

October 2026

Longleaf Partners Small-Cap Fund 3Q26 Commentary

Longleaf / Partners
Funds

Fund Characteristics

P/V Ratio	Low-50s%
Cash	5.6%
# of Holdings	17

All data as of September 30, 2026

	Annualized Total Return						
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Small-Cap Fund	-9.24	-13.89	-12.91	4.04	0.09	3.75	9.06
Russell 2000	-7.23	13.71	16.20	17.72	6.34	9.84	9.50
Russell 2000 Value	-4.91	16.96	20.77	17.93	7.80	9.40	10.22

Coming into this year, our 3-year annualized returns were 12.3%. 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. Since we know we have readers of all three Longleaf fund letters, it is striking to us that while our Small Cap strategy has had worse returns this year than Partners and Global, it has actually had our best value per share growth. We are not alone in noticing that

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, 2027, and may not be terminated before that date without Board approval.

something is off in small cap active investing recently, as we wrote about in our May [Research Perspectives](#), but that does not mean that things have changed permanently. Back to the question: we are confident that this will be another great time to be different.

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 for example at Mattel since September 30th. Multiple potential acquirers have been reported to be interested in the company. 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. Our portfolio ended the quarter with a P/V of 50%, which is rare and compelling for future returns, as will be detailed later. 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. Bece is a 250+ year old company that is going through a one-time distributor reset this year (with the 2026 earnings pain that entails) to set the company up for long-term growth. Even though its industry has faced headwinds recently, trends have been stabilizing and

transactions are still happening at 3-5x revenues when Beale trades at 1-2x. Empire State Realty Trust, Gruma and Rayonier have all reported lower earnings due to temporary factors that we explain later, but all are great assets with long-term growing values. TripAdvisor is a different story where its value has likely been impaired somewhat due to poor execution, but the company is clearly open to realizing value, and the near-term EPS and stock price declines overstate the pain. Further quantifying the impact of this group, we have seen its aggregate current year earnings as defined by sellside estimates decline by ~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, long-time investments CNX, Graham Holdings and White Mountains have grown their value per share at a 15-20% CAGR over the last 5+ years and are able to keep doing so. Newer telecom investments Shenandoah Telecom and Liberty Capital also have strong track records and are both soon increasing returns to shareholders: Shenandoah will be putting much more FCF to work soon as its fiber build completes, and Liberty Capital’s improved situation was described in our most recent [Research Perspectives](#). We have also seen solid performance from new investments like Alexander’s to value-growing stalwarts like the Atlanta Braves. These stocks and a few others making up nearly 60% of our portfolio have seen aggregate earnings for 2026 increase vs. the initial sellside estimates by approximately 5-10% YTD, while their aggregate stock price has declined roughly 5%, 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 by a few hundred basis points (which we do not want either, but this year has not been nearly as bad as the negative 1250bps verdict from the stock market at quarter end), while Group #2 should be pushing us ahead by closer to 1000bps on a contribution basis instead of being down 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), for one of the largest gaps of perception vs. reality that we can remember.

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

Clearwater Paper – Packaging company Clearwater Paper was a contributor in the quarter. Boxboard producers successfully pushed through a \$60/ton price increase that helps take the industry off the lows. They have also announced a similarly-sized second round of increases that will help recover most of the price lost at the end of 2025, as well as recent cost inflation from the Iran war. Each dollar/ton of price is worth ~\$1m of EBITDA to Clearwater, which is a significant amount for a company that was expected to generate \$20m of EBITDA this year. Demand throughout the industry has improved, leading to bigger backlogs and a better supply situation that may still need additional closures to take the market back to mid-cycle. Clearwater also recently refinanced their 2028 notes with a new financing package that pushes their debt to a 2031 maturity. This keeps the balance sheet in a good place and allows management to continue operating the business well in a tough environment while exploring creative ways to grow value per share.

Liberty Capital – Alaskan cable company Liberty Capital was a contributor in the quarter. The company reported a normal quarter that showed more progress towards limited consumer broadband subscriber losses, which is important to see in an industry that is facing overblown Starlink fears. The prospects of Alaska LNG did get worse since our last note, as the legislature could not work out the proper tax treatment to satisfy all sides. The project could still begin moving forward in 2027 after this year's elections. We wrote more about the positive developments at the company (including large insider purchases and improved capital allocation) in our most recent [Research Perspectives](#).

Empire State Realty (ESRT) – NYC real estate owner ESRT's underperformance this quarter was mostly driven by its Empire State Building Observatory hitting a rough patch over the last two years in a way that culminated with an earnings guide down in July. Going into 2020, the Observatory had been on an uninterrupted streak of growth since 9/11. This was halted by Covid, but results rebounded as the world economy reopened. As 2025 played out and NOI/attendance declined slightly, this first seemed like macro problems with fewer international tourists due to USA immigration policy. This remains an issue, but this year has also seen a mix of competition and the K-shaped economy

hurting results. The Observatory had built its business on international budget travelers. In a world with a growing middle class of people who want to/can come to the USA, that worked. While it's likely that world returns, that's not the world we are living in now. The Observatory had also previously weathered 1 World Trade Center and Top of the Rock competition, but a five-player market with Summit One Vanderbilt and Edge Hudson Yards in the mix is different. The Observatory is less than 15% of our value at ESRT, but it does swing around earnings and sentiment on the stock. This overshadowed a healthy NYC office market and another great asset sale from ESRT. Interest rates are a headwind, but the company is properly leveraged with well-laddered debt. The stock price this year has dramatically overshot a 9% decline in FFO per share estimates vs. the start of the year. The company knows that it needs to use this stock price as an opportunity, and we have been in increasing contact with them as the year has gone on and our position has increased. After quarter-end, an activist showed up in the stock, which is an interesting development.

TripAdvisor (TRIP) – The good news from digital travel company TRIP's announced sale last quarter of TheFork faded badly this quarter. While the company's legacy namesake business did fine vs. reduced expectations, its more important Viator segment did worse. Until some point earlier this year, Viator looked like it had turned the corner to be a double-digit grower at ascending double-digit EBITDA margins. 1Q brought excuses on how quickly Iran changed things after a good January/February. But in 2Q, the business did only +3% revenues on weaker year-over-year margins. 3Q will also be disappointing on these metrics. The company could've done a better job detailing how weather/macro plus Google Search changes explain the deceleration. TRIP has some legitimate competitive and AI-related worries, even if both are likely overblown. Thus, the stock at quarter end was a lower weight for us. We like the openness to asset monetization as evidenced by the sale of TheFork (the proceeds that will be received before year end are now over 2/3rds of the market cap, and their reinvestment and/or distribution is not captured in the large current year earnings estimate decline that impacted the aggregate "Group #1" number above), but the operational execution has been lacking.

Shenandoah Telecommunications (SHEN) – Broadband operator SHEN was a contributor for us in the first half of the year but detracted in the third quarter. Very little changed at the company as the year went on. SHEN is still winding down its residential fiber capital expenditures and hooking up new customers. Sentiment has gotten worse for its broader industry this year, with first a public SpaceX as loud competition for all telco stocks and now Meta's Muse AI agent leading to fears of decreased consumer switching costs for subscription products. We continue to believe SHEN's unique

footprint makes it harder for satellite and fixed wireless to work well, while more switching might not be a bad thing for SHEN when its most mature and penetrated fiber markets are still barely cracking 40% (overall SHEN residential fiber penetration is still in the low 20s%), and its net promoter scores are in the 60s when legacy telco competition is usually closer to zero. We have aligned owners on the case (more insider buying this quarter) and multiple paths for the company to realize value.

Gruma – Global tortilla and corn flour company Gruma continued to face the same headwinds we have seen over the last year, as the US government’s anti-immigration policies have reduced demand from certain segments of Gruma’s customer base. Thus, the company is growing a few percentage points slower in its US market (~70% of the company’s value) than it has historically, but it is unlikely this lasts forever. Growth is strong outside of North America, suggesting that demand trends remain the same in more normal environments plus the company’s history of great execution is intact. In the meantime, the company has stepped up its share repurchase activity, becoming one of our largest repurchasers as a percentage of float in the second quarter.

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.

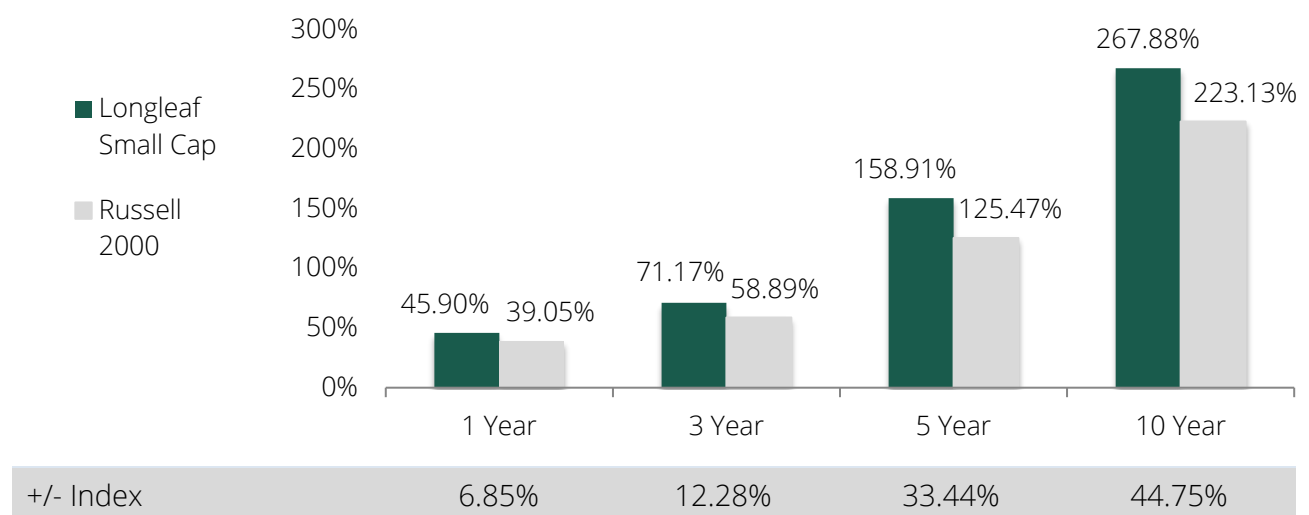
Portfolio Activity

We purchased one new position in the portfolio during the quarter. The new holding is a prolific FCF generator with great people in an industry we know well. 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 Russell 2000 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 have a strong history of great results from P/V levels like this:

Average Cumulative Total Return Following P/V of 50% or Less *



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/lingleaf/#>. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

* Since 1993, the Fund's P/V ratio has fallen below 50% 6 out of 129 quarters: (9/30/1998, 12/31/2008, 3/31/2009, 6/30/2009, 3/31/2020 and 9/30/2022). Performance in the table reflects the 1, 3, 5 and 10 year average cumulative returns from those dates vs the benchmark for those same dates.

The Lingleaf 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.

CAGR is Compound Annual Growth Rate

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 Small-Cap Fund: Bece S.A.B. de C.V. 7.7%; Liberty Capital Corporation 7.7%; Rayonier, Inc. 7.7%; Empire State Realty Trust, Inc. 7.4%; Mattel, Inc. 7.4%; Shenandoah Telecommunications Company 7.1%; CNX Resources Corporation 6.9%; Gruma S.A.B. de C.V. 5.0%; White Mountains Insurance Group Ltd. 5.0% and Graham Holdings Company 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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