January 2024

Longleaf Partners International Fund Commentary

4Q23

Longleaf Partners Funds

Fund Characteristics

P/V Ratio	High-60s%
Cash	7.1%
# of Holdings	24

All data as of December 31, 2023

		Annualized Total Return				
	4Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
International Fund	7.40	17.42	-1.82	2.32	1.32	6.12
FTSE Developed ex-North America	10.65	18.36	3.30	8.06	4.34	5.61
FTSE Developed ex-North America Value	9.49	18.09	4.45	6.90	--	--

*Inception date 10/26/1998. The FTSE Developed ex-North America Value Index began in September 2018. As such there is currently only a 5-year history for this index.

Longleaf Partners International Fund returned 7.40% in the fourth quarter and 17.42% for the full year, while the FTSE Developed-Ex-North America Index returned 18.36% year to date (YTD). We were pleased with the progress made at most of our portfolio companies, as our management teams across Europe and Asia are taking positive steps to create value and to crystallize value recognition in the market via strategic

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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 1.26%. The International 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 1.05% of average net assets per year. This agreement is in effect through at least April 30, 2025 and may not be terminated before that date without Board approval.

actions, effective capital allocation decisions and governance improvements. Throughout the year, we saw strong stock performance across most of our European investments, while our regional allocation within Asia (overweight China, underweight Japan) exposure was the primary relative drag on YTD performance.

Global markets saw increased volatility in 2023 amid concerns over a higher inflationary environment, but we believe our portfolio is well positioned to benefit in such a market. We focus on investing in high-quality businesses with relative pricing power, which allows companies to pass input cost inflation through to end customers and, in many cases, charge a premium for the brand/reputation/service quality provided. We would expect to see our investees outperform when the majority of lower quality companies are struggling with negative margin pressure from higher costs. This can have longer-lasting implications for the highest quality businesses, as they are less exposed to price deflation once cost increases abate. In turn, that can provide some leeway for increased investment or margin progression in the years to come, further enhancing competitive advantages and/or returns.

Persistent inflation invariably leads policy makers into higher interest rate environments. We've discussed in previous letters how a return to what would historically be viewed as normalized rate environments is in general a positive for our portfolio. This would be particularly welcome after years of excessively valued 'growth' companies, with little-to-no earnings or cash flow to speak of, have outperformed in a virtually zero cost of capital environment.

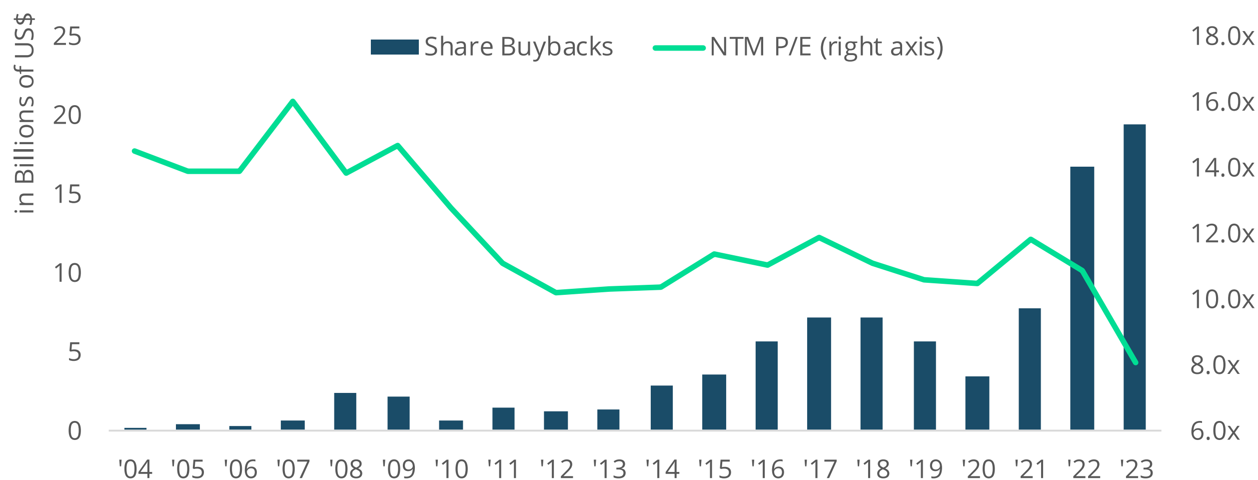
Particularly in Europe, the rediscovery that capital does have a cost and cash flow does therefore have a value has seen many of our companies, with solid earnings growth and real cash generation, come back into favor. Our portfolio holdings have benefitted from management teams who have taken advantage of the low-cost funding environment while their sectors were out of favor to intelligently go on offense. We have numerous examples amongst top performers for the year, including Accor, EXOR, and Premier Foods, to name a few.

Our top performer for the year was in some ways both a beneficiary and a loser from a higher cost of funding. Applus clearly benefitted, receiving two bids from private equity groups as high-quality businesses generating strong free cash flow with attractive real return prospects came back into focus. The corollary was the higher cost of funding

facing those private equity bidders, which perhaps curtailed the price they were willing to pay.

Within Asia, our underweight to Japan and our overweight to Hong Kong and China weighed on performance. Hong Kong and China were the only markets of size which were down over 10% in USD terms in 2023, while most other global markets were up 15-25% YTD. Hong Kong saw its first ever four-year losing streak since the Hang Seng Index launch in 1969. Investor disappointment with the lack of aggressive stimulus measures, a disappointing recovery post-Covid, leveraged property sector, weak consumer confidence, continued geopolitical tensions, and further government regulation contributed to another dismal year in the Chinese capital markets. China, the second largest (and growing) economy in the world, is being classified as "un-investable" by many Western institutional investors, primarily due to geopolitical reasons. The resulting capital outflow has led to extreme undervaluation in the region. This capital has found a home in markets like Japan and India, where overall valuations are going from fair to expensive. Notably, while foreigners have pulled money out of China, locals and insiders (who arguably know their own markets and businesses better) have been buying. Share buyback activity by Hong Kong-listed companies has hit historical highs just as price to earnings (P/E) has hit 20-year lows.

Hang Seng Index Share Buybacks



Source: 2iqresearch

Our regional allocation is an outcome of our bottom-up stock selection. We look to buy strong businesses with growing free cash flow (FCF) coupons, run by smart capital allocators with skin in the game, at discounted prices with high margin of safety. Our direct exposure to Hong Kong and China is through our investments in Alibaba, Man Wah, Melco and WH Group, as well as Prosus, which is a European-listed stock but primarily Asian business. All these companies are currently trading at single-digit normalized FCF multiples, and the majority are taking action to address the discount to intrinsic value. We believe we are near peak pessimism, and patient investors will be rewarded with strong prospective returns.

Portfolio Year in Review from Your New Portfolio Managers

At the beginning of the year, Southeastern announced an update to the International Fund Portfolio Management team with Singapore-based Manish Sharma and London-based John Woodman taking over as Co-Portfolio Managers of the Fund. We have been pleased with our progress made over the course of the year, as we took a disciplined approach to reviewing the case, outlook and position sizing of each investment position in the portfolio. While the fundamental approach remains the same, we sought to instil a deeper focus on business and people quality reflected in higher expected internal rate of return (IRRs) and value growth which, alongside a traditional price-to-value (P/V) measure, provides a more securely underpinned margin of safety. The result is a portfolio increasingly weighted towards what we believe are the highest quality businesses with the potential for consistent long-term value growth and management teams who are incentivised to maximise that potential. We exited Gree, CK Hutchison and Lazard on these grounds.

We also brought more focus to executing investments via stricter entry size, scaling and exiting discipline, a key component that can, in some cases, be as important to the ultimate return as stock selection itself. These adjustments and evolutions of the process have directly resulted in more dynamic and objective decision making and a considered upgrading of the portfolio into better companies with management teams that are able to drive their own value growth. Having actively re-underwritten all positions in the portfolio, exiting those that did not meet our IRR expectations and adding several new names with significant potential, we believe we have positioned the portfolio for further strong performance. We are satisfied with our absolute return

performance without excessive risk taking in our first year as managers and are excited by the quality and P/V of our portfolio today.

Contribution To Return

4Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (12/31/23)
WH Group	23	0.98	4.8
Premier Foods	18	0.89	5.4
EXOR	13	0.69	5.8
Fairfax Financial	13	0.67	3.9
Richemont	12	0.65	5.9

4Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (12/31/23)
Alibaba	-10	-0.54	3.2
Becle	-17	-0.38	3.2
Melco International	-13	-0.37	2.3
Juventus	-11	-0.33	1.5
Kering	-4	-0.10	2.5

2023 Top Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (12/31/23)
Applus Services	69	2.87	0.0
Accor	57	2.54	5.3
Fairfax Financial	58	2.32	3.9
GRUMA	40	2.08	4.8
EXOR	37	2.03	5.8

2023 Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (12/31/23)
Melco International	-35	-1.33	2.3
Delivery Hero	-34	-1.19	2.8
LANXESS	-20	-0.78	3.3
Alibaba	-11	-0.53	3.2
Juventus	-16	-0.47	1.5

- Applus – Diversified Spanish testing inspection and certification (TIC) business Applus was the top contributor for the year after two private equity firms made bids for the entire business. We exited the position in the fourth quarter on the back of roughly 60% price appreciation in 2023. Applus is a good example of investing in businesses with multiple ways to win. The private equity outcome for Applus is

affirming, given our consistent engagement over the course of our investment that helped create significant value, which is now being recognized. As Applus' largest shareholder, our direct engagement helped deliver a change of CEO, share buybacks for 10% of the outstanding share capital, an operational efficiency and rationalization plan worth 200bp of margin, and a focus on repositioning the investment case towards high-growth structural trends. We were able to take advantage of irrational share price movement to opportunistically add to our position over our holding period, leading it to be the largest position in the Fund at the start of 2023. This active position sizing allowed the Fund to fully benefit from the share price rally when bids arrived and the P/V gap closed.

- Accor – French hospitality business Accor was another top performer for the year. Management has consistently taken proactive value creation steps over the last several years, both pre and post-Covid. As the largest hospitality group globally outside of the US and China, Accor delivered a strong post-Covid recovery, taking share from the still prevalent small and independent sector. Additionally, Accor's credit rating was upgraded, management has taken steps to monetize the balance sheet, and in the last year restructured the company into two businesses - luxury/lifestyle and premium/mid/econ. Now that these key steps have been accomplished, and the underlying business recovery and return to strong cash generation is in full flow, the management team has turned their attention to share buybacks and future capital returns. Accor has significant scope for consistent future value growth. The Latin America, Asia Pacific and Middle East/Africa markets are driving strong demand growth where Accor are the market leaders. Even in Europe, where Accor also takes top spot, penetration of independent hotels is significantly higher than in the North American market. Yet the direction of travel towards large, branded groups is clear, giving Accor a strong visible growth trajectory of new hotel openings, conversions and market share gains with pricing power. The excellent management team will continue to rationalize the balance sheet assets to drive capital efficiencies and have flagged the potential for multi-billion dollar returns over the coming two to three years.

- Fairfax Financial – Fairfax was another top performer after it consistently reported solid earnings per share (EPS) growth throughout the year. CEO Prem Watsa guided expectations for $100 EPS for the next three years and is on pace to exceed this

level in 2023. The company extended its fixed income investment duration when treasury yields spiked in October. The company delivered strong underwriting performance with a mid-90s% combined ratio and premiums increasing 5% in the most recent quarter. The company continues to return capital to shareholders through discounted share repurchase, and in early January announced it was raising its annual dividend from $10 to $15.

- GRUMA - Corn flour and tortilla manufacturing company GRUMA was again a top performer for the year, following on its 2022 strength. GRUMA consistently reported solid results with positive growth ahead of 2023 full year company guidance. 3Q23 saw FCF turning positive, and the company used the cash to pay down debt before likely turning back to share repurchase, as it has done before. This strong performance came despite headwinds such as foreign exchange and geopolitical concerns not specific to GRUMA.

- EXOR - European holding company EXOR was another top contributor this year. The company reported solid results with strength across most of its listed and private investments. In September, EXOR announced a €1 billion share buyback program, representing more than 5% of the market cap. The company also made a sizeable investment in publicly listed healthcare company Philips, which we know well from prior successful investments in the business, as well as a smaller investment in TagEnergy. EXOR also spun out its investment business in Lingotto and increased its investment in the business in the latter half of the year. CEO John Elkann has a strong history of making value additive investments and selling assets at attractive prices to get the value of those investments recognized. Holding companies are alluring for value investors, but the P/V discount can be permanent, particularly in family holdco's when there is no incentive to close the discount, and minority investors often have little influence to encourage them. EXOR, however, is different given John Elkann's proven track record of value creation. We are not relying on the market to close the discount to value. Rather, EXOR management's continued impressive capital allocation strategy drives value and returns. Incidentally, the discount to value, even as measured on mark-to-market rather than our own assessment of underlying asset values, is near historic highs today, further underpinning the margin of safety and accentuating the potential upside.

- Glanbia – International consumer goods and ingredients business Glanbia performed strongly in 2023, benefiting from self-help initiatives that created significant value for shareholders. As we discussed earlier, owning strong businesses with best-in-class pricing power in inflationary environments can be beneficial, and Glanbia proved this through its category-leading protein/supplement brands, Optimum Nutrition and Isopure. Having implemented smart price increases through 2022, which allowed them to gain market share, whey price deflation in 2023 saw significant margin outperformance. Over the past five years, management has moved Optimum away from specialist health stores and into larger mainstream retailers, making Amazon, Costco and Walmart Glanbia's largest distribution partners. It is testament to the power of the brand that the company has been able to sustain the new higher price points, increasingly differentiated versus peers, despite pressure from these very large retailers. On the ingredients side (Glanbia Nutritional Solutions), management took strong steps to crystalize value. They sold the European cheese business for a solid multiple, simplifying the business and investment case and releasing cash, which management is returning to shareholders via accretive buybacks. They have also continued to execute bolt-on M&A to broaden the service offering in the flavors and ingredients space, which they offer to their consumer packaged goods (CPG) customers. Optimum Nutrition is now a $1 billion brand, in a consumer market with clear scale economic benefits, and a management team committed to value creation with further levers to pull.

- Premier Foods – Leading UK food producer Premier Foods had a strong year, driven by continued exceptional execution of a well-planned strategy. Premier owns a portfolio of leading legacy UK food brands, which have pricing power and leading market shares in the seasonings, ambient sauces, ambient desserts and cakes market in the UK, delivering solid growth and high margins. The cash these brands produce is used to enhance growth through new product development, mergers and acquisitions in adjacent but fast-growing categories, and international expansion. It is also used to invest in operational efficiency, which secures expanding returns. Premier consistently beat expectations in 2023, with a combination of price increases, stronger-than-anticipated growth and attractive capital allocation announcements driving value growth. The business continues to trade at a significant discount to the CPG sector, predominantly due to legacy

issues under a previous management team, which led to a vastly over-stretched balance sheet and pension issues (both now resolved). With continued strong retail execution and value-accretive capital allocation to high growth and return initiatives, we expect continued value growth and increased recognition from the market – and possibly industry as Premier Foods looks like an attractive strategic acquisition candidate to us.

- Domino's Pizza Group – UK-listed Domino's Pizza Group (DPG) was another strong contributor this year, returning almost 40%. The latent potential of the Domino's brand, network and franchisee base has been evident to us since we first invested. DPG's attraction lies in its status as by far the largest pizza brand in the UK, with industry-leading store economics operating in a growth environment for food delivery. However, the investment case had been undermined by a weak board and a revolving door of CEOs and CFOs, which hampered attempts to get the corporate business and the franchisees, on who the strategic execution relies, aligned and firing on all cylinders. Interim CEO Elias Diaz Sese did an exceptional job in implementing a core growth strategy and aligning the franchisees to his vision with positive repercussions for accelerating growth. In 2H23, the Board announced the recruitment of Andrew Rennie as permanent CEO. Rennie has spent his career within the global Domino's network, with a highly successful track record growing the business in New Zealand and across Europe. We are excited about what he can deliver. He lives and breathes Domino's and speaks the language as a former franchisee himself. Rennie's compensation package aligns him very directly with share price performance, and we believe that significant upside potential remains.

- Melco International – Macau casino and resort operator Melco International was a detractor for the year. Underlying operating metrics for Macau continued to improve in line with expectations in 2023. Macau visitation reached 85% of pre-Covid levels and Mass gross gaming revenue (GGR) recovered to over 92% of pre-Covid levels in Q3 2023. Higher margin Mass gaming revenue is on pace to exceed pre-Covid levels in Q4. Despite strong and improving operating fundamentals, the share price has remained weak primarily driven by negative sentiment around weak China macro and consumption outlook. We believe Chinese consumers are prioritizing services (travel, tourism, entertainment) over goods consumption and that Macau will continue to be a beneficiary of this trend. Additionally, Melco's

financial leverage was a concern for the market in a rising interest rate environment. Melco Resorts continued to invest during Covid years in expanding its Macau and Cyprus footprint leading to negative FCF and rising debt levels. Notably, Melco's earliest debt maturity is in 2025. Now that Macau has reopened from Covid and the projects are complete, capital expenditures are expected to go down just as EBITDA recovery takes hold from these expansion projects. Furthermore, the company has optimized its cost structure leading to higher EBITDA margin profile in coming years. Melco is in a good position to benefit from both operating and financial leverage as revenue recovery takes hold at existing and new properties.

- Delivery Hero - German-listed food delivery business Delivery Hero, a new position initiated in 2Q23, was also a top detractor for the year. The company has delivered strong results since we initiated our investment. Gross merchandise volume (GMV) and revenue growth are tracking better than originally forecasted, EBITDA is expected to improve by over €850 million in FY2023, despite FX headwinds, and the FCF breakeven target during 2H FY23 was reaffirmed. However, the stock price has not reflected this progress because of a few factors: 1) A delay in the potential sale of the company's Southeast Asia business, which was announced more than three months ago. The delay has led to investors doubting the likelihood of a sale and being concerned about financial leverage in the absence of a divestiture. 2) Increasing competition in Korea, a key market for Delivery Hero. 3) Gig worker legislations in EU (Spain in particular). These factors, while incrementally negative, are not that impactful to our investment thesis. The key here is positive and growing EBITDA and FCF, while maintaining mid-to-high single-digit GMV growth. We are happy to see the progress made on operating metrics so far and are comfortable with Delivery Hero's balance sheet and liquidity positions.

Portfolio Activity

As discussed above, this has been a busy year of reflection and portfolio restructuring for the International Fund. We bought four new businesses this year, all opportunities that were created by near-term Asia volatility but that span multiple industries and countries: Kansai Paint, Man Wah, Delivery Hero and Naver Corp. We also added to six existing discounted holdings. These additions were funded by four exits and trimming another 8 positions. In addition to Applus, discussed above, we sold long-term holding CK Hutchison at a gain. CK Hutchison was a positive investment over our holding

period given the steep discount we originally paid, but it represented an opportunity cost over the last few years as our appraisal value declined in the face of mounting headwinds. We sold Lazard at a gain on the back of a change in management and a more muted outlook for the business in the current environment. We sold Gree at a loss and upgraded the portfolio by reallocating that capital to rival Man Wah, which we believe offers a better margin of safety and upside.

Outlook

The portfolio ended the year with 7% cash and a P/V in the high-60s%. We are increasingly focusing on the quality of the businesses we own and the IRRs to which we have underwritten the investment cases. These rely on strong business execution and the value-creative actions of management, rather than any sudden radical change in market perspective. High-quality but mispriced businesses can remain cheap and indeed get cheaper, particularly in nervous markets. The consensus view for a perfectly executed soft landing on rates in the US that seemed to take hold in Q4 may or may not prove to be justified. We prefer to focus on businesses operating in industries with strong growth prospects, those with a clearly definable moat and deployable competitive advantages, and with commensurate pricing power in any monetary environment. Combining these high-quality business factors with management teams who have a strong understanding of maximizing returns through capital allocation gives us confidence the portfolio will deliver strong value growth in the year to come.

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 https://connect.rightprospectus.com/Longleaf/TADF/543069108/SP. 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-US 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 FTSE Developed ex-North America Index comprises Large and Mid-cap stocks providing coverage of Developed markets, excluding the US and Canada. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization. The FTSE Developed ex-North America Value Index includes companies which are considered more value oriented relative to the overall market.

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.

Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows from an investment equal zero.

Earnings per share (EPS) is the portion of a company's net income allocated to each share of common stock.

EBITDA is a company's earnings before interest, taxes, depreciation and amortization.

As of December 31, 2023, the top ten holdings for the Longleaf Partners International Fund: Glanbia, 6.3%; Richemont, 5.9%; EXOR, 5.8%; Premier Foods, 5.4%; Accor, 5.3%; GRUMA, 4.8%; WH Group, 4.8%; Domino's Pizza Group (UK), 4.6%; Prosus, 4.4% and Jollibee, 4.3%. 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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