October 2025

Longleaf Partners Small-Cap Fund 3Q25 Commentary

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	High-60s%
Cash	13.2%
# of Holdings	18

All data as of September 30, 2025

				Annualized Total Return (%)			
	3Q	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Small-Cap Fund	2.03	6.36	4.68	13.66	8.14	7.49	9.73
Russell 3000	8.18	14.40	17.41	24.12	15.74	14.71	11.05
Russell 2000	12.39	10.39	10.76	15.21	11.56	9.77	9.32
Russell 2000 Value	12.60	9.04	7.88	13.56	14.59	9.23	9.95

Effective May 1, 2024, the Fund changed its broad-based securities market index to the Russell 3000 Index due to regulatory requirements. The Fund retained the Russell 2000 Index and the Russell 2000 Value Index as performance benchmarks because they more closely align with the Fund's investment strategies and restrictions.

When we implemented improvements to the investment process in the 4th quarter of 2022, our expectations were two-fold: 1) get back to double-digit returns over the long-term; 2) keep your money safe in tough times. We have done both over the last three years. However, we are now in the midst of a potential byproduct of this improved approach: trailing relative returns in the later stages of a bull market. We do not enjoy this, but we did flag this possibility in our year end '24 letter: "Sometimes it is prudent to trail the broader market index as we were doing in 1999 and early 2000, and the last few years could turn out to be one of those times." We would rather be up less than the market in a time like this than risk chasing overvalued assets and losing permanent capital.

Inception date 2/21/1989. 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 1.04%. The Small-Cap 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 0.95% of average net assets per year. This agreement is in effect through at least April 30, 2026, and may not be terminated before that date without Board approval.

Getting to what we own, our investments are grounded in real assets and brands producing growing free cash flow (FCF) per share. We have felt some relative market pressure not just from a lack of enthusiasm vs. the speculative segment of the market but also from tariff and government uncertainty this year. We believe the Fund's 10-12x FCF today can go to a mid-teens FCF multiple on growing FCF per share as our management partners control what they can with improving, non-peak margins and share repurchase over steadily growing aggregate revenue picture. This will be especially compelling when compared to the broader market index that will struggle to increase at all from current levels. We have been pleased to see our individual investment theses at our most important holdings delivering overall this year:

Name	Portfolio Weight at 9/30/25 (%)	Notes
CNX Resources	6.1	As the company's hedges mature, share repurchases continue and its Deep Utica resource potential becomes more apparent, the company should trade at a premium 10-15x FCF multiple. This, combined with higher-than-expected FCF per share from its integrated, low-cost approach, could drive the stock price well over $50 per share.
Becle	6.1	We initiated a position in this spirits company earlier this year at deeply discounted prices and bought more in the quarter. While headquartered in Mexico, this centuries-old company gets over half of its value from the USA. It has been a tough time for the alcohol business as we wrote last quarter, but we continue to believe that we are closer to the bottom than the top of negative sentiment for this industry. The Beckmann family remains aligned with us as the controlling owners of Becle and has the potential to realize value when the time is right.
White Mountains	5.8	We were glad to be able to increase our weighting in this insurance holding company at discounted prices during the quarter.

		White Mountains remains one of the most value-per-share-focused companies we know. They demonstrated this once again after quarter end with the highly accretive sale of their controlling interest in Bamboo for nearly a 4x return in ~2 years of ownership.
Gruma	5.5	We have continued to see steady growth in value-per-share for this world leader in tortillas and corn flour since we first bought shares in 2019. While recent food industry demands have been sluggish, we were encouraged to see Gruma meaningfully increase its share repurchases at discounted prices this year.
Mattel	5.1	We believe the company is in its strongest position in over 10 years, and there are multiple ways to win as we wrote in our most recent Research Perspectives note here.
TripAdvisor	5.1	While in the short term TripAdvisor will trade on macro travel sentiment and short term traffic numbers, we have been pleased with the growth in value per share and other developments at the company, as we also wrote about in our most recent Research Perspectives.
Rayonier and PotlatchDeltic	4.6 and 3.5	These two complementary investments are newer holdings for the Fund, but we have owned both high-quality timberland companies before. Both companies were trading at large discounts when we were buying and had multiple ways to win. We were excited to see them announce a merger of equals after quarter end. This is a rare example of win/win M&A with real synergies that grow the value per share of the pro-forma company. We applaud both companies

		for taking action to be even more on offense going forward.

We did not include Kodak in the table above because we continue to believe that it is in a different category than everything else we own. While it was not a notable contributor or detractor for the quarter or the year, it is worth briefly mentioning. The summary is that the company has improved its credit profile for our preferred security as the year has gone on, and we look forward to resolving this investment.

While we will spend more time in this note on what we own, we do need to share some examples of market excess. The 4th quarter of 2025 marks the 3-year anniversary of the launch of ChatGPT. Its stock market impact has been felt most via a strange and circular fear of missing out (FOMO) arms race in large cap world that has yet to result in much actual FCF per share growth. As this year has gone on, however, overheated sentiment has permeated broader market trends. For example, there was massive outperformance (nearly 1500 basis points) over the last quarter for Russell 2000 unprofitable stocks (30%+ of the index) vs. profitable stocks. It is unlikely that we will keep up with the market at a time like this. Furthermore, we are seeing classic late cycle signs qualitatively[1,2], notably circular supplier financing straight out of the Lucent Technologies 2000 playbook and some crazy IPO action, such as the revenueless Fermi being valued at more than $10 billion on vague plans to borrow billions to build power plants for data centers. We remain focused on Business, People, Price qualifiers and now turn to what drove returns since we wrote you last.

Notable Contributors & Detractors

Graham Holdings (GHC) – Diversified conglomerate GHC continued its strong performance this year with another set of solid results that grew our value-per-share in the mid-single-digit percentage range. We do not have a lot to add since our previous note and our P/V Podcast with CEO Tim O'Shaughnessy earlier this year. It is encouraging that broadcast television M&A has increased this year, which could give GHC a unique opportunity to grow and realize its value per share in this important segment of its business.

TripAdvisor – Digital travel and entertainment company TripAdvisor performed well in the quarter for two main reasons. First, the company reported another solid set of results with growth at the Viator and TheFork businesses outpacing the more mature TripAdvisor segment. The company also engaged in more accretive share repurchases. The stock

[1] The Financial Times September 2025 article
[2] The Information September 2025 article

price was also helped by activist investor Starboard filing a 13D, signaling that there are multiple paths to value realization. We wrote more about the company in our latest Research Perspectives note.

Rayonier and PotlatchDeltic – We initiated a position in Rayonier and continued to own PotlatchDeltic in the quarter. New position Rayonier was an immediate contributor. We discuss it more above in combination with PotlatchDeltic, as the two companies announced an accretive merger after quarter end. Southeastern has a strong long-term history investing in timberland assets, including these two companies multiple times before. This has been a tough year for housing-related stocks, and these companies have been no exception. That said, both have been on offense with accretive share repurchase and asset sales to capture the wide gap between private and public market valuations. Now they are taking the next step to be on offense by joining forces. We expect the combined company to be our largest position, which is exciting given its combination of Business, People and Price.

Clearwater Paper – Packaging company Clearwater Paper was a detractor in the quarter. The stock sold off as management signaled that demand in the already weak solid bleached sulfate (SBS) paperboard market will be lighter than previously anticipated due to near-term economic uncertainty. This comes at a time when the historically rational SBS market remains oversupplied and well below mid-cycle. Management has a history of positive capital allocation moves and is currently evaluating investing in swinging capacity to another substrate. This, along with competitor closures, tariffs on European imports and recent FX moves adds to the list of things that could help balance the market. Share repurchase is also a tool that has been used wisely in the past, and it continues to be attractive as the business trades at a low single-digit multiple of growing mid-cycle FCF.

Mattel – Children's toy, media, and consumer products creator Mattel was a detractor for the quarter. Second quarter sales were below expectations as North American retailers adjusted ordering to domestic shipping vs. importing directly. This was to buy time to see if tariff rates abated, which resulted in a two-month lag in sales recognition. This resulted in North American sales down 16% while international segment sales increased 7%. Point-of-sale sell through at retailers was positive for Q2 and YTD showing healthy underlying demand as toys are somewhat non-discretionary. Mattel continues to execute operationally with improved gross margins even with lower-than-expected sales. While we believe 2025 will show overall modest sales growth, 2026 should accelerate given two new movies and at least one new digital game being launched in addition to a solid partner movie slate where Mattel produces related toys. In the interim, management is using almost all its FCF to repurchase shares at depressed prices. They plan to repurchase $340 million in 2H25 which equates to over 5% of shares outstanding.

Oscar Health – Healthcare insurance company Oscar reversed course from being a contributor last quarter to a detractor this quarter. We wrote to you in our previous letter about the shifts in sentiment and how we sold shares into the positive feelings at the end of the second quarter when the stock went over $20 per share. July ended up being a rough month for Oscar and its industry as claims losses were much worse than expected in the first half of the year. Oscar was unfortunately unable to lose much less than others because of the way this unique market works, and this hurt our appraisal. As the stock recovered later in the quarter, we sold the rest of our position as our price to value gap had closed. This ended up being a successful overall investment, and we are grateful to our partners at the company for leading it through volatile industry times.

Portfolio Activity

We purchased two new positions in the portfolio during the quarter, Rayonier as discussed above and an undisclosed holding. We have successfully owned the undisclosed company before, and similar to Rayonier, it is in an industry that is uniquely undervalued and has partners looking to realize value sooner rather than later. We exited our positions in Hyatt, Oscar (as mentioned above), Park Hotels and Westrock Coffee. Hyatt was a multi-year contributor that exceeded our appraisal, while the Park Hotels and Westrock exits were an opportunity to improve the portfolio's quality and unlevered margin of safety.

Outlook

While the last few months have been frustrating on a relative basis, with the Fund's P/V ratio in the high-60s% (closer to 60% excluding Kodak), we are encouraged for the future return potential of the portfolio. We have improved the quality, P/FCF and P/V of the portfolio as the year has gone on. Our management partners are on offense with multiple ways to win. The on-deck list continues to grow nicely. We are grateful for your partnership and looking forward to the rest of the year.

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://regdocs.blugiant.com/longleaf/#. 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.

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.

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.

Enterprise value (EV) is a company's market capitalization plus debt, minority interest and preferred shares, and less total cash and cash equivalents.

PE multiple is a financial metric that frames a company's current stock price in terms of the company's earnings per share.

REIT is a Real Estate Investment Trust which is a company that owns, operates, or finances income-producing real estate.

A Basis Point is one hundredth of one percent.

As of September 30, 2025, the top ten holdings for the Longleaf Partners Small-Cap Fund: Eastman Kodak, 12.1%; CNX Resources, 6.1%; Becle, 6.1%; White Mountains, 5.8%; Gruma, 5.5%; Mattel, 5.1%; TripAdvisor, 5.1%; Undisclosed 4.7%; Undisclosed 4.6% and Graham Holdings, 4.6%. 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.