

October 2026

Longleaf Partners Fund 3Q26 Commentary

Longleaf/Partners
Funds

Fund Characteristics

P/V Ratio	Mid-50s%
Cash	6.4%
# of Holdings	18

All data as of September 30, 2026

	Annualized Total Return						
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Partners Fund	-2.41	-3.15	0.09	5.41	1.93	4.62	8.93
S&P 500	2.30	12.75	15.74	22.89	13.79	15.33	10.93
Russell 1000 Value	2.61	19.27	23.81	20.07	11.92	11.43	10.19

Coming into this year, our 3-year annualized returns were 11.7%. That is a solid number, but we have not been pleased with our performance this year or in the third quarter. In fact, our year-to-date stock price results ask a hard question: will this be, in retrospect, a great time to be deeply different than the market (2000 or 1987), or is this a sign that something is wrong with what we are doing, and we must make changes (2022, when we reassessed many parts of our approach and implemented our [3 Rules](#))? For reasons that we will go into stock by stock later in this note, we believe that we are on the right track even if not all of our investments this year have had sufficient value per share growth. Our values have done materially better than the stock price scoreboard in 2026, consistent with both what we wrote earlier this [year](#) and a market like 2000. Back to the question: we are confident that this will be another great time to be different.

Inception date 4/8/1987. 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 0.97%. 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, 2027, and may not be terminated before that date without Board approval.

Our 2Q [letter](#) had more macro comments than usual because the broader market environment in April and May was so strange and challenging for us. Since then, we have had good (July) and bad (September) market sentiment months for contrarian, concentrated value investing. While the market might not be crazier than last quarter, it is still not rational. As we wrote in our most recent [Research Perspectives](#), this year has been extra punishing for stocks that report the wrong kind of results and/or are not tied to the right macro themes. Higher interest rates are the newest macro wildcard, but our financially strong companies will be able to weather this, even if some of our holdings trade more with rates in the short-term than others.

What will matter most is what each of our holdings does to build value per share and get it recognized. We continue to be engaged with our investees across the portfolio and believe this work has strong odds of paying off soon, as it already has at multiple holdings in the portfolio – some publicly, some so far privately. These payoffs can come suddenly, as we have seen at Mattel recently. Multiple potential acquirers have been reported to be interested in Mattel since quarter end. The seeming lack of activity in the few months since we published our [letter](#) to the company was not due to a lack of effort from us behind the scenes, and it is good to see things now moving in the right direction. We also have uniquely low expectations (especially vs. an elevated market) to beat from here for two groups in the portfolio that bode well for the future.

First, we own more stocks than usual with short-term earnings disappointments that have been extrapolated in perpetuity by the market. We believe that these 2026 earnings results do not equal large, long-term value declines. While stocks like this do not usually go up in the short-term, we have been surprised with how much they have gone down this year. For example, Mattel shot themselves in the foot earlier this year with an ill-conceived earnings reset, but a realization of its true value could be higher than it was to start the year now that an acquisition of the company is more likely. Rayonier and Fortune Brands reported lower earnings due to temporary factors that we explain later, but both have great assets with long-term growing values. Albertsons' potentially excessive earnings reset coincided with Kroger buying an inferior peer at a higher valuation than we use for Albertsons. Further quantifying the impact of this group, we have seen its aggregate current year earnings as defined by sellside estimates decline by 15-20% vs. expectations so far this year, with even worse stock price performance. However, our aggregate estimate of long-term earnings power (and the 2027/28 estimates of the sellside who do the work instead of just extrapolating 2026) for this group is closer to flat, setting up powerful long-term stock price returns from here.

Second, we own more stocks than usual that have performed well but been “stuck” or down this year for reasons that do not make long-term sense. The good news is that these companies are on offense and have great track records of value per share growth, which should win over the long-term. For example, at People / MGM, we saw late quarter progress on a value-accretive merger of these two companies, while both operate their core businesses well and sell more noncore assets. New investments Abbott Labs and Universal Music Group have great, growing businesses and owner operators on the case. EXOR has announced share buybacks and asset sales, leading to its strongest balance sheet ever and improved odds of a reacceleration back to its history of a 15%+ value per share CAGR from 2014 to 2024. Long-time investment CNX has grown its value per share at a 20%+ CAGR over the last 5+ years and is able to keep doing so. Following a two-year post-spin restriction for Magnum Ice Cream ending December 2027, the company will have greater strategic optionality to be sold, as has already been rumored. These stocks and a few others making up approximately 70% of our portfolio have seen aggregate earnings for 2026 increase a few percent vs. the initial sellside estimates, while their aggregate stock price has been roughly flat, another example of the disconnect between underlying earnings growth, positive qualitative factors and share price performance.

Group #1 performance should be dragging us down on a contribution basis in the low hundred basis points range (which we do not want either, but this year has not been nearly as bad as the negative 700bps verdict from the stock market at quarter end), while Group #2 (along with some sales we made earlier this year) should be pushing us ahead by closer to 500-1000bps on a contribution basis instead of being flat for the year. Combine the two groups and we get underlying results more in the plus mid-single-digits range (again, we should be doing better than that), which makes more sense for the non-AI part of the stock market this year.

Before getting to our stock-specific paragraphs, another way to quantify the attractiveness of the portfolios beyond the P/Vs and the qualitative is the simple fact that our earnings multiples – which were already attractive coming into the year – have gone down 10-20%, all while the earnings themselves have been further derisked. This is not normal, but it is our opportunity from here.

Notable Contributors & Detractors

Avantor – Avantor’s stock price increased over 50% in Q3. The market is regaining confidence in the company’s ability to grow organically and in Emmanuel Ligner’s turnaround plan. Avantor’s VWR distribution business returned to organic growth in Q2 and Ligner guided to increased organic growth from here. The Bioprocessing business declined organically but showed improvement in orders. Ligner also said Avantor should show revenue growth in 2027, and peer companies are as well. M&A has resumed in the space with the acquisition of Bio-Techne at a healthy multiple, and news related to mRNA cancer vaccines that would utilize Avantor’s products have improved sentiment. We trimmed our position as the stock approached our value.

Regeneron – Biopharma company Regeneron reported a solid set of results, with key drug Dupixent continuing to outpace our and the market’s growth expectations. We were encouraged to see the company report that it leaned harder into share repurchase in the second quarter when its stock price was even more deeply discounted. The stock likely reacted well to expectations of a reset deal with partner Sanofi on Dupixent. This occurred after quarter end and was accretive to our value per share.

Abbott Labs – This diversified healthcare company is a new holding (owned previously in the 2010s) and is off to a strong start for us. In the first part of the year before we invested, Abbott slightly missed earnings estimates while it was digesting its acquisition of Exact Sciences, along with a variety of turmoil in the medtech and infant nutrition industries. Its stock fell almost 40% (there’s the earnings overreaction theme again) from its high last year to our purchase price in the second quarter. The stock reported a solid quarter in July that suggested Abbott can soon get back to its decades long-history of high-single to low-double-digit EPS growth along with a safe and growing dividend. The company also began moving on from unwarranted infant nutrition liabilities to further protect the downside. Additional upside could come from the fact that Abbott has spun off or sold multiple businesses in its history and could consider such moves again.

People Inc. and MGM Resorts – Digital and print publisher People Inc. was a detractor in the quarter, while hospitality and entertainment company MGM Resorts also detracted. We continue to have a higher weighting in People than MGM. Earlier in the quarter, People Inc. had a good earnings report that highlighted their continued progress towards simplifying the company, and MGM had a decent quarter where Regionals posted all-time high revenues and Las Vegas grew revenues for the second

quarter in a row. Near quarter-end, People Inc. announced that they were pulling their offer to acquire a majority stake in MGM. This, combined with weaker recent trends in Las Vegas, led to MGM selling off to a price far below the price prior to the People Inc. offer. The following day, news broke that MGM is looking at acquiring People Inc. We continue to believe that it can make sense and be value per share accretive for these companies to get together. The main questions likely revolve around the value and future of People Inc.'s assets, excluding the MGM shares. We think there are creative ways to structure the new company, and we remain engaged with both companies to help get to the right place.

Fortune Brands Innovations (FBIN) – Building products company FBIN saw its stock price decline in Q3, retracing Q2's positive move related to excitement over Jesse Singh's appointment as CEO. In August, Singh cut annual earnings guidance for both external and internal reasons. Externally, interest rate increases are pressuring all housing-related companies. Internally, Jesse is temporarily utilizing costly airfreight to ensure customers have proper inventory until temporary inefficiencies in FBIN's supply chain are fixed. He also decided to reinvest some of FBIN's tariff refunds into product development spending. We applaud both moves as proper long-term business decisions. While we had trimmed our position into Q2's stock price strength, we added later in Q3.

Albertsons – Supermarket operator Albertsons reported a quarter that was very negatively perceived for multiple reasons. First, the company's earnings & guidance were below expectations with comparable sales -0.8% vs. estimates of -0.5% in the quarter (not that bad in a tough environment). Second, the company announced additional investment spending leading to EPS -20% for the full year vs. the previous estimate. This was compounded by bad communications around a somewhat-planned CFO departure and a poor explanation on the quarterly conference call about what the company is doing going forward. When we first invested, the case was that the EPS/FCF power of the company should be in the \$2-2.50 range, but if we were wrong & it was more like \$1.50-2 (which is where current, rebased estimates are), then the stock could still trade at 10x (below the long-term average for supermarkets), & we would be OK. Both cases are still very achievable vs. a current stock price below \$12, but the market is in show-me mode. We believe that the people on the case – in the form of both large owners Cerberus and multiple executives who purchased shares after the large drop – can now run the business better and likely consider a range of strategic options as well.

Rayonier – Timberland owner Rayonier did not have much company-specific news in the quarter. Their results were as expected, and the company continued to repurchase shares while paying a healthy dividend. In the short-term, this stock trades with interest rates and lumber prices, both of which ended the quarter poorly. This remains an understandable, long-term-irreplaceable asset. While it is cold comfort for our short-term absolute returns, the market has come to appreciate Rayonier’s advantaged position by closing the valuation gap vs its last standing US public company peer Weyerhaeuser, as we suspected at the start of the year when the gap between the valuations of the two companies was too large.

Mattel – Toy, media and consumer product company Mattel declined in the quarter after management said at a conference in mid-September that guidance would be more back-end weighted for 2026. The real news came late in the quarter and up to the moment we published this note. On September 29th, Ynon Kriez announced his departure from Mattel for the co-CEO job at Skydance. Roger Lynch, Mattel’s lead director, was immediately announced as Mattel’s new CEO. Subsequently on October 1st, the Wall Street Journal reported in a well-sourced article that \$20bil+ private company Authentic Brands is interested in acquiring all of Mattel for \$20+ per share, which led to a rebound in the price. October has also seen reports of additional shareholder pressure from material holder Ariel and published rumors of interest from Zuru, a highly legitimate toy company headquartered in Asia. Mattel has been a material contributor to our returns this month as we write to you, and we remain on the case with our engagement.

Portfolio Activity

We purchased one new position in the portfolio during the quarter. Universal Music Group is a high-quality business with valuable music assets and durable long-term earning power that we have successfully owned multiple times before as part of Vivendi. We did not exit any positions in the quarter. We continue to search for opportunities while staying true to our investment discipline and are close on several potential new investments. It has been encouraging to see many of the economically-sensitive stocks that drove the S&P 500 over the last 15 months start coming back to earth, and some of them are making it to our on-deck list.

Outlook

This section of our letter a year ago began with “While the last few months have been frustrating on a relative basis...”. We are well past frustration now, and you deserve a new level of gratitude for staying with us over the last 15 months. Now is not the time

for dramatic changes to our portfolio because it has not been working recently, but that does not mean we are sitting and waiting for better days. Stay tuned for more developments like Mattel. We have increased confidence in our future returns as our P/Vs have improved this year, and we also believe that the defensive nature of our portfolio will show through to protect our downside vs. an elevated S&P 500.

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

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.

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

A Basis Point is one hundredth of one percent.

EBITDA is a company's earnings before interest, taxes depreciation and amortization.

Mergers and Acquisitions (M&A) are business transactions in which the ownership of a company, business organization, or one of their operating units is transferred to or consolidated with another entity.

As of September 30, 2026, the top ten holdings for the Lingleaf Partners Fund: People, Inc. 8.5%, Albertsons Companies, Inc. 7.7%; EXOR N.V. 7.6%; Rayonier, Inc. 6.9%; Regeneron Pharmaceuticals, Inc. 6.5%; CNX Resources Corporation 6.4%; Mattel, Inc. 6.4%; Magnum Ice Cream Company N.V. (The) 6.2%; Abbott Laboratories 5.0% and Universal Music Group N.V. 4.9%. 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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LLP001652 expires 1/15/2027