

Longleaf Partners
Asia Pacific UCITS Fund

*Quarterly
Summary
Report*

For the Quarter Ended
31 December 2019

4Q19

Longleaf Partners Asia Pacific UCITS Fund

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southeasternasset.com

Holdings (22)

	Activity*	Weight
Melco International		8.1 %
MinebeaMitsumi		7.6
Baidu		6.3
CK Asset Holdings		6.1
MGM China		6.0
Hitachi		5.0
L'Occitane		4.8
EBARA		4.5
SoftBank		4.5
Trip.com	NEW	4.5
Hyundai MOBIS		4.5
Toyota Motor		4.4
New World Development		4.4
CK Hutchison		4.2
Man Wah		4.0
Seria		3.8
Midea Group		3.7
Richemont	NEW	3.1
WH Group		2.8
Bharti Infratel		2.4
First Pacific		2.1
Escorts		1.2
Cash		2.0
Total		100.0%

*Full eliminations include the following positions:
SpeedCast and Vocus Group

Fund Annual Returns

	Class I USD	MSCI AC Asia Pacific
2014**	1.30%	-1.39%
2015	-2.74	-1.96
2016	12.29	4.89
2017	37.94	31.67
2018	-21.45	-13.52
2019	18.58	19.36

Authorised and regulated by the Financial Conduct Authority.

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing \$12.7 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the funds advised by Southeastern. Our 15-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

The Fund seeks to own a concentrated portfolio of our best 18-22 ideas that meet our Business, People, Price investment criteria. We invest with a 3-5 year investment horizon and take advantage of short-term volatility to own high quality businesses, run by capable management teams, whose stock prices are trading temporarily at a discount. Our extensive, global network allows us to engage with our management partners to help drive long-term value creation.

Share Class Information

	Class I USD	Class I GBP
Bloomberg Ticker	LPAPIUSI	LPAPIGB
Inception Date	2 December 2014	15 September 2017
Minimum Purchase (USD)	\$1,000,000	\$1,000,000
Management Fee	1.15%	1.15%
Total Expense Ratio	1.49%	1.49%
NAV per share	\$13.85	£10.40

Performance Total Returns

	Class I USD	MSCI AC Asia Pacific	Class I GBP	MSCI AC Asia Pacific GBP
Month	4.77 %	4.40 %	2.26 %	1.94 %
Quarter	10.45	9.46	2.46	1.83
Year-to-date	18.58	19.36	14.04	14.75
Three Year	28.48	35.93	na	na
<i>Annualized</i>	<i>8.71</i>	<i>10.77</i>	<i>na</i>	<i>na</i>
Five Year	40.32	39.77	na	na
<i>Annualized</i>	<i>7.01</i>	<i>6.93</i>	<i>na</i>	<i>na</i>
Since Inception	38.50	37.83	2.06	14.03
<i>Annualized</i>	<i>6.62</i>	<i>6.52</i>	<i>0.89</i>	<i>5.90</i>

Performance Contribution

Top Performers	Return	Portfolio contribution	Bottom Performers	Return	Portfolio contribution
MinebeaMitsumi	33%	2.33%	SpeedCast	-35%	-0.80%
Melco International	19	1.41	Bharti Infratel	-1	-0.40
Baidu	23	1.26	First Pacific	-11	-0.36

**Partial year, from inception of 2 December 2014

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4Q19

Longleaf Partners Asia Pacific UCITS Fund

Sector Composition

Consumer Discretionary	42.1 %
Industrials	17.5
Communication Services	13.2
Real Estate	10.5
Consumer Staples	7.6
Information Technology	5.0
Financials	2.1
Cash	2.0

Country Composition

Hong Kong	42.5 %
Japan	29.8
China	14.5
South Korea	4.5
India	3.6
Switzerland	3.1
Cash	2.0

Regional Composition

Asia ex-Japan	65.1 %
Japan	29.8
Europe ex-UK	3.1
Cash	2.0

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Longleaf Partners Asia Pacific UCITS Fund

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Longleaf Partners Asia Pacific UCITS Fund

Disclosure Information

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Asia Pacific UCITS Fund Commentary 4Q19

For Professional Investors Only

Longleaf Asia Pacific UCITS Fund ended the year with a strong fourth quarter, returning 10.45% and outpacing the MSCI AC Asia Pacific Index's 9.46% in the period. The Fund ended the year up 18.58%, narrowly trailing the Index.

Portfolio Returns at 31/12/19 – Net of Fees

	4Q19	1 Year	3 Year	5 Year	Since Inception 2/12/2014
APAC UCITS (Class I USD)	10.45%	18.58%	8.71%	7.01%	6.62%
MSCI AC Asia Pacific Index	9.46%	19.36%	10.77%	6.93%	6.52%
Relative Returns	+0.99%	-0.78%	-2.06%	+0.08%	+0.10%

Selected Indices*	4Q19	1 Year	3 Year	5 Year
Hang Seng Index	8.35%	12.87%	12.45%	7.27%
TOPIX Index (JPY)	8.57%	18.11%	6.65%	6.40%
TOPIX Index (USD)	7.84%	19.76%	9.12%	8.39%
MSCI Emerging Markets	11.84%	18.42%	11.58%	5.61%

*Source: Bloomberg; Periods longer than one year are annualized

2019 was an extraordinarily good year for equity market returns broadly, and US stocks soared to new heights. The broad trends that have defined the past decade continued: Growth stocks over Value stocks, US markets outperforming Non-US markets (including Asia), US dollar strength, continued strength in fixed income, and further rate cuts by central banks globally.

Asian equity markets were somewhat mixed, as ongoing fears of a trade war and unrest in Hong Kong (HK) drove volatility, but ultimately also ended the year strongly, with the MSCI AC Asia Pacific index gaining over 19%, recovering from its 13% loss in 2018. Laggards in 2018, were the leaders in 2019. Nevertheless, this year has been tough for Asia, with significant inter and intra-quarter volatility. The slowdown arrived early in Asia for semiconductors, autos, and gambling. Asian markets suffered from the China-US trade

war, disputes between Japan and Korea, mass protests in HK, a sharp decline in auto sales, a strong dollar, a weak renminbi, falling commodity prices, and Brexit fears. The year finished with a strong fourth quarter, aided by quantitative easing, rate cuts, a phase one trade deal between China and the US, and lower prospects of direct Chinese intervention to quell mass protests in HK.

Contrary to expectations, our significant exposure to HK (35% overweight vs. the index) and our significant underweight to Japan (12% underweight) did not hurt our relative performance in 2019. Our HK investments contributed the largest returns for the year, and our Japanese investments were the largest contributor to returns in the fourth quarter as a result of strong stock-specific performance. Most companies in the portfolio were positive in the quarter and the year, with over sixty percent of the investments producing positive double-digit returns over the year. Speedcast International, the Australian listed communications service provider, was a 3.4% drag on returns for the year, we exited the position in the quarter.

While currency was a moderate headwind for the first 9 months of 2019, currency was a positive contributor for both the Fund and the index in the fourth quarter and the full year, as the US dollar pulled back from its multi-year high seen earlier in the year. In the fourth quarter, strong stock-specific performance across multiple sectors in Japan and HK drove our relative outperformance.

Growth has continued to outperform Value globally and in Asia, and large-cap companies outperformed small-cap this year. This trend accelerated in the last quarter, where the top four MSCI AC Asia Pacific Index constituents that account for 10% of the index – tech giants Alibaba, Tencent, TSMC, and Samsung Electronics – contributed 23% of index returns. Except for Samsung Electronics, they all trade above 25x earnings.

Almost every asset class did well last year, from “low volatility” long-dated US government bonds and fixed income credit to equities and commodities. In particular, US markets continued to strengthen, further increasing the valuation disparity between the US and Asian capital markets, not just in equities, but in fixed income and currencies.

For the past decade, it has paid to be overweight US equities, the US dollar, and fixed income, as the cost of capital decreased with dramatically lower interest rates, tighter credit spreads, a large reduction in corporate tax rates, and unprecedented amounts of

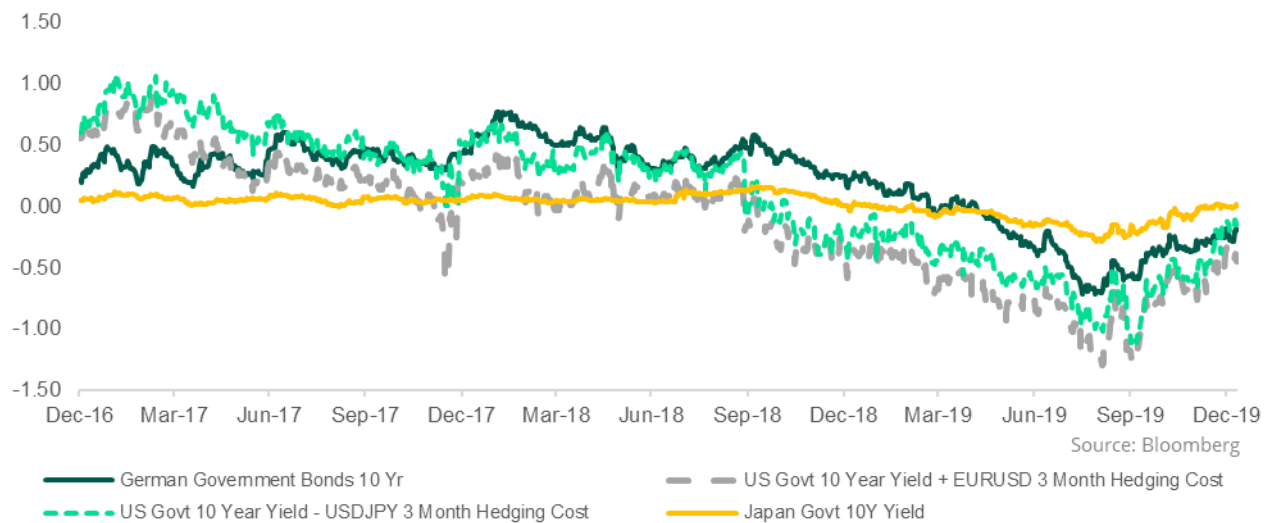
quantitative easing. Long duration assets, whether long-dated bonds or fast compounding tech companies that typically have 100% of their value in the terminal value (free cash flow in the explicit forecast period is negative or negligible) — have been the biggest beneficiaries over the past decade. While a meaningful rise in yields may be unlikely, the very low absolute starting point of yields, combined with flat yield curves, means that the tail risk of large losses associated with a duration sell-off is elevated in long-duration assets.

The extraordinary 11-year bull market in US equities has now compounded to a 351% total return (with dividends reinvested into the S&P 500 Index), while the MSCI AC Asia Pacific Index has generated 150% over that same period. These backward-looking returns make it easy for investors to forget that the prior decade ending in 2008, which saw Asian markets handily outpace US markets by almost 50 percentage points. US dollar strength has negatively impacted the index's total performance over the last decade and our performance since inception. We are hard-pressed to recall a time when three such significant indicators: US vs. Asia, Value vs. Growth, and USD vs. Non-USD — have all had a over a decade-long run so lopsidedly in favor of US Growth. This bodes well for the next decade if we believe markets eventually revert from the short-term voting machine to Ben Graham's long-term weighing machine.

The carry trade no longer works:

US Treasury Hedged into FX

31-Dec-16 to 31-Dec-19



Our conviction on Asian currencies being attractive relative to the US dollar has increased in the past year, as US Treasury yields have continued to compress. The carry trade that created significant foreign demand for higher-yielding US bonds has stopped working. After hedging costs, European and Japanese investors no longer enjoy a better return on US Treasuries than investing in their local government bonds, decreasing foreign demand for US Treasuries and the US dollar.

At some point, the relative and absolute value of Asian equities will become undeniably attractive, not just from a relative return perspective, but also from a risk diversification perspective. When 10 trillion dollars of bonds are negative-yielding, and credit spreads are as tight as they've ever been, how much higher can things go? The current top 20 companies in the S&P 500 by market cap (excluding Amazon's high PE both then and now) have a weighted average next twelve months (NTM) PE of just over 26x vs. just over 16x at the start of 2014. Today's multiples are on after-tax margins that are near peak levels.

Regional Valuation Multiples

As of December 2019

Country	Price to Book	NTM Price to Earnings	LTM Price to Earnings	NTM Earnings Yield	Dividend Yield	Bond Yield	LTM EV to EBITDA	LTM Price to Sales
Hong Kong	1.50	11.65	14.17	8.59	2.10	1.70	11.32	1.62
South Korea	1.01	11.95	17.08	8.37	1.80	1.67	8.34	0.68
Singapore	1.15	13.37	15.86	7.48	3.53	1.74	16.10	1.43
Japan	1.32	15.01	15.74	6.66	2.21	-0.02	9.26	0.83
China	2.28	15.08	27.43	6.63	1.43	3.20	18.34	1.56
Australia	2.20	17.49	19.15	5.72	3.70	1.38	12.27	2.16
United States	3.27	18.87	23.75	5.3	1.74	1.92	14.37	2.05

Source: FactSet

Asian equities are one of the last bastions of liquid, “yieldy” assets available to investors today. Asian equities are not only trading at lower multiples/higher earnings yield, but we believe that earnings growth will be faster, and currency headwinds in the past decade will more likely be a tailwind. We have invested in companies we believe will grow earnings per share at double-digit growth rates, are financially sound, can grow through the cycle, and are held at single or low double-digit multiples on margins that can grow meaningfully, even without the benefit of a growing economy. It is much harder to compound over the long run when your starting point is a sub-4% cap rate on high margins at companies that have already grown to hundreds of billions of dollars in market capitalization. Bigger has been better, and our relative results faced a headwind, particularly in 2019, as we had limited exposure to Information Technology or Financials, which drove the strong index performance.

Portfolio Discussion

As we wrote last quarter, over 40% of the portfolio is in businesses listed in HK. However, the look-through economic exposure is far lower, in the mid-single digits. We have a long history of investing successfully in HK, and we remain convicted in the long-term value of our HK-listed investments. While it is a fluid situation that we are closely monitoring, we do not believe that the protests in HK have permanently impaired the long-term valuation for our businesses listed there. In the last quarter, we took advantage of events in HK to add two high-quality franchises to our portfolio. Our long-term investment focus in Asia centers around our network, providing insight into the quality of business and people, particularly when these critical variables are changing for the better. Many companies in the region

possess extraordinarily under-realized potential. We believe our philosophy, experience, and network allow us to look past short-term price noise and provide a distinct advantage in understanding what qualitative improvements can mean for future value realization.

In Japan, we are seeing significant changes at the grassroots level after years of the Abe government's Three Arrows initiative. Companies are showing more focus on return on invested capital (ROIC) and profits, particularly when owner-operators are at the helm. We also see an increased willingness to appoint independent board members that bring oversight and capital allocation discipline. This is the case with Ebara and Hitachi. As a result, Japanese companies were the highest percentage of our overall research process and the largest incremental use of capital in 2019.

Performance Review

4Q19			2019		
	Contribution to Portfolio Return (%)	Total Return (%)		Contribution to Portfolio Return (%)	Total Return (%)
Top Five			Top Five		
MinebeaMitsumi	+2.33	+33	MinebeaMitsumi	+2.88	+47
Melco International	+1.41	+19	Man Wah	+2.80	+83
Baidu	+1.26	+23	Melco International	+2.65	+40
L'Occitane	+0.96	+21	WH Group	+2.07	+41
Hitachi	+0.70	+15	Midea Group	+1.67	+59
Bottom Five			Bottom Five		
Speedcast	-0.80	-35	Speedcast	-3.43	-74
Bharti Infratel	-0.40	-1	Baidu	-1.20	-20
First Pacific	-0.36	-11	First Pacific	-0.09	-9
Vocus Group	-0.11	-13	MGM China	+0.08	-1
Escorts Limited	+0.10	+8	Bharti Infratel	+0.12	+3

MinebeaMitsumi — the Japanese manufacturer of high precision equipment and components, was the top contributor for the fourth quarter and the full year, despite headwinds from uncertain global macroeconomic conditions and trade friction between the US and China. The company's most profitable business – miniature precision ball bearings – which MinebeaMitsumi dominates with over 60% global market share, suffered from weakness in demand. While demand from automotive applications remains healthy, supported by a structural move into electrification, ball-bearing demand for fan motors was weak in the first half due to a slow down in the data center industry. As a result, the company lowered its full-year earnings forecast. However, we saw clear signs of recovery in the business starting in the third quarter. In December, MinebeaMitsumi announced the acquisition of ABLIC for an attractive price of about 7x earnings before interest, tax, depreciation and amortization (EBITDA) pre-synergies. ABLIC specializes in ultra-low power analog semiconductors and is expected to deliver synergies in sales, production, and R&D. Last month, we visited MinebeaMitsumi's factories in Cambodia and Thailand and had a productive discussion with CEO Yoshihisa Kainuma on shareholder returns and capital allocation. We were happy to see the company resumed repurchasing shares in December after the ABLIC acquisition announcement. We are confident that Kainuma-san will continue to create value for shareholders, as he has done over the past decade.

Melco International — the Asian casino and resort holding company, was another top contributor in the year and the fourth quarter. Melco was the top performer within the Macau gaming sector after posting strong quarterly results. Its flagship property, City of Dreams, has been gaining market share in both mass and VIP segments thanks to the Morpheus hotel tower ramping up as expected. Melco opened a new premium mass gaming area in October and is in the process of adding more villas, which should drive further premium mass growth at City of Dreams. In 2019, overall industry revenue declined by around 5%, driven by a sharp contraction of around 20% YOY in VIP gaming revenue. However, the higher-margin mass business continued to grow at a double-digit growth rate. We expect structural growth in the mass-market to continue, driven by growing disposable income in China and the ongoing consumption upgrade that is driving more travel overseas. The turmoil in Hong Kong has not had a significant impact on Macau visitation numbers. Infrastructure improvements in and around Macau are also facilitating fast and affordable travel to Macau. We believe Melco, which derives over 90% of its Macau EBITDA from non-VIP business, will continue to be a beneficiary of mass gaming growth. Most importantly, Melco has a strong balance sheet and is led by Chairman and CEO Lawrence Ho, an owner-operator and adept capital allocator focused on building value per share. In the last 18 months, he has adeptly used the group's financial strength to repurchase close to 10% of Melco Resort's free float, privatize its Philippine subsidiary at attractive multiples and purchase up to 20% of Crown Resorts from former partner James Packer. Melco International also sold its Cyprus project stake to subsidiary Melco Resorts for \$375 million, significantly reducing Melco International's spending obligations and enabling the company to focus more aggressively on increasing shareholder returns. We would encourage you to listen to our podcast interview with Lawrence Ho to learn more about the history of Melco and his outlook for the business and the broader gaming industry at:

<https://southeasternasset.com/podcasts/melco-lawrence-ho-on-geopolitics-volatility-and-opportunity-in-asia/>

Baidu — the dominant online search business in China, was a top contributor in the quarter, but a detractor for the year. Macro weakness and increased online advertising inventory impacted the entire industry in 2019. Baidu's migration of its medical ad landing pages from third party sites onto its own servers added increased control and compliance over this important industry segment, but it also temporarily decreased revenues, further

compounding macro industry headwinds. Increased sponsorship expenses during Chinese New Year and promotional expenses for app installation put further pressure on profitability and free cash flow (FCF) in the first half of the year. Baidu management exerted stricter financial discipline and eliminated any spending that didn't meet ROI targets. In the third quarter, Baidu's Core operating margin delivered strong sequential improvements that were well above consensus estimates. While macro uncertainty remains, it is encouraging to see that user time spent in Baidu's ecosystem has grown faster than peers in September and October, and Baidu should enjoy faster growth in 2020 simply because of the low base effect in 2019. We support Baidu's decision to launch an additional US\$1 billion share buyback program to take advantage of the mispricing of its shares. The company's recent move to sell some Trip.com shares and raise US\$1 billion of offshore cash demonstrated its commitment to complete this value-accretive buyback program. While the share price has partly recovered from its lows, Baidu's core advertising business is still trading at a low-single-digit FCF multiple and remains substantially undervalued.

L'Occitane — the natural and organic-based cosmetics company, was a contributor in the quarter. During the half-year ending in September, its sales grew by 22.1% YOY, helped by all brands achieving respectable growth in the second quarter, which accelerated from the first quarter and included the consolidation of the newly-acquired Elemis brand. Same-store sales growth was 1.7% or 2.4% excluding Hong Kong during the period, which was in-line with our expectations. Although gross margins declined from 82.4% in 1H FY2019 to 81.2% in 1H FY2020, this was primarily due to a mix shift towards Elemis, which has lower gross margins, but higher operating margins. Operating margins, therefore, improved significantly from 1% in 1H FY2019 to 5.7% in 1H FY2020, driven by the consolidation of Elemis and L'Occitane's exerting more discipline on marketing expenses. The company reported another strong month following the half year-end in its key markets, and its November 11 (Singles' Day in China) sales were up over 80% YOY. While the share price has appreciated this year, we still see upside with margins on an uptrend for legacy brands, opportunities for Elemis to grow in Asia, and a turnaround at the Limelife brand.

Hitachi — the Japanese industrial conglomerate, was a contributor for the quarter and the year. Hitachi announced a series of value-unlocking corporate activities. In October, Hitachi merged its auto parts business with associates of Honda to create synergies and to achieve 10% operating profit margins by March 2022. In December, Hitachi sold its medical diagnostic imaging-related business to Fujifilm for over 18x EBITDA and announced the

sale of subsidiary Hitachi Chemical to Showa Denko for about 12x EBITDA — almost double our appraisal for the business. We expect Hitachi to continue assessing opportunities to unlock value for its remaining listed subsidiaries. In addition, Hitachi successfully resolved a potential 700 billion yen claim by Mitsubishi Heavy Industries for a power plant liability in South Africa and will end up settling this liability for just 21bn yen in net cash payments. Hitachi management and board are driving initiatives focused on capital efficiency and shareholder return. This year, Hitachi introduced ROIC targets (>10%) and an Operating Income margin target of 10% by FY2021 as part of its Mid-term management plan. While Hitachi is selling its subsidiary for double-digit EBITDA multiples, the unlisted Hitachi stub, which excludes the value of its listed subsidiaries, is still trading at a low single-digit EBITDA multiple. We are confident that as Hitachi continues to review other opportunities to unlock value within the group, the re-rating of the business will continue towards levels closer to its global peers.

Speedcast International — the largest global satellite communications network service provider, was the largest detractor in the quarter and the year. We discussed Speedcast in detail in last quarter's letter. Given the significant price correction, we re-underwrote the investment case and concluded that merger integration would take longer than initially thought and can only be executed after addressing the immediate cash flow and balance sheet concerns. We believe organic growth will be difficult to achieve until the merger integration is complete. We decided to exit this investment and reallocate capital to more attractive opportunities.

Bharti Infratel — the dominant mobile tower operator in India, was also a detractor in the quarter. Our going-in investment case last year was that Infratel is a dominant franchise with long-term recurring revenues in a secular growth market, high free cash generation, a net cash balance sheet, discounted share price, and a pathway to independence from mobile operator ownership. The company has delivered better results than we expected and paid sizable dividends. Its valuation remains attractive, but we trimmed our position during the quarter primarily due to two key reasons, both beyond the company's control:

- Bharti Infratel's merger with Indus has been delayed multiple times as it awaits approval from India's Department of Telecommunications (DOT) ministry. We expect this merger to be value accretive, and the completion of the merger should enable a stake sale by mobile operators, thus making Infratel independent and drive a re-rating of Infratel.

- The surprise verdict by India's Supreme Court on a 15-year old lawsuit to impose huge penalties on the mobile incumbents has put the survivability of one of India's largest mobile operators, Vodafone-Idea (VI), into question. VI is Bharti Infratel's second-largest tenant and VI owes about \$4 billion to the Government of India (GOI) due to be paid within three months. VI's balance sheet is already highly levered, and this Supreme Court order is a significant blow.

Bharti Infratel had relatively flat stock performance despite the turbulence that this sector underwent during this quarter. However, there was an almost 50% move between the intra-quarter low and high for the company. The GOI realizes that it will be the biggest loser if they push the second-largest mobile operator into bankruptcy, as the majority of VI's debt is owed to the GOI. The GOI has formed a special committee to provide relief to the sector. The sector is becoming more rational with an almost 40% increase in mobile data charges in the last few months, which bodes well for long-term network capex spending by the operators. As a result, the stock price has recovered from depressed levels in recent weeks.

First Pacific — the HK-listed investment holding company with its primary operations in the Philippines and Indonesia was a detractor in the quarter and year. In December, the stock price of Metro Pacific Investment Corporation (MPIC, a core asset of First Pacific and an infrastructure company with investments in energy, toll roads, water and hospitals in the Philippines) had a sharp correction. The Philippine water regulator revoked the resolution authorizing the 15-year extension of the concession agreement for MPIC's water concession in Metro Manila. The stock price of MPIC, which owns 51% of the Maynilad water concession, declined by 19%. Although MPIC successfully sold its hospital business at an attractive multiple, which was accretive to its net asset value, the overall sentiment in regulated sectors in the Philippines has turned negative due to increasing regulatory risk. Despite 2019 being a transformational year for First Pacific as it made many positive corporate governance actions that can lead to better capital allocation decisions, we reduced our investment due to its high exposure to Philippine regulatory risk and financial leverage. We are still keeping a close eye on capital allocation decisions made by the company and its debt reduction progress.

Vocus — the Australian telecommunications service provider, was a detractor during the quarter. There are concerns that NBN (National Broadband Network), a quasi-government

monopoly that was established to bring high-speed internet access to Australians, is looking to enter the enterprise market. Such scope creep on the part of NBN might lead to over-building of corporate telco infrastructure and increase competition in enterprise space, which has so far been insulated from any NBN impact. Vocus is a challenger in the enterprise market and an NBN entry into this space would make it tougher for Vocus to gain share. We exited our small position in Vocus as the Price/Value ratio was over 90%, and we used the cash to fund other opportunities.

Chinese reclining sofa maker **Man Wah** and white goods maker **Midea Group** were both top five contributors for the year, as much of the macro and trade war fears – that severely affected their share prices last year – dissipated as both companies demonstrated their earnings resilience. Man Wah – up 83% in 2019 – was particularly undervalued, as its high exposure to the US market worried investors. Man Wah acquired a production plant in Vietnam – which enables tax-free exports to the US – ahead of the escalation in the trade war and ramped up production faster than expected. While around 40% of Midea’s sales are overseas, only a mid-single-digit percentage of their exports are impacted by US tariffs, as Midea has 18 production facilities outside China, limiting the impact of any tariff increases on earnings.

Both Midea and Man Wah are beneficiaries of the powerful consumption upgrade trend driven by the rise in disposable income among Chinese consumers. This upgrade trend continued to drive demand for both Midea and Man Wah’s products and allowed them to grow earnings in the past few quarters, despite a weak macro-economic environment. Both companies took advantage of the fear in the capital markets and repurchased shares at value-accretive prices this year. Midea also successfully privatized listed subsidiary Wuxi Little Swan at a highly attractive price. Cycles of greed and fear allow us to take advantage of market sentiment to acquire world-class companies run by competent managers at a significant discount to intrinsic value.

Portfolio Changes

This year, we meaningfully increased our Japan exposure by buying three new Japanese companies – **Hitachi, Ebara, and Seria**. During the fourth quarter, we took advantage of the volatility in HK and initiated an investment in two companies – Swiss luxury goods maker **Richemont** and Chinese online travel agency **Trip.com Group** (formerly known as Ctrip). Both companies' share prices suffered because of weakness in their HK business due to the political situation in HK. Richemont and Trip.com are cheap because of their sizable revenue exposure to mainland Chinese travelers, who have drastically reduced travel to HK in the past six months. In both cases, we believe the demand for their products and services are fungible, and whatever shrinkage in demand they see in HK will be made up by demand for their products and services elsewhere in time. We are confident that the near-term disruption in their HK businesses does not meaningfully change the long-term global demand for Richemont and Trip.com's offerings.

Trip.com is the largest online travel agency (OTA) in the world, in terms of gross market value, in the fourth quarter. Trip.com is the dominant OTA in China, with around 55% market share in hotel and transportation bookings. As discussed above, the share price of Trip.com was under pressure, mainly because of political problems in Hong Kong, a major travel destination for mainland Chinese. The demonstrations in Hong Kong discouraged Chinese tourist travel and negatively impacted both airline and hotel occupancy and prices. This dampened the company's near-term growth rate, but we are optimistic about the long-term outlook for Chinese tourism. With increasing disposable income per capita, Chinese consumers continue to upgrade their consumption patterns, and tourism (both domestic and international) is a key component of this consumption upgrade theme. Tourists who initially planned to travel to Hong Kong are starting to re-direct their travel plans to other regions. Outbound travel is a massive opportunity for Trip.com, as the number of passport-carrying Chinese citizens increase, visa restrictions decrease, and airfares decrease with the increasing penetration of budget airlines in Asia. Outbound is also the highest margin revenue stream for Trip.com because the average ticket price and take rates for international bookings are much higher than for domestic travel.

We know Trip.com well through our investment in Baidu, which owned 18% of Trip.com until recently. Baidu sold one-third of its stake in late September, adding a large supply of shares to an already volatile market and further depressing the share price. Through our interaction with Baidu management, we understand that Baidu sold Trip.com shares to

raise dollars (outside of China) and we believe this would help to fund Baidu's ADR share buyback. Baidu continues to be the largest shareholder in Trip.com post the stake disposal and remains confident in Trip.com's business and prospects. We believe that the market underappreciates the operating leverage of this business. Trip.com generates close to 80% gross profit margins. Even when revenues decelerated due to regional headwinds in 2019, the company still delivered a sizable operating margin expansion. Unlike western OTAs who typically pay Google a significant amount of money for advertising, Trip.com doesn't have to pay as much of a "Google toll" because 80% of their traffic comes from their own mobile super app, thus disintermediating the need for search advertising. As a result, search advertising expense per unit of GMV is much lower for Trip.com vs. its western peers. The company also enjoys a strongly negative working capital cycle, as it takes payment from travelers in advance and pays service providers later. Thus, while on a price-earnings basis, the stock doesn't look that cheap, on an FCF basis, Trip.com is attractively priced. We paid low-double digits going in FCF multiple for this dominant OTA player with tremendous growth potential.

Richemont owns a portfolio of world-class jewelry, watch, and fashion brands. Included in their collection are Cartier, Van Cleef & Arpels, Buccellati, and specialist watch brands like A. Lange & Soehne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, and Vacheron Constantin. They also own online distributors Yoox Net-a-Porter (YNAP) and Watchfinder & Co, giving them a leadership position in the online luxury e-commerce space. Richemont is run by South African founder-owner Johann Rupert, who controls the company with a 10% stake and 51% of the voting rights, and whose philosophy of creating long-term value through building brand equity resonates with our own. We believe Asian customers account for over 60% of Richemont's global sales. Concerns of a slowdown in China, the uncertainties of a trade war, and a steep decline in mainland Chinese visitors to Hong Kong, previously a large and highly profitable market for Richemont, allowed us to buy this world-class portfolio of luxury brands at a discount to our appraisal. The value of luxury brands has recently been highlighted by LVMH's offer to acquire Tiffany & Co for 25x earnings and 14x EBITDA. In our view, Tiffany & Co is a lower quality brand than those in Richemont's portfolio, like Cartier and Van Cleef & Arpels. Richemont's brand portfolio currently trades at 17.5x FCF, excluding its investment portfolio and YNAP as non-earning assets. 85%+ of the watches Richemont sells retail at above \$3,500, putting them firmly in the luxury/jewelry space rather than competing with lower-priced wearable tech.

In September, we also initiated a small position in Indian agricultural equipment manufacturer, **Escorts**, which is one of the top five farm equipment manufacturers in India with around 11.5% market share. India is in the early stages of agriculture mechanization. The tractor market is under-penetrated, offering a long runway for growth. Escorts aims to increase its market share to 15% in the next three years by filling gaps in its product portfolio and distribution footprint and by offering in-house financing and digital tractor solutions. Escorts is run by a second-generation, western-educated owner-manager, Nikhil Nanda, who is focused on compounding value per share. During his years at Escorts, the company has shrunk to grow by exiting unprofitable and unrelated non-core businesses, and focusing on three core engineering verticals: farm equipment, construction equipment, and railway equipment. The farm equipment business accounts for 85% of its NAV. The ongoing slowdown in India, combined with the non-banking financial crisis (which resulted in tighter credit availability) and delayed monsoons, led to a sharp decline in tractor sales in recent months. This drove a sharp decrease in Escort's share price, allowing us to buy this franchise at a high-single going-in FCF multiple. We believe the current issues are cyclical and the long-term growth prospects of India's farm equipment sector are attractive. Escorts is well placed to gain share in this growing industry and increase margins. We believe the market does not give credit to Escorts for the 27% of the company that it holds as treasury stock. This is a hugely valuable asset for the company that can be used as currency for potential M&A or canceled.

In the fourth quarter, we exited our small position in **Vocus** as price approached value. As discussed above, we sold Speedcast and reduced our weighting in Bharti Infratel and First Pacific.

In the first quarter, we exited **Yum China** at a 35% gain, as the price approached our value. This is our second time in three years that we bought and sold Yum China — volatility creates opportunities to buy world-class franchises at substantial discounts to intrinsic value. We also exited our investment in Chinese e-commerce operator, **Vipshop**, in the first quarter. In hindsight, we sold prematurely, given the rapid recovery of the stock price this year. We exited due to a lack of material improvement in incremental demand coming from the Tencent and JD.com alliance two years ago, slowing revenue growth with minimal operating leverage in the business, and increasing competition in the Chinese e-commerce space. We also disagreed with management's capital allocation approach, as Vipshop was committed to deploying more capital towards building up its logistics and distribution network. Recent moves by the company to explore selling its express delivery business

and warehouse infrastructure to improve profitability and returns have been taken positively by the market, and Tencent increased its stake in December to almost 10%, up from the initial 7% stake purchase in December 2017.

Outlook

We expect to see continued market opportunities in 2020, as we face a presidential election in the US, Brexit continuing its slow progression, hopes for a resolution to the US-China trade war, HK unrest, and more geopolitical uncertainty. We expect volatility to continue, allowing us to opportunistically allocate capital to the most attractive investments from a risk-adjusted perspective. We believe this flexibility to choose investments across the region spanning market capitalization, coupled with our network and deep company specific fundamental analysis, gives us a distinct advantage versus those mandates that can only invest in one country or sub-region.

Our Price-to-Value ratio is in the high-60s%, having dipped below 60% during the quarter, and our cash level is low, while our on-deck list is attractive.

See the following pages for important disclosures.

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

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WARNING

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

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rules implementing the UCITS IV directive. Therefore, you are expressly fully aware that the Italian protections granted by the applicable legal framework would not apply and you would be exclusively responsible for the decision to invest in the Funds. Moreover, you represent that you would only invest directly or on behalf of third parties to the extent that this is fully lawful and you comply with any conduct of business rules applicable to you in connection with such investment. You agree to refrain from providing any document relating to the Funds to any party unless this is fully compliant with applicable law.

Important information for Jersey investors:

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Important information for Swiss investors:

The jurisdiction of origin for the Longleaf Partners UCITS Funds is Ireland. The representative for Switzerland is ARM Swiss Representatives SA., Route de Cite-Ouest 2, 1196 Gland. The paying agent for Switzerland is NPB Neue Private Bank Ltd., Limmatquai 1, 8022 Zurich. The Prospectus, the KIID, the Trust Deed, as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland. The current document is intended for informational purposes only and shall not be used as an offer to buy and/or sell shares. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming shares. Past performance may not be a reliable guide to future performance.

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