December 31, 2016

4Q16

Longleaf Partners International Fund Commentary

Longleaf Partners International Fund returned 12.20% for the year, meaningfully outperforming the MSCI EAFE Index's 1.00% return and beating our absolute goal of inflation plus 10%. In the fourth quarter, the Fund fared better than the index, falling -0.31% versus the index's -0.71% decline.

In two distinct environments, the Fund outperformed with minimal exposure to the areas that periodically drove market returns. In the first nine months, perceived "safe" stocks dominated. The fourth quarter reversed, with cyclicals making gains and defensive and minimum volatility stocks declining rapidly to end the full year among the worst performing areas. Global markets had significant quarterly price volatility across geographies. For example, Hong Kong markets suffered declines in the first and fourth quarters amid China concerns, with the fourth quarter further complicated by fears of higher U.S. interest rates and impacts of a Trump presidency on global trade. Our Hong Kong exposure added positively to 2016 results despite these fears. In Europe, markets rebounded quickly in the third quarter after a negative first half overshadowed by Brexit and European terrorist attacks.

The International Fund's successful performance had little to do with the index's return. Solid operational performance and smart capital allocation by our management partners who pursued value accretive transactions drove the Fund's substantial results. The company-specific nature of our 2016 return reinforced the importance of investing with a long time horizon and aligned, shareholder-oriented corporate leadership. While it is difficult to predict near-term stock prices, if our businesses are selling at a meaningful discount to their intrinsic worth, are growing free cash flow over the long term, and are run by people who are motivated to build value per share, good returns can be expected . These same characteristics describe our current holdings, are the criteria required for new investments, and therefore form the basis for our confidence in our ability to continue to deliver solid results

Annual Contributors/Detractors

(2016 investment return, 2016 Fund contribution)

adidas (+70%, +3. 58%), the German-based global sportswear and equipment brand, was the Fund's top contributor for the year. We sold our stake in the third quarter as the price approached our appraisal value. We engaged in a productive dialogue with the company when necessary since initiating the position in August 2014. Over that time, adidas re-focused on its core brand, grew revenues, sold or sought buyers for non-core segments including Rockport and golf, repurchased just over five percent of the company at substantially discounted prices, replaced the CEO, and added two highly qualified owners to the Supervisory Board, one of whom we proposed. In the Fund's two year holding period, adidas returned 122% (in U.S. dollar) and 166% in local currency (euro).

Great Eagle (+60%, +3.06%), a diversified property holding company based in Hong Kong also added to the Fund's 2016 return. Great Eagle announced a $2 per share special dividend in the second quarter after monetizing commercial real estate in San Francisco at a sub 4% net operating income cap rate. The company also successfully completed the acquisition of a prime hotel site in Roppongi, Tokyo, expected to be operational by the 2020 Tokyo Olympics. In addition to the Langham Hotels owned and operated across global capital cities, Great Eagle owns Hong Kong-listed Champion Real Estate Investment Trust (REIT) and Langham Hotel REIT. The company is led by Dr. Lo Ka Shui who owns 59% of Great Eagle and has an exceptional record of savvy acquisitions and divestitures, as well as value growth.

CEMEX (+41%, +1.94%), the global cement, ready-mix concrete, and aggregates company, performed well, reflecting improved fundamentals. The convertible bonds that we own have an attractive risk/reward profile, with asset coverage over twice the debt. Our long-term upside beyond par value, plus the 3.75% annual coupon, will depend on where the equity price trades relative to the conversion price. Our appraisal of CEMEX grew during the year, and we expect further appreciation since its core markets of Mexico and the U.S. are improving. Tonnage prices are rising, with cement plant capacity utilization in the U.S. at approximately 95% in the fourth quarter. On the capital allocation front, the company divested non-core assets. Proceeds from asset sales, as well as free cash flow, continue to reduce debt.

Sika (+35%, +1.77%), the Swiss provider of specialty materials and services for the construction industry was another major contributor in the Fund for the year. Since we initiated

Average Annual Total Returns (12/31/16): Since Inception (10/26/98): 7.05%, Ten Year: 0.62%, Five Year: 6.47%, One Year: 12.20%

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.

As reported in the Prospectus dated May 1, 2016, the total expense ratio for the Longleaf Partners International Fund is 1.28%. The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.75% of average annual net assets.

the position, the company has consistently reported strong quarterly results, with increased revenues and improved margins across all regions. Prior to our investment, the founding Burkard family made an agreement to sell its 16% stake to French company Saint-Gobain at an 80% premium without a concurrent offer to others shareholders. We have taken a public stand against the proposed deal, as we believe that all owners should be treated equitably. In late October, Sika's share price rallied after an initial corporate governance win in the two year battle against the Saint-Gobain takeover. The Swiss court ruled that Sika could limit the voting rights of the Burkard family to 5%, essentially blocking the proposed deal. We trimmed the position after strong performance, and we remain optimistic about value growth and the outlook from today.

BR Properties (+25%, 1.55%), one of the main commercial real estate investment companies in Brazil, also stood out as a strong performer in 2016. We sold the holding in the second quarter on the strength of a recovery in the company's earnings, in addition to an offer by GP Investments, a Bermuda-based investment company, to acquire 70% of BR Properties' outstanding shares.

OCI (-29%, -1.52%), a global fertilizer and chemical producer, was the largest detractor in the Fund for the year, even after a rebound of 18% in the fourth quarter. The two main pressures on the share price were weakness in nitrogen fertilizer prices and the cancellation of the CF Industries merger as a result of the U.S. government crackdown on tax inversions. Despite depressed fertilizer prices, nitrogen remains an essential part of global food production, and global demand is growing by around 2%, which will help deplete the current excess supply by 2018. Given the high cost and long lead time of building a new plant, it is unlikely that new capacity will be built in the medium term. OCI owns the newest and most efficient nitrogen fertilizer plants in the industry, with its large, new Iowa plant now producing. Its Texas Greenfield methanol plant comes online in late 2017. OCI recently initiated a cost savings plan over $100 million, $65 million of which is executed, and the company has completed the majority of its large capital expenditures. We expect significant earnings production in the coming two years, and CEO Nassef Sawiris and his team are working diligently to grow value per share. In early December, the company announced a 25% premium offer to acquire all publicly held shares of OCI Partners in exchange for OCI shares. The acquisition should allow for operating synergies between methanol assets and incremental free cash flow with a positive impact on the combined balance sheet in 2017.

CK Hutchison (-14%, -1.24%), a global conglomerate comprised of five core businesses (retail, telecommunications, infrastructure, ports, and energy), was the only other noteworthy detractor in the Fund for 2016. The stock declined in the first half of 2016 in the wake of the rejection by European regulators of its acquisition of U.K. telecom company O2, in addition to Brexit which created concerns about the impact on the company's sizable operations in Europe and the U.K. Following a strong third quarter where the company announced a merger creating the largest Italian mobile operator, the stock lost ground in the fourth quarter after the U.S. election. A stronger U.S. dollar and expectations of tougher trade weighed on Hong Kong stocks in general and on the Hong Kong dollar's relationship to the British pound and euro, where over half of the company's earnings before interest and taxes (EBIT) originate. Our owner-operator partners, Victor Li and his father Li Ka-shing, continued to focus the company on its core competencies by selling its aircraft leasing business during the quarter. In recognition of the steep discount at which CK Hutchison trades to value, the company initiated its first share repurchase in the fourth quarter.

Annual Portfolio Changes

We took advantage of the market volatility and individual company performance throughout the year. We exited several core holdings in the first half, including **ALS**, **Mineral Resources**, and **BR Properties**, as well as **Philips**, **SoftBank**, and **adidas** in the third quarter on the back of share price strength. We exited our small position in **Vivendi** in the fourth quarter. Currency translation to U.S. dollars dampened the return on our investment in this euro-denominated business. In the Fund's two year holding period, Vivendi returned -5% in USD but added 21% in local currency.

We bought a small position in **Applus** in the second quarter, and we added three new purchases in the fourth quarter. We bought two European-based businesses. One of these we owned during the Eurozone crisis in 2011, and it remains undisclosed while we build the position. The other is **STADA Arzneimittel**, a leading European pharmaceutical company based in Germany. Approximately 60% of this business is generic drugs, and 40% is the over-the-counter branded drugs business that is high margin and better growing. STADA historically traded at a depressed value due to questionable governance and management under its prior executive team. The former CEO used a German "restricted transferability of shares" rule that acted as a poison pill, allowing management to block daily trading of public shares. A local German activist investor, Active Ownership Capital (AOC), took a large stake in the company early in 2016 and made substantial governance improvements, including replacing the CEO with an interim executive, replacing the Chairman, replacing five of six supervisory board members, and abolishing the restricted transferability of shares. New Chairman Ferdinand Oetker is focused on hiring the executive committee and ensuring alignment through ownership incentives at the executive and board level. There is significant room for operational improvement at the business. We also added **Yum China**, which recently spun out of Yum! Brands, a company our team knows well from the Fund's successful multi-year prior investment. Yum China has exclusive rights to KFC, China's leading quick-service restaurant concept, Pizza Hut, a leading casual dining brand, and Taco Bell, with expansion plans in China. Yum China has over 7,300 restaurants and more than 400,000 employees in 1,100+ cities in China with additional expansion opportunity in urban centers. Yum China's brand and scale are unique advantages and fit the desires of a rapidly growing middle class, where eating outside the home is becoming more commonplace

Outlook

In 2016 we delivered substantial absolute performance, and the Fund far outpaced the index, even with a larger-than-average cash balance. The International Fund's price-to-value remains attractive in the high-60s%. We believe that uncertainty over the future of the Eurozone in the wake of Brexit and pending elections in France and Germany, as well as world trade under a Trump administration, is likely to lead to further volatility and opportunity. Weakness in emerging markets and China macro fears are creating further opportunity in Asia to buy world class businesses like Yum China that are trading at meaningful discounts to our appraisal of intrinsic value. The Americas have several near-qualifying opportunities on deck. We believe we have a portfolio of competitively advantaged businesses that are financially strong with management partners who can go on offense in times of uncertainty. Our on-deck list has expanded in the last few months with new prospective investments around the world. Our 18% cash will allow us to invest in high quality businesses with strong management partners. We believe our existing companies and management teams will continue to deliver both organic and transaction-driven value growth that should benefit our future results, as they did in 2016.

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

RISKS

The Longleaf Partners International 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. 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.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. 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.

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.

REIT is a real estate investment trust.

EBIT is earnings before interest and taxes.

Brexit ("British exit") refers to the June 23, 2016 referendum by British voters to leave the European Union.

As of December 31, 2016, the holdings discussed represented the following percentages of the Longleaf Partners International Fund: Great Eagle,6.0%; Cemex,5.1%; Sika, 2.7%; OCI, 5.7%; CK Hutchison, 7.0%; Applus, 1.1%; STADA, 2.5%; Yum China, 4.5% . Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by ALPS Distributors, Inc.

LLP000583
Expires 4/30/17