January 2026

Longleaf Partners Fund 2025 Annual Commentary

All data as of December 31, 2025

Fund Characteristics

P/V Ratio	Low-60s%
Cash	9.5%
# of Holdings	21

			Annualized Total Return (%)			
	4Q	1 Year	3 Year	5 Year	10 Year	Since Inception
Partners Fund	3.35	2.93	11.71	5.75	6.74	9.20
S&P 500	2.66	17.88	23.01	14.42	14.82	10.81
Russell 1000 Value	3.81	15.91	13.90	11.33	10.53	9.89

2025 marked Southeastern's 50th anniversary. The Partners Fund itself was created on April 8, 1987, so that our employees could invest alongside our clients in an efficient mutual fund structure. We immediately underperformed out of the gate vs. an up market in the first several months of that year which had carried over from the previous few years. As we have naturally been thinking back on our five decades this year, we see a lot of similarities today between the market in 1987 and several other turning point years for Southeastern. While 2025 was an underwhelming year for the Fund, there was a clear theme that we can live with in the short term: we did not have enough big winners. While over 35% of the S&P 500 was up more than 20% this year (with an average return of just over 50%), only about 5% of our portfolio was up 20% or more this year (average return of 35%). Years like this (and 1987, 1999, 2007 and 2021) when a momentum-driven market puts up numbers late in a bull market can signal

Inception date 4/8/1987. 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 0.97%. The Partners 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 0.79% of average net assets per year. This agreement is in effect through at least April 30, 2026, and may not be terminated before that date without Board approval.

danger ahead. This overall dynamic led to us trailing the market and our internal target of inflation plus 10%.

We are not going to push too hard for big winners at the wrong time in the later stages of a bull market. Instead, we have been making targeted moves to improve the portfolio, and we are excited about what we own. In fact, some of the key stocks that held us back over the last year saw tangible change in the later part of 2025 that we believe sets us up well for more outsized winners in 2026. For example, while Kraft Heinz was a detractor this year, we were thrilled when Steve Cahillane, a great CEO partner from our successful Kellogg's investment, was announced as Kraft's CEO at the end of the year. We wrote last quarter about the merger of Rayonier and PotlatchDeltic, which should close in the first quarter of 2026 and put the company on offense. Other investees like Albertsons and CNX strongly built value per share with outsized share repurchase during the year in a way that is not yet recognized by the market.

In our last letter, we wrote about the concerning rise in circular financing at AI companies, which provides us encouragement that we are near the end of this market cycle. It is also worth discussing a broader circular theme that could additionally impact the economy when things change. There has been a uniquely S&P 500-driven wealth effect going on as highlighted in this Economist article. We have gleaned from talks with both large, sophisticated investors and smaller retail investors that there is a meaningful segment of the market with a low tax basis in stocks that feel safe or maybe just feel like they cannot be sold to book a gain. In many cases, these shares will likely not be sold until it is too late. When that happens, it usually leads to an overshoot to the downside, as we saw at formerly "safe" (and previously owned by Longleaf at lower prices) stocks like UnitedHealth and Fiserv this year. We much prefer our carefully selected portfolio of stocks that might have more quarter-to-quarter volatility but therefore have lower bars to step over from here.

Since it has now been three years since we first wrote about the "3 Rules" process improvements we made in 2022, it is time for an update. A key lesson is how much these rules help us when going into a new name, and therefore how much better positioned we are now regarding subsequent buy or sale decisions on that name. Along these lines, the leverage rule remains the most important. Adherence to this rule has protected us from leverage pitfalls, but it should have been in place earlier so that we could better navigate situations on some of the more economically sensitive and leveraged stocks that delivered positive returns this year for the overall market, such as

General Electric and Warner Bros. Discovery. The holding company rule also remains helpful for our process, and we do not have anything new to add on it.

On the other hand, it is unlikely we would have gotten all three rules exactly right three years ago, so we do have a change to the overweight rule. We are moving our limit from the initial 6.5% to 8% for a few reasons:

1) We have more data on the current research team's historical picks and do not see material differences in performance between 6% weights and 8% weights. Furthermore, there have not been any new materially detrimental overweights in the last three years with the current team.
2) We have had investment success with our unique style of engagement for decades and hope to be able to speak more on this as 2026 progresses; this change gives us more engagement heft going forward.
3) An 8% max will also help on tax efficiency, with fewer trims of performing stocks that are growing their value per share and getting recognized for it.

Southeastern performed well in 2000 (and 1987, but our data is not as clear back then), but less so in other downturn years. We will end this part of the letter with some important points about our portfolios now that make this moment more like 1999:

First, much like in 1999 but not 2007 and 2021, we have been able to find better priced, defensive growers like consumer staples and timberland companies. In fact, our current weighting in sectors like this combined with cash is approximately 45%, much like it was in 1999, but not like it was in 2007 and 2021, when it was approximately 20% and we therefore had portfolios that were too risky at a time of elevated market valuations.

Second, we are confident that our individual investments are much less leveraged now than they were in 2007 and 2021. Since 2022, we have been tracking the bond and debt yields of our portfolios on a weighted average basis. We are able to apply the same methodology to our portfolios from 2007 and 2021 (data before then is more limited). The difference is material, as spreads to the US 10-year treasury for our holdings today are roughly half the levels they were in 2007 and 2021. This is a strong sign that the bond market, which can often be better than the stock market at detecting early downside risk, validates the resilience of our portfolio today.

Third, and hardest to quantify, is the high quality of management partners at our holdings. We will detail this confidence as we now turn to our notable contributors and detractors.

Notable Contributors & Detractors

HF Sinclair – Energy infrastructure company HF Sinclair was a contributor for the year. We timed our purchases well last year and earlier this year on oil price weakness and worse than expected refining spreads. More normalized refining spreads came into view as the year went on, and the company's non-refining assets (which are over half of our appraisal) did well. The P/V gap closed, the previously strong insider buying stopped and the value per share growth was limited, so we moved on at a profit.

Mattel – Children's toy, media, and consumer products creator Mattel was a contributor for the quarter and the year. The company is in its strongest position in over 10 years, and there are multiple ways to win. Over 80% of Mattel's value comes from growing power brands like Hot Wheels, Barbie, and UNO. Mattel has a strong balance sheet which allowed material stock repurchases of $600 million in 2025, and we believe additional share repurchase will come at these discounted prices in 2026. Fundamentally, the toy business continues to grow and gross margins remain strong at 50%. Mattel has a promising owned IP (intellectual property) outlook for 2026 with the Masters of the Universe and Matchbox movies, along with two video games, being released.

Regeneron – Healthcare company Regeneron was a detractor in the first half of the year but ended up as a contributor for the quarter and full year. It did not initially feel great, but our phased buy-in has worked well so far. We continue to like the company's strong position in allergic diseases (DUPIXENT) and oncology (LIBTAYO and others). We believe the market focuses too much on EYLEA, a retinal disease medication which is less than 20% of the company's value. The company has a net cash balance sheet and great owner-partners. Unlike most others in its industry, it has sworn off large M&A and was a material share repurchaser in 2025. We still are not paying much (or anything depending on how you do the math) for the company's sizeable pipeline value. After some initial pipeline disappointment in the first part of the year, there were more positives as the year went on. The P/V remains low, and we are excited for Regeneron to be a meaningful position entering the year.

IAC, MGM Resorts and Angi – The related group of IAC, MGM Resorts and Angi contributed strongly in aggregate this year. Digital holding company IAC has signaled its plans to dispose of all assets besides People Inc. and an approximate 25% stake in MGM. Chairman Barry Diller is focused on closing the valuation disconnect as no value has been ascribed by the markets to IAC's assets beyond MGM for too long. Share repurchase and increasing the stake in MGM are the main capital allocation options, and the company is already acting on both. One specific simplification move IAC made this year was the spinoff of Angi, the home services marketplace. We purchased more Angi shares post-spin at a depressed price and then sold our position as evidence of their multi-year turnaround heading down the right path caused the stock to reach our appraisal. Casino operator MGM Resorts had a relatively weaker 2025 in Las Vegas due to difficult comparisons after multiple years of strength. A significant turnaround at BetMGM plus strong performances at non-Las Vegas "regional" properties and Macau helped steady the consolidated business throughout the year. The general market narrative for most of the year has been that Las Vegas has peaked for various reasons. We, and IAC, believe Vegas cannot be replicated anywhere in the world, and MGM has a great position as the market leader. Management has corrected some pricing mistakes while making moves to narrow their focus. A recent sale of one of their lower-quality properties for a higher multiple than where the consolidated business trades, as well as withdrawing their New York City casino bid, freed up more capital for a management team who has repurchased over 40% of their shares at extremely attractive prices over the past five years.

Exor – European holding company Exor had a disappointing stock market performance in the quarter and year, with the share price correcting in 2025. This is despite a series of capital allocation and portfolio moves that fundamentally enhanced intrinsic value per share and continue to give us confidence in the leadership of CEO John Elkann. Exor executed a partial sale of Ferrari early in the year at all-time highs, roughly 40% above year end levels, and redeployed the proceeds into Exor's own shares at a sizable holding company discount, via an efficient one-time Dutch auction. Alongside that move, Exor increased its stake in Philips at good prices to roughly a 19% stake from 15% earlier in the year and supported the complex sale of CNH's spinoff Iveco Group's two separate businesses. Yet the market's cooling toward Ferrari and a weak stock market year for both Stellantis and CNH (despite value per share at both not moving much) have weighed on Exor's quoted price. With expectations around Ferrari reset after the company held its lukewarmly received November 2025 Capital Markets Day, and multiple self-help levers progressing across Exor's other major holdings, we see 2026 offering us a compelling opportunity for the holding company discount to narrow meaningfully from today's elevated levels.

Kraft Heinz – Global food and beverage producer Kraft was a detractor for 2025. The market is overly focused on the lack of near term growth in North America and not focusing enough on the value-creating potential of the company's upcoming split into two businesses: the higher-growth Global Taste Elevation Co. which contains the Heinz brand and should garner a teens EBITDA multiple, and the stable remaining company comprised largely of North American grocery products, which can trade at the same multiple total Kraft currently trades today. This would result in a combined stock price over $40 per share. We are also extremely pleased with Steve Cahillane being named CEO. We got to know Steve during our successful investment in Kellanova / Kellogg's, and we believe Steve is the perfect operator to lead Global Taste Elevation and help decide who should lead North American Grocery.

PayPal – Digital payments platform PayPal was a detractor in 2025. While the company made real operational progress stabilizing and growing transaction margin dollars, expanding profit margins through improved cost discipline, accelerating FCF generation, and returning substantial capital through buybacks the market remained focused on the lack of further acceleration in Branded checkout volume, which grew in the mid-single-digit range while investors were hoping for high-single-digit growth. Increased reinvestment in marketing and technology combined with macro pressure on discretionary spending further weighed on sentiment. Despite the stock's underperformance, PayPal's scale, two-sided network, and deep transaction-level data across hundreds of millions of consumers and tens of millions of merchants remain underappreciated assets that provide meaningful long-term optionality.

PVH – Branded apparel company PVH was a detractor for the quarter and the year. The company's shares experienced considerable price fluctuations, while our appraisal stayed flattish, which was disappointing. This is a company that will likely always have more quarterly earnings volatility than others. The good news is that the long-run earnings per share power remains intact at over $10 per share. While CEO Stefan Larsson has a strong record turning around multiple brands, the turnaround has taken longer than expected. This is a company that is sensitive to consumer trends, but its brands resonate with a more price conscious buyer. PVH has numerous levers to pull to improve margins above the 10% level that the market doubts. PVH was one of our larger share repurchasers in 2025, and we believe this will continue at these prices in 2026.

Portfolio Activity

During the quarter we purchased three new positions in the portfolio. The first is a leading building materials manufacturer that has undergone a strong multi-year transition to being a higher quality business. The second is a consumer-packaged goods spin-off with a better-than-peers growth outlook. We also both bought and sold a new holding after its investment case changed. We look forward to discussing the new positions in more detail in upcoming letters.

During the year we purchased ten new holdings: Regeneron, Angi (although this was a spin-off from existing holding IAC), Fortune Brands, Walt Disney, Avantor, PotlatchDeltic, Rayonier and the noted new positions for this quarter. We exited six holdings: RTX, Affiliated Managers Group, Angi, HF Sinclair, Hyatt and the aforementioned new holding. While this was more activity than usual, the bifurcated stock market led to more holdings exceeding our fair values along with the opportunity to purchase new companies at a discount.

Outlook

On the communications side of Southeastern, we have been pleased with the feedback on our Research Perspectives notes. Expect these to continue in 2026 and beyond. Our P/V Podcasts are not going away, but we only had one last year for a few company specific reasons. Expect more (but continuing our focus on quality over quantity) of these going forward along with some external podcast appearances, one of which has already been recorded this month.

2025 had many positive signs for Southeastern. The best remains the February through April volatility around Liberation Day when we kept your money safe and materially outperformed the market. We want to stress that we are not simply building a portfolio for bad times only, but there will be virtue in all markets from owning real companies on offense in a time when excessive speculation is widespread. Understandable, durable, FCF generating assets run by great partners should win when the tide goes out and today's fads like prediction markets, weird forms of crypto, and overhyped IPOs inevitably disappoint.

Thank you for your partnership. Here's to the next 50 years.

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://regdocs.blugiant.com/longleaf/#. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS
The Longleaf Partners 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. Mid-cap stocks held by the Fund may be more volatile than those of larger companies.

The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. S&P 500 Value Index constituents are drawn from the S&P 500 and are based on three factors: the ratios of book value, earnings, and sales to price. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Value index is drawn from the constituents of the Russell 1000 based on book-to-price (B/P) ratio. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

P/V ("price to value") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. The ratio represents a single data point about a Fund and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

"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.

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

PE multiple is a financial metric that frames a company's current stock price in terms of the company's earnings per share.

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

Mergers and Acquisitions (M&A) are business transactions in which the ownership of a company, business organization, or one of their operating units is transferred to or consolidated with another entity.

As of December 31, 2025, the top ten holdings for the Longleaf Partners Fund: IAC, 6.9%; Mattel, 6.1%; Regeneron, 6.0%, CNX Resources, 6.0%; Exor, 6.0%; Kraft Heinz, 5.5%; Albertsons, 5.4%: Undisclosed, 4.9%; FedEx, 4.8% and Rayonier, 4.7%. 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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