Asia Pacific UCITS Fund Commentary

4Q25

Longleaf Partners Funds

For Professional Investors Only

Portfolio Returns on 31/12/25 – Net of Fees

Calendar Year Total Returns (%)

Past performance does not predict future returns.

	Class I (USD)	FTSE Asia Pacific (USD)	MSCI AC Asia Pacific (USD)
2016	12.29	5.32	4.89
2017	37.94	30.50	31.67
2018	-21.45	-13.76	-13.52
2019	18.58	18.84	19.36
2020	10.97	19.77	19.71
2021	-14.70	-0.38	-1.46
2022	-8.24	-16.42	-17.22
2023	-2.49	11.88	11.45
2024	11.51	9.15	9.65
2025	7.26		28.00

Additional Performance Data (%)

Past performance does not predict future returns. The following performance is in addition to and should be read only in conjunction with the performance data presented above.

	4Q25	1 Year	3 Year	5 Year	10 Year	Since Inception 2/12/2014
APAC UCITS (Class I USD)	-6.72	7.26	5.26	-1.81	3.87	3.10
MSCI AC Asia Pacific	3.46	28.00	16.05	4.98	8.08	6.94
Relative Returns	-10.18	-20.74	-10.79	-6.79	-4.21	-3.84

	4Q25	1 Year	3 Year	5 Year	10 Year
Hang Seng Index (HKD)	-4.14	32.26	13.19	2.20	5.09
TOPIX Index (JPY)	8.78	25.46	24.67	16.34	10.79
TOPIX Index (USD)	2.80	26.11	17.54	7.08	7.95
MSCI Emerging Market Index (USD)	4.73	33.57	16.39	4.20	8.42

Commentary

For the fourth quarter ending 31 December 2025, the Longleaf Partners Asia Pacific UCITS Fund (the "Fund") returned -6.7%, bringing our full-year return to 7.3%. This compares to the MSCI Asia Pacific Index (“Asia Index”), which returned 28% for the year.

While the Fund generated a positive absolute return for the year, we significantly trailed the benchmark. This divergence stems from an unprecedented bifurcation in Asian markets, where returns were heavily concentrated in semiconductor and AI-related hardware stocks. These are sectors where we had limited exposure due to valuation discipline.

This 20-point underperformance marks our largest gap versus the benchmark since the Fund began in December 2014. While humbling, detailed analysis shows our bottom-up stock selection in China and select Japanese companies added substantial value. The large performance gap in 2025 has created a mathematical setup favoring mean reversion. Our portfolio now trades at a significant discount to its intrinsic value, while the benchmark's major constituents offer little margin for safety.

Market Environment

The defining feature of 2025 was the extreme disparity between North Asian technology markets and the rest of the region. The MSCI Korea Index returned 100%, nearly 10 times its 10-year average, driven by a 159% rise in the Information Technology sector, driven by global demand for AI infrastructure and High Bandwidth Memory (HBM). Similarly, the MSCI Taiwan Index rose 40%, led by semiconductor heavyweights. This surge was not broad-based, but highly concentrated in memory semiconductors and hardware manufacturers essential for AI accelerators. Notably, Samsung Electronics and SK Hynix account for about 50% of MSCI Korea’s market capitalization, and the Information Technology sector accounts for about 84% of MSCI Taiwan’s market capitalization, respectively. The usual "Korea Discount," which typically arises from concerns about poor corporate governance, evaporated as foreign capital sought exposure to AI.

We had no holdings in major Korean memory chip firms. Our Korean exposure was only to NAVER, a top internet company. NAVER had a solid 32% annual return but lagged the Korean market by nearly 70 percentage points. A 32% gain is strong, but it underperformed the market, which rose 100%. NAVER, as an internet platform, did not enjoy the AI server spending surge that drove SK Hynix and Samsung.

The "Korea Anomaly" was part of a broader global theme. The MSCI World Semiconductors & Semiconductor Equipment Index returned 46% in 2025. This global tide lifted all boats with exposure to the chip supply chain. In Taiwan, the MSCI Taiwan Index returned 40%, further exacerbating the headwinds for managers underweighting the semiconductor theme, where TSMC alone accounts for a staggering 58% of MSCI Taiwan. We participated in this theme through ACM Research (ACMR), a US-listed, China-operating semi-cap equipment manufacturer. ACMR was one of our strongest performers, gaining 105% in 2025. However, our overweight position sizing in this single name could not mathematically offset the zero-weight impact of the massive Korean and Taiwanese index heavyweights.

In contrast, markets in Southeast Asia (ASEAN) experienced capital outflows and an uneven economic recovery. For the Fund, this environment posed a unique challenge. As value investors, our objective is to acquire businesses at a discount to intrinsic value, stressing free cash flow, owner-operator management, and business quality. In 2025, we identified new opportunities in non-semiconductor industries in China and ASEAN, but the market rewarded AI-sector momentum over our value orientation with unusual intensity.

We adhered to our discipline and chose not to chase the semiconductor hardware rally at what we considered excessive multiples, but in 2025, this decision proved costly. Our research indicated that the valuations of these cyclical hardware businesses reflected "peak cycle" earnings and did not provide us with a sufficient margin of safety for our capital. While the market momentum in 2025 temporarily contradicted our stance, we believe that investing in cyclical industries at peak multiples is a strategy with a historically low probability of preserving long-term wealth.

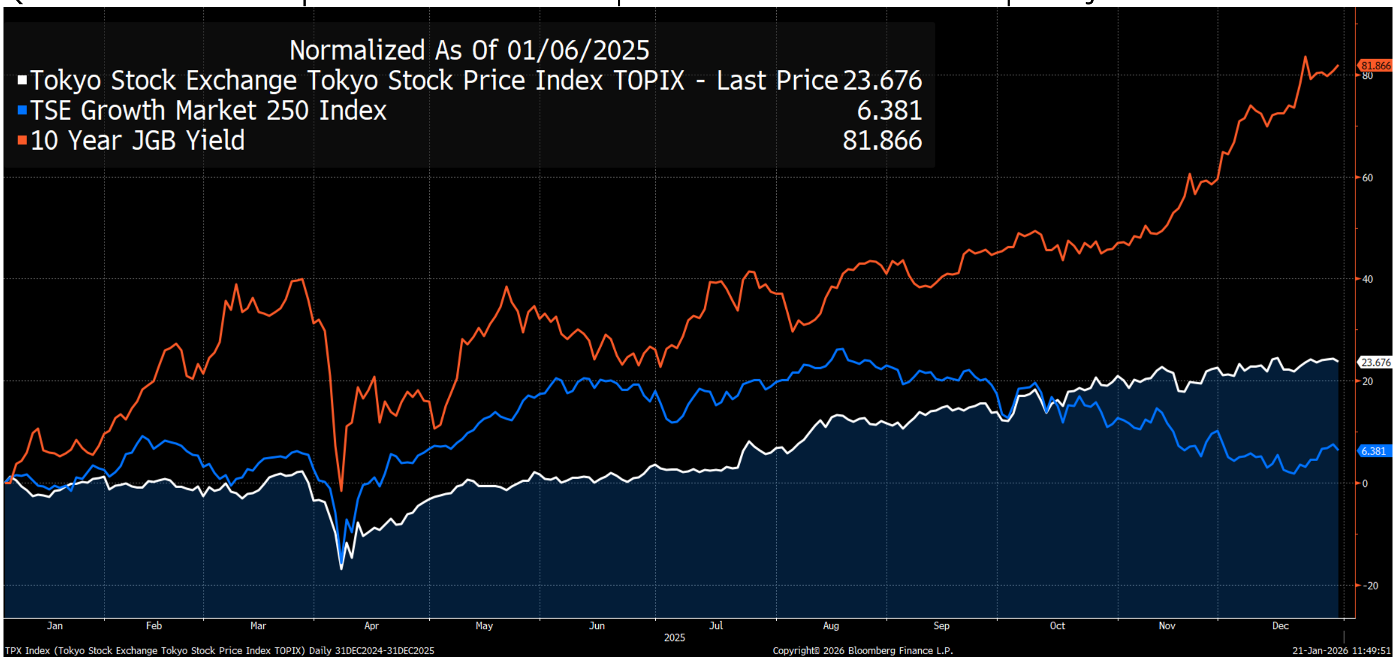
In contrast, the markets where we found the most compelling price-to-value propositions, specifically China and Japan small-cap growth, experienced a rollercoaster year. While some of our high-conviction holdings in these geographies delivered exceptional full-year returns, they faced a sharp sentiment-driven sell-off in the fourth quarter. For instance, Alibaba Group Holding, our largest contributor for the year, appreciated 76% over the full year but corrected -19% in the fourth quarter. Similarly, Tencent Holdings returned 45% for the year but declined 10% in the final quarter. MGM China, the Macau casino operator, was a strong performer for the year, returning +37%, but it was one of the largest detractors in the fourth quarter, with a return of -21%. This divergence created a "perfect storm" for relative underperformance in Q4: the sectors we avoided (semis) continued to inflate. At the same time, the high-quality businesses we own were indiscriminately sold down despite strengthening fundamentals. The sudden negative shift in sentiment towards small-cap growth holdings in Japan, partially attributable to rising domestic interest rates, was a notable contributor to the relative performance gap in Q4. Our small-cap Japanese growth companies, Genda, Appier, and Medley, were down significantly for the whole year.

In summary, 2025 saw three main drivers of underperformance:

1. The "AI & Korea Momentum" Bucket: Our deliberate lack of exposure to the +100% rally in the MSCI Korea Index, Taiwan, and the Semiconductor Industry. A major driver of our relative lag was our lack of exposure to the momentum trade in Korea and Taiwan.

2. Japanese Small-Cap Growth: A cluster of Japanese small-cap growth companies that significantly underperformed the Asia Index as well as the Japanese stock market, as the rise in domestic Japanese rates accelerated in Q4, significantly affecting Japanese small-cap growth sector valuations.

Q4 2025: TSE Small-Cap Growth Market Underperformance Increased vs. Topix as JGB Yields Increased



Source: Bloomberg

3. ASEAN macro weakness: Our overweight in the Philippines, one of the weakest markets in Asia, through our investment in Jollibee (-33% FY, -16% Q4), was a material detractor for the year and the quarter, as it was negatively affected by heavy selling by foreign investors and potential index exclusion.

Japan Small-Cap Growth Weakness

Japan's market, represented by the MSCI Japan Index, returned 25.1% in 2025, marking the end of the "easy" corporate governance trade. In previous years, simply buying companies trading below book value was a winning strategy. However, in 2025, the market became more discerning. As the Bank of Japan began normalizing interest rates, the cost of capital increased, with the 10-year JGB bond yield rising by more than 80% to 2.06%. Investors began demanding real earnings growth rather than just balance-sheet improvements. Our large-cap companies, such as Hitachi, achieved operational restructuring and earnings growth, benefiting from an AI tailwind. Hitachi delivered returns of 26% in 2025, while Hikari Tsushin returned 29%. Small-cap growth stocks that failed to deliver consistent earnings and high growth expectations faced significant penalties. This shift in dynamics explains the poor performance of Japanese small-cap growth companies, such as Genda, Appier, Medley, and Visional, in the fourth quarter and throughout the year. The risk premium for "growth" in Japan expanded dramatically in the last quarter. The TSE Growth Market 250 Index, which tracks Japanese small-cap growth companies, underperformed the Topix Index by 20 percentage points in 2025 and 18 percentage points in Q4 alone, due to a sharp rise in domestic interest rates. As liquidity concentrated further into the mega-cap AI trade, the bid for small-cap growth diminished significantly.

Last year, we focused on engaging with Japanese small-cap growth companies, emphasizing the importance of improving returns on invested capital and prioritizing free cash flow and returns over relentless growth. We had extensive interactions with Genda, our largest detractor, and with Medley, our third-largest detractor, in 2025. The quality of our discussions with owner-operator-led Japanese small caps contrasts sharply with our typical interactions with large-cap firms that lack owner-operators. We believe these active discussions have led to meaningful improvements in capital allocation and strategic focus across our small growth companies. Further details regarding our largest Japanese detractors are provided below.

Portfolio Update: Genda Inc. – A Strategic Pivot to Capital Discipline

In 2025, Genda faced significant challenges, ranking among the poorest performers in the Japanese Growth Market and becoming the Fund's top detractor. In response, we intensified our engagement by meeting with Genda seven times last year and maintaining constant email communication to provide specific, actionable recommendations. Genda's management responded positively to these efforts, integrating our feedback into a comprehensive overhaul of their capital allocation strategy. While we do not consider ourselves activists, we believe that the tangible changes in their approach are partly a result of our constructive yet firm engagement as dedicated partners.

Recognizing that frequent equity raises have caused market fatigue, the company has committed to a 36-month moratorium on public offerings for M&A "war chests," until January 2029. The focus has shifted from "growth at all costs" to cash generation, aiming to turn the negative JPY 10 billion FCF this year into positive JPY 5 billion next year by cutting ineffective capital expenditures. This represents a JPY 15 billion positive swing in FCF. Future M&A activity will be more selective and self-funded through this FCF. Signaling confidence in the company's undervaluation relative to its earnings potential, Genda has approved a share repurchase program of up to 5 million shares (approximately 2.6% of shares outstanding) or JPY 3 billion, set to run from December 2025 through April 2026. The company has already repurchased 2.2 million shares (about 1.2% of its outstanding shares) for approximately JPY 1.5 billion by year-end. This establishes a precise mechanism for capital returns and directly offsets prior dilution while the stock trades near 7x Enterprise value to EBITDA (EV/EBITDA) based on forward projections.

Operational Turnaround & Valuation Catalysts

President Kataoka has made significant changes to Genda's strategy in the U.S., shifting from an aggressive M&A approach to a focus on immediate and hands-on post-merger integration. This new direction aims to strengthen the company's operational framework. The primary goal is to improve U.S. business, which has faced challenges due to unexpectedly high demand for Japanese intellectual property, leading to stockouts and missed opportunities in the third quarter. To tackle these issues, Kataoka has assembled a "SWAT team" of Japanese specialists and implemented a digital monitoring system to oversee operations at its 13,000 locations in the United States. Additionally, governance of the U.S. operations has been enhanced. Kataoka now holds weekly progress meetings and has replaced the previous CEO and CFO of PlayerOne, while retaining key administrative and sales personnel. This new leadership aligns more closely with Genda's operational standards in Japan. Kataoka also plans to spend significant time on-site to ensure the success of the post-merger integration. Despite some short-term disruptions, management remains confident in achieving its medium-term financial goals, targeting JPY 6.5 billion in EBITDA from North America for the fiscal year ending January 2027.

The recent change in capital allocation reflects a significant improvement in Genda's governance and financial strategy. Management is now prioritizing per-share value creation and capital efficiency over simply growing the balance sheet. Over time, this change should lead to enhanced returns on capital, reduce the risk of further shareholder dilution, and facilitate equity revaluation. The execution of FCF and share buybacks will support this new approach. The market has responded positively to Genda's focus on returns; as of January 23, the stock price has increased by double digits year to date. This is especially notable given that Genda operates in less glamorous sectors, such as amusement centers and karaoke pubs, rather than in a more exciting field like AI.

The adoption of IFRS in 2026, which eliminates M&A goodwill amortization requirements under Japanese GAAP, is expected to effectively double their reported earnings and halve their P/E ratio, providing a clearer view of Genda's underlying earnings capacity. Looking ahead, Genda anticipates inclusion in the TOPIX index as early as October 2026, given its current market capitalization and free float ratio.

We acknowledge that GENDA's track record of equity dilution and the skepticism surrounding the PlayerOne acquisition are valid concerns. Our conviction in maintaining the position rests on:

1. Binding capital allocation constraints: The board-approved 36-month equity raise moratorium (through Jan 2029) removes the primary source of investor mistrust.
2. Management accountability: President Kataoka is personally leading the U.S. turnaround with weekly progress meetings—this is not delegated. We are aligning with a management team that holds significant share ownership.
3. Valuation with embedded optionality: At 7x forward EV/EBITDA with FCF turning positive, we are paying below Japanese small-cap averages for a business with potential TOPIX inclusion (October 2026) and IFRS transition doubling reported earnings.

Downside scenario: If U.S. EBITDA misses the FY2027 JPY 6.5 billion target by a significant margin, or if FCF remains negative through 2026, we will re-evaluate our case.

Portfolio Update: Medley Inc. (4480 JP)

Medley was a top detractor for the year, as the market aggressively de-rated the company's valuation against a shifting profitability timeline for its Medical Platform segment. While the company continued to deliver robust top-line revenue growth—significantly outpacing the broader Japanese healthcare sector—investor sentiment soured following a deceleration in its core human resources platform, where the mandated discontinuation of certain continuous service allowance payments (which allowed Medley to track successful hires through their platform) tempered growth expectations from high growth levels to a more normalized pace.

The negative momentum persisted into the fourth quarter as sell-side analysts continued downgrading the stock, highlighting these operational headwinds. The market's rotation away from high-multiple growth stories in Japan—exacerbated by the Bank of Japan's move toward rate normalization—left Medley vulnerable to severe multiple compression despite its dominant position in medical recruitment. Medley is currently trading at around 17x EV/EBITDA, which is similar to the multiple the Carlyle Group paid for the medical human resources (HR) company TRYT. However, Medley has a stronger business model, as evidenced by its group-level EBITDA margins of 20%, compared to TRYT's 10%. Additionally, Medley has shown higher revenue growth. While we share the market's concern about operational impact, we believe the current valuation already prices in a pessimistic scenario that ignores the company's sustained 20%+ revenue growth and strong insider alignment.

In early 2025, Founder and CEO Takiguchi took direct control of the loss-making Medical Platform business and promptly restructured the segment. This involved transitioning from a holding-company structure to a unified operating model to accelerate post-merger integration and achieve synergies among the various companies. As a result, the segment's EBITDA margins improved significantly, rising from 1.5% in the second quarter of 2025 to 5% in the third quarter.

To address operational issues in the HR Platform segment, management has begun implementing stricter enforcement checks for "unreported hires." This "unreported hires" percentage decreased from 6-7% in the second and third quarters of 2025 to around 4% in October 2025. Management plans to increase the intensity of these enforcement measures in fiscal year 2026 to minimize the impact on customers attempting to avoid paying success fees.

The 10-15% price increase in Medley's core HR Platform elicited minimal customer resistance, further confirming the platform's strong network effect and pricing power. In response to a decline in its share price, Medley implemented two share buyback programs in 2025, repurchasing 4.4% of its issued shares. In November, they initiated a new share buyback program to repurchase an additional 4.6% of the company's shares. This aggressive share repurchase demonstrates management's firm confidence in the company's fundamentals. As Takiguchi stated during the second-quarter 2025 earnings call, the worst is now behind us. We believe that the improving hiring market, combined with Medley's strong operational execution, positions the company well as we head into 2026.

The ASEAN Lag

While North Asia generated explosive returns, South/Southeast Asia languished in 2025 (gross returns USD):

- MSCI Indonesia -1.7%
- MSCI Philippines +0.5%
- MSCI Thailand +7.3%
- MSCI India +4.3%

The liquidity drain was evident as global investors sold their ASEAN holdings to finance purchases of companies in Korea, Taiwan, and the U.S., particularly those focused on AI. This outflow negatively impacted our investments, especially in Jollibee Foods, which experienced a 33% decline for the fiscal year. GoTo, while outperforming its MSCI Indonesia index by over 9%, contributed minimally to the total portfolio.

As one of the most significant components of the Philippine stock market, Jollibee faced significant outflows from foreign investors in the fourth quarter, a trend that coincided with broader capital outflows from the Philippine market. Brokers indicated that Jollibee's underperformance was partly attributed to expectations of a potential exclusion from the MSCI Standard Index at year-end. Given this weakness in the Philippines, we seized the opportunity to buy more Jollibee shares. We also initiated an investment in Universal Robina Corporation, another consumer discretionary company that has faced substantial foreign selling in the fourth quarter.

In addition to weak Philippine macro and associated capital outflows, the market fixated on Jollibee's temporary margin compression driven by elevated raw material costs and softer consumer sentiment in China. Despite the adverse price action, the company's underlying operating performance remained robust; system-wide sales grew at a double-digit pace throughout the year, fueled by the aggressive expansion of its international business, particularly the integration of Compose Coffee in Korea and the Jollibee brand's continued strength in North America. The core Philippine business demonstrated characteristic resilience, delivering stable cash flows even as the company absorbed higher input costs without aggressive price hikes to protect market share. In December, Jollibee reported positive developments, indicating continued momentum in fourth-quarter sales, and expects strong growth to continue beyond 2025 as it executes its growth strategy in key markets.

After eight meetings with Jollibee management and maintaining regular email communication throughout last year, management confirmed our patience in early January 2026 by announcing a transformative plan. Jollibee will separate its international operations into a new entity, which is expected to be listed on the New York Stock Exchange by late 2027. This new entity will be distributed entirely to Jollibee shareholders as a stock dividend. This significant restructuring aims to unlock substantial shareholder value by allowing the high-growth global portfolio—currently accounting for a considerable portion of system-wide sales—to trade at valuations comparable to those of U.S. peers, while keeping the steady, cash-generating domestic business separate. The market does not adequately value Jollibee's international business. The announcement was met with enthusiasm, leading to a rise in the stock price at the start of the new year. We view this as a decisive move by the owner-operator management team to eliminate the conglomerate discount and realize the intrinsic value embedded in its global brand portfolio. Although the spin-off is scheduled no later than "late 2027," we hope that management can execute it earlier. Jollibee's management team is highly motivated to create shareholder value, as their long-term incentives' key performance indicator was changed at the beginning of last year to focus solely on increasing the stock price.

Portfolio Activity in Q4

We were active in Q4, taking advantage of the volatility to upgrade the portfolio. We initiated two new positions in a Philippine-based snack foods company, Universal Robina Corporation, and a Chinese private education company, New Oriental Education. We added to Jollibee, ACM Research, and Kaspi, and trimmed Luckin Coffee, SharkNinja, China MeiDong, Techtronics, and Prosus in the quarter.

Universal Robina Corporation

During the quarter, we invested in the dominant snacks company in Southeast Asia, Universal Robina. Universal Robina Corporation (URC) presents a compelling "trough-on-trough" investment opportunity, characterized by a multi-decade-low valuation of approximately 10x P/E and a strategic pivot from defensive margin protection to an offensive growth phase. The company is currently emerging from a "perfect storm" of peak input costs—specifically 47-year-high coffee prices—and an operationally disruptive ERP (enterprise resource planning) transition that previously paralyzed its supply chain. With a fortress balance sheet carrying zero long-term debt and a net cash position, URC offers a robust ~6.7% dividend yield and active share buybacks. We are "paid to wait" for a projected earnings inflection in 2026.

The investment thesis centers on a "ruthless focus on the core" strategy led by a professionalized management team, under CEO Irwin Lee and the new Philippine Branded Consumer Foods head, Mian David. By prioritizing 15 core brands that generate 85% of sales and rationalizing underperforming SKUs (stock keeping units), the company is reallocating resources toward high-growth, high-margin categories. This strategic discipline is already evident in the international segment, where EBIT margins expanded from 8% in 2022 to 14%. Investors gain a "free option" on a similar margin recovery in the Philippines, where the business (excluding the volatile coffee segment) is already demonstrating healthy double-digit EBIT growth and mid-teens margins.

Operational recovery is well underway, with order fill rates (OFR) restored to a "world-class" 94% following the prior ERP failure. To combat inflation-driven consumer downtrading, URC has successfully deployed a "value intervention" strategy, including "de-grammage" (effectively raising the average selling price per gram by ~25%) and the launch of low-priced 10-peso value packs for its dominant brands, such as Piattos. Furthermore, structural cost-saving initiatives, such as the new 10-billion-peso Malvar Mega Plant, are expected to significantly reduce the long-term cost of goods sold by improving labor and energy efficiency.

Looking ahead, the anticipated 2026 earnings inflection is supported by the annualization of recent price increases and the utilization of lower-cost coffee inventory secured for Q1 2026. With its dominant distribution network spanning over 300,000 outlets across the Philippines' 7,000 islands, URC maintains a formidable moat, enabling it to capture a diverse range of consumer spending across both modern and traditional retail channels.

New Oriental Education & Technology Group

New Oriental Education is a leading, nationally scaled provider of after-school tutoring (AST) and education services in China, with more than 30 years of operating history and one of the strongest brands in a structurally attractive but fragmented market. Following the 2021 “Double Reduction” policy that effectively wiped out its K-9 academic tutoring franchise, the company executed a rapid and disciplined pivot into compliant K-9 offerings (non-academic enrichment and AI-enabled learning pads), high school tutoring, overseas test prep and consulting, and adjacent businesses such as tourism and livestreaming e-commerce through HK-listed East Buy. The core tutoring businesses benefit from resilient, culturally entrenched demand for education, a negative working-capital model with upfront tuition, and high customer retention rates typically above 70–80%, supported by standardized curricula, scalable teacher training systems, and a nationwide network that smaller local competitors struggle to replicate.

By Q4 2025, New Oriental was growing again, with a much cleaner industry structure: supply has been rationalized after thousands of smaller AST operators exited, licenses for new centers are tightly controlled, and advertising is heavily restricted, structurally favoring incumbents with trusted brands and compliance track records. Within this environment, New Oriental is taking share in K-9 and high school, where management targets mid-teens to ~20% revenue growth and 22–25% operating margins, while using AI-powered learning pads and an online-merge-offline model to structurally lift unit economics. The company's moat rests on several reinforcing elements: a deeply entrenched brand built over decades and amplified by East Buy; scale-driven content and technology investments that smaller players cannot match; a proprietary teacher recruitment and training system that can reliably produce high-quality instructors at scale; and regulatory positioning as a "good student" with compliant formats and government-favored initiatives, which together raise barriers to meaningful new entry.

The investment was initiated in Q4 2025 because the market was undervaluing New Oriental, treating it as a low- to no-growth business despite several positive indicators: (i) guided revenue growth in the mid-teens at the group level over the medium term, (ii) rising margins in the core K-9 and high school segments, and (iii) a strong balance sheet characterized by substantial net cash and a valuable listed stake in East Buy, which together represented a significant portion of the group's market capitalization. Multiple guidance cuts and ongoing concerns regarding the overseas consulting business led to a sharp reduction in the company's valuation, with the P/E ratio dropping from the mid-30s to the mid-teens. This occurred even as underlying demand, customer retention, and cash generation in its core K-9 and high school segments remained robust. Management formalized its shareholder return policy last year, committing to returning at least 50% of GAAP net profit through dividends. In late October, New Oriental authorized a new $300 million share repurchase program, which will supplement cash dividends and likely increase shareholder returns to exceed 100% of net profit. New Oriental presented an attractive combination of structural growth, improving capital efficiency, and visible capital returns. The current valuation underestimates both the resilience of the core franchise and the potential value of its AI-enabled education and e-commerce platforms.

Notable Full Year Contributors and Detractors

Alibaba, the largest e-commerce operator and cloud service provider in China, was the top contributor for the year. Its strong share price performance in 2025 was primarily driven by a significant re-rating of its core business and an increasing market recognition of its “AI option value.” This was further supported by strong quarter-over-quarter cloud growth in Q3. Additionally, favorable dynamics in chip supply reinforced management’s guidance on its three-year RMB 380 billion AI investment plan, with a growing share allocated to domestic chips. Alibaba reported solid cloud growth, with a 34% year-over-year (YoY) increase in Q2 of FY26 and an impressive 80% YoY rise in AI capital expenditure. The e-commerce sector also posted strong growth, with revenue rising 10% YoY. Moreover, management has indicated that peak losses in Quick Commerce reached RMB 36 billion as of Q2 of FY26 and that it is looking to optimize unit economics moving forward.

ACM Research, a leading player in semiconductor wafer fabrication equipment (WFE) specializing in wafer cleaning, was one of the top contributors for the year. ACM Research, a primary beneficiary of China’s semiconductor self-sufficiency drive, benefited during the year amid heightened US-China geopolitical tensions over key technologies, including semiconductors. China’s localization pace is now accelerating, with China’s Memory capacity expansion set to accelerate in 2026, along with domestic production of Logic chips. Its 74.6%-owned operating subsidiary, ACM Shanghai, reported strong growth in order backlog of RMB 9.1 billion (+34% YoY) as of September. The company continues to execute its long-term strategy to capture a greater share of China's semiconductor equipment market through technology leadership in single-wafer cleaning (where it targets 60% market share), expanding into adjacent $1+ billion TAM opportunities in electro chemical plating, furnace, and panel-level packaging tools, and building global production footprint to support international customer engagement, positioning ACM to achieve its aspirational $4 billion revenue target supported by an estimated $2.5 billion from China and $1.5 billion from global markets. We remain optimistic about ACM Research's long-term potential.

Tencent, China’s leading internet and technology company, was one of the top contributors this year. The company's revenue and net profit for the first nine months of 2025 grew by 14.3% and 17.7% YoY, respectively. AI emerged as a central theme throughout the year, acting as a "growth multiplier" across all its business lines. It enhanced coding efficiency in game development and improved ad targeting. Tencent launched over 30 Hunyuan AI models, with Hunyuan Image 3.0 achieving the top ranking in global benchmarks for text-to-image generation. The company continues to grow at a strong pace, with its third-quarter results for 2025 reflecting its fastest revenue growth of 15.4% YoY over the past 4 years. We remain optimistic about Tencent's long-term performance, particularly given its position in the application layer, which makes it a key beneficiary of AI advancements.

H World, the Chinese hotel operator, showcased operational excellence in 2025, turning a challenging post-pandemic recovery into a success story, delivering a 49% total shareholder return. As China’s largest hotel network, with 12,580 properties, the company pivoted to capital-light franchise expansion, achieving a 27.2%YoY increase in managed and franchised (M&F) revenue, reaching RMB 3.3 billion in Q3. M&F rooms now make up 92% of the network, boosting adjusted EBITDA margins by about 300 basis points to 36.1% and generating RMB 2.2 billion in M&F gross operating profit at 68% margins. H World added over 2,000 hotels in the first nine months of 2025 and remains on track for roughly 2,300 gross openings in 2025, expanding into 80+ additional Chinese cities YoY, while its H Rewards loyalty program surpassed 300 million members and continues to drive a rising share of direct bookings. Despite challenges like sluggish business travel and competition, disciplined revenue management drove revenue growth in the Legacy-Huazhu segment to RMB 5.7 billion and EBITDA to RMB 2.4 billion. The investment thesis highlights H World's unique advantages: unmatched scale, superior unit economics, and a robust technology infrastructure. The management team is executing a $2 billion shareholder return program and transitioning to a franchise model that is set to capture a larger share of China's $170 billion hotel market, where chain hotel penetration rates are rising.

MGM China, the casino operator in Macau, was one of the top contributors for the year. In 2025, MGM China established itself as a clear outperformer in the Macau gaming sector, consistently gaining market share into the mid-teens percentage during the year as it executed on its premium mass strategy. The company's strategic focus on the premium mass segment and high-yield operational efficiency paid off, with net revenue for the first nine months reaching HK$25 billion and third-quarter adjusted EBITDA hitting a record HK$2.4 billion. A more shareholder-friendly approach further supported their strong operational performance, as they increased the dividend payout policy from 35% to 50% of annual profits. This move underscores management's confidence in the company's long-term cash flow generation and the structural recovery of the Macau market, which led to a roughly 67% rise in shares by September end. In the final weeks of 2025, MGM China and its parent company, MGM Resorts International, announced that the brand fee MGM China pays to its parent would double, from 1.75% to 3.5% of net revenue, starting in January 2026. This announcement, along with a broader sector de-rating, led to approximately a 21% decline in returns during the fourth quarter. While such unexpected changes are frustrating, we remain optimistic about MGM China's outlook given its strengthened market position, resilient margins, and robust cash generation.

Genda, the leading player in the Japanese amusement arcade industry, was the largest detractor for the year. Genda share price suffered from a unique set of reasons. The issue first arose when they acquired U.S. Amusement Arcade player PlayerOne at 8.5x EV/EBITDA from a private equity fund. This being a North American company (outside Genda's core expertise in Japan), along with the purchase price at a much higher multiple than its historical transactions at 3-5x EBITDA, scared off investors and sent the share price tumbling. This issue was further compounded by its subsequent equity raise in May 2025 at a depressed share price. Investors' concern about continuous share dilution and misallocation of capital has led to a continuous weak share price, despite strong 9M/FY26 topline growth of +54.1% YoY and correspondingly strong adjusted EBITDA growth of +46.8% YoY. Genda has now put a halt to its equity raise and is looking to turn FCF generation from negative JPY 10 billion in FY26/1 to positive JPY 5 billion in FY27/1 (an improvement of +JPY 15 billion). We believe this is a step in the right direction and remain cautiously optimistic about its prospects. More details are above.

Jollibee Group, the largest quick-service restaurant (QSR) chain in the Philippines, was among the top detractors for the year. Despite strong 9M25 Revenue/EBIT growth of 14.3%/14.6% YoY, this did not translate into Net Profit growth (+1.9% YoY) due to the high cost of debt. In addition, the share price was particularly weak during 4Q25, driven by concerns about Jollibee Group's potential demotion from the MSCI Standard Index to the MSCI

Small Cap Index. Importantly, business fundamentals remain solid, with management optimistic about 4Q25 Philippine performance and the ongoing turnaround of its international business. In addition, Jollibee opened its first franchise store in the United States, achieving very strong average daily sales of $17,000. This franchise expansion in the U.S. was further backed by strong franchisee interest, with 47 Jollibee multi-unit development agreements signed and approximately 30 new commitments in the pipeline. China has also halted its negative same-store sales decline, posting +8% in 3Q25, driven by its revamped value-focused menu. Management continues to take further actions to crystallize value, announcing a spin-off of its International Business, with a target completion by late 2027. We view this positively, as it would reduce complexity in its business operations and increase transparency and valuations for investors.

Medley, the leading Japanese recruitment platform for medical staff, was one of the largest detractors in the past year. The operational issues faced by its JobMedley platform stemmed from the discontinuation of "congratulatory bonuses." This led to the absence of a mechanism to check whether a prospect was successfully hired, resulting in a revenue loss of approximately 6-7 percentage points. However, starting from the second quarter of 2025, business fundamentals began to improve. This was marked by a reduction in lost revenue due to stricter policy enforcement, alongside a price increase of around 15%. Consequently, revenue growth accelerated to 30.8% YoY (compared to 17.9% in 2Q25), and net income rose by 48.3% YoY (in contrast to a decline of 53.2% in 2Q25). Importantly, the recent 15% price hike implemented in April 2025 encountered minimal customer resistance, further confirming Medley's customer loyalty and stickiness. As the Founder, Takiguchi, mentioned during the 2Q25 earnings call, we believe the worst is behind us and remain optimistic about Medley’s future performance.

China MeiDong, the leading Porsche dealer in China, was one of the top detractors for the year. MeiDong faced a punishing 2025 as structural headwinds in China's luxury vehicle segment, combined with company-specific impairment charges, pushed the premium dealership group into significant loss. For the six months ended June 2025, revenue declined 4.9% YoY to RMB 10,134.7 million and the company recorded a loss attributable to shareholders of RMB 814.7 million (versus RMB 27.0 million loss in 1H24), driven primarily by compressed new vehicle gross margins that plunged to -10.8% (versus -5.1% in 1H24) amid intensifying price wars and non-cash impairment charges of approximately RMB 870 million on goodwill and dealership rights for underperforming cash-generating units, particularly affecting ultra-luxury vehicle stores. The company's difficulties were compounded by the collapse in Porsche China deliveries, which plummeted 26% in 2025 to 41,938 units—down from 56,887 in 2024 (itself down 28% from 79,283 in 2023) — as Porsche cited "challenging market conditions, especially in the luxury segment, as well as intense competition in the Chinese market, particularly for fully electric models" and continued its "value-oriented sales" approach. Porsche China also confirmed plans to reduce its authorized dealer network from 150 stores in 2024 to 120 by the end of 2025 and approximately 80 by the end of 2026. Despite the new vehicle margin catastrophe, MeiDong's underlying franchise remains viable: the group operates 74 dealerships as of 30 June 2025 across Porsche, BMW/MINI, Lexus and Toyota concentrated in tier-2/3/4 cities, with after-sales and mortgage facilitation revenue growing 5.7% to RMB 2,204.9 million in 1H25 and vehicles served increasing 5.7% to 384,324 units, demonstrating resilient service economics, disciplined cost control, and management prioritizing balance sheet strength over aggressive expansion—positioning the company to survive the current industry consolidation and benefit when China's luxury market stabilizes.

Samsonite, the leading suitcase manufacturer, was one of the largest detractors for the year. We exited the position in 1Q25 during the 'reciprocal-tariff' debacle, reallocating capital to other higher-conviction investments.

Outlook

Why Active Management Remains Warranted in a Dislocated Market

We recognize that 11 years of -3.8% annualized underperformance raises valid questions about the value of active management fees. This is a serious issue that deserves a direct response.

The tension is real: Why not simply own the Asia Pacific Index at 10-20 basis points when we have delivered negative alpha over 11 years at significantly higher fees?

The answer lies in a critical distinction between 2025's underperformance and stock-picking failure. Our relative miss was not driven by poor fundamental research or weak security selection. Rather, it stemmed from conscious portfolio construction decisions rooted in discipline: we refused to own Korean memory semiconductors and Taiwanese logic chips at valuations we believe reflect peak-cycle earnings and offer insufficient margin of safety.

This is portfolio diversification at work, while the index itself became concentrated. Notably, an investor who purchased the Asia Pacific index in 2025 unknowingly made an aggressive active bet. Samsung Electronics and SK Hynix accounted for ~50% of MSCI Korea's +100% return. TSMC accounted for ~58% of MSCI Taiwan's +40% return. Index ownership was a concentrated wager that AI infrastructure spending would dominate returns for the next decade. This is not passive investing; this is implicit active positioning.

This is the difference between a manager who picked the wrong stocks and a manager who constructed a portfolio intentionally misaligned with consensus—and is now positioned to capture value when consensus resets.

Proprietary Access and Portfolio Company Improvement

The second dimension of our value as active managers is engagement with portfolio companies — something unquantifiable in annual reports, though real in impact. Our engagements with Genda (capital allocation overhaul), Medley (segment restructuring), and Jollibee (spin-off announcement) demonstrate influence that passive indexers cannot replicate. These discussions create proprietary catalysts that unlock value independent of market sentiment.

Our extensive interactions with Genda (our largest detractor, down -45% for the year) provide concrete evidence. Through multiple earnings calls, management presentations, and candid feedback, Genda's leadership team responded with transformative action:

- 36-month moratorium on equity raises (through January 2029): Addressing the primary source of shareholder dilution
- JPY 15 billion positive swing in FCF (from negative JPY 10 billion to positive JPY 5 billion): Concrete, measurable, tracked quarterly
- 5 million share buyback program (2.6% of shares): Capital returning to shareholders rather than funding dilutive M&A
- Operational turnaround in U.S. operations: President Kataoka is personally leading weekly management meetings and implementing real-time digital monitoring of 13,000 locations

As of January 23, Genda stock is up mid-teens percent from year-end and low-30s percent from its low in December despite operating in "less glamorous sectors" than AI. This capital return reflects a fundamental quality reset following improvements in management discipline.

Medley provides another example. CEO Takiguchi restructured the Medical Platform segment, collapsing a holding-company structure and achieving a 3.5-point sequential improvement in EBITDA margin (1.5% → 5%) in Q3 2025. The company completed share buybacks of 4.4% and is looking to execute an additional 4.6% of issued shares. Management stated plainly: "We believe the worst is now behind us."

These outcomes are not available to passive managers. An index fund has no mechanism to influence capital allocation, management accountability, or strategic pivots. We do because we have concentrated positions (3-5% of the Fund) in mostly owner-operator-led businesses where alignment creates mutual accountability. As Fund managers with significant skin in the game, we are highly motivated to create successful outcomes by engaging with our portfolio companies as principals.

This advantage is structural, not cyclical. As long as we maintain concentrated positions in companies, we retain this sourcing edge, which passive managers cannot replicate.

The Fork in the Road

At the end of 2025, investors face a choice:

Index Investing (Path A): You own a portfolio concentrated in Korean semiconductors and Taiwanese logic chips at valuations reflecting peak-cycle earnings. You are implicitly betting that AI infrastructure spending will remain the dominant theme for the next decade. Fees are low, but you have ceded control over concentration risk and are exposed to cyclical peaks.

Active Value Management (Path B): You own a portfolio concentrated in dominant businesses trading at significant discounts to U.S. peers. You benefit from direct engagement with management teams, an embedded margin of safety in starting valuations, and documented catalysts (Genda capital discipline, Jollibee spin-off, Medley restructuring). Fees are higher, but you are paying for stock-selection skill and portfolio company improvement.

Both paths involve concentrated bets. Index investing is simply concentrated in what the market dictates. Active value investing is concentrated in what we believe is undervalued.

Accountability and Timeline

We do not ask investors to have faith in "eventual" mean reversion without guardrails or checkpoints. We will communicate regularly on three specific catalysts that would confirm our thesis is playing out:

- Semiconductor Capex Inflection: TSMC, Samsung, and SK Hynix capex guidance declining YoY, signaling AI infrastructure market saturation
- China Consumer Momentum: Alibaba and Tencent revenue growth re-accelerating to mid-teens (vs. current mid-single digits)
- Japanese Small-Cap Capital Allocation Execution: Genda and Medley achieving positive FCF targets and continuing share buybacks on schedule

We do not know when the sentiment shift will occur, but we know that buying dollar bills for fifty cents has historically been a winning strategy. We are building a portfolio positioned to capture that opportunity, backed by quantified evidence of stock-picking skill, documented portfolio company improvements, and structural engagement advantages.

Portfolio Positioning and Outlook for 2026

Entering 2026, the spread between the valuation of our portfolio and the benchmark is at extreme levels. The Asia Index is loaded with Korean technology and Taiwanese semiconductors trading at peak-cycle earnings and significantly expanded multiples. Our Fund is composed of dominant consumer franchises (Alibaba, Jollibee, SharkNinja), cash-flow-rich conglomerates (Hitachi, Tencent, Prosus), and idiosyncratic companies trading at distressed or mid-cycle valuations.

As we mentioned last quarter, we can expect our strategy to underperform the index when its performance is primarily driven by a single theme—AI and tech spending—in a concentrated manner. An investor purchasing a standard Asia index fund or a North Asian country fund is, perhaps unknowingly, making a concentrated and active bet on the continued outperformance of a select few technology companies.

2025 was a humbling year. We missed the "Korea Beta and Semiconductor" trade because valuations did not meet our margin of safety criteria, and we suffered sentiment reversals in our high-quality consumer names, such as Jollibee, Genda, and Medley. However, investment history indicates that years of extreme market leadership—such as the semiconductor boom in 2025—are often followed by a broader participation and mean reversion. The Fund's portfolio is designed not to chase hot stocks but to invest in businesses trading significantly below their intrinsic value. With Genda executing a pivot on capital allocation, Jollibee unlocking value through its spin-off, New Oriental returning capital, and our China tech holdings (Alibaba, Tencent) trading at a significant discount to their U.S. peers, we believe the portfolio is positioned for substantial recovery.

As we enter 2026, we face a market pricing in two contradictory realities: perfection for the AI-linked hardware sector and poor prospects for the Chinese consumer, Japanese small-cap growth, and broader Asian value stocks. We have positioned the Fund on the value side. We own a concentrated portfolio of dominant businesses trading at attractive valuations, run by partners who are aligned with us through significant share ownership. The volatility of the fourth quarter allowed us to high-grade the portfolio, adding to our highest conviction ideas at prices we did not expect to see again.

We thank our shareholders for their patience during this period of divergence. We remain convinced that price eventually converges with value, and the disconnect created in 2025 provides the fuel for future outperformance.

See the following pages for important disclosures.

The Fund is actively managed. It uses the MSCI Asia Pacific Index (USD) as a 'comparator benchmark' to compare the performance of the Fund against, but which is not used to constrain portfolio composition or as a target for the performance of the Fund.

Risk/Reward Profile: As this Fund has such a broad selection of investment choices, there are many factors that could affect performance. These could include changes in the performance of different industrial sectors and individual securities. The performance of the Class I GBP Shares may also be affected by the exchange rate with U.S. Dollars, the currency in which the Fund is denominated, as the Investment Manager will not purchase financial instruments to mitigate any such potential changes. Because the Fund generally invests in 20 to 25 companies, each holding could have a more significant impact on the Fund's performance than if a greater number of securities were held. Because the Fund invests in companies in the Asia Pacific Region, adverse events related to the Asia Pacific Region could have a more significant adverse impact on performance than in a more geographically diversified Fund. Investment in China and other emerging markets may expose the Fund to more social, political, regulatory, and currency risks than securities in developed markets. A party with whom the Fund contracts with regard to the Fund's assets may fail to meet its obligations or become bankrupt, which may expose the Fund to a financial loss. Derivatives may fluctuate in value rapidly and certain derivatives may introduce leverage which may result in losses that are greater than the original amount invested. Losses to the Fund may occur as a result of human error, system and/ or process failures, inadequate procedures or controls. The value of the shares may go down as well as up and investors may not get back the amount invested. For a more detailed explanation of these and other risks please refer to the Prospectus under the "Risk Factors and Special Considerations" section.

This is a marketing communication. Please refer to the link below for the Prospectus and other offering documentation before making any final investment decision. A Prospectus is available for the Fund and key investor information documents ("KIIDs") are available for each share class of the Fund. The Fund's Prospectus can be obtained from www.southeasternasset.com and is available in English. The KIIDs can be obtained from this website and are available in one of the official languages of each of the EU Member States into which each share class has been notified for marketing under the Directive 2009/65/EC (THE "UCITS Directive"). Full information on associated risks can be found in the Prospectus and KIIDs. In addition, a summary of investor rights is available on this website. The summary is available in English. The Fund is currently notified for marketing into a number of EU Member States under the UCITS Directive. The management company can terminate such notifications for any share class of the Fund at any time using the process contained in Article 93a of the UCITS Directive.

Any subscription may only be made on the terms of the Prospectus and subject to completion of a subscription agreement.

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.

A Basis Point is one hundredth of one percent.

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.

Price / Earnings (P/E) is the ratio of a company’s share price compared to its earnings per share.

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

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