchased by Mars at a slight premium to our appraisal. This outcome was one of multiple potential paths to value recognition when we first invested. The company's portfolio of strong brands had been undervalued by the market, but the spin-off of its less attractive cereal business allowed the snacks division to showcase its strengths. While we would have liked to own it longer, the company delivered strong results this year and ultimately attracted Mars, who offered a full and fair price. We exited our position on this price strength during the quarter.

CNX Resources – Natural gas company CNX Resources was also a top performer in the quarter. The company delivered another quarter of solid operations and continued growth in value per share. As we approach the fall and winter, natural gas prices may firm up, although that remains beyond our control. CNX's low-cost structure and hedging strategy position it to deliver free cash flow (FCF) in a variety of

price environments. That FCF will continue to be directed to value accretive share repurchase. If you would like to learn more about CNX, we hosted a [podcast](#) with CEO Nick Deluliis in the quarter that covers a range of topics.

PayPal – Digital payments platform PayPal was a contributor for the quarter. The company posted solid results, with gross margin dollars growing by 8%, an improvement over the 4% increase in the previous quarter. Strong cost management also led to double-digit FCF growth, a key metric for us. The company further enhanced shareholder value by repurchasing nearly 10% of its shares on an annualized basis, leading to even stronger FCF per share growth. Much of what we envisioned at our initial investment is materializing quicker than expected, driven by the improved leadership of relatively new CEO Alex Chriss.

MGM Resorts – Hospitality and gaming company MGM Resorts was the top detractor in the quarter. The day of the company's earnings report, the stock price was down 13%; however, we saw nothing in the report that alters our long-term investment case. While this industry can experience some quarter-to-quarter volatility, we remain confident in the long-term earnings potential. MGM continues to generate substantial FCF and execute significant share buybacks, further boosting FCF per share. MGM is also enhancing its online offering and continuing to streamline its portfolio with more non-core asset sale potential ahead. We remain confident in the management team, led by CEO Bill Hornbuckle.

FedEx – Global logistics company FedEx was a detractor this quarter, after being a top performer in Q2. The company reported a challenging quarter, missing expectations in a tough revenue environment. Some one-off issues also impacted results, including the US Postal Service contract expiring. While anticipated cost savings did not materialize to the extent the market expected, we believe these savings are likely to come through soon. We are also awaiting a final decision on the potential spin-off of the FedEx Freight business, as we wrote about last quarter. The market has consistently undervalued FedEx's less-than-truckload operations. A spin-off or sale could unlock substantial value, as peers like Old Dominion and Saia trade at higher multiples on revenue and cash flow than those currently reflected by the market and in our appraisal of FedEx Freight.

Portfolio Activity

We exited two positions in the quarter, Kellanova and Fiserv. Kellanova was sold on price strength following the announcement of its acquisition by Mars, as discussed above. Fiserv was sold after it traded at our appraisal value. We were fortunate to partner with a great management team who were excellent operators and proactive in using well-timed buybacks to further boost FCF per share, while keeping leverage at reasonable levels. We added two new positions to the portfolio. One is a globally focused company led by a strong owner-operator whom we know well. The second is a unique opportunity in a defensive industry where we have previously made money. We look forward to sharing more details on both companies in the future.

Outlook

The businesses we own made solid progress this quarter, and the market began to reflect this in their stock prices. With the Fund's price-to-value ratio still in the low-70s%, we believe substantial room for further price appreciation remains. While our cash position ended the quarter higher than usual, we have multiple investments on-deck that could quickly bring the cash balance back to lower levels. We remain confident that our portfolio is well-positioned for strong absolute returns and relative outperformance across various market environments. Thank you for your continued trust and investment.

Additionally, we recently began our search for our next North American junior analyst, as Will Allen has been making strong progress and will be moving up to analyst status next year. We always value input from our partners, who are one of the most important groups within our extensive global network, and we welcome references for this position. For a copy of the job description click [here](#) and please send any referrals to jobs@seasset.com.

See following page for important disclosures.

Before investing in any Lingleaf 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/Lingleaf/TADF/543069108/SP>. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Lingleaf 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. S&P 500 Value Index constituents are drawn from the S&P 500 and are based on three factors: the ratios of book value, earnings, and sales to price. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 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 book-to-price (B/P) ratio. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

PV ("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. PV 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.

Gross Domestic Product (GDP) is the final value of the goods and services produced within the geographic boundaries of a country during a specified period of time.

As of September 30, 2024, the top ten holdings for the Longleaf Partners Fund: CNX Resources, 6.5%; Affiliated Managers Group, 5.8%; Fidelity National Information Services, 5.7%; IAC, 5.3%; FedEx, 5.3%; Mattel, 5.3%; Bio-Rad, 4.9%; Undisclosed, 4.7%; MGM Resorts, 4.3% and Live Nation, 4.2%. 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.

Funds distributed by ALPS Distributors, Inc.

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