Longleaf Partners Fund

Quarterly Summary Report

For the Quarter Ended
September 30, 2020

Longleaf Partners Funds

Summary - September 30, 2020

3Q20

Longleaf Partners Fund

(800) 445-9469 / southeasternasset.com

Fund Profile

Investment Style	US mid-large cap value
Ticker	LLPFX
Inception Date	April 8, 1987
Net Assets	$1.4 billion
Expense Ratio (Gross/Net)	1.00% / 0.79%
Turnover (5 yr avg)	25%
Weighted Average Mkt. Cap	$32.5 billion

Holdings (15)

	Activity*	Weight
Lumen		10.1%
Mattel		6.9
FedEx	-	5.5
Comcast		5.2
CNH Industrial		5.1
LafargeHolcim		5.1
CNX Resources		5.1
Affiliated Managers Group		4.8
Fairfax Financial		4.7
General Electric	+	4.7
CK Hutchison	+	4.7
Williams		4.4
Hyatt		4.3
DuPont		4.0
MGM Resorts	NEW	3.9
Cash		21.5
Total		100.0 %

*Full eliminations include the following positions: Alphabet and Carrier.

Holdings are subject to change and discussion of holdings are not a recommendation to buy or sell any security. Holdings are subject to risk. Funds distributed by ALPS Distributors, Inc.

Effective August 12, 2019, Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 0.79% of average net assets per year. This agreement is in effect through at least April 30, 2021 and may not be terminated before that date without Board approval.

LLP001113 expires January 31, 2021

Longleaf Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $9.0 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our 14-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.

Sector Composition

Industrials	20.0%
Communication Services	15.3
Consumer Discretionary	15.1
Financials	9.5
Energy	9.5
Materials	9.1
Cash	21.5

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
FedEx	3.44%	81%	AMG	-0.46%	-8 %
Mattel	1.25	21	General Electric	-0.41	-9
Comcast	0.83	18	CK Hutchison	-0.26	-6

Performance at 9/30/2020

	Total Return			Average Annual Return				
	QTR	YTD	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
Partners Fund	7.21%	-9.95%	-1.81%	4.52%	5.23%	3.38%	5.23%	9.13%
S&P 500 Index	8.93%	5.57%	15.15%	14.15%	13.74%	9.19%	6.42%	9.99%

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 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.

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 southeasternasset.com/account-resources. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS - The 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 may be more volatile than those of larger companies.

S&P 500 Index – An index of 500 stocks are chosen for market size, liquidity and industry grouping, among other factors. The S&P is designed to be a leading indicating of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. An index cannot be invested in directly.

October 12, 2020

Longleaf Partners Fund Commentary

3Q20

Longleaf Partners Fund added 7.21% in the third quarter, while the S&P 500 returned 8.93%. Almost every company in the portfolio produced positive returns in the quarter, with some of those given back in September against a month of broad market declines. Several companies reported double-digit returns, driven by stronger-than-expected results in the quarter. Our cash weighting, which averaged 23% but came down towards the latter end of the quarter as we initiated a new position and added to a couple of our most discounted companies, more than accounted for the relative return gap in the quarter. The Fund's lack of exposure to the S&P 500's top-performing Information Technology sector remains the largest drag on relative returns for the year, while the Fund has benefitted year to date (YTD) from our superior stock selection within the Energy sector (the S&P 500's worst-performing sector by a long shot), which has been a positive contributor to the Fund, thanks to strong performance by CNX Resources and better relative performance by Williams. Although Partners

Average Annual Total Returns for the Longleaf Partners Fund (9/30/20): Since Inception (4/8/87): 9.13 %, Ten Year: 5.23%, Five Year: 4.52%, One Year: -1.81%. Average Annual Total Returns for the S&P 500 (9/30/20): Since Inception (4/8/87): 9.99%, Ten Year: 13.74%, Five Year: 14.15%, One Year: 15.15%. Average Annual Total Returns for the Russell 1000 Value (9/30/20): Since Inception (4/8/87): 9.27%, Ten Year: 9.95%, Five Year: 7.65%, One Year: -5.03%.

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com. The prospectus expense ratio before waivers is 1.00%. Effective August 12, 2019, Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 0.79% of average net assets per year. This agreement is in effect through at least April 30, 2021 and may not be terminated before that date without Board approval.

Fund trails the momentum-driven S&P 500, the Fund is ahead of the Russell 1000 Value Index on a trailing 1-year basis.

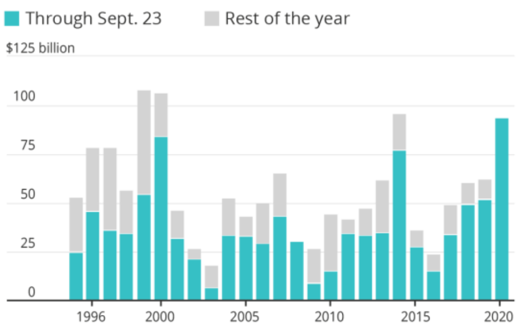
Market Review

Last quarter, we wrote about the two different categories of bear markets we have seen seven times over the last 50+ years – those that were started by an external macro shock (from which value has historically bounced back better than the market after a period of initial underperformance) and those that were started by the popping of a speculative stock market bubble. Over the last three months, we began to see early signs of both our style of investing bouncing back and the speculative bubble popping, or at least letting some air out. While we will highlight strong stock-specific results at the companies we own later, we saw some promising signs that momentum will not drive markets forever. While our previous letter focused more on the quantitative signs of market excess, we thought it might be helpful in this letter to highlight some other, more qualitative reasons things could soon turn our way.

The first sign of market excess to discuss has been the dramatic rise in initial public offerings (IPOs), as the market has continued to first thaw from and then quickly overheat after the initial COVID-19 shock. After seeing sentiment measures reach Global Financial Crisis (GFC)-levels in March, it is pretty amazing to consider that 1999-2000's IPO issuance record is now within reach only six months later, as shown in chart 1 below.

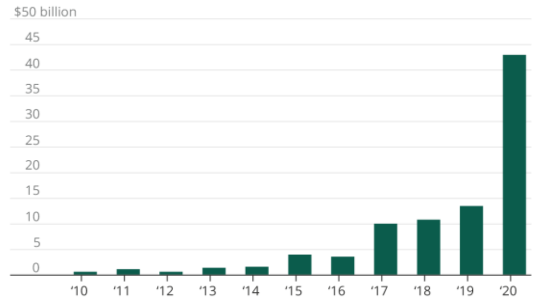
The September 4th MarketWatch headline christening 2020 as "The Year of the SPAC" (special purpose acquisition corporation) is arguably an even starker sign of excess, with the highest issuance of SPACs on record, by a lot, as shown in chart 2 below.

Chart 1:
Money Raised by US-listed IPOs



Source: Driebusch, C. (2020, September 25). IPO Market Parties Like It's 1999. *Wall Street Journal.* Retrieved from wsj.com; Dealogic

Chart 2:
Money Raised in Blank-Check Company IPOs, Annually



Source: Wursthorn, M. (2020, September 30). Blank-Check Companies Get the ETF Treatment. *Wall Street Journal.* Retrieved from wsj.com; Dealogic

In a way, this signifies an even frothier market than the kind of IPO boom that has typically been associated with traditional market peaks. At least with IPOs you know what you are buying, even if it is at a high multiple and is being sold by someone who knows a lot more about it than you do. Essentially "blank-check companies," SPACs represent shares in a company that has no operations. SPACs are a total leap of faith that markets are only open to when things feel the best, but a big leap off a high peak can lead to a painful splat. The Year of the SPAC was taken to an even greater extreme with the launch of the first SPAC ETF on October 1st. In our view, this unholy union is a sign of peak market mania.

We have also seen a sharp increase in retail stock trading forming part of the zeitgeist, which is yet another sign of a market top. In recent history, we had the great bitcoin Thanksgiving of 2017 (bitcoin trades today at $10,504 vs. its high of $19,783 in December 2017). Similarly, right before the GFC, there was a mania for building and flipping houses (housing starts even in the strong year of 2020 are still on track to be in the 1.5 million range vs. a peak of over 2 million pre-GFC). But, we have to go back to 1999-2000 to see a retail frenzy for certain stocks at similar levels we are seeing today. Putting a sad 2020 twist on the old "shoeshine boy test", one of us recently lost someone close to us but was unable to attend the small funeral service due to COVID restrictions and family obligations. While texting with the family member who was able to attend, she reported back not on the details of the service, but rather on all of the questions about options trading and an electric vehicle stock from the guests in attendance! For contrarians like us, this brought some glimmers of hope to a long day in a long year.

Contributors/Detractors
(Q3 Investment return; Q3 Fund contribution)

FedEx (81%, 3.44%), the transportation and logistics company, was the top contributor after reporting outstanding quarterly performance, with earnings more than 66% above estimates and excellent free cash flow (FCF) conversion. The disappearance of competing passenger airline underbelly capacity helped Express grow volumes 28%, while Ground proved its critical role in e-commerce logistics with a 31% volume increase. CEO Fred Smith's ambitious goal to deliver 100 million e-commerce packages per year is now on track for 2023, years ahead of schedule. FedEx has found a profitable strategy with a long growth runway by working with major e-commerce competitors like Walmart and Target, and FedEx's national retail presence offers an advantage in handling customer returns. Last October, Southeastern's Vice-Chairman Staley Cates interviewed Fred Smith and Alan Graf on the Price-to-Value Podcast, as near maximum pessimism on the company was being priced in by the market. We maintained our conviction and added to the position in 2019, and that has been rewarded. In September, Staley wrote to the research team, "We have had plenty of companies over the past few years show the folly of thinking you know where earnings will go over several quarters, often in a disappointing way. This one again shows the folly of near-term earnings estimates but happily is a radical miss on the upside." For perhaps the first time in our careers, we saw a sell side report price target more than double in a one-quarter period. Despite the stock's rapid appreciation, with the new higher earnings estimates FedEx trades at a mid-teens price to earnings (P/E) multiple and a discount to our appraisal. There is additional upside as the company completes its long-awaited TNT integration and Ground's traditional business-to-business (B2B) volumes return from their April nadir, helping maximize utilization and expand margins.

Mattel (21%, 1.25%), the classic toy company, was another strong contributor in the quarter. Although this year's revenues will be down due to global lockdowns shutting stores, the company is on track to increase its annual earnings before interest, taxes, depreciation and amortization (EBITDA) with higher gross margins and the successful execution of its outsourced manufacturing strategy. Barbie delivered another excellent performance, gaining seven points of U.S. doll market share in the second quarter, while growing its revenues as competitors shrunk. Mattel also released a new Barbie special on Netflix in September, part of a promising long-term push into intellectual property licensing. American Girl, a brand that has struggled for years, doubled its digital sales during the quarter as well. With higher profitability, shoppers returning to stores and a strong new digital media presence behind its biggest brands, CEO Ynon Kreiz's strategy is beginning to pay off.

Carrier (23%, 0.83%), the heating, ventilation and air conditioning (HVAC) and security company, was also a top performer. We added to our position in Carrier when it spun out of United Technologies early last quarter, as it traded at less than half of our appraisal and a 7x trailing P/E against similar competitors that were trading at 13-17x. Carrier CEO David Gitlin and the rest of the management team have done great work in a very difficult situation to preserve cash, deleverage and position the business for a strong rebound as lockdowns eased. Carrier's share price almost doubled over a period of months, and we exited the position in the quarter as it traded through our appraisal.

Comcast (18%, 0.83%), the cable and entertainment company, added to the strong absolute results in the quarter. Cable delivered one of its best quarters of net subscriber additions ever and grew EBITDA 5.5%, while losses from closed small business customers have moderated during reopening from the COVID lockdown. Sky, the European TV and broadband business acquired in 2018, retained subscribers at a high rate despite the extended absence of live sports. CEO Brian Roberts stated that Sky remains on pace to double its EBITDA over the next several years. Comcast's new Peacock streaming service and Universal theme parks are ramping up revenues gradually, presenting more opportunities for Comcast to improve earnings significantly over the next several years. Despite the double-digit returns in the quarter, the company remains discounted. We were encouraged by Roberts's statement in the quarter that he was committed to repurchasing shares again in the near future.

AMG (-8%, -0.46%), the asset management holding company, was the top detractor as the company reported net outflows for the quarter. Over 95% the net outflows came from quantitative strategies, which represent only approximately one quarter of AMG's total AUM and less than 5% of proportionate EBITDA, meaning that the majority of the company's affiliates and earning power did not shrink organically. Market appreciation helped AMG's AUM grow 6%, and our appraisal of the value increased 10% due to the higher recurring fee revenues and substantial FCF in the period. The stock trades at a 5x FCF multiple, which would suggest a permanently impaired, shrinking business. Yet AMG's alternatives managers, particularly its private equity firms, reported an encouraging $3bn of net inflows with long lock-ups. CEO Jay Horgen intelligently repurchased discounted shares at a 6% annualized pace, while borrowing 2030 bonds at a 3.3% coupon and 2060 bonds at a remarkable 4.75%. The encouraging performance from most affiliates and the extreme spread between the stock's 20% earnings yield and low cost of long-term debt suggest a substantial mispricing of the equity.

General Electric (GE) (-9%, -0.41%), the industrial conglomerate, was also a detractor in the quarter due to the slow recovery of the commercial aerospace industry, where monthly departures are improving but are still down 40% against last year. GE Aviation's commercial engine and maintenance revenues have fallen by half, and the segment will not approach its 2019 profits for another few years. We have taken down our appraisal value to reflect this new reality. CEO Larry Culp has responded with necessary cost cuts and announced that consolidated GE will be cash profitable in the second half of this year and 2021. In Healthcare, where GE's quarterly revenues fell 4%, scanning procedures and pharmaceutical diagnostics sales are recovering. GE Power, despite reporting -9% revenues for the quarter, has begun receiving significant new orders in natural gas and renewable energy equipment, while service sales rebound back near normal levels. We expect each one of GE's segments to keep improving revenues and profitability over the next several years, helping the company to reach its target of high-single digit FCF margins. Today, the stock trades at less than half of our conservative appraisal value for this world-class collection of businesses.

Portfolio Activity

Cash built in the first two months of the quarter, as we sold and trimmed strong performers, but we began to put more money to work in September. We fully exited two investments that we first bought in 2015 – Alphabet, back when it was still called Google, and Carrier, as discussed above. Our ownership of United Technologies (UTX) and its spin-outs, including Carrier, was a pretty "standard" Southeastern investment – i.e., a misunderstood conglomerate with strong positions in 100+-year old industries, run by a value-per-share focused CEO, Greg Hayes. There were a few twists and turns along the way until this year, but overall, it was a boringly profitable investment until

COVID hit right before the company was scheduled to split into three businesses: Otis (elevators), Raytheon Technologies (commercial aerospace and defense) and Carrier (HVAC and security). As discussed last quarter, we sold Otis after it spun out at a price above our fair value, and we sold Raytheon below our fair value, as we concluded that the business had changed for the worse. As noted above, we bought more Carrier at a steep discount and sold the company after it nearly doubled in a short period, driving a material improvement in the overall return of our UTX investment to a respectable 115% in total.

Unlike with UTX, we got many surprised looks and quite a few questions from clients when Google first showed up in our portfolio. While this investment might have looked like a “tech stock”, when it traded at a mid-teens to low double-digit core FCF multiple, it was also right up our alley. Its main business of Search had - and still has - an understandable moat, with a management team that were owner operators with a proven track record, and it traded at a significant discount when we did our work to back out the then-undisclosed losses on non-core businesses. Since then, the company’s primary businesses of Search, YouTube, Maps and the Play Store grew profits at double-digit rates, while newer businesses in cloud/software, autonomous driving and healthcare grew their value from very little to over $100bn. CEO Sundar Pichai and CFO Ruth Porat have been good partners. Alphabet is a good example of incorporating lessons learned from past examples of exiting a growing business too early. Our global research team worked together to continually review our case for the business, focusing on future value growth (our appraisal value grew 16% per annum over our holding period) instead of a single point in time price-to-value discount to avoid “cutting our flowers” too early, to quote Warren Buffett. However, we did not get so carried away that we were willing to hold it forever at any price or pile into other market favorites over the last few years at nosebleed multiples. Ultimately, we reluctantly sold the position after more than five years of ownership and a 222% return, as the price to free cash flow multiple reached a long-term high point, and the threat of economically destructive regulation seems to loom closer. We learned a lot from this investment that we look forward to putting to use in the years to come.

We bought a new investment in the Fund that we are not ready to disclose yet, as we are still building the position. The company is in an industry we know well and have invested successfully in across our strategies. We had never been able to get comfortable on the “People” side of things until a big change in the last quarter, which made the company qualify on all three Business, People, Price criteria.

Outlook

After another quarter of strong market returns, we were excited to see increased volatility and share prices pulling back a bit in the last month, when we were able to start putting some of our cash to work again. Our research team has been busy, and our on-deck list of potential new investments grew substantially in the last three months. We have over five ideas that are fully vetted and being closely watched across a variety of industries. These companies range from healthcare to telecom to real estate to retail to defense/aerospace to consumer-packaged goods to financial services to even technology. They have all been discounted for idiosyncratic reasons. With more market volatility, we expect we will be able to put more cash to work into at least some of these businesses at good prices.

Continuing the theme of this letter, it feels like things are closer to coming our way, mostly because it felt, for the first two months of this quarter, that market sentiment had rarely been worse for bottom-up, value investors like us. It will be an interesting rest of the year for all of the reasons that we are all tired of hearing about. We can imagine a grid of outcomes with the best possible (but not the most likely) “cube” being [vaccine that works well and is rolled out smoothly and swiftly over the next 6-9 months] + [“normal” (we give some leeway with those quotes) US election] + [nothing else bad happening], but we are aware that there are a lot of other cubes in this grid. Of course there are always large outcome grids like this (that’s life), but it is rare to find so many consequential and sharply divergent paths compressed into so few months, and it feels like the market is pricing in a scenario much closer to the ideal cube for a lot of market sectors that have been seemingly priced for perfection for years now. Where the market is more doubtful, we feel that the vast majority of the pain has already been taken, including in some of our portfolio holdings, like Lumen (the recently renamed CenturyLink) and General Electric, to name a few. We have maintained our cash discipline as the market melted up, meaning we have cash available to be a liquidity provider in the next market downdraft, and we will not be afraid to put it to work when investments qualify. For those reasons, we are confident our portfolio will work from here in a variety of outcomes and look forward to speaking with you again after year end. Thank you for your continued partnership, and we hope you and your families remain safe and healthy.

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://southeasternasset.com/account-resources. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS
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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 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.

The Global Financial Crisis (GFC) is a reference to the financial crisis of 2007-2008.

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

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.

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

As of September 30, 2020, the top ten holdings for the Longleaf Partners Fund: Lumen, 10.1%; Mattel, 6.9%, FedEx, 5.5%; Comcast, 5.2%; CNH Industrial, 5.1%; LafargeHolcim, 5.1%; CNX Resources, 5.1%; Affiliated Managers Group, 4.8%; Fairfax, 4.7%; GE, 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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