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

For Professional Investors Only

Fourth Quarter 2014 Commentary

After strong returns in 2013, the Longleaf Partners Global UCITS Fund underperformed the MSCI World Index in 2014. The strength of the U.S. dollar (USD) versus the euro in the second half resulted in dramatically different fourth quarter and year-to-date (YTD) returns across the three currency share classes. The USD class declined 0.28% in the quarter and 1.25% for the year; the GBP class returned 3.77% in the quarter and 4.84% for the year; and the EUR class returned 4.09% in the quarter and 12.28% for the year. Only the EUR share class beat our absolute return goal of inflation plus 10% in 2014. The Fund's underperformance relative to the index occurred in the second half of the year and impacted longer-term trailing returns. While we are not pleased with our results over the last twelve months, we believe the portfolio is positioned to outperform from its current discounted level over the next several years.

Cumulative Returns at 31 December 2014

Global Fund	Since Inception	Three Year	One Year	4Q
Class I - USD (Inception 04/01/10)	**42.00%**	**53.51%**	**-1.25%**	**-0.28%**
MSCI World USD	59.68	53.97	4.94	1.01
Class I - EURO (Inception 20/05/10)	**56.63**	**63.87**	**12.28**	**4.09**
MSCI World Euro	80.31	65.18	19.50	5.45
Class I - GBP (Inception 13/11/13)	**6.69**	**na**	**4.84**	**3.77**
MSCI World GBP	11.80	na	11.46	5.02

Average Annual Returns at 31 December 2014

Global Fund	Since Inception	Three Year	One Year
Class I - USD (Inception 04/01/10)	**7.28%**	**15.36%**	**-1.25%**
MSCI World USD	9.83	15.47	4.94
Class I - EURO (Inception 20/05/10)	**10.21**	**17.90**	**12.28**
MSCI World Euro	13.62	18.21	19.50
Class I - GBP (Inception 13/11/13)	**5.89**	**na**	**4.84**
MSCI World GBP	10.36	na	11.46

Fiber and networking company Level 3 Communications gained 49% and led the Fund's performance for the year and the fourth quarter, up 8%. Level 3 provides critical infrastructure that connects businesses and consumers to the internet, allowing them to move voice, video and data. The company's acquisition of tw telecom closed in the fourth quarter, significantly expanding its network reach in metropolitan markets and providing additional capacity to grow its enterprise customer base. Throughout the year, CEO Jeff Storey and his team delivered solid revenue growth, margin improvement, and higher free cash flow. The stock remains significantly below our value of its operating networks and non-earning dark fiber and conduit assets and is the Fund's largest holding.

Hong Kong based conglomerate Cheung Kong rose 15% for the year. Over the course of 2014, results at most of the company's operating divisions were strong. Additionally, management made several value-enhancing asset sales across multiple business lines at low cap rates and used proceeds to opportunistically reinvest in discounted infrastructure deals outside of Asia with double-digit IRRs (internal rates of return). Management also returned proceeds to shareholders in the form of dividends. Most recently, in a joint venture with Mitsubishi Corp, Cheung Kong bought an airplane leasing portfolio. With its strong balance sheet, Cheung Kong can take advantage of Hong Kong land banking opportunities if prices correct.

Cement producer Texas Industries (TXI) gained 35% before we sold it at the start of the third quarter following Martin Marietta's all-stock acquisition of the company. In spite of the financial crisis and worst recession in our lifetime, since the Global Fund's inception we made 156% in TXI.

We bought French luxury goods business Christian Dior (CDI) in October, and the position added 17% through year end. Christian Dior is the holding company for LVMH and Dior Couture, the world's most prominent collection of luxury brands. Given its holding company structure, CDI has historically traded at a discount to LVMH ranging from 7% to 40%. Gaining LVMH economic exposure through CDI aligns our interests with owner-operator Bernard Arnault. After nearly tripling shareholder capital on LVMH's 24% stake in Hermès, Mr. Arnault distributed the Hermès stake to LVMH shareholders, and CDI's board decided to distribute its prorata share of the Hermès stake. We sold the Hermès shares above our appraisal. The transaction realized a 12% yield on our average cost for CDI. Arnault's opportunistic purchase of Hermès in the Global Financial Crisis and subsequent decision to distribute the fully-valued shares, illustrates his financial discipline and intense focus on shareholder value creation.

Global fertilizer and chemical producer OCI also had a strong fourth quarter, adding 13% after positive news on various fronts. Egyptian natural gas shortages that had negatively impacted OCI's plant utilization rates stabilized; the company won an Egyptian tax case related to the 2007 sale of its cement unit; and the EPA issued its final construction permit for the greenfield Beaumont, Texas plant that will be the largest methanol facility in the U.S. and is scheduled to begin production in 2016. CEO Nassef Sawiris' decision in the third quarter to spin out the legacy construction business should help the market properly value OCI as a pure-play nitrogen company. Sawiris opportunistically bought shares personally throughout the year to take advantage of the price discount.

Positive performance at many of our holdings was overshadowed by negative performance in the face of a combination of challenges – a strong U.S. dollar, regulatory and economic controls in China, sluggish European economies, and sharp declines in oil and gas prices in the second half. The USD strength had a large impact on the performance of many of our holdings in the fourth quarter and for the year. The USD share class was most impacted, as our positive local currency returns turned negative after translating them into USD. Returns for the GBP share class were also dampened. These currency conversions did not reflect the underlying operating performance of our businesses and did not impact our long-term appraisals. The stock return figures cited below are shown in USD; most local returns were higher.

Increased government scrutiny and regulation in China hurt all Macau gaming companies indiscriminately and made our stake in Melco the largest performance detractor for the year, with stock price down 39%. Our stake in Galaxy via K.Wah was also impacted, but K.Wah's price was bolstered by its Hong Kong real estate. At Melco, less than 15% of EBITDA (earnings before interest, taxes, depreciation, and amortization) is tied to lower margin VIP visitors who have been most severely impacted by China's anticorruption scrutiny and increased regulation. Melco grew its mass gaming business at a higher rate than the overall market. The company bought back 15.8 million shares, approximately 1%, over the last four months, and CEO Lawrence Ho bought an additional approximate $HK600 million personally in 2014. Even in the storm of worry that labeled 2014 a disastrous year for Macau gaming, overall revenues fell less than 3%, the number of visitors rose, and mass revenues grew double-digits. The Chinese government has demonstrated its long-term support of Macau with massive infrastructure projects, and efforts to crack down on corruption and attract more legitimate visitors ultimately will benefit our holdings. We are excited to own these businesses as increased accessibility and additional room supply should enable revenues to rise at healthy levels.

The 49% decline in the price of oil in the second half of the year impacted several of our holdings. Oil fell as increasing supply began to exceed demand, and stocks did not discriminate. Low cost producers, higher quality assets, proven management teams, and even energy companies without oil properties like CONSOL Energy had substantial declines. U.S. oil and gas exploration and production company, Chesapeake declined 23% for the full year and 15% in the fourth quarter. Since Chesapeake's heavily vested Board took over in mid-2012, the company has delivered the balance sheet and improved production from its irreplaceable 12+million net acres of oil and gas fields. CEO Doug Lawler is driving value recognition in ways he can control – selling assets at reasonable prices, reducing debt, and increasing operating efficiencies in both corporate and production activity. In the first half of the year, Chesapeake sold non-core acreage in Oklahoma, Texas, and Pennsylvania and spun off its oilfield services business into Seventy-Seven

Energy, which we sold. In the fourth quarter, Chesapeake closed the sale of Marcellus and Utica assets to Southwestern Energy for $5 billion. This amounted to roughly 8% of Chesapeake's production for nearly half its market capitalization. Management announced plans to use $1 billion of the proceeds to repurchase the heavily discounted shares.

The Fund began the year holding higher-than-usual cash, with limited qualifying prospects. We put the cash to work as increased volatility created more opportunities to buy nine new positions, including two in the fourth quarter - McDonald's and aforementioned Christian Dior. Food quality issues at McDonald's China supplier, minimum wage pressure in the U.S., Russian challenges, European macro concerns, and improvements at competing chains pressured the stock and enabled us to own the company's valuable real estate and dominant breakfast business at a discount to our appraisal.

We exited a number of holdings during the year as some approached our appraisals, some no longer were discounted enough to buy but were too small to impact results, and others were more fully valued and/or lesser quality names that we could replace with businesses with a larger margin of safety and higher expected value growth. In the fourth quarter, we sold Vodafone, which we purchased earlier in the year, because more undervalued opportunities emerged. We sold Vopak, another purchase earlier in 2014, and NewsCorp after our investment cases changed. As discussed above, we sold the Hermès shares that CDI distributed. Additionally, Hopewell Holdings distributed its Hopewell Highway, which we also sold.

We were not pleased with 2014 performance. The return, however, does not adequately reflect the underlying progress our companies made during the year. We are confident that the Fund is positioned for successful long-term compounding, given the underlying fundamentals at our companies and the value additive actions our management partners are taking.

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