

January 20, 2021

Longleaf / Partners  
Funds

# Longleaf Partners Global UCITS Fund Commentary 4Q20

## For Professional Investors Only

Longleaf Partners Global UCITS Fund added 16.28% in the fourth quarter, ahead of the MSCI World's impressive 13.96% return. While this quarter's strong performance took the Fund into positive territory in the year, the Fund's 3.46% return for the year fell short of the Index's 15.90%. 2020 performance was a tale of two halves, with the first half overwhelmingly driven by COVID-19 fear and stock price volatility. Many of the same stocks that hurt the most in the first half rebounded meaningfully to drive strong returns in the second half of the year. Almost every company in the portfolio was positive in 4Q, with three-quarters producing double-digit returns. In both periods and for the full year, our overweight to Hong Kong (and the relative underperformance of our holdings there) was one of the largest single relative and absolute detractors. The

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### *Average Annual Total Returns (31/12/20)*

*Class I-USD: Since Inception: (4/01/10) 5.94%; Ten Year: 5.51%; Five Year: 8.16%; Three Year: 0.88%; One Year: 3.46%.*

*Class I-Euro: Since Inception: (20/05/10) 6.95%; Ten Year: 6.33%; Five Year: 5.50%; Three Year: -0.11%; One Year: -5.05%.*

*Class I-GBP: Since Inception: (13/11/13) 6.88%; Five Year: 9.72%; Three Year: 0.44%; One Year: 0.15%.*

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three Hong Kong-listed companies we own declined in the year, but we believe these businesses offer some of the most compelling future upside from today's overly discounted prices. This exposure, together with the drag from our average 14% cash weighting, accounted for over 95% of the Fund's relative underperformance for the year. The quick rally in the second half resulted in elevated cash, as we trimmed or sold top performers and had fewer new opportunities that qualified from a price perspective. Underperforming for what we do not own is frustrating, but we are confident that not looking like the index can drive strong, differentiated outperformance over the long run.

### **2020: A Year in Review**

2020 has been a hard year that humanity would like to forget for a lot of reasons. From a stock market perspective, the first two months of the year felt like a continuation of the last decade+ of momentum-driven index returns in most global markets (with the notable exception of Asia, which was hit by COVID-19 at the start of the year). The historically-sudden market panic that unfolded across global markets in March happened so quickly, and the Fed and Treasury stepped in so fast, that reality never really sank in for a lot of investors in the stock and bond markets. This initial freeze might be best measured by a surprising lack of large exchange-traded fund (ETF) outflows in March and April, when there were actually billions of inflows that didn't look all that different than the average month over the last several years. After the initial market panic subsided and most people found themselves working from home with a lot more time on their hands, the rest of the year saw momentum-chasing reach a whole new level, with what had been going up pre-March soaring to new heights. November 2020 saw the most US equity ETF inflows for any month over the last 10 years.

In our first quarter letter in April, we sounded a note of relative optimism with our view that the 1Q extremes would not last forever and that we could expect the market to begin discounting a more "normal" world by year-end. Yet markets turned much more quickly than we would have anticipated. As the year has gone on, we have witnessed and written extensively about the top-heavy S&P 500, the market's lust for quality at any price driven by the "20/20 Club" of market favorites with 20%+ return on equity (ROE) and 20x+ price-to-earnings (P/E) ratios, SPACs (special purpose acquisition

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corporations), IPOs (initial public offerings) and even bitcoin (you know things are rolling when bitcoin gets into the conversation!). They are all materially higher now than when we first mentioned them in our 2Q and 3Q letters. This news might be discouraging in the short term, but we believe it is great for our prospective returns, especially on a relative basis, as we wrote in our [“Why We Believe Value Will Work Again”](#) piece in December. While “WWB” focused on US large cap, we include below an update on the most important table in the piece (with comparable global data), which highlights that we could see meaningful outperformance if we simply adjust 2022 P/E multiples to slightly more normal levels:

#### Implied Returns Based on Various P/E Assumptions

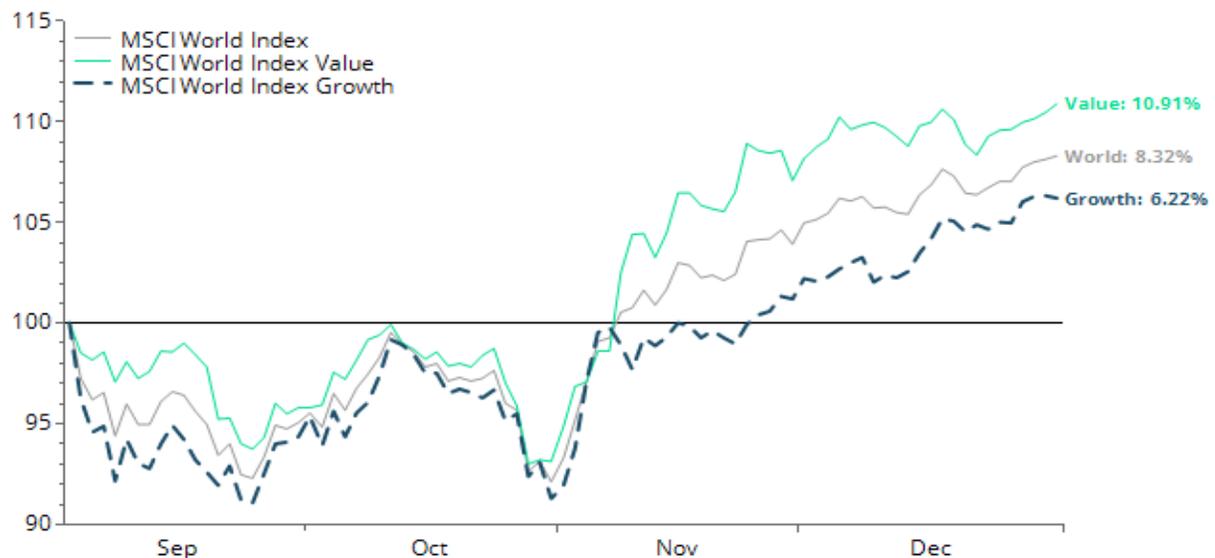
	2022 P/E		P/E Change	Performance from P/E Change
	Current	Assumption		
MSCI World	18.1	16.7	-1.4	-8%
MSCI World Growth	27.2	20.0	-7.2	-27%
MSCI World Value	13.7	14.3	+0.6	+5%
Longleaf Partners Global UCITS	10.7	14.3	+3.6	+34%

Actual investment results and performance are not guaranteed

The market might already be turning towards value, as we noted in the piece and as shown in the chart below:

## Performance Since Market Peak

9/2/2020 to 12/31/2020 (in USD)



Source: FactSet

One thing that we would like to stress in anticipation of questions about this piece and the implied returns table in particular is that paying a low multiple does not automatically mean that you are buying something “low quality.” Nor is paying a low multiple a relic of the time before computers, and now all the advantage from this “strategy” has been competed away. There was plenty of computer-driven stock screening and trading in 2000 and even in 1987. We believe that paying a low multiple can actually be a great thing both qualitatively and quantitatively, as it means that you are getting a free shot at a brighter future than the market expects. Said another way, it lowers the bar for upside surprises that are hard to put into a spreadsheet. Look back to the 2010s, when we were able to buy at a discount great businesses like Colgate, Abbott Laboratories, adidas and McDonalds that are now once again consensus great. We have to try hard to remember how existential the market hate for those companies felt back then. The key when paying a low multiple is to pick a business with improving cash production over the long run and great partners allocating large amounts of free cash flow (FCF) from a position of balance sheet strength. We don’t need the FCF to be clearly reported today, either, as we are more than willing to invest in IT companies that are investing today through the income and cash flow statements to drive growth for tomorrow, as we did when we bought Alphabet when it traded temporarily at a deep enough discount in 2015. But price

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matters greatly, and the revenue multiples for many IT favorites today are off the charts vs. the past. Conversely, we don't care about a big, readily-apparent FCF coupon today if it will be materially lower in the years to come. In the rare instances in the portfolio where there is "melting ice cube" risk like this, our management partners (helped along by our engagement) are making the right moves to allocate capital intelligently to lead to higher consolidated FCF/share in the years to come.

COVID taught us all many lessons. We admit that we may have been too complacent in the face of pandemic risk early on, as our insight from our team in Asia (where the virus has largely been successfully mitigated, in contrast to most other countries around the world) and our collective experience with SARS (which was an opportunity for our International Fund), Bird Flu (which we studied extensively when we owned Yum Brands, held in the Longleaf Partners Fund and Longleaf Partners International Fund, and Yum China) and Ebola (which impacted Vivendi's African operations) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and adjust the portfolio accordingly.

In the first half, we sold our remaining position in OCI, whose long-term appraisal value was permanently impaired in the face of COVID. We upgraded the portfolio with new positions in Prosus, Hyatt Hotels, DuPont, Accor and MGM Resorts, which have gone on to be top contributors for the year, and added to several existing companies whose share prices were negatively impacted in the short term, including Millicom, EXOR, CK Hutchison and Melco. EXOR and Millicom rebounded meaningfully in the second half and we believe all offer significant further upside from here. We also held on to some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far, with FedEx among the top performers for the year after returning 88% in the second half, compared to Lumen and CK Hutchison, which had muted second half returns and remain top detractors for the year. The very encouraging news is that both are making moves that are within their control to get us paid sooner rather than later, and we discuss both in more detail below. While the portfolio decisions discussed

above impacted absolute and relative performance in the short term, we believe they have positioned us for stronger performance in the years ahead.

### **New Risks**

There are at least three areas like pandemic risk where the market has gotten more complacent, but hopefully we have not: inflation, regulation and taxes. The first order answer to inflation is what you would remember from Berkshire's annual letters in the '70s & '80s – own great businesses with pricing power. We own a lot of those, but many investors riding “compounders” into the 25x+ P/E zone own great businesses too. The problem for those overvalued compounders is that a higher nominal discount rate can drive down multiples much more dramatically for these highflyers than for our investments that were already out of favor - e.g. the mid-high single-digit market P/E of 1982 as an extreme case that was hard for any company to escape. We already own a lot of single-digit and low double-digit P/Es that will grow their earnings in this world, but it's a long way down to a more reasonable 20x (or lower) multiple for the 20/20 Club. On the flip side, for the value investors who own banks (which have been strong performers in 4Q 2020 on hopes for higher interest rates increasing near term earnings per share (EPS)), there could be pain to come. Inflation is historically much kinder to borrowers than lenders, and most banks are largely a bunch of illiquid loans set against more liquid (and less differentiated than ever, thanks to technology) deposits.

Regulation is also like inflation in that a lot of market participants today weren't around when it mattered more. There's always the comeback – “look at how well Standard Oil & AT&T's descendants performed after their forced breakups.” We don't dispute their subsequent performance, but both benefitted from more focus at their descendants leading to cost cuts and capital efficiency, plus they both rode respective waves of cars leading to increased oil demand and the still-growing demand for information helping all things telecom. It's also important that the descendants of these two megas weren't actually hit with major new regulations themselves post-breakup. So we would caution big tech, big healthcare and big bank bulls that if actual global bipartisan guns are turned on them as they continue to be broadly unpopular while also already being highly profitable, their next 10+ years could look more like those of IBM's after the '70s, Microsoft's after the '90s or, taking it further back, utilities' after the '20s and railroads'

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until deregulation in the 1980s. Additionally, emboldened regulators might still have some unfinished business from the Global Financial Crisis to make sure that big financial entities don't get too big to fail again. This can't be good for the profits of certain large companies, or maybe even for the whole concept of indexing, which comprises over 50% of most global markets when measured to include ETF's and "closet indexers," or so-called active managers with an active share of < 75%.

Tax rates have been declining in most countries for decades. While we missed owning many of the biggest winners from the Trump era tax cuts, corporate tax rates are not a lock to go higher this year or next. However, the US political landscape does look different in the wake of the election, and there is a lot more government revenue needed in the long run to pay the bill for the war on COVID. It increasingly feels like some investors view ETFs as a magical, no-tax alternative to mutual fund annual tax distributions. But there is no such thing as a (tax)-free lunch. A great article in Tax Notes last year titled the phenomenon well: "ETFs as Tax Dialysis Machines". You can't successfully only hold your winners and only sell your losers forever, even if watering the flowers instead of the weeds is a sound strategy if you trim the flowers when the time is right. With passive becoming a bigger part of the market, loopholes (does anyone really think that "creation and redemption baskets" are safe from the IRS forever?) that have benefitted ETFs will not stand forever, and if investors do ever rush for the ETF exits (again, March 2020 was too shockingly quick to really make this happen in a big way), things could get ugly on this front.

### **Contributors/Detractors**

(2020 Investment return, 2020 Fund contribution; Q4 Investment return, Q4 Fund contribution)

FedEx (76%, 4.28%; 4%, 0.30%), the global logistics company, was the top contributor in 2020 after an outstanding year for the business that wasn't simply the result of COVID, even if the company has been a strong beneficiary of the rapid societal changes driven by it. The share price returned over 85% in the last six months. Over the last quarter, Ground revenues increased 38%, while operating income grew 61%, despite another round of heavy investments weighing down margins temporarily into the single-digits. The company is indispensable for the United States' e-commerce deliveries and is

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reaping the rewards of its investments in previous years to gear up for 7-day delivery. The Express segment is still benefitting from fewer passenger flights diminishing competing underbelly capacity. Despite the sharp appreciation, the stock trades at a reasonable mid-teens P/E multiple on forward earnings, and we expect the value to grow double-digits annually from here. FedEx has done its part to give back this year in the face of COVID. Since the onset of the pandemic, FedEx has delivered more than 55 kilotons of personal protective equipment, including more than two billion face masks, and more than 9,600 humanitarian aid shipments around the globe. More recently, FedEx was tapped to deliver the first wave of Pfizer-BioNTech vaccines across the US, and its infrastructure will be critical to successfully disseminating the vaccines.

Carrier (91%, 3.66%; --, --), the heating, ventilation and air conditioning (HVAC) and security company, was also a top performer for the year. We received shares at the end of March with Carrier's spinoff from our long-time United Technologies holding, and bought more in April as it traded at less than half of our appraisal and a 7x trailing P/E against similar competitors that were trading at 13-17x. After the business rebounded faster than expected, we exited the position in July.

Prosus (53%, 3.30%; 18%, 0.94%), a global consumer internet group, was another top contributor for the year. Tencent, in which Prosus owns a 31% stake, representing the majority of its appraisal, demonstrated significant resilience this year, even during the pandemic. Online advertising, gaming and cloud all grew revenue strongly year-over-year and improved their market position. Tencent's investment portfolios, which include companies such as JD.com, Sea Ltd and others, also delivered outstanding share price appreciation in the year. Tencent has been a great investment for Prosus/Naspers, resulting in a portfolio IRR (internal rate of return) of 37% since FY2002. What is less known is, even excluding Tencent, the rest of the portfolio still achieved 18% IRR in the same period. We believe Prosus is still undervalued today. Its stake in Tencent at the market price is more than the entire market capitalization of Prosus, meaning the market gives no credit for its group of unlisted businesses, which have strong growth prospects and dominant positions in their respective geographies. Prosus management is well aligned and has a history of taking decisive action to unlock the value. They have worked to improve disclosure on the valuable businesses outside

of Tencent and also announced a US\$5 billion share buyback program for Prosus and Naspers shares at advantageous prices.

CNX (25%, 3.09%; 14%, 0.52%), the natural gas company, was also a strong contributor, after having been noted in our 2019 year-end letter as a “problem child.” The company reported strong free-cash flow and earnings before interest rate, tax, depreciation and amortization (EBITDA) growth in the first half. In addition to its positive absolute performance, CNX has been a strong relative contributor versus the S&P 500 for which Energy was by far the worst performing sector in the year. In October, Bloomberg reported that Appalachian neighbor EQT approached CNX with a merger offer. CEO Nick Deluliis and Chairman Will Thorndike are focused on their company’s value per share and will do the right thing for shareholders. CNX has the potential to both pay down debt with its hedged FCF and resume repurchases to grow FCF/share during an extreme energy bear market.

DuPont de Nemours (52%, 2.84%; 29%, 0.90%), the industrial conglomerate, contributed after we initiated a position in the company for the third time in our history in March. The share price rebounded quickly, and it was a top contributor in 2Q. The company will soon close a value accretive merger between its Nutrition business and International Flavors & Fragrances that will then lead to an intelligently-structured split-off. The Safety & Construction and Transportation & Industrial segments partially rebounded due to their strength in personal protective equipment (PPE) and global auto builds, respectively. Electronics & Imaging grew revenues 8% during the last quarter due to its exposure to semiconductors and 5G chips. Despite the industrial recession, CEO Ed Breen made excellent decisions to grow the value this year and improved both capital allocation and operations. Through its TyvekTogether program, DuPont partnered with multiple companies to produce and donate protective gowns for healthcare workers in the fight against COVID.

Williams (-2%, 2.17%; 3%, 0.18%), the natural gas pipeline company, was a strong contributor for the year. Similar to CNX, Williams was a strong absolute and relative performer in the portfolio. In the most recent quarter, EBITDA increased 4% quarter-over-quarter and year-over-year, highlighting the value of these assets and consistency of their earnings. We began buying these assets at a discount in late 2019, as the

market feared negative effects from customer bankruptcies and low natural gas prices, and then we added more in a totally irrational market panic in March, before its share price stabilized and rebounded significantly this year as it became clear that these worries would not impact the business's FCF or long-term value per share. Williams is on track to generate 2021 EBITDA growth and FCF after all capex and dividends, but the share price does not yet reflect the quality of the business or the significant future upside from today's level.

EXOR (6%, -0.86%; 49%, 3.26%), the European holding company of the Agnelli family, was the top contributor in the fourth quarter, rallying 49% after a challenging first half. During the quarter, the market started to price in the previously announced Fiat Chrysler (FCA) and PSA (the owner of Peugeot) merger, which is scheduled to complete in January 2021. This great move will create the world's third largest carmaker by vehicle sales. Additionally, CNH, the agriculture machinery business, produced strong 2Q and 3Q results that far exceeded market consensus and management's prior conservative outlook. The company made significant progress in lowering its channel inventory and meaningfully improving FCF. It also announced that Scott Wine will join the company as CEO after a successful run at Polaris. Meanwhile, EXOR's reinsurance underwriter holding PartnerRe has performed well in a tough year and is positioned to take advantage of hardening insurance prices. We believe this business will ultimately be worth more than the \$9 billion price offered early in 2020 by Covéa. While the later attempts by Covéa to renegotiate those terms ultimately resulted in the deal being cancelled, the consolation prize of Covéa investing €1.5 billion in EXOR and PartnerRe goes a long way to repairing any lingering impact. We believe the €750 million being invested in PartnerRe's third party capital business will provide the momentum needed to build a robust third party insurance capital management business. Ferrari, which comprises approximately one-fifth of EXOR's NAV, sailed through the pandemic unscathed, further demonstrating the value of this luxury brand.

General Electric (GE) (-3%, -1.17%; 74%, 3.08%), the Aviation, Healthcare and Power conglomerate, was among the top two contributors in the fourth quarter after a very difficult first half. The company's crown jewel Aviation business sells and maintains commercial and military jet engines. With air travel frozen, this year's second quarter was its worst in over a century of operating history with a \$680 million operating loss.

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3Q revenues improved sequentially as some flights resumed but still declined 39% year-over-year. Yet GE Aviation earned a remarkable \$356 million in the third quarter due to extreme cost discipline. With fewer expenses, the same world-class competitive position and favorable long-term air-travel growth prospects, Aviation should keep improving incrementally with the potential to emerge stronger than ever within several years. GE Healthcare revenues, excluding non-recurring ventilator sales for COVID treatment, also improved 3% year-over-year in an encouraging performance. GE also took steps to give back in 2020 by working to help develop thousands of ventilators to aid coronavirus patients. The stock has roughly doubled from its March low as business results improved, in large part due to CEO Larry Culp's excellent management. Please stay tuned for the next episode of the Price-to-Value Podcast in which Vice-Chairman Staley Cates interviews Larry Culp on Lean manufacturing, GE's culture, navigating COVID and his outlook for the business. The episode will air in January and will be available on our website at <https://southeasternasset.com/podcasts/>, as well as all major podcast streaming platforms.

CK Hutchison (-22%, -2.72%; 16%, 0.82%), a conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, was the top detractor for the year. The company's Oil and Retail businesses were severely impacted by COVID in the first half of the year. Taking advantage of the tough environment, management merged oil business Husky Energy with Cenovus Energy to create a new integrated Canadian oil and natural gas company with tremendous synergies. Within Retail, Watson stores have seen traffic recovery after cities unlocked, and profits are expected to grow year-over-year in the second half. While global Port total volume declined in 2020, CK Hutchison's ports outperformed relative to its peers, given its hub locations in Europe and Asia. The Telecom division is the least impacted in the current environment, as lockdowns and work from home have resulted in improvement in business volume and asset utilization. In November, the company reached an agreement with Cellnex to sell its telecom tower assets for €10 billion, well above our expectation and nearly half of CK Hutchison's market cap. The deal would materially strengthen CK Hutchison's balance sheet by reducing net debt. We are greatly encouraged that the board stated its plans to allocate a portion of the proceeds to share buybacks, which would increase

the value per share for all shareholders. In another potentially value-accretive market consolidation opportunity, CK Hutchison entered into a Memorandum of Understanding in December to discuss merging its telecom business in Indonesia with Indosat.

Lumen (-20%, -2.65%; -2%, -0.16%), the fiber telecom company formerly named CenturyLink, was another top detractor for the year and the only (slight) detractor in the fourth quarter. During the last quarter, Enterprise fiber revenues grew 0.8% year-over-year, International and Global declined 2.6% and Small and Medium Business (SMB) shrunk 5.8% due to COVID repercussions. Yet margins slightly increased due to the strong cost controls of CEO Jeff Storey and CFO Neel Dev. Despite significant deleveraging over the last two years and multiple debt issuances this year at low to mid-single digit interest rates, the stock trades at an incredibly low multiple of <5x FCF. We believe Lumen can grow by continuing to invest into fiber, which should outweigh its declining legacy copper landline business. Numerous recent large transactions for fiber peers at double-digit EBITDA multiples and landline peers at mid-single digit EBITDA multiples also suggest that Lumen could monetize several of its segments at good prices well beyond its total market capitalization today. We have stepped up our engagement with the company and signed a non-disclosure agreement (NDA) last month, so unfortunately we cannot say more other than “stay tuned.”

CNH Industrial (CNH) (-34%, -2.61%; --, --), one of the world’s largest agriculture machinery manufacturers, was another top detractor for the year. CNH started off the year with worse-than-expected first quarter results caused by COVID-related demand disruption and production shutdowns starting in March. Margins across all segments were down primarily due to operating deleverage and cash flows deteriorating as sales and EBITDA collapsed, exacerbating the working capital drain. We sold our position in the third quarter to swap into EXOR, which traded at a larger discount and includes a higher quality group of businesses in addition to its stake in CNH. EXOR was the top contributor in the fourth quarter.

Fairfax Financial (-27%, -2.07%; 16%, 0.79%), the insurance company, detracted for the year. Insurance pricing has been improving this year and grew high single-digits in reinsurance to double-digit increases in primary lines during the third quarter.

Fairfax's underwriting has also been excellent at a sub-100% combined ratio, despite losses from one-time catastrophes and moderate COVID-related business and travel cancellations. Fairfax has suffered from poor equity returns from its investment portfolio in recent years and also in 2020 as certain investments like restaurants in Canada and an airport in India were particularly impacted, as well as money-losing market hedges that CEO Prem Watsa has since closed. We expect the underwriting and insurance pricing to remain strong, the investment portfolio to improve, and were especially excited to see Watsa purchase over \$100 million of stock earlier this year in one of our largest investee insider purchases ever.

### **Portfolio Activity**

Our on-deck list peaked (and cash troughed) this year at the end of 1Q, when we were finding more new investment opportunities than cash available in the portfolio. While the research team has been busy poring over multiple new ideas this year, the on-deck list of qualifying investments shrunk as stock prices rallied across the board. Our only addition in the fourth quarter was a small position in AMG. We weren't able to get a full position, but we hope to have another chance to fill it out in the new year. We ended the year with 19% cash, which we view as dry powder that will allow us to act quickly as new investments qualify. While we are not currently "pounding the table" on the opportunity set today, given the temporarily elevated cash, we believe that cash position could look very different in the near term.

### **Southeastern Updates**

We have focused on safety for our employees and communities while adapting to the new way of getting work done from home in 2020. We will likely all be together again in the office at some point in 2021, but longer term we will also embrace a more flexible work setup. From a research perspective, our global network built over the last 45+ years was a distinct competitive advantage this year, as travel and in-person meetings quickly ceased in March. We have a well-established dialogue with our existing investee management teams, as well as with those at many competitors to our portfolio holdings and new potential investment opportunities that we reviewed in the year. Past investees and current clients have also helped our research in many ways. We have been able to maintain our constructively engaged approach without disruption and, in

many cases, deepened these relationships and expanded our topics of engagement throughout the year.

Environmental, social and governance (ESG) factors have always been important to us - both as we assess our “Business, People, Price” criteria for any new investments and as we review our businesses and engage with management teams for our existing holdings. In the last year, we have taken steps to formalize our approach to how we incorporate ESG into our investment process. We established an ESG team, with representation from the Research and Client Relations and Communications teams, which reports directly to CEO and Head of Research Ross Glotzbach. While each research analyst is ultimately responsible for each name under coverage, the ESG team is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. We have formally incorporated a section on ESG analysis into our research reports. This analysis details how the company rates on ESG factors, including how the reality compares to the market’s perception of these issues, as well as areas where we might seek to engage with management to improve the company’s footprint. We recently signed on MSCI ESG Rating as a third party data provider to help quantify ESG-specific metrics. We have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture, but just like our long history of proxy voting where we review ISS recommendations but make our own decision, we will never outsource something this important. At the start of the year, we became signatories to the United Nations-supported Principles for Responsible Investing (UNPRI), as well as to Climate Action 100+ (CA100), an investor-led initiative that is supported by PRI and is focused on actively engaging with management teams that are in a position to help drive long-term, global progress in the fight against climate change. We are specifically engaging with GE through CA100 and have had several productive discussions with the company, as well as our fellow CA100 signatories, and we were pleased to see GE’s recent commitment to carbon neutrality by 2030. We have also been heartened to see the steps that our companies across all our portfolios are taking to give back and support the fight against COVID - whether through producing PPE for healthcare workers, supporting their own employees through enhanced safety plans to ensure

critical services continue uninterrupted and/or raising and donating funds to local food banks and other charities that directly support the most vulnerable community members.

In 3Q, we seeded a new European investment strategy with internal capital to address the growing opportunity in Europe to engage with companies and key stakeholders to enhance and realize value. Josh Shores and John Woodman are Co-Portfolio Managers of the strategy, and we anticipate that the strategy will, over time, expand the opportunity set for our Non-US and Global strategies and deepen our global network, which supports all our investment mandates.

Finally, Andy McCarroll (General Counsel, at Southeastern since 1998) and Gwin Myerberg (Global Head of Client Relations and Communications, at Southeastern since 2008) joined Southeastern's Board of Directors. The Board supports Ross Glotzbach in his role as CEO and works closely with department heads to coordinate management functions across all key areas of the organization, to set the strategy and goals for the firm and to ensure we always stick to the guiding principles that define our unique culture. We are excited to add Andy's and Gwin's experience and insight to this important role.

## **Outlook**

What a year. We're all tired of the same clichés by now so will wrap it up. We own great individual investments that combine to create a portfolio that looks dramatically different than the index. It's time for that to work, not because we are owed anything, but because of simple math and an increasing lack of competition doing sensible things that have worked for most decades of recorded history, but have never felt harder to do after a year like this on top of a rough 10+ years before. We will continue to treat your capital as if it were our own and to stick to our time-tested investment discipline, even when it feels difficult to do so. We thank you for your partnership and are looking forward to 2021.

*See following page for important disclosures.*



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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.

Important information for Australian investors:

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Important information for Belgian investors:

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Important information for Brazilian investors:

THE PRODUCTS MENTIONED HEREUNDER HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH ANY SECURITIES EXCHANGE COMMISSION OR OTHER SIMILAR AUTHORITY IN BRAZIL, INCLUDING THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (COMISSÃO DE VALORES MOBILIÁRIOS - "CVM"). SUCH PRODUCTS WILL NOT BE DIRECTLY OR INDIRECTLY OFFERED OR SOLD WITHIN BRAZIL THROUGH ANY PUBLIC OFFERING, AS DETERMINED BY BRAZILIAN LAW AND BY THE RULES ISSUED BY CVM, INCLUDING LAW NO. 6,385 (DEC. 7, 1976) AND CVM RULE NO. 400 (DEC. 29, 2003), AS AMENDED FROM TIME TO TIME, OR ANY OTHER LAW OR RULES THAT MAY REPLACE THEM IN THE FUTURE.

ACTS INVOLVING A PUBLIC OFFERING IN BRAZIL, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS AND BY THE RULES ISSUED BY THE CVM, INCLUDING LAW NO. 6,385 (DEC. 7, 1976) AND CVM RULE NO. 400 (DEC. 29, 2003), AS AMENDED FROM TIME TO TIME, OR ANY OTHER LAW OR RULES THAT MAY REPLACE THEM IN THE FUTURE, MUST NOT BE PERFORMED WITHOUT SUCH PRIOR REGISTRATION. PERSONS WISHING TO ACQUIRE THE PRODUCTS OFFERED HEREUNDER IN BRAZIL SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE APPLICABILITY OF THESE REGISTRATION REQUIREMENTS OR ANY EXEMPTION THEREFROM. [WITHOUT PREJUDICE TO THE ABOVE, THE SALE AND SOLICITATION IS LIMITED TO QUALIFIED INVESTORS AS DEFINED BY CVM RULE NO. 409 (AUG. 18, 2004), AS AMENDED FROM TIME TO TIME OR AS DEFINED BY ANY OTHER RULE THAT MY REPLACE IT IN THE FUTURE. THIS DOCUMENT IS CONFIDENTIAL AND INTENDED SOLELY FOR THE USE OF THE ADDRESSEE AND

CANNOT BE DELIVERED OR DISCLOSED IN ANY MANNER WHATSOEVER TO ANY PERSON OR ENTITY OTHER THAN THE ADDRESSEE.

Important information for Danish investors:

Each Fund's prospectus has not been and will not be filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in Denmark and the shares have not been and are not intended to be listed on a Danish stock exchange or a Danish authorized market place. Furthermore, the shares have not been and will not be offered to the public in Denmark. Consequently, these materials may not be made available nor may the shares otherwise be marketed or offered for sale directly or indirectly in Denmark.

Important information for Guernsey investors:

Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Longleaf Partners UCITS Funds or for the correctness of any of the statements made or opinions expressed with regard to it. If you are in any doubt about the contents of this document you should consult your accountant, legal or professional adviser or financial adviser.

Southeastern Asset Management has taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. It should be remembered that the price of Fund shares and the income from them can go down as well as up.

Important information for Hong Kong investors:

No person may offer or sell in Hong Kong, by means of any document, any Shares other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

**WARNING**

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

Important information for Indian investors:

Southeastern Asset Management Inc.'s products and services are not being offered to the public and are only for private placement purposes. This marketing material is addressed solely to you and is for your exclusive use. Any offer or invitation by Southeastern is capable of acceptance only by you and is not transferrable. This marketing material has not been registered as a prospectus with the Indian authorities. Accordingly, this may not be distributed or given to any person other than you and should not be reproduced, in whole or in part. This offer is made in reliance to the private placement exemption under Indian laws.

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*individual regarding whom two of the following conditions are met and who has given his consent in advance to being considered a Qualified Client for the purpose of Investment Advice law: (i) The total value of cash, deposits, Financial Assets and securities – as defined in section 52 of the Securities Law– owned by the individual exceeds NIS12 million (ii) The individual has expertise and skills in capital markets or has been employed for at least one year in a professional capacity which requires capital markets expertise and (iii) The individual has executed at least 30 transactions , on average, in each of the four quarters preceding to his consent; corporations which are wholly owned by investors who are Qualified Clients; and corporations incorporated outside of Israel, the characteristics of whose activity are similar to those of a corporations specified as Qualified Clients. This Document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a share is purchasing such share for his own benefit and account and not with the aim or intention of distributing or offering such share to other parties. Nothing in this Document should be considered as investment counseling or investment marketing, as defined in the Regulation of Investment Counseling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counseling from a locally licensed investment counselor prior to making an investment.*

Important information for Italian investors:

No offering of shares of the Longleaf Partners Unit Trust comprised of the Longleaf Partners Global UCITS Fund and Longleaf Partners Asia Pacific UCITS Fund (the "Funds") has been cleared by the relevant Italian supervisory authorities. Thus, no offering of the Funds can be carried out in the Republic of Italy and this marketing document shall not be circulated therein – not even solely to professional investors or under a private placement – unless the requirements of Italian law concerning the offering of securities have been complied with, including (i) the requirements set forth by Article 42 and Article 94 and seq. of Legislative Decree No 58 of Feb. 24 1998 and CONSOB Regulation No 11971 of May 14 1999, and (ii) all other Italian securities tax and exchange controls and any other applicable laws and regulations, all as amended from time to time. We are sending you the attached material as a follow up to the specific request received by you. You are fully aware that the Funds have not been registered for offering in Italy pursuant to the Italian internal rules implementing the UCITS IV directive. Therefore, you are expressly fully aware that the Italian protections granted by the applicable legal framework would not apply and you would be exclusively responsible for the decision to invest in the Funds. Moreover, you represent that you would only invest directly or on behalf of third parties to the extent that this is fully lawful and you comply with any conduct of business rules applicable to you in connection with such investment. You agree to refrain from providing any document relating to the Funds to any party unless this is fully compliant with applicable law.

Important information for Jersey investors:

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No shares are offered to the public. Accordingly, the shares may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the shares be distributed in New Zealand, other than: (A) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money or who in all circumstances can be properly regarded as having been selected otherwise than as members of the public; or (B) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

Important Information for Oman investors:

The Longleaf Partners APAC UCITS Fund has not been registered or approved by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman. Southeastern Asset Management, Inc. has not been authorized or licensed by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the

Sultanate of Oman, for discretionary investment management within the Sultanate of Oman. The shares in the Longleaf Partners APAC UCITS Fund have not and will not be listed on any stock exchange in the Sultanate of Oman. No marketing of any financial products or services has been or will be made from within the Sultanate of Oman and no subscription to any securities, products or financial services may or will be consummated within the Sultanate of Oman. Southeastern Asset Management, Inc. is not a licensed broker, dealer, financial advisor or investment advisor licensed under the laws applicable in the Sultanate of Oman, and, as such, does not advise individuals resident in the Sultanate of Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the Sultanate of Oman. This document is confidential and for your information only and nothing is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

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Important information for South African investors:

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should call Gwin Myerberg at 44 (0)20 25 7479 4212 or [gmyerberg@SEasset.com](mailto:gmyerberg@SEasset.com). Ms. Myerberg is a Representative employed by Southeastern Asset Management, which accepts responsibility for her actions within the scope of her employment. Potential eligible investors should read the prospectus and simplified prospectus carefully, considering the investment objectives, risks, charges, and expenses of the product, before making any investment decision. Past performance is no guarantee of future performance. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested. Southeastern Asset Management is an authorized financial services provider with FSP No. 42725.

Important information for Spanish investors:

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Important information for Swiss investors:

The jurisdiction of origin for the Longleaf Partners UCITS Funds is Ireland. The representative for Switzerland is ARM Swiss Representatives SA., Route de Cite-Ouest 2, 1196 Gland. The paying agent for Switzerland is NPB Neue Private Bank Ltd., Limmatquai 1, 8022 Zurich. The Prospectus, the KIID, the Trust Deed, as well as the annual and semi-annual reports may be

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