Longleaf Partners Funds | Advised by Southeastern Asset Management, Inc.®

Global Fund Management Discussion

Longleaf Partners Global Fund gained 9.2% for the fourth quarter and 28.4% last year, outpacing the MSCI World Index returns of 8.0% and 26.7% for the same periods. These returns far exceeded our annual goal of inflation plus 10% in the Fund's first year of operation.

Cumulative Returns at December 31, 2013

	Since Inception	One Year	4Q
Global Fund (Inception 12/27/12)	**28.40%**	**28.40%**	**9.18%**
MSCI World Index	26.89	26.68	8.00

Average Annual Returns at December 31, 2013

	Since Inception	One Year
Global Fund (Inception 12/27/12)	**28.05%**	**28.40%**
MSCI World Index	26.65	26.68

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 longleafpartners.com.

Level 3 Communications was the primary contributor in the fourth quarter and the year, adding 19% and 37% respectively. The company reported strong results following the appointment of Jeff Storey as CEO in April. Revenue growth and significant cost reductions improved margins. The company also refinanced $2.6 billion in debt. Large internet-based companies looking to control their customer connections highlighted the value of Level 3's dark fiber, which is not reflected in revenues. As management continues to execute, value growth should be meaningful. Growing revenues will especially benefit Level 3 given its fixed-cost asset base, lower-than-average maintenance capital spending, and minimal tax liability.

OCI's 34% gain in the fourth quarter made this holding, which we purchased in the third quarter, among the year's top contributors. OCI is one of the world's leading nitrogen fertilizer producers with capacity of nearly 7 million tons. The company also operates one of the leading engineering and construction firms in the Middle East and North Africa specializing in complex infrastructure projects. Chairman and CEO Nassef Sawiris controls 54% of the stock and has a strong operating and capital allocation record. He sold Orascom Cement in 2007, just before the financial crisis, and successfully listed 22% of OCI Partners in October 2013. OCI Partners, which is 78% owned by OCI, is up nearly 50% from the IPO price. He has built OCI into one of the industry's lowest cost fertilizer producers through long-dated natural gas contracts at low prices (a primary ingredient in fertilizer) and newer, more efficient plants that are strategically located next to either main export hubs or major agricultural centers.

Melco International gained 198% for the year after rising 34% in the fourth quarter. Through its joint venture in Macau casino operator Melco Crown, the company benefitted from the limited supply and large demand for Macau gaming. In the quarter, the company reported a 24% increase in overall revenue and a luck-adjusted 50% increase in year-over-year EBITDA (earnings before interest, taxes, depreciation, amortization). CEO Lawrence Ho, who is Melco's largest shareholder, has focused the business on mass-market gamblers, a much more profitable segment than VIPs whose revenues are shared with junket operators. He is using capital to benefit from the acceleration in visitor arrivals and length of stays over the coming years by building Studio City and adding to City of Dreams. While Macau does seven times more gaming volume than Las Vegas, it currently has one-eighth the hotel rooms. The opening of the Macau-Hong Kong Bridge in 2016 will allow easy access to the Hong Kong Airport and provide travelers from Chinese cities on the eastern side of the Pearl River Delta a much quicker route to Macau, bringing more customers. Despite the strong price appreciation during the year, the stock remains below our appraisal, because revenues grew significantly ahead of our expectations. We did trim the position to maintain a normal weight as the price rose.

FedEx was a leading performer for the fourth quarter and the year, gaining 26% and 52%, respectively. Major cost initiatives gained traction as the company's Express unit grew margins by 1.4% in its most recent quarter. The Ground unit delivered strong growth with volume increases from e-commerce and higher pricing. FedEx repurchased 7.2 million shares, a 10% annualized pace. The stock's increase in the fourth quarter followed news that the company would begin a new 32 million share repurchase program. Management's operating success and capital allocation combined to build the company's worth through the year.

In the fourth quarter, CNH, a global leader in agriculture machinery and commercial trucks, declined 9%. A dramatic fall in corn prices sparked concerns about U.S. farm equipment demand, which we assume will decline over the next two years. Although cyclical, CNH should benefit from continuing European economic recovery and growth in developing markets over the long run. Chairman Sergio Marchionne has taken progressive steps to focus the company, improve operations, and build value for shareholders.

The Fund had only one detractor for the year, UK-based Guinness Peat. Its impact was minimal, with the stock down 3%. Management's plan to focus exclusively on Coats, the world's leading industrial thread and consumer textile crafts business, and to return remaining excess capital to shareholders was put on hold until the UK pension regulator makes a final determination on whether legacy plans will require additional capital.

After the Fund's launch, we added three new holdings during the year –the post-spin publishing arm News Corp in the second quarter, fertilizer and construction firm OCI in the third quarter, and branded food company Orkla in the fourth quarter. We sold Berkshire Hathaway in the second quarter, Murphy USA, which was spun out of Murphy Oil, in the third quarter, and Henderson Land in the fourth quarter. While Henderson's Hong Kong real estate remained undervalued, management's decision to buy overvalued shares of Hong Kong China & Gas from its Chairman, rather than using the capital to buy its own shares at a deep discount, changed our view of our partners, and we eliminated the position.

The Fund ended the year with a P/V in the high-70s% and cash at 17%. We have a number of interesting names on-deck, particularly outside of the U.S. We will adhere to our deep discount discipline and wait patiently for investments to qualify. At the end of the Fund's first year, assets surpassed $100 million from a combination of Southeastern employees' seed capital, strong returns, and investments from like-minded partners. We are honored to be co-investors with you in the Global Fund. While we believe our long-term returns should meet our absolute goal, we caution you not to expect us to more-than-double that level often.

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 longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

The Longleaf Partners Global 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 invest 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 Funds may be more volatile than those of larger companies. Investing in non-U.S. securities may entail risk due to non-US economic and political developments, exposure to non-US currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets. The annual expense ratio for the Longleaf Partners Global Fund is 1.65% (1.73 before fee waiver, which is voluntary and expected to continue until average net assets exceed $54 million and expenses fall below the 1.65% cap).

MSCI World Index is a broad-based, unmanaged equity market index designed to measure the equity market performance of 24 developed markets, including the United States. An index 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.

As of 12/31/13, the top 10 holdings in Longleaf Partners Global Fund - Level 3 (10.9%), OCI (6.7%), Cheung Kong (5.8%), Melco International (4.9%), Bank of New York Mellon (4.8%), Genting Berhad (4.5%), News Corp (4.5%), Orkla (4.5%), Loews (4.3%), Chesapeake Energy (4.3%). **Current and future holdings are subject to risk.**

Funds distributed by Rafferty Capital Markets, LLC.