

October 2024

Longleaf Partners Small-Cap Fund Commentary 3Q24

Longleaf/Partners
Funds

Fund Characteristics

P/V Ratio	Low-70s%
Cash	10.5%
# of Holdings	19

All data as of September 30, 2024

	Annualized Total Return						
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Small-Cap Fund	8.92	11.45	23.55	3.28	6.47	6.01	9.87
Russell 3000	6.23	20.63	35.19	10.29	15.26	12.83	10.88
Russell 2000	9.27	11.17	26.76	1.84	9.39	8.78	9.28

*Inception date 2/21/1989.

Longleaf Partners Small-Cap Fund returned 8.92% in the third quarter, outperforming the Russell 3000 but slightly trailing the more relevant Russell 2000. This strong absolute return was achieved in a volatile small-cap environment. We began the quarter as more of a buyer with our cash level dipping into the single digits as we added to multiple positions, but we ended up trimming or exiting several strong performers as the quarter went on. Many of our holdings delivered solid results with double-digit stock price growth in the quarter, and our management partners are solidly on offense.

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 1.07%. Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 0.95% 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.

Last quarter, we wrote about the unusually high percentage of the portfolio that has the potential for material, near-term value realization events. We have seen multiple positive signs already on this front. Howard Hughes Holdings (HHH) completed the spinoff of Seaport Entertainment, followed by a 13D filing stating its largest holder, Pershing Square, is considering strategic alternatives for HHH. Mattel and Boston Beer have both been the subject of articles in the last several months speculating that they could be takeover targets. Liberty Media looks to have stepped up its simplification efforts, which is a positive for both Liberty Live Group and Atlanta Braves Holdings. Additionally, other holdings have had more progress behind the scenes. We continue to like the setup of our portfolio from here, with a differentiated set of quality opportunities that looks little like the index.

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 (%)
Oscar Health	34	1.93	5.9
CNX Resources	34	1.91	6.6
Anywhere Real Estate	53	1.46	2.4
Graham Holdings	18	1.07	6.4
Dole	34	0.98	3.9

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%)
Westrock Coffee	-36	-2.36	4.2
White Mountains	-7	-0.35	4.3
Boston Beer	-5	-0.23	4.1
Park Hotels & Resorts	-4	-0.22	4.5
Hyatt	0	0.00	2.5

Oscar Health – Health insurance and software platform Oscar was the top contributor for the quarter. The company delivered another strong quarter, reporting over 40% growth and better-than-expected margins, continuing to progress toward its publicly stated goal of achieving 5% operating income margins. The company still has hidden non-earning assets with various regions at different stages of ramp-up, transitioning

from investment made in some areas to higher-margin operations in others. We view this as a long-term positive, highlighting the embedded long-term growth potential at Oscar. While the stock may experience near-term volatility driven by election-related news, we have taken advantage of that volatility by trimming and adding to our position over the past year. Regardless of political outcomes, we believe Oscar is becoming an indispensable part of the US healthcare system, delivering real value to consumers and reinforcing its role in the industry.

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.

Anywhere Real Estate – Real estate brokerage franchisor Anywhere was another top contributor for the quarter. In the short term, this company's stock price is impacted most by interest rates. As the Federal Reserve started easing rates in the quarter, optimism around mortgage rates improved which was a positive for Anywhere. While the housing market remains volatile, even at these low levels Anywhere continues to be FCF positive. The company will generate substantial FCF in a more normalized environment. We trimmed our position after recent strong performance but continue to have confidence in CEO Ryan Schneider as he works on what is within the company's control to grow value per share.

Westrock Coffee – The coffee “brand behind the brand” for a variety of retailers and restaurants, was the top detractor for the quarter. The company reported disappointing results, with full-year projections now at the lower end of initial guidance. While some macroeconomic headwinds are impacting consumer spending—particularly on premium coffee purchases—Westrock's primary focus remains on completing its new plant in Conway, Arkansas. We expect this facility to generate meaningful FCF starting next year, which should significantly strengthen the company's financial position. However, the market is in a “wait-and-see” mode until these improvements materialize. Additionally, some technical selling pressure due to a

warrant exchange may have contributed to recent stock weakness but is a temporary factor and should be behind us as we move forward.

Portfolio Activity

We did not initiate any new positions in the quarter but exited one. We sold our position in regional grocery chain Ingles Markets after our investment case changed and we felt we could allocate our capital more effectively elsewhere. Additionally, we opportunistically added to a few positions and trimmed others where stock prices had appreciated.

Outlook

We continue to welcome a volatile environment for small-cap stocks that can present attractive opportunities to enhance the portfolio with undervalued, high-quality businesses. Our holdings consist of competitively advantaged businesses with strong balance sheets and proactive management teams focused on growing value per share. The Fund ended the quarter with a price-to-value ratio in the low-70s%, offering substantial room for further price appreciation. We are confident that our portfolio is well-positioned to deliver strong absolute returns and relative outperformance across various market conditions. Thank you for your continued support 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 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://connect.rightprospectus.com/Longleaf/TADF/543069207/SP>. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf Small-Cap 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. Smaller company stocks may be more volatile with less financial resources than those of larger companies.

The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index. The Russell 3000 represents approximately 97% of the American public equity market and the Russell 2000 represents 10% of the Russell 3000. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

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. Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows from an investment equal zero.

"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.

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.

As of September 30, 2024, the top ten holdings for the Longleaf Partners Small-Cap Fund: Eastman Kodak, 11.1%; CNX Resources, 6.6%; Graham Holdings, 6.4%; Mattel, 6.2%; PotlatchDeltic, 6.0%; GRUMA, 5.9%; Oscar Health, 5.9%; Liberty Live, 4.6%; Atlanta Braves Holdings, 4.6% and Park Hotels & Resorts, 4.5%. 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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