Longleaf Partners Funds

Quarterly Summary Report

For the Quarter Ended
December 31, 2019

Longleaf Partners Funds

Longleaf Partners Fund

Longleaf Partners Funds

Summary - December 31, 2019

4Q19
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	$1.8 billion
Expense Ratio (Gross / Net)	0.97% / 0.79%
Turnover (5 yr avg)	27%
Weighted Average Market Cap.	$80.2 billion

Holdings (16)

	Activity*	Weight
CenturyLink		10.3 %
General Electric	-	8.1
CK Hutchison		7.8
Mattel		7.5
FedEx		6.3
CNH Industrial		6.0
CNX Resources		4.9
Fairfax Financial		4.9
Affiliated Managers Group		4.6
Comcast		4.5
United Technologies		4.5
CK Asset Holdings		4.5
LafargeHolcim	-	4.4
Park Hotels & Resorts		4.2
Alphabet		3.9
Undisclosed	NEW	3.7
Cash		9.9
Total		100.0 %

*Full eliminations include the following positions: Wynn Resorts.

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.

LLP000946 expires April 30, 2020

Longleaf Partners Funds

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 Longleaf Partners Funds. 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.

Sector Composition

Industrials	32.7 %
Communication Services	18.7
Financials	9.5
Real Estate	8.7
Energy	8.6
Consumer Discretionary	7.5
Materials	4.4
Cash	9.9

Performance Contribution

Top Three	Return	Portfolio contribution
General Electric	25%	1.81%
Mattel	19	1.24
CNX Resources	22	1.06

Bottom Three	Return	Portfolio contribution
Comcast	0%	0.01%
AMG	2	0.09
Park Hotels	6	0.24

Performance at 12/31/19

	Total Return		Average Annual Return				
	Qtr	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
Partners Fund	9.05%	14.81%	1.29%	7.03%	4.29%	6.17%	9.70%
S&P 500 Index	9.07%	31.49%	11.70%	13.56%	9.00%	6.06%	10.05%

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 orhigher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com.

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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.

January 13, 2020

Longleaf Partners Fund Commentary

4Q19

Longleaf Partners Funds

The Longleaf Partners Fund returned 9.05% in the fourth quarter, in line with the S&P 500 Index's 9.07%. The Fund returned 14.81% for the year, ahead of our absolute return goal of inflation+10% but far short of the Index's 31.49% return. The S&P 500 soared to new heights, as we faced a continuation of the headwinds we discussed in last quarter's letter and in multiple other forums over the last decade: the continued dominance of Growth stocks over Value stocks (which eased in the last four months of the year), US markets outperforming Non-US markets, US dollar strength, concerns over US interest rates, European geopolitical uncertainty, a US-China trade war and Hong Kong unrest, alongside temporary, unrelated stock-specific issues.

Almost every company in the portfolio was up in the quarter and the year, with approximately half producing double-digit returns in each period. Three companies – CNX Resources (CNX), CenturyLink and Affiliated Managers Group (AMG) – accounted for about half of the Fund's relative shortfall for the year. Three factors, which have

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Average Annual Total Returns for the Longleaf Partners Fund (12/31/19): Since Inception (4/8/87): 9.70%, Ten Year: 7.03%, Five Year: 1.29%, One Year: 14.81%. Average Annual Total Returns for the S&P 500 (12/31/19): Since Inception (4/8/87): 10.05%, Ten Year: 13.56%, Five Year: 11.70%, One Year: 31.49%.

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been a relative headwind over the last five to ten years, more than accounted for the rest of the relative underperformance: an average 27% exposure to companies listed outside the US, no exposure to the Index's top-performing Information Technology sector and an average 10% cash position. These three factors are interrelated and are a function of sticking to our value investment discipline, but in the face of the market headwinds described above, they have meaningfully dampened our relative results.

2019 saw a continuation of two key market trends, which have characterized the US large cap market over the last decade. These trends have particularly played into the Fund's performance over the last six years. First is that the largest of the large capitalization companies in the US have been the top performers in the market. We noted the following in last quarter's letter:

> At the last relative peak for value investing in May 2007, 16% of the S&P 500's market cap came from stocks with price-to-earnings (PE) ratios over 20x - the same level seen in mid to late 2014, when the Partners Fund's performance began to meaningfully diverge from the S&P 500's. These were both evenly distributed valuation markets relative to history and other indexes. At the end of August 2019, the percentage of >20x PE stocks was all the way up to 49%. While that is not quite the once-in-a-lifetime 69% level seen briefly in early March 2000, we are confident that the S&P 500 is far more tilted than it has been in recent history to overvalued market favorites that have driven the last decade's returns.

Taking that analysis a step further, 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 and just under 17x in May 2007 (there were some seriously overestimated earnings per share (EPS) numbers for big banks and big oil at that point in 2007). Today's multiples are on after-tax margins that are near peak levels. Two-thirds of our portfolio today is comprised of single or low double-digit multiples on margins that can grow meaningfully, even without the benefit of a growing economy. The rest of the portfolio is in better-appreciated stocks trading at mid to high teens multiples on mid-cycle margins, which can lead to solid returns as the market leaders did in 2014. It is, however, 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 in market cap. We were too early in our belief that the market was overvalued and missed the huge move by many companies over the last five to ten years. Bigger has been better, and our relative results have suffered, particularly in 2019, as we had no exposure to Information Technology or big banks, which drove the strong Financials sector performance.

On the other end of the spectrum, we have noticed an increasing amount of "rule-out" behavior by active managers. Companies with an above market amount of trailing volatility or dividend uncertainty are ignored or actively bet against by the market. Many of our holdings don't pass one or both of these "tests", but that doesn't necessarily mean they are "low quality" or make them bad investments prospectively. We define a high-quality business as one with a long-term growth tailwind in its industry, pricing power or gross profit royalties, network effect benefits, a lack of technological and/or regulatory risks and an ability to grow FCF higher than revenue with a high incremental return on capital (ROC). High-quality partners are honorable people, think long term instead of quarter to quarter, are preferably large owners of their stock relative to their net worth and are incentivized on ROC, FCF per share and/or total shareholder return (TSR). We find that the market tends to focus more on business rather than people quality, but our history has shown that good partners can achieve excess returns beyond what the business quality alone may suggest. This becomes even more evident in cases where we engage with management to bring our expertise and/or our network to bear to help drive superior outcomes. While a narrow band of traditional high-quality companies have ruled markets as of late, we have found compellingly discounted investment opportunities that have been temporarily passed over.

We go down the list of both what we own and what we don't own each day, keeping an open mind on how to build the best portfolio possible. When we rule things out, it is after careful analysis of Business, People and Price. We have learned not to focus too much on cheapness at the expense of quality. That said, we also do not believe that "quality at any price" is a strategy that works over the long run. We love owning reasonably priced companies in more defensive, understandable industries at this point in the market cycle. We have historically owned multiple companies in this "defensive" bucket over the last 10 years: Yum! Brands, Campbell Soup, Colgate, Mondelez, Disney, Abbott Laboratories and McDonalds, among others. With hindsight, our mistake in each case was selling them too early. We are mildly comforted by the fact that this group of stocks saw its average stock return outperform its average EPS growth by over 70% since we sold, demonstrating that this has been multiple expansion, not an earnings-driven performance. In a year when our portfolio returned greater than inflation+10% but still lagged the index by half, it has been difficult to find any new investment that qualifies on Business and People and is trading at a reasonable Price. If history is a guide, we will own US companies like these again, and we will look back and be amazed that the stocks we own today were ever available at the levels that we have paid for them.

Far more important to us than what we *don't* own, or what we may have missed out on, is how the companies we *do* own are performing. As we noted above, only a handful of companies – CNX, CenturyLink and AMG – accounted for nearly half of the relative shortfall in the year. CNX Resources faced strong headwinds in 2019, as the entire natural gas industry declined. Since we filed a 13D in 2015, CNX outperformed its Southwest Appalachian peers on average by over 50%, but the macro storm has overshadowed the strong progress made in improving its asset mix quality and leadership, including a new CEO, new Chairman and two additional board members that we recommended to the company. CNX has been a leader within the industry in capital allocation: spinning out its legacy coal business, selling non-core assets at great prices, cutting costs and buying back over 7% shares outstanding in the past year. CNX has $5-10+ per share of quality midstream assets, which includes high growth cash flows from their general partner interest, in addition to over $1 per share of FCF power from its E&P operations with strong reinvestment opportunities, all vs. its $8 per share stock price. The board and management team have been battle-tested and now stand in a position of relative strength in this industry's nadir. CenturyLink has been a global leader in consolidating the fragmented fiber and telecom industry through value-accretive acquisitions and mergers over time. CenturyLink is a prime example of a "rule-out" stock, as its price has been severely punished due to uncertainty over its dividend, which became a self-fulfilling prophecy, as management ultimately cut it earlier in 2019. We filed a 13D to discuss strategic options with the company, and we recently suggested a new board member, Hal Jones, who we believe brings unique industry insight and capital allocation discipline. Today, over 75% of CenturyLink's value is in fiber, which is a growing, high margin infrastructure asset with high barriers to entry. We expect to see management and the board explore ways to monetize this value in the near term. AMG owns strong, global brands in various asset classes and generates significant FCF, but the market is focused most on active US public equity management headwinds. Going forward, the company is much more geared to global markets – both private and public – than just the big US index favorites, and also has important exposure to quant, private equity and wealth management. It trades at approximately 6x FCF and has room to improve capital allocation.

We have been heartened to see the top two detractors in 2018 – General Electric (GE) and Mattel - begin to rebound in 2019, even after rocky periods earlier in the year for each. Larry Culp at GE and Ynon Kreiz at Mattel are both taking the right steps to increase value per share and to improve the overall quality of each business. GE returned over 20% in the quarter and over 50% for the year, while Mattel added 19% in the quarter and more than 30% in the year. Both companies are in the very early days of their transformation, and each trade well below our conservative appraisals. As GE continues to slim down and generate cash, it will be harder to ignore the power of the Aviation and Healthcare businesses or the prowess of Larry Culp. As Mattel cuts costs and generates more revenue from its trove of intellectual property (IP), the market will come to recognize that this is a company driven by power brands and that Ynon Kreiz is the right person to lead it.

Contributors/Detractors

(2019 Investment return; 2019 Fund contribution; Q4 Investment return; Q4 Fund contribution)

General Electric (54%, 3.54%, 25%, 1.81%), the Aviation, Healthcare and Power business, was the top contributor in the quarter and for the year, after having been the Fund's largest detractor in the third quarter and for the full year in 2018. Last quarter, the stock was overly punished after fraud investigator Harry Markopolos, working together with an undisclosed short seller, released a report alleging the company was concealing financial problems. GE management quickly dispelled the report as being flawed and outdated, and CEO Larry Culp and several other directors took advantage of the depressed share price to buy several million dollars' worth of shares personally. Once it became clear that the report was inaccurate and brought no new information to light, the share price rebounded to finally begin to reflect the strength of the business and the progress made over the course of the year. GE announced the sale of its biopharmaceuticals unit to Danaher for $21.4 billion. GE's remaining Healthcare businesses (primarily imaging and ultrasound equipment and services) have increased revenues moderately and margins significantly this year. Aviation grew a strong 8% in the third quarter due to solid demand for its leading-edge aviation propulsion (LEAP) engines, though this rate will slow in the year ahead as a result of Boeing's 737 Max problems. After several years of challenged results under prior management, Larry Culp's turnaround of GE Power showed major signs of progress this year, as the unit approached breakeven profitability. The company also announced a $1 billion long-term care insurance reserve charge in early November, which was lower than feared and will not pose a threat to its ongoing deleveraging plan. The stock trades at a low multiple of the earnings achievable within the next several years. We believe the world class Aviation and Healthcare businesses alone are conservatively worth over $15 per share, and the rest of the businesses have a meaningfully positive net value and are getting stronger under Culp's leadership.

Mattel (36%, 2.32%, 19%, 1.24%), the classic toy company, was another top contributor in the quarter and the year, after the company resolved a non-material whistleblower complaint over historical accounting errors, which delayed a debt offering that the company subsequently completed in November. Like GE, the headline fears and uncertainty surrounding the complaint weighed heavily on the stock price in the short term but did not impact the long-term value of the company. Sales increased in the quarter, while management took further necessary steps towards decreasing operating costs and improving gross margins. Barbie, Hot Wheels, action figures and games all sold well during the last quarter, while American Girl and Fisher Price declined moderately. Earnings before interest, taxes, depreciation and amortization (EBITDA) appears on track to have exceeded expectations in 2019 at $400 million or better and is expected to approach or exceed $600 million in 2020, which would meaningfully reduce the company's leverage ratios, thereby addressing one of the key issues that has depressed the stock price for the last several years. We believe that CEO Ynon Kreiz has done a wonderful job with the turnaround after inheriting a difficult situation, while actively pursuing the substantial upside presented by streaming and film demand for Mattel's brands.

LafargeHolcim (39%, 1.91%, 12%, 0.50%), the world's largest cement producer, added to the Fund's strong returns for the quarter and the year. Lafarge benefitted as North American cement pricing grew modestly, while volumes surged 11% in the last quarter. Lafarge's European and Latin American operations also delivered excellent results. 2019 was also a good year for accretive asset sales, and as the year progressed, the market became more comfortable with the prospect of additional sales. Since assuming control two years ago, CEO Jan Jenisch has improved the company's operational and capital allocation discipline. He still has more levers to pull that are not dependent on global macro conditions. Our appraisal of Lafarge's value increased alongside the stock price throughout the year, and we trimmed our position as price appreciated in the first quarter and second half of the year.

United Technologies (UTX) (44%, 1.70%, 10%, 0.44%), the industrial conglomerate scheduled to separate into Otis (elevators), Carrier (climate and fire control) and Raytheon Technologies (aviation and defense) during the first half of 2020, was a strong contributor to the Fund's quarterly and annual results. Otis grew revenues 4% and profits 6% during its last reported quarter. The turnaround at this business is taking hold. Carrier organic sales declined, but its management took steps towards reducing overhead costs and selling assets. Meanwhile, each of UTX's three Aviation and Defense businesses - Pratt & Whitney, Collins Aerospace and Raytheon - delivered solid results. Our appraisal increased this year, but not as much as the stock's 44% annual performance. We believe the sum-of-the-parts value of the business could be recognized or exceeded within months as the spin offs are completed.

Wynn (46%, 1.52%, 30%, 0.46%), the global casino company, was a meaningful contributor this year. While the gap between price and value closed, our appraisal did not grow in the past year. Muted gaming revenues in Macau, sluggishness in Las Vegas and Boston still in ramp-up phase all held things back. However, CEO Matt Maddox and the company's new board of directors have done critical work turning around the company's culture this year and last, and our investment succeeded as a result of the low price we paid in 2018.

CenturyLink (-5%, -0.23%, 8%, 0.75%), the fiber telecom company, was a top contributor in the fourth quarter, but the stock was down slightly over the full year. During the third quarter, Enterprise revenues grew year-over-year and quarter-over-quarter. EBITDA margins increased 1% due to CEO Jeff Storey's and CFO Neel Dev's ongoing expense improvements. We are pleased that CenturyLink recently appointed Hal Jones to its board at Southeastern's recommendation. We know Jones from our successful investment in Graham Holdings (formerly The Washington Post Company), where he previously served as CFO. Because CenturyLink's stock trades at a large discount to a conservative appraisal of the value of its fiber, we think his expertise in capital allocation and experience with the Cable One business when he was at Graham Holdings should help make a meaningfully positive difference to shareholders going forward.

CNX Resources (-23%, -1.14%, 22%, 1.06%), the Appalachian natural gas E&P and midstream company, was among the top five contributors in the fourth quarter but was the largest detractor from the Fund's annual performance. With gas prices declining over 25% and the industry's capital market access disappearing, 2019 was one of the worst relative and absolute years in the history of the US natural gas industry. Despite the painful losses this year, CNX has outperformed its peers since separating from its coal business two years ago. More importantly, CNX has a manageable balance sheet at a time when numerous gas competitors are struggling with larger on- and off-balance sheet liabilities. CNX's growing FCF coupon will allow the company to retire a majority of its debt in 2022 if necessary, and the company's borrowing base increased this quarter. CNX's 2020 production is over 80% hedged at prices above the current futures strip, which should help the company weather any additional market challenges in the near term. Management remains focused on operational improvements, and CNX recently announced a reduction in next year's capital expenditures and operating expenses to increase cash-flow projections. The company has retired over 7% of shares outstanding this year, a level that is unmatched by its natural gas peers. We believe we have some of the best partners in the industry with CEO Nick Deluliis and Chairman Will Thorndike.

Affiliated Managers Group (AMG) (-12%, -0.58%, 2%, 0.09%), the asset management holding company, detracted from the Fund's 2019 performance. Consolidated assets under management (AUM) decreased, as net outflows outweighed positive performance for the year. The stock is priced at less than 6x next year's after tax FCF, a remarkable discount for an asset-light fee business that has traditionally traded at or above mid-teens multiples. AMG owns a diverse mix of managers – many of which have growing or steady AUM – with differentiated return drivers, including concentrated value managers (Yacktman), quantitative strategies (AQR and Winton), international stock pickers (Tweedy Browne and Harding Loevner) and several others, like ValueAct, that are not directly correlated with US big cap equities or fixed income. The company has repurchased over 6% of its shares this year, and with strong FCF has the potential to do much more to take advantage of the depressed share price. We expect the asset outflows to moderate and FCF per share to grow.

Portfolio Activity

We initiated a new, undisclosed holding in the fourth quarter. We have followed it for over 10 years, as it has undergone a transformation that has both grown its value per share and improved its quality. Currently though, it is in the "rule-out" box discussed above, even though it has best-in-class assets and management. The company is also far more defensive than it is perceived. We sold our position in Wynn Resorts as its price increased. Its value did not grow as we expected after we re-initiated a position last year.

Outlook

The portfolio ended the quarter with a discounted price-to-value ratio (P/V) in the low-60s% and 10% cash. As the market appreciated, our on-deck list shrunk. However, we were able to make one new addition in the quarter. We began this commentary citing many of the same headwinds you have read from us for a while. The continuation of these headwinds does not mean that these trends will go on forever. Actually, it means that the opposite is more likely; and, we believe that when Mr. Market begins to "weigh" our values more efficiently, our stocks' appreciation will be dramatic. We saw signs beginning in September that things could be starting to come our way. It's hard to call a relative bottom, and it's understandably harder to remain patient after an extended period of relative underperformance. We continue to work to get better each day, while sticking to our core discipline at a time of elevated markets. We were heartened by the strong absolute returns in the fourth quarter and the solid relative results, given our cash holdings and lack of exposure to the largest market favorites. We thank you for your long-term support and patience, which we believe will soon be rewarded.

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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.

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

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

Return on capital (ROC) is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.

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.

A 13D filing is generally required for any beneficial owner of more than 5% of any class of registered equity securities, and who are not able to claim an exemption for more limited filings due to an intent to change or influence control of the issuer.

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

As of December 31, 2019, the top ten holdings for the Longleaf Partners Fund: CenturyLink, 10.3%; GE, 8.1%; CK Hutchison, 7.8%; Mattel, 7.5%; FedEx, 6.3%; CNH Industrial, 6.0%; CNX Resources, 4.9%; Fairfax Financial, 4.9%; Affiliated Managers Group, 4.6%; Comcast, 4.5%. 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.

Longleaf Partners Small-Cap Fund

Longleaf Partners Funds

Summary - December 31, 2019

4Q19
Longleaf Partners Small-Cap Fund

(Closed to New Investors)

(800) 445-9469 / southeasternasset.com

Fund Profile

Investment Style	US small-cap value
Ticker	LLSCX
Inception Date	February 21, 1989
Net Assets	$3.3 billion
Expense Ratio	0.92%
Turnover (5 yr avg)	32%
Weighted Average Market Cap.	$5.4 billion

Holdings (16)

	Activity*	Weight
Eastman Kodak *(preferreds/ common/bonds)*		9.4 %
CenturyLink		9.3
Graham Holdings		6.5
Mattel		6.1
Lazard		5.3
PotlatchDeltic		5.1
CNX Resources		4.9
Realogy		4.8
GCI Liberty	-	4.7
Enerpac Tools (Actuant)	-	4.6
Dillard's		4.4
Formula One Group		4.4
Park Hotels & Resorts		4.1
Neiman Marcus *(bonds)*	+	3.8
OCI		3.7
ViaSat		2.8
Cash		16.1
Total		100.0 %

*Full eliminations include the following positions: Summit Materials.

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LLP000945 expires April 30, 2020

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Sector Composition

Consumer Discretionary	20.8 %
Communication Services	18.4
Real Estate	14.0
Information Technology	12.2
Financials	5.3
Energy	4.9
Industrials	4.6
Materials	3.7
Cash	16.1

Performance Contribution

Top Three	Return	Portfolio contribution	Bottom Three	Return	Portfolio contribution
Eastman Kodak	20%	1.66%	OCI	-11%	-0.44%
Realogy	45	1.53	Graham Holdings	-3	-0.24
Mattel	19	1.01	ViaSat	-3	-0.09

Performance at 12/31/19

	Total Return		Average Annual Return				
	Qtr	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
Small-Cap Fund	9.32%	19.65%	6.65%	11.98%	8.95%	10.09%	10.67%
Russell 2000 Index	9.94%	25.53%	8.23%	11.83%	7.92%	7.59%	9.53%

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The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3,000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. An index cannot be invested in directly.

January 13, 2020

Longleaf Partners Small-Cap Fund Commentary

4Q19

Longleaf Partners Small-Cap Fund gained 9.32% in the fourth quarter, taking year-to-date (YTD) performance to 19.65%, well ahead of our absolute annual goal of inflation plus 10% in both periods. We roughly equaled the Russell 2000 Index's 9.94% in the quarter but trailed the 25.53% for the year. Our average 16% cash balance in the year accounted for over a third of the relative performance drag, while the Fund's two primary negative performers – Realogy and CNX – more than accounted for the balance of the shortfall. Both Realogy and CNX rebounded with double-digit performance in the fourth quarter but remain highly discounted and have significant additional upside, with price-to-value ratios (P/V) in the high-30s% and high-20s% respectively. The portfolio was underweight the Index's top three-performing sectors – Information Technology (IT), Industrials and Health Care (where we had no exposure) – which drove an additional -2% drag on relative returns for the year. Our lack of Health Care holdings more than accounted for the relative underperformance in the fourth quarter.

Small cap Health Care stocks, especially some of the higher-flying, negative free cash flow (FCF)-producing biotech ones, are generally too hard for us on the "Business" front

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Average Annual Total Returns for the Longleaf Partners Small-Cap Fund (12/31/19): Since Inception (2/21/89): 10.67%, Ten Year: 11.98%, Five Year: 6.65%, One Year: 19.65%. Average Annual Total Returns for the Russell 2000 (12/31/19): Since Inception (2/21/89): 9.53%, Ten Year: 11.83%, Five Year: 8.23%, One Year: 25.53%. *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.* *As reported in the Prospectus dated May 1, 2019, the total expense ratios for the Longleaf Partners Small-Cap Fund is 0.92%.*

and more recently have been too expensive to qualify on "Price." Technology has historically been a difficult space for us to assign with confidence a long-term valuation. We have some exposure in the IT space and have continually deepened our network and further improved our expertise within the small cap Tech / Software / Digital Media industries over the last several years. We have found some interesting businesses within this space that we believe qualify on Business and People. We are watching these companies closely and hope to have the opportunity to own some of these stocks when they trade at more reasonable valuations. Our on-deck list is long, and in particular has a number of Consumer Discretionary and Real Estate businesses that we would love to own, but the market is paying far too much today for the perceived defensiveness of these companies. Defense comes not just from the quality of the business you buy but from the margin of safety in the price you pay, and we remain disciplined on pricing in this frothy market.

We have improved the portfolio's quality and return potential with the new investments we made over the last two years. Summit Materials, GCI Liberty and PotlatchDeltic from last year and Dillard's, our single new purchase this year, delivered strong returns out of the gate. Our other new purchase from the last two years, Lazard, has yet to deliver on price but is growing value per share and trades at an attractive discount today. We are happy continuing to own GCI, PotlatchDeltic, Lazard and Dillard's today at these prices, but we sold Summit in the fourth quarter after a period of deep engagement, which included filing a 13D in the second quarter. We ultimately concluded that our margin of safety at Summit had narrowed significantly after its strong performance this year and that there was less upside from continuing to push for changes at the company. Summit and Mattel were among our top detractors in 2018 but were two of the top contributors in 2019. Summit rallied over 80%, and Mattel still trades at approximately 60% of our appraisal today, even after appreciating over 35% in the year.

We believe that Realogy and CNX, our two largest detractors for the year, have the potential to similarly drive strong performance in 2020. Realogy added 45% in the fourth quarter and appears to have made it through the worst of a competitive assault from Compass, a start-up real estate firm funded by Softbank that aggressively recruited away realtors to compete with Realogy. Management is selling most of the non-core Cartus segment to focus on the high-quality fee business and de-lever the company.

Contributors/Detractors

(2019 Investment return; 2019 Fund contribution; Q4 Investment return; Q4 Fund contribution)

Summit Materials (84%, 4.47%, 3%, 0.37%), the cement and aggregates company, was the top contributor for the year. Aggregates volumes increased more than 11% year-over-year (YOY) last quarter with pricing up 7%, and cement sales increased as well. The company's FCF approached the higher normalized levels we had expected, as Mississippi River flooding and other abnormal weather that negatively impacted the business subsided. CEO Tom Hill used the increased cash flow to pay down debt. We sold the position when the stock's price approached our appraisal this quarter. While our deep engagement and 13D filing on this holding did not lead to a specific corporate action, we feel that our presence helped the situation during our ownership. We realized a 21% gain in the short 12 month holding period.

GCI Liberty (72%, 3.11%, 14%, 0.85%), the Alaskan cable operator and large investor in Charter Communications, was another strong contributor in the quarter and for the year. GCI reported its first quarter in some time without a natural or political disaster marring earnings. The company grew earnings before interest, taxes, depreciation and amortization (EBITDA) 5% YOY on the back of strong internet pricing. The company's position in Charter shares, which constitutes a majority of the consolidated net asset value, meaningfully increased in market value (over 65% year-to-date) and intrinsic value (22% YTD). GCI's smaller position in online lending business LendingTree is also up more than 40% on the year due to strong results from a new insurance vertical.

Formula One Group (48%, 2.22%, 11%, 0.43%), the global sports and media company, meaningfully contributed to the Fund's annual performance. CEO Chase Carey inked new TV and sponsorship deals, made significant progress towards instituting better competition on the track and increased average attendance numbers to over 200,000 per race. The company's equity stake in Live Nation (LYV) reported another year of double-digit EBITDA growth. With lower interest rates on refinanced Formula One debt and higher recurring cash flows supporting a prudent increase in the company's leverage ratio, Formula One Group should begin to replicate Liberty's proven levered growth stock repurchase playbook.

PotlatchDeltic (43%, 1.93%, 6%, 0.32%), the timberland REIT, was another top contributor for the year. Idaho log pricing increased, mills grew volumes with lowered capital expenditures and the company sold commercial acreage outside Little Rock, AR for prices above our appraisal. CEO Michael Covey repurchased shares earlier this year when they were more heavily discounted but pulled back as the share price increased, demonstrating the intelligent allocation discipline we like to see in our partners.

Mattel (36%, 1.77%, 19%, 1.01%), the classic toy company, was also a large contributor in the quarter and the year, after the company resolved a non-material whistleblower complaint over historical accounting errors, which delayed a debt offering that the company subsequently completed in November. The headline fears and uncertainty surrounding the complaint weighed heavily on the stock price in the short term but did not impact the long-term value of the company. Sales increased in the quarter, while management took further necessary steps towards decreasing operating costs and improving gross margins. Barbie, Hot Wheels, action figures and games all sold well during the last quarter, while American Girl and Fisher Price declined moderately. EBITDA appears on track to have exceeded expectations in 2019 at $400 million or better and is expected to approach or exceed $600 million in 2020, which would meaningfully reduce the company's leverage ratios, thereby addressing one of the key issues that has depressed the stock price for the last several years. We believe that CEO Ynon Kreiz has done a wonderful job with the turnaround after inheriting a difficult situation, while actively pursuing the substantial upside presented by streaming and film demand for Mattel's brands.

Eastman Kodak (28%, 2.33%, 20%, 1.66%), the imaging company, was the largest contributor in the quarter. CEO Jim Continenza took over operations in February and immediately began a strong turnaround. Over the last ten months, he has turned a large cash burn into breakeven profitability. We expect positive operating FCF in 2020 from Kodak and significant growth in the coupon-per-share over subsequent years. Kodak is now focusing on its industry-leading commercial printing and inkjet products. The stock quickly appreciated in late November after two board members purchased Blackstone's 21% stake and removed the technical overhang of a potential large forced seller. During the last week of the year, Continenza personally purchased $1 million worth of shares, while several other executives bought smaller amounts alongside him. The stock price remains significantly discounted to the business's value as determined by normalized earnings power in several years or a sum-of-the-parts net asset value. The Fund's exposure is almost entirely in convertible bonds and preferred stock.

Realogy (-31%, -1.10%, 45%, 1.53%), the real-estate brokerage franchise, was a top contributor in the fourth quarter after rebounding 45%, but it remained the largest detractor for the year. Four months ago, the stock traded around 2.5x the company's forward FCF, which primarily comes from Realogy's capital-light and high-margin franchise fee royalties. Today that multiple has re-rated up to 5x, and in our view, Realogy remains among the US market's cheapest stocks with assets that should grow long term. During the quarter, EBITDA from franchise fees declined 6% YOY on weak California residential sales. However, we expect next year's comparable revenues and earnings to improve, as Realogy's Softbank-funded competitor Compass has slowed its loss-making efforts to poach talent and take market share. Realogy's balance sheet carries debt that is higher than others in the public markets but reasonable if the company were privately owned, as it has been previously. However, CEO Ryan Schneider is addressing the issue by selling most of the Cartus relocation segment and committing to deleverage with proceeds. Realogy's unused revolver capacity is still about equal to today's stock price. Our appraisal of Realogy's value is more than double where the stock currently trades, even after the strong fourth quarter performance.

CNX Resources (-23%, -0.74%, 22%, 0.96%), the Appalachian natural gas E&P and midstream company, was a positive contributor in the fourth quarter but was the second largest detractor from the Fund's annual performance. With gas prices declining 26% and the industry's capital market access disappearing, 2019 was one of the worst relative and absolute years in the history of the US natural gas industry. Despite the painful losses this year, CNX has outperformed its Southwest Appalachian peers by over 50% since separating from its coal business two years ago. More importantly, CNX has a manageable balance sheet at a time when numerous gas competitors are struggling with larger on- and off-balance sheet liabilities. CNX's growing FCF coupon will allow the company to retire a majority of its debt in 2022 if necessary, and the company's borrowing base increased this quarter. CNX's 2020 production is over 80% hedged at prices above the current futures strip, which should help the company weather any additional market challenges in the near term. The company has $5-10+ per share of quality midstream assets, which includes high growth cash flows from their general partner interest, in addition to over $1 per share of FCF power from its E&P operations with strong reinvestment opportunities, all vs. its $8 per share stock price. Management remains focused on operational improvements, and CNX recently announced a reduction in next year's capital expenditures and operating expenses to increase cash-flow projections. The company has retired over 7% of shares outstanding this year, a level that is unmatched by its natural gas peers. We believe we have some of the best partners in the industry with CEO Nick Deluliis and Chairman Will Thorndike.

Portfolio Activity

After adding five new positions in 2018, we purchased only one new company, Dillard's, in 2019, as ever-rising markets made finding compellingly discounted new opportunities elusive. We added to several of our most discounted positions in the year, including CenturyLink, Realogy, Kodak and CNX. As discussed above, we sold our position in Summit in the fourth quarter as it reached our appraisal. We also trimmed several existing holdings to manage position sizes, particularly after strong price performance at Formula One Group and GCI Liberty.

Outlook

The portfolio ended the quarter with a discounted P/V in the mid-60s% and 16% cash. The fund has held an elevated cash level over the last 5+ years, but we will be ready to put this to work during the next bout of market volatility and/or when some of our on-deck candidates decline another 5-10%, as our on-deck list has remained longer than we would have expected this year given the strong market returns. We began this commentary facing many of same relative performance headwinds you have read from us for a while. The continuation of these headwinds does not mean that these trends will go on forever. Actually, it means that the opposite is more likely; and, we believe that when Mr. Market begins to "weigh" our values more efficiently, our stocks' appreciation will be dramatic. We saw signs beginning in September, that things are starting to come our way. It's hard to call a relative bottom, and it's understandably harder to remain patient after an extended period of relative underperformance. We continue to work to get better each day, while sticking to our core discipline at a time of elevated markets. We were heartened by the strong absolute returns in the fourth quarter and the solid relative results, given our cash holdings and lack of exposure to the largest market favorites. We thank you for your long-term support and patience, which we believe will soon be rewarded.

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

The Longleaf Small-Cap 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. Smaller company stocks may be more volatile with less financial resources than those of larger companies.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3,000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. An index cannot be invested in directly.

A 13D filing is generally required for any beneficial owner of more than 5% of any class of registered equity securities, and who are not able to claim an exemption for more limited filings due to an intent to change or influence control of the issuer.

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

Operating Cash Flow (OCF) measures cash generated by a company's normal business operations.

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.

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.

REIT is a real estate investment trust.

As of December 31, 2019, the top ten holdings for the Longleaf Partners Small-Cap Fund: Kodak, 9.4%; CenturyLink, 9.3%;Graham Holdings, 6.5%; Mattel, 6.1%; Lazard, 5.3%; PotlatchDeltic, 5.1%; CNX Resources, 49%; Realogy Holdings, 4.8%; GCI Liberty, *4.6%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.*

Funds distributed by ALPS Distributors, Inc.

LLP000987
Expires 4/30/2020

Longleaf Partners International Fund

Longleaf Partners Funds

Summary - December 31, 2019

4Q19

Longleaf Partners International Fund

(800) 445-9469 / southeasternasset.com

Fund Profile

Investment Style	International value
Ticker	LLINX
Inception Date	October 26, 1998
Net Assets	$1.3 billion
Expense Ratio (Gross / Net)	1.18% / 1.15%
Turnover (5 yr avg)	34%
Weighted Average Market Cap.	$13.9 billion

Holdings (19)

	Activity*	Weight
EXOR		9.6 %
Domino's Pizza Group	+	7.3
Melco International		7.2
CK Hutchison		6.0
LANXESS		5.7
C&C Group		5.4
MinebeaMitsumi		5.2
Lazard		4.9
LafargeHolcim	-	4.9
Becle		4.8
Baidu		4.6
Bolloré		4.5
CK Asset Holdings		4.1
Fairfax Financial		4.1
Great Eagle		3.3
Millicom		3.3
OCI		3.1
Richemont		2.8
GRUMA		2.1
Cash		7.1
Total		100.0 %

*Full eliminations include the following positions: Bharti Infratel and Vestas Wind Systems.

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.

The total expense ratio for the Longleaf Partners International Fund is 1.18% (gross) and 1.15% (net). The International Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.15% of average annual net assets.

LLP000948 expires April 30, 2020

Longleaf Partners Funds

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 Longleaf Partners Funds. 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.

Sector Composition

Financials	18.6 %
Consumer Discretionary	17.3
Industrials	15.7
Materials	13.7
Consumer Staples	12.3
Communication Services	7.9
Real Estate	7.4
Cash	7.1

Regional Composition

Europe ex-UK	39.3 %
Asia ex-Japan	25.2
North America	15.9
UK	7.3
Japan	5.2
Cash	7.1

Performance Contribution

Top Three	Return	Portfolio contribution
Domino's Pizza	36%	2.12%
MinebeaMitsumi	32	1.83
EXOR	16	1.42

Bottom Three	Return	Portfolio contribution
Bharti Infratel	-17%	-0.50%
OCI	-11	-0.42
Great Eagle	-1	-0.06

Performance at 12/31/19

	Total Return		Average Annual Return				
	Qtr	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
International Fund	11.80%	20.00%	7.43%	5.56%	4.54%	6.50%	7.67%
MSCI EAFE Index	8.17%	22.01%	5.67%	5.50%	4.84%	3.32%	4.74%

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 orhigher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.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. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments, exposure to non-U.S. currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index cannot be invested in directly.

January 13, 2020

Longleaf Partners International Fund Commentary

4Q19

Longleaf Partners International Fund ended the year with a strong fourth quarter, returning 11.80% and outpacing the MSCI EAFE Index's 8.17%. The Fund ended the year up 20.00%, ahead of our absolute return goal of inflation + 10%, while trailing the Index's 22.01%. 2019 was an extraordinarily good year for equity market returns across North America, South America and Europe. Asian equity markets were somewhat mixed, as the US-China trade war and Hong Kong unrest drove volatility, but ultimately also ended the year broadly in double-digit territory. Our exposure to Hong Kong more than accounted for our relative underperformance in the year. Although it was a moderate headwind for the full year, currency was a positive absolute contributor for both the Fund and the Index in the fourth quarter, as the US Dollar pulled back from its multi-year September high. In the fourth quarter, strong stock-

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Average Annual Total Returns (12/31/19): Longleaf Partners International Fund: Since Inception (10/26/98): 7.67%, Ten Year: 5.56%, Five Year: 7.43%, Three Year: 11.47%, One Year: 20.00%. MSCI EAFE Index: Since (10/26/98): 4.74%, Ten Year: 5.50%, Five Year: 5.67%, Three Year: 9.56%, One Year: 22.01%.

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. ***As reported in the prospectus, dated May 1, 2019, the total expense ratio for the Longleaf Partners International Fund is 1.19% (gross) and 1.15% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.15% of average annual net assets.*** *Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 1.15% of average net assets per year. This agreement is in effect through at least May 1, 2020 and may not be terminated before that date without Board approval.*

specific performance across multiple sectors and regions drove our relative outperformance. Almost every company in the Fund's portfolio was positive in the quarter and the year, with more than half producing double-digit returns in the quarter alone. The Fund had no exposure to the Index's top performing sectors, Information Technology and Healthcare, which was a relative drag in the quarter and for the year. However, the portfolio benefitted from not owning the Index's worst performing sector, Energy.

In last year's annual letter, we reflected upon the Fund's 20-year anniversary and the significant amount of progress we have made in the last five-to-ten years. Today, two-thirds of Southeastern's global research team are focused outside the US, with eight of our 15 team members holding passports from six different countries across the world. Our returns over the trailing 3-, 5- and 10-year periods have been positive on an absolute and relative basis, and we have drawn upon our local networks and expertise to find new investment opportunities across the globe. Our firmly expressed view for the last few years has been that the Non-US equity opportunity set is far more attractive prospectively than the US market. In last quarter's letter, we wrote about the extension of the "Growth outperforming Value, US outperforming all other markets and ever-stronger US dollar themes that have dominated the market narrative for the last decade." This trend continued in the fourth quarter. The extraordinary 11-year bull market in the S&P 500 has now compounded to a 351% total return (with dividends reinvested into the index), while the MSCI EAFE index has generated 125% (in USD, with dividends reinvested into the index) over that same period. These backwards-looking returns make it easy for investors to forget that the prior decade ending in 2008 saw non-US markets handily outpace US markets. US dollar strength negatively impacted the Fund's total performance by nearly 30% cumulatively over the last decade. We are hard pressed to recall a time when three such significant indicators - US vs. Non-US, Value vs. Growth and USD vs. Non-USD - had a decade 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.

Our portfolio looks vastly different than MSCI EAFE and peers. Southeastern's approach is entirely bottom up; we construct our concentrated portfolio with no regard to the index. Our top three relative and absolute contributing companies in the year were in Ireland, the Netherlands and Japan, where we are significantly below the index weighting but are doing extensive work on the broad opportunity set. In each case, our bottom-up stock-specific performance, rather than country allocation, were responsible for the strong returns. We have taken advantage of pockets of volatility and fear-driven price weakness over the past several years to own compelling opportunities in some of the more challenged geographies like Mexico.

As noted last quarter, over 20% of the portfolio is invested in businesses that are domiciled in Hong Kong. However, the look-through economic exposure is far lower, in the mid-single digit percentages. We have a history of investing successfully in Hong Kong, and we remain convicted in the long-term value of our current portfolio holdings that are listed there. While it is a fluid situation that we are closely monitoring, we do not believe that the protests in Hong Kong have permanently impaired the long-term case for our investments at this point. Our long-term investment focus in Asia centers around our broad and deep network providing insight into the quality of business and people, particularly when these critical factors are changing for the better. Many companies in the region possess extraordinarily underrealized 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 countries like Japan, we are seeing some significant changes at the grassroots level after four years of the Abe government's Three Arrows initiative. Companies are showing more focus on return on invested capital (ROIC) and margins, 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. As a result, we spent a disproportionate amount of time on Japan this year compared to its current presence in the portfolio. This has not yet led to significant allocations of funds, but it has expanded our on-deck list of potential new investments.

Mexico has been very fruitful for us over the last two years, as geopolitical concerns over the Trump Wall, the election of Andrés Manuel López Obrador (AMLO) and the weakness in the Peso created buying opportunities in Gruma and Becle, both of which are domiciled in Mexico but are driven by the American consumer. While Mexico was the worst performing country for the Index in the year, Becle was one of the stronger contributors to the Fund's performance in the quarter and the year, while Gruma was also a positive.

In Europe, we are frequently attracted to undervalued opportunities where people and governance are changing for the better. We believe Europe is at a somewhat unique moment in the global equity universe with a broad stakeholder realignment creating opportunities for engagement-oriented investors like Southeastern to help encourage positive change. The owner mindset includes intense discussions on strategy, capital allocation and personnel. Some companies tick all the boxes of strong businesses with shareholder-minded owner-operators focused on value per share but trade in the short-term at a discount to intrinsic value for an understandable reason. Exor and Lanxess are good examples. Occasionally there are opportunities where a strong underlying business trades at a big discount because there are obvious improvements to be made. For the last decade, we have built a track record of successfully nudging such situations along in Europe. Domino's Pizza Group (DPG), the UK-listed holder of the master franchisee license to operate stores in the UK, Ireland and other European countries, is the clearest example of this opportunity in 2019. As a result of Brexit fears plus company-specific missteps by prior management, we were able to purchase this growing business at 14x earnings, while its Australian and US counterparts traded at 1.5-2x that multiple, and DPG's own history indicated a similar long-term average. DPG was the top contributor in the fourth quarter. Our engagement efforts saw significant progress, and two new outside directors joining the board, Usman Nabi and Elias Diaz. These owner-oriented directors join Senior Independent Director Ian Bull as a nucleus driving the rebuilding of management and the board. Over the course of 2019, the board of directors has improved enormously, setting the stage for further progress for the company in 2020. Tragically, DPG's CFO, David Bauernfeind, passed away in December in an accident while on holiday with family. David had become deeply involved in improving the company. He was insightful, diligent and honorable in his efforts and communications with us at every point. He will be missed.

Contributors/Detractors

(2019 Investment return; 2019 Fund contribution; Q4 Investment return; Q4 Fund contribution)

EXOR (44%, 3.42%, 16%, 1.42%), the European holding company of the Agnelli family, was the top contributor for the year and among the top three in the fourth quarter. Chairman and CEO John Elkann continues to apply an admirable approach to capital allocation and portfolio management with a proven willingness to realize value through M&A, asset sales and spin-offs. In the fourth quarter, Exor announced an agreement with Groupe PSA to pursue a merger of EXOR's underlying holding Fiat Chrysler (FCA) and PSA's Peugeot. The merger will create the world's fourth-largest carmaker and reshape the automotive sector. Annual run-rate synergies are forecast at ~€3.7 billion derived principally from a more efficient allocation of resources for large-scale investments in vehicle platforms, powertrain and technology and from the enhanced purchasing capability inherent in the combined group's new scale. FCA will pay a special dividend prior to the merger, and EXOR will receive ~€1.5 billion, which we expect management to intelligently allocate at the holding company level. Earlier in the year, the company also announced its plan to split its underlying holding CNH Industrial by spinning out the non-core commercial vehicle business, IVECO, from the core agriculture equipment business, Case New Holland. This move should allow the market to more accurately value both businesses going forward. EXOR management has multiple levers to pull to continually grow and recognize value, and the company remains attractively discounted with significant upside today.

C&C Group, (78%, 2.87%, 20%, 1.02%), the manufacturer and distributor of branded beer, cider, wine, soft drinks and bottled water, was also a top driver of the Fund's annual performance. The Irish company redomiciled in the UK and is now solely listed on the London stock exchange, where it has been included in the FTSE 250 and FTSE All Share index. Last year's acquisition and subsequent integration of Matthew Clark and Bibendum has exceeded management's expectations and provided further distribution channels for C&C's brands. Earlier in the year, competition worries in

Ireland eased as Bulmers's market share stabilized, and the AB InBev relationship successfully pushed Magners in the off-trade in England and Wales. CEO Stephen Glancey has been a model partner, behaving as an owner-operator of high integrity, while working through some challenging periods for the business to create a company of strong culture, routes to market and brands, as well as an excellent track record of growing value. Since joining the company in late 2008, Glancey has overseen a 17.5% annual return, nearly double the EAFE Index. We have been fortunate to partner with him two separate times over that period.

Melco International (39%, 2.71%, 18%, 1.22%), the Asian casino and resort holding company, was another top contributor for the year and in the fourth quarter. Melco was the top performer within the Macau gaming sector. Its flagship property, City of Dreams, has been gaining market share in both mass and VIP segments thanks to Morpheus's ramp-up. Melco opened a new premium mass gaming area in October and is in the process of adding more villas, which should further drive mass growth at City of Dreams. We believe Melco will continue to be a beneficiary of the mass gaming growth, driven by growing disposable income per capita in China and the ongoing consumption upgrade that is bringing more overseas travel and infrastructure development. The recent Hong Kong turmoil has not had a significant impact on Macau visitation numbers. 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 used the group's financial strength to repurchase close to 10% of Melco Resort's free float, privatize its Philippine subsidiary at cheap multiples and purchase 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 capex and enabling the company to focus aggressively on increasing shareholder returns. We would encourage you to listen to our podcast interview of Lawrence Ho to learn more about the history of Melco and his outlook for the business and the broader Macau gaming industry at https://southeasternasset.com/podcasts/melco-lawrence-ho-on-geopolitics-volatility-and-opportunity-in-asia/.

MinebeaMitsumi (47%, 2.56%, 32%, 1.83%), the Japanese manufacturer of high-precision equipment and components, was among the top contributors for the fourth quarter and the year. The stock declined in the first half due to market concerns over US-China trade friction, a slowdown in the data center industry that negatively impacted its dominant ball bearings business and a decreased earnings forecast in the first half. However, its automotive applications business is benefitting from a structural move into electrification, and monthly ball bearing shipments are back on track since the third quarter. In December, MinebeaMitsumi announced plans to acquire semiconductor business ABLIC at approximately 7x EBITDA pre-synergies. We visited MinebeaMitsumi's factories in Cambodia and Thailand in December and had good discussions with CEO Yoshihisa Kainuma on shareholder return and capital allocation. We are confident that Mr. Kainuma will continue to create value for all shareholders, as he has done over the past decade for the company.

LafargeHolcim (39%, 2.28%, 12%, 0.61%), the world's largest cement producer, added to the Fund's strong returns for the quarter and the year. Lafarge benefitted as North American cement pricing grew modestly, while volumes surged 11% in the last quarter. Lafarge's European and Latin American operations also delivered excellent results. 2019 was also a good year for accretive asset sales, and as the year progressed, the market became more comfortable with the prospect of additional sales. Since assuming control two years ago, CEO Jan Jenisch has improved the company's operational and capital allocation discipline. He still has more levers to pull that are not dependent on global macro conditions. Our appraisal of Lafarge's value increased alongside the stock price throughout the year, and we trimmed our position as price appreciated in the first quarter and second half of the year.

As discussed above, Domino's Pizza Group (30%, 2.22%, 36%, 2.12%), was the top contributor in the fourth quarter and added to the Fund's strong returns for the year. The market recognized the benefit of having two new outside directors Usman Nabi and Elias Diaz, both of whom have significant personal stakes in the business, join the board. We expect they will help direct the company to make further progress in addressing its loss-making International operations and to repair damaged relationships with UK franchisees.

Millicom (-21%, -1.05%, 1%, 0.03%), a leading Latin and Central America Telecommunications company, was the largest detractor this year. Following an unsuccessful takeover attempt by Liberty Latin America (Lilac) at the beginning of the year, the majority shareholder in Millicom, Kinnevik, made the decision to divest its entire shareholding in Millicom. This poorly executed process created an overhang that lasted most of the year and contributed heavily to the share price weakness. From a business standpoint, there was slower-than-expected growth in key markets like Guatemala and tough competition and FX headwinds dampening performance in Colombia and Paraguay, which compounded the negative stock performance. Core EBITDA growth and expansion of cable and 4G remains healthy and on-track. We believe the long-term fundamental business case remains intact and expect more progress once the temporary technical factors from the share distribution have passed.

Baidu (-20%, -0.96%, 23%, 0.93%), the dominant online search business in China, was another top detractor for the year. The entire industry was negatively impacted by macroeconomic weakness and increased online advertising inventory. Baidu's migration of all medical advertisement landing pages from third party sites onto its own servers added short-term topline pressure, but ultimately improves its compliance with industry regulation. Additional spending on Chinese New Year sponsorships and APP installation promotions further reduced the bottom line in the first half of the year. In response, Baidu management promptly adjusted its strategy to cut spending. In the third quarter, Baidu Core delivered strong sequential operating margin improvement, well above expectations. While the macro environment remains uncertain, it is encouraging to see users' time spent on Baidu's ecosystem has outgrown peers in September and October, and Baidu should see higher year over year growth from the low 2019 base. We support management's decision to launch an additional US$1 billion share buyback program to take advantage of the mispricing. The company recently sold part of its Trip.com stake and raised US$1 billion in offshore cash to support this value accretive buyback program. While share price has recovered some from the low, Baidu's advertising business is still trading at low-single-digit FCF and well below our appraisal.

Portfolio Activity

We bought three new companies this year – Domino's, Lazard and Gruma – and added to 6 discounted holdings. We had no new purchases in the fourth quarter but rounded out our position in DPG. In the first week of 2020 a company from the on-deck list came into range on price allowing us to start a position. Over the course of the year, we trimmed several stronger performers and fully exited five companies, including our successful investment, Vestas, the global leader in wind turbine installation and servicing. After a nearly two-year holding period, Vestas went through our value in the fourth quarter. We also sold Indian telecom tower operator Bharti Infratel in the fourth quarter, due to a change in investment thesis. Although there may still be potential upside from today's low price, seeing the value recognized became heavily reliant on a few factors going right – government approval of Bharti's planned merger with Indus in a timely manner and rational behavior around regulation and tax policy for the broader telco space. The Supreme Court of India's ruling on the definition of adjusted gross revenues in favor of the Indian Government and imposing interest and penalties on the telecom carriers has subjected the entire Indian telecom sector to a much more challenging operating environment, leaving a narrower path to unlock the value than when we initially invested. The margin of safety was no longer sufficient in such a capricious regulatory environment. We exited the position after a slight easing of pricing pressure in the fourth quarter, but it remained the top detractor for the quarter and a permanent capital loss over the life of the investment. Earlier in 2019, we completed the exit of our small positions in German conglomerate ThyssenKrupp and luxury hotel operator Belmond, after selling the majority of both positions in 2018. We sold Yum China, the operator of KFC and Pizza Hut restaurants in China, for the second time in three years, as it went through our appraisal and added over 40% in our short, seven-month holding period. Yum China has twice been a very fruitful investment since it was spun out of long-time Southeastern investee Yum! Brands in 2016. In both cases, the gap between the share price and our appraisal closed quickly, providing a cumulative return over 100%. We would love to have the opportunity to own this fantastic business again in the future.

Outlook

After an extraordinary year in equity markets virtually across the world, we expect to see continued market opportunities in 2020, as we face a presidential election in the US, Brexit continuing its slow progression and hopes for a resolution to the US-China trade war and Hong Kong unrest. Our portfolio is well positioned, with a P/V in the low-70s% and cash at 7%. We have the deepest and broadest team in Southeastern's history working effectively together to identify compelling investments across the globe. The on-deck list is healthy, the research efforts are productive, and the fund is almost fully invested. We are optimistic that five-to-seven years from now we will be telling a story of notable outperformance by non-US, Value-oriented, non-USD investments versus what has led equity markets for the last decade. We are confident in our positioning and believe the International Fund can lead that trend.

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

RISKS
The Longleaf Partners International Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Investing in non-U.S. securities may entail risk due to non-US economic and political developments, exposure to non-US currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI EAFE Index (Europe, Australia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index cannot be invested in directly.

The MSCI EAFE Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across developed markets countries around the world, excluding the US and Canada. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada.

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.

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

Brexit ("British exit") refers to the June 23, 2016 referendum by British voters to leave the European Union.

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.

Capital Expenditure (capex) is the amount spent to acquire or upgrade productive assets in order to increase the capacity or efficiency of a company for more than one accounting period.

"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.

As of December 31, 2019, the top ten holdings for the Longleaf Partners International Fund: EXOR, 9.6%; Domino's, 7.3%; Melco, 7.2%; CK Hutchison, 6.0%; LANXESS, 5.7%; C&C Group, 5.4%; MinebeaMitsumi, 5.2%; Lazard, 4.9%; LafargeHolcim, 4.9%; Becle 4.8%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by ALPS Distributors, Inc.
LLP000988
Expires 4/30/2020

Longleaf Partners Global Fund

Longleaf Partners Funds

Summary - December 31, 2019

4Q19
Longleaf Partners Global Fund

(800) 445-9469 / southeasternasset.com

Fund Profile

Investment Style	Global value
Ticker	LLGLX
Inception Date	December 27, 2012
Net Assets	$0.3 billion
Expense Ratio (Gross / Net)	1.33% / 1.20%
Turnover (5 yr avg)	37%
Weighted Average Market Cap.	$77.1 billion

Holdings (18)

	Activity*	Weight
EXOR		9.0 %
CenturyLink		9.0
Melco International		7.2
General Electric		7.1
CK Hutchison	+	6.0
FedEx		5.4
CNX Resources		4.9
Fairfax Financial		4.5
MinebeaMitsumi		4.4
LafargeHolcim	-	4.2
CK Asset Holdings		4.2
United Technologies		4.0
Alphabet		3.7
Comcast		3.7
Undisclosed	NEW	3.6
CNH Industrial		2.9
OCI		2.7
Undisclosed	NEW	0.2
Cash		13.3
Total		100.0 %

*Full eliminations include the following positions: Vestas Wind Systems.

The total expense ratio for the Longleaf Partners Global Fund is 1.33% (gross) and 1.20% (net). The Global Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.20% of average annual net assets.

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.

LLP000947 expires April 30, 2020

Longleaf Partners Funds

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 Longleaf Partners Funds. 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.

Sector Composition

Industrials	29.8 %
Communication Services	16.6
Financials	13.5
Energy	8.5
Consumer Discretionary	7.2
Materials	6.9
Real Estate	4.2
Cash	13.3

Regional Composition

North America	45.9 %
Europe ex-UK	19.0
Asia ex-Japan	17.4
Japan	4.4
Cash	13.3

Performance Contribution

Top Three	Return	Portfolio contribution
General Electric	25%	1.53%
EXOR	16	1.35
Melco International	18	1.23

Bottom Three	Return	Portfolio contribution
OCI	-11%	-0.34%
Comcast	0	0.01
Undisclosed	10	0.02

Performance at 12/31/19

	Total Return		Average Annual Return				
	Qtr	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
Global Fund	9.84%	20.38%	5.78%	na%	na%	na%	6.92%
MSCI World Index	8.56%	27.67%	8.74%	na%	na%	na%	10.59%

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 orhigher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.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. Investing in non-U.S. securities may entail risk due to non-US currencies and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI World Index is a broad-based, unmanaged equity market index designed to measure the equity market performance of 24 developed markets, including the United States. An index cannot be invested in directly.

January 13, 2020

Longleaf Partners Global Fund Commentary

4Q19

Longleaf Partners Global Fund ended the year with a strong fourth quarter, returning 9.84%, beating the MSCI World Index's 8.56%. The Fund returned 20.38% for the year, ahead of our absolute return goal of inflation+10% but falling short of the Index's 27.67% return. US stocks soared to new heights, as we faced a continuation of the headwinds we discussed in last quarter's letter, and in multiple other forums over the last decade: the continued dominance of Growth stocks over Value stocks (which eased somewhat in the last four months of the year), US markets outperforming Non-US markets, US dollar strength, concerns over US interest rates and broad geopolitical uncertainty, alongside temporary, unrelated stock-specific issues. 2019 was a strong year for equity market returns broadly across North America, South America and Europe. Asian equity markets were somewhat mixed, a US-China trade war and Hong Kong unrest drove volatility, but ultimately the region also ended the year in double-digit territory. Three primary factors, which have been a relative headwind over the last

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Average Annual Total Returns (12/31/19): Longleaf Partners Global Fund: Since Inception (12/27/12): 6.92%, Ten Year: na, Five Year: 5.78%, One Year: 20.38%. MSCI World: Since (12/27/12): 10.59%, Ten Year: na, Five Year: 8.74%, One Year: 27.67%.

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. ***As reported in the Prospectus dated May 1, 2019, the total expense ratio for the Longleaf Partners Global Fund is 1.33% (gross) and 1.20% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.20% of average annual net assets.*** *Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 1.20% of average net assets per year. This agreement is in effect through at least May 1, 2020 and may not be terminated before that date without Board approval.*

several years, accounted for approximately 80% of the relative shortfall in the period: no exposure to the Index's top-performing Information Technology sector, an average 17% exposure to Hong Kong-listed companies and an average 13% cash position. These three factors are interrelated and are a function of sticking to our value investment discipline, but in the face of the market headwinds described above, they have meaningfully dampened our relative results. Most companies in the portfolio were positive in the quarter and the year, with over half producing double-digit returns over the year. Two companies – CNX Resources (CNX) and CenturyLink – drove an additional -4% drag on relative returns for the year, but we believe these two businesses can be among the largest contributors on a prospective basis.

2019 saw a continuation of two key market trends, both of which are US-centric but have helped characterize global markets over the last decade. These trends have particularly played into the Fund's performance over the last six years. First is that the largest of the large capitalization companies in the US have been the top performers in the market. We noted the following in last quarter's letter:

> At the last relative peak for value investing in May 2007, 16% of the S&P 500's market cap came from stocks with price-to-earnings (PE) ratios over 20x - the same level seen in mid to late 2014, when the Partners Fund's performance began to meaningfully diverge from the S&P 500's. These were both evenly distributed valuation markets relative to history and other indexes. At the end of August 2019, the percentage of >20x PE stocks was all the way up to 49%. While that is not quite the once in a lifetime 69% level seen briefly in early March 2000, we are confident that the S&P 500 is far more tilted than it has been in recent history to overvalued market favorites that have driven the last decade's returns.

Taking that analysis a step further, 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 and just under 17x in May 2007 (there were some seriously overestimated earnings per share (EPS) numbers for big banks and big oil at that point in 2007). Today's multiples are on after-tax margins that are near peak levels. Two-thirds of our portfolio today is comprised of single or low double-digit multiples on margins that can grow meaningfully, even without the benefit of a growing economy. The rest of the portfolio is in better-appreciated stocks trading at mid to high teens multiples on mid-cycle margins, which can lead to solid returns as the market leaders did in 2014. It is, however, 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 in market cap. We were too early in our belief that the market was overvalued and missed the huge move by many companies over the last five to ten years. Bigger has been better, and our relative results have suffered, particularly in 2019, as we had no exposure to Information Technology or big banks, which drove the strong Financials sector performance.

On the other end of the spectrum, we have noticed an increasing amount of "rule-out" behavior by active managers. In a decade where US large cap has dominated everything, many investors choose to ignore great global values, particularly when they are domiciled in markets with greater macro uncertainty today, like Asia or Europe, so they choose instead to buy more familiar, US-based comparables at much higher multiples. Additionally, companies with an above market amount of trailing volatility or dividend uncertainty are ignored or actively bet against by the market. Many of our holdings don't pass some or all of these "tests", but that doesn't necessarily mean they are "low quality" or make them bad investments prospectively. We define a high-quality business as one with a long-term growth tailwind in its industry, pricing power or gross profit royalties, network effect benefits, a lack of technological and/or regulatory risks and an ability to grow FCF higher than revenue with a high incremental return on capital (ROC). High-quality partners are honorable people, think long term instead of quarter to quarter, are preferably large owners of their stock relative to their net worth and are incentivized on ROC, free cash flow (FCF) per share and/or total shareholder return (TSR). We find that the market tends to focus more on business rather than people quality, but our history has shown that good partners can achieve excess returns beyond what the business quality alone may suggest. This becomes even more evident in cases where we engage with management to bring our expertise and/or our network to bear to help drive superior outcomes. While a narrow band of traditional high-quality companies have ruled markets as of late, we have found compellingly discounted investment opportunities that have been temporarily passed over.

We go down the list of both what we own and what we don't own each day, keeping an open mind on how to build the best portfolio possible. When we rule things out, it is after careful analysis of Business, People and Price. We have learned not to focus too much on cheapness at the expense of quality. That said, we also do not believe that "quality at any price" is a strategy that works over the long run. We love owning reasonably priced companies in more defensive, understandable industries at this point in the market cycle. We have historically owned multiple companies in this "defensive" bucket over the last 10 years. With hindsight, our mistake in each case was selling them too early, but we are mildly comforted by the fact that after we sold, performance was driven by multiple expansion, not earnings growth. In a year when our portfolio returned greater than inflation+10% but still lagged the index, it has been difficult to find any new investment that qualifies on Business and People and is trading at a reasonable Price. If history is a guide, we will own global companies like these again, and we will look back and be amazed that the stocks we own today were ever available at the levels that we have paid for them.

Far more important to us than what we *don't* own, or what we may have missed out on, is how the companies we *do* own are performing. As we noted above, most companies were positive this year, but CNX and CenturyLink were notable underperformers in the year. CNX Resources faced strong headwinds in 2019, as the entire natural gas industry declined. Since we filed our 13D in 2015, CNX outperformed its Southwest Appalachian peers on average by over 50%, but the macro storm has overshadowed the strong progress made in improving its asset mix quality and leadership, including a new CEO, new Chairman and two additional board members that we recommended to the company. CNX has been a leader within the industry in capital allocation: spinning out its legacy coal business, selling non-core assets at great prices, cutting costs and buying back over 7% shares outstanding in the past year. CNX has $5-10+ per share of quality midstream assets, which includes high growth cash flows from their general partner interest, in addition to over $1 per share of FCF power from its E&P operations with strong reinvestment opportunities, all vs. its $8 per share stock price.The board and management team have been battle-tested and now stand in a position of relative strength in this industry's nadir. CenturyLink has been a global leader in consolidating the fragmented fiber and telecom industry through value-accretive acquisitions and mergers over time. CenturyLink is a prime example of a "rule-out" stock, as its price has been severely punished due to uncertainty over its dividend, which became a self-fulfilling prophecy, as management ultimately cut it earlier in 2019. We filed a 13D to discuss strategic options with the company, and we recently suggested a new board member, Hal Jones, who we believe brings unique industry insight and capital allocation discipline. Today, over 75% of CenturyLink's value is in fiber, which is a growing, high margin infrastructure asset with high barriers to entry. We expect to see management and the board explore ways to monetize this value in the near term.

We have been heartened to see the top detractor in 2018 – General Electric (GE) – begin to rebound in 2019, even after a rocky period earlier in the year. CEO Larry Culp is taking the right steps to increase value per share and to improve the overall quality of the business. GE returned over 20% in the quarter and over 50% for the year, but it is in the very early days of its transformation and trades well below our conservative appraisal still today. As GE continues to slim down and generate cash, it will be harder to ignore the power of the Aviation and Healthcare businesses or the prowess of Culp. The top four contributors in 2019 – EXOR, GE, Melco, LafargeHolcim - were all among the top detractors discussed in our 2018 year-end letter, highlighting how quickly the most hated companies can revert to drive strong future performance.

Contributors/Detractors

(2019 Investment return; 2019 Fund contribution; Q4 Investment return; Q4 Fund contribution)

EXOR (43%, 3.34%, 16%, 1.35%), the European holding company of the Agnelli family, was the top contributor for the year and among the top two in the fourth quarter. Chairman and CEO John Elkann continues to apply an admirable approach to capital allocation and portfolio management with a proven willingness to realize value through M&A, asset sales and spin-offs. In the fourth quarter, Exor announced an agreement with Groupe PSA to pursue a merger of EXOR's underlying holding Fiat Chrysler (FCA) and PSA's Peugeot. The merger will create the world's fourth-largest carmaker and reshape the automotive sector. Annual run-rate synergies are forecast at ~€3.7 billion derived principally from a more efficient allocation of resources for large-scale investments in vehicle platforms, powertrain and technology and from the enhanced purchasing capability inherent in the combined group's new scale. FCA will pay a special dividend prior to the merger, and EXOR will receive ~€1.5 billion, which we expect management to intelligently allocate at the holding company level. Earlier in the year, the company also announced its plan to split its underlying holding CNH

Industrial by spinning out the non-core commercial vehicle business, IVECO, from the core agriculture equipment business, Case New Holland. This move should allow the market to more accurately value both businesses going forward. EXOR management has multiple levers to pull to continually grow and recognize value, and the company remains attractively discounted with significant upside today.

General Electric (53%, 3.02%, 25%, 1.53%), the Aviation, Healthcare and Power business, was the top contributor in the fourth quarter and among the top three for the year, after having been the Fund's largest detractor in the third quarter and for the full year in 2018. Last quarter, the stock was overly punished after fraud investigator Harry Markopolos, working together with an undisclosed short seller, released a report alleging the company was concealing financial problems. GE management quickly dispelled the report as being flawed and outdated, and CEO Larry Culp and several other directors took advantage of the depressed share price to buy several million dollars' worth of shares personally. Once it became clear that the report was inaccurate and brought no new information to light, the share price rebounded to finally begin to reflect the strength of the business and the progress made over the course of the year. GE announced the sale of its biopharmaceuticals unit to Danaher for $21.4 billion. GE's remaining Healthcare businesses (primarily imaging and ultrasound equipment and services) have increased revenues moderately and margins significantly this year. Aviation grew a strong 8% in the third quarter due to solid demand for its leading-edge aviation propulsion (LEAP) engines, though this rate will slow in the year ahead as a result of Boeing's 737 Max problems. After several years of challenged results under prior management, Larry Culp's turnaround of GE Power showed major signs of progress this year, as the unit approached breakeven profitability. The company also announced a $1 billion long-term care insurance reserve charge in early November, which was lower than feared and will not pose a threat to its ongoing deleveraging plan. The stock trades at a low multiple of the earnings achievable within the next several years. We believe the world class Aviation and Healthcare businesses alone are conservatively worth over $15 per share, and the rest of the businesses have a meaningfully positive net value and are getting stronger under Culp's leadership.

Melco International (39%, 3.07%, 18%, 1.23%), the Asian casino and resort holding company, was another top contributor for the year and in the fourth quarter. Melco was the top performer within the Macau gaming sector. Its flagship property, City of Dreams, has been gaining market share in both mass and VIP segments thanks to Morpheus's ramp-up. Melco opened a new premium mass gaming area in October and is in the process of adding more villas, which should further drive mass growth at City of Dreams. We believe Melco will continue to be a beneficiary of the mass gaming growth, driven by growing disposable income per capita in China and the ongoing consumption upgrade that is bringing more overseas travel and infrastructure development. The recent Hong Kong turmoil has not had a significant impact on Macau visitation numbers. 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 used the group's financial strength to repurchase close to 10% of Melco Resort's free float, privatize its Philippine subsidiary at cheap multiples and purchase 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 capex and enabling the company to focus aggressively on increasing shareholder returns. We would encourage you to listen to our podcast interview of Lawrence Ho to learn more about the history of Melco and his outlook for the business and the broader Macau gaming industry at https://southeasternasset.com/podcasts/melco-lawrence-ho-on-geopolitics-volatility-and-opportunity-in-asia/.

LafargeHolcim (39%, 1.68%, 12%, 0.50%), the world's largest cement producer, added to the Fund's strong returns for the quarter and the year. Lafarge benefitted as North American cement pricing grew modestly, while volumes surged 11% in the last quarter. Lafarge's European and Latin American operations also delivered excellent results. 2019 was also a good year for accretive asset sales, and as the year progressed, the market became more comfortable with the prospect of additional sales. Since assuming control two years ago, CEO Jan Jenisch has improved the company's operational and capital allocation discipline. He still has more levers to pull that are not dependent on global macro conditions. Our appraisal of Lafarge's value increased alongside the stock price throughout the year, and we trimmed our position as price appreciated in the first quarter and second half of the year.

United Technologies (UTX) (43%, 1.59%, 10%, 0.41%), the industrial conglomerate scheduled to separate into Otis (elevators), Carrier (climate and fire control) and

Raytheon Technologies (aviation and defense) during the first half of 2020, was a strong contributor to the Fund's quarterly and annual results. Otis grew revenues 4% and profits 6% during its last reported quarter. The turnaround at this business is taking hold. Carrier organic sales declined, but its management took steps towards reducing overhead costs and selling assets. Meanwhile, each of UTX's three Aviation and Defense businesses - Pratt & Whitney, Collins Aerospace and Raytheon - delivered solid results. Our appraisal increased this year, but not as much as the stock's 43% annual performance. We believe the sum-of-the-parts value of the business could be recognized or exceeded within months as the spin offs are completed.

MinebeaMitsumi (46%, 1.60%, 32%, 1.20%), the Japanese manufacturer of high-precision equipment and components, was among the top contributors for the fourth quarter and the year. The stock declined in the first half due to market concerns over US-China trade friction, a slowdown in the data center industry that negatively impacted its dominant ball bearings business and a decreased earnings forecast in the first half. However, its automotive applications business is benefitting from a structural move into electrification, and monthly ball bearing shipments are back on track since the third quarter. In December, MinebeaMitsumi announced plans to acquire semiconductor business ABLIC at approximately7x EBITDA pre-synergies. We visited MinebeaMitsumi's factories in Cambodia and Thailand in December and had good discussions with CEO Yoshihisa Kainuma on shareholder return and capital allocation. We are confident that Mr. Kainuma will continue to create value for all shareholders, as he has done over the past decade for the company.

CNX Resources (-23%, -0.80%, 22%, 0.99%), the Appalachian natural gas E&P and midstream company, was a strong contributor in the fourth quarter but was the largest detractor from the Fund's annual performance. With gas prices declining over 25% and the industry's capital market access disappearing, 2019 was one of the worst relative and absolute years in the history of the US natural gas industry. Despite the painful losses this year, CNX has outperformed its peers since separating from its coal business two years ago. More importantly, CNX has a manageable balance sheet at a time when numerous gas competitors are struggling with larger on- and off-balance sheet liabilities. CNX's growing FCF coupon will allow the company to retire a majority of its debt in 2022 if necessary, and the company's borrowing base increased this quarter. CNX's 2020 production is over 80% hedged at prices above the current futures strip, which should help the company weather any additional market challenges in the near term. Management remains focused on operational improvements, and CNX recently announced a reduction in next year's capital expenditures and operating expenses to increase cash-flow projections. The company has retired over 7% of shares outstanding this year, a level that is unmatched by its natural gas peers. We believe we have some of the best partners in the industry with CEO Nick Deluliis and Chairman Will Thorndike.

Portfolio Activity

We initiated two new, undisclosed holdings in the fourth quarter. We have followed one of them for over 10 years, as it has undergone a transformation that has both grown its value per share and improved its quality. Currently though, it is in the "rule-out" box discussed above, even though it has best-in-class assets and management. The company is also far more defensive than it is perceived. The other is a company that we already owned in our Non-US strategy, but we were not able to buy as much of as we would have liked so far. Over the course of the year, we trimmed several stronger performers and fully exited Vestas, the global leader in wind turbine installation and servicing, in the fourth quarter after a 28% return in just under two years.

Outlook

The portfolio ended the quarter with a discounted price-to-value ratio (P/V) in the mid-60s% and 13% cash. We were able to purchase two new companies in the fourth quarter, and our on-deck list is longer today than we might have anticipated after the strong global market returns in the year. We began this commentary citing many of the same headwinds you have read from us for a while. The continuation of these headwinds does not mean that these trends will go on forever. Actually, it means that the opposite is more likely; and, we believe that when Mr. Market begins to "weigh" our values more efficiently, our stocks' appreciation will be dramatic. We saw signs beginning in September that things could be starting to come our way. It's hard to call a relative bottom, and it's understandably harder to remain patient after an extended period of relative underperformance. We continue to work to get better each day, while sticking to our core discipline at a time of elevated markets. We were heartened by the strong absolute returns in the fourth quarter and the solid relative results, given our cash holdings and lack of exposure to the largest market favorites. We thank you for your long-term support and patience, which we believe will soon be rewarded.

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

The Longleaf Partners Global Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Investing in non-U.S. securities may entail risk due to non-US economic and political developments, exposure to non-US currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI World Index is a broad-based, unmanaged equity market index designed to measure the equity market performance of 24 developed markets, including the United States. 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.

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

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

A 13D filing is generally required for any beneficial owner of more than 5% of any class of registered equity securities, and who are not able to claim an exemption for more limited filings due to an intent to change or influence control of the issuer.

Capital Expenditure (capex) is the amount spent to acquire or upgrade productive assets in order to increase the capacity or efficiency of a company for more than one accounting period.

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.

A 13D filing is generally required for any beneficial owner of more than 5% of any class of registered equity securities, and who are not able to claim an exemption for more limited filings due to an intent to change or influence control of the issuer.

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

As of December 31, 2019, the top ten holdings for the Longleaf Partners Global Fund: EXOR, 9.0%; CenturyLink, 9.0%; Melco, 7.2%; GE, 7.1%; CK Hutchison, 6.0%; FedEx, 5.4%; CNX Resources, 4.9%.; Fairfax Financial, 4.5%; MinebeaMitsumi, 4.4%; LafargeHolcim, 4.2%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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