Longleaf Partners Funds

Quarterly Summary Report

For the Quarter Ended
December 31, 2020

Longleaf Partners Funds

LLP001149

Longleaf Partners Fund

Longleaf Partners Funds

Summary – December 31, 2020

4Q20
Longleaf Partners Fund

(800) 445-9469 / southeasternasset.com

Longleaf Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $10.5 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our 14-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

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

Fund Profile

Investment Style	US mid-large cap value
Ticker	LLPFX
Inception Date	April 8, 1987
Net Assets	$1.7 billion
Expense Ratio (Gross)	1.00%
Expense Ratio (Net)	0.79%
Turnover (5 yr avg)	25%
Weighted Average Market Cap	$36.7 billion

Holdings(16)

	Activity*	Weight
Lumen		8.3%
MGM Resorts	+	6.2
Mattel	-	6.2
Affiliated Managers Group		6.1
General Electric	-	6.0
CNH Industrial	-	5.6
Douglas Emmett	NEW	5.0
CNX Resources		5.0
LafargeHolcim		4.9
Comcast		4.9
Hyatt		4.9
Fairfax Financial		4.6
CK Hutchison		4.6
DuPont		4.3
FedEx	-	4.2
Williams		3.9
Cash		15.3
Total		100.0%

*Full eliminations include the following positions: No full eliminations in the quarter

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.

LLP001136 expires April 30, 2021

Sector Composition

Industrials	20.4%
Consumer Discretionary	17.3
Communication Services	13.2
Financials	10.7
Materials	9.2
Energy	8.9
Real Estate	5.0
Information Technology	--
Health Care	--
Consumer Staples	--
Utilities	--
Cash	15.3

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
General Electric	3.56%	74%	Lumen	-0.12%	-1%
CNH Industrial	3.24	63	Williams	0.18	4
Mattel	3.15	49	FedEx	0.29	3

Performance at 12/31/2020

	Total Return		Average Annual Return				
	QTR	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
Partners Fund	22.75	10.53	7.74	6.34	4.74	5.70	9.73
S&P 500	12.15	18.40	15.22	13.88	9.88	7.47	10.29

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com.

Before investing in any Longleaf Partners fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current Prospectus and Summary Prospectus, which contain this and other important information, visit southeasternasset.com/account-resources. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS - The Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Mid-cap stocks held may be more volatile than those of larger companies.

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

January 15, 2021

Longleaf Partners Fund Commentary

4Q20

Longleaf Partners Fund added 22.75% in the fourth quarter, almost doubling the S&P 500's impressive 12.15% return. While this quarter's strong performance took the Fund into positive territory in the year and went a long way towards narrowing the relative return gap, the Fund's 10.53% return for the year fell short of the Index's 18.40%. 2020 performance was a tale of two halves, with the first half overwhelmingly driven by COVID-19 fear and stock price volatility. The Fund's relative underperformance in the first half was driven by a lack of Information Technology holdings, along with negative returns at a handful of Industrials and Consumer Discretionary businesses we owned that were adversely impacted by COVID. The Fund's strong outperformance in the second half was driven by a meaningful rebound in these same two sectors, particularly from outstanding performance at FedEx, General Electric (GE), Mattel, CNH Industrial and Hyatt Hotels. Almost every company in the portfolio was positive in 4Q, with three-quarters producing double-digit returns. For the full year, the lack of Info Tech and average 15% cash weighting more than accounted for the Fund's relative underperformance. The quick rally in the second half resulted in elevated cash, as we

Average Annual Total Returns for the Longleaf Partners Fund (12/31/20): Since Inception (4/8/87): 9.73%, Ten Year: 6.34%, Five Year: 7.74%, One Year: 10.53%. Average Annual Total Returns for the S&P 500 (12/31/20): Since Inception (4/8/87): 10.29%, Ten Year: 13.88%, Five Year: 15.22%, One Year: 18.40%. Average Annual Total Returns for the Russell 1000 Value (12/31/20): Since Inception (4/8/87): 9.68%, Ten Year: 10.50%, Five Year: 9.73%, One Year: 2.80%.

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

trimmed or sold top performers and had fewer new opportunities that qualified from a price perspective. Underperforming for what we do not own is frustrating, but we are confident that not looking like the index can drive strong, differentiated outperformance over the long run.

2020: A Year in Review

2020 has been a hard year that humanity would like to forget for a lot of reasons. From a stock market perspective, the first two months of the year felt like a continuation of the last decade+ of momentum-driven index returns in most global markets (with the notable exception of Asia, which was hit by COVID-19 at the start of the year). The historically-sudden market panic that unfolded across global markets in March happened so quickly, and the Fed and Treasury stepped in so fast, that reality never really sank in for a lot of investors in the stock and bond markets. This initial freeze might be best measured by a surprising lack of large exchange-traded fund (ETF) outflows in March and April, when there were actually billions of inflows that didn't look all that different than the average month over the last several years. After the initial market panic subsided and most people found themselves working from home with a lot more time on their hands, the rest of the year saw momentum-chasing reach a whole new level, with what had been going up pre-March soaring to new heights. November 2020 saw the most US equity ETF inflows for any month over the last 10 years.

In our first quarter letter in April, we sounded a note of relative optimism with our view that the 1Q extremes would not last forever and that we could expect the market to begin discounting a more "normal" world by year-end. Yet markets turned much more quickly than we would have anticipated. As the year has gone on, we have witnessed and written extensively about the top-heavy S&P 500, the market's lust for quality at any price driven by the "20/20 Club" of market favorites with 20%+ return on equity (ROE) and 20x+ price-to-earnings (P/E) ratios, SPACs (special purpose acquisition corporations), IPOs (initial public offerings) and even bitcoin (you know things are rolling when bitcoin gets into the conversation!). They are all materially higher now than when we first mentioned them in our 2Q and 3Q letters. This news might be discouraging in the short term, but we believe it is great for our prospective returns, especially on a relative basis, as we wrote in our "Why We Believe Value Will Work Again" piece in December. Here's an update on the most important table in the piece, which highlights that we could see meaningful outperformance if we simply adjust 2022 P/E multiples to slightly more normal levels:

Implied Returns Based on Various P/E Assumptions

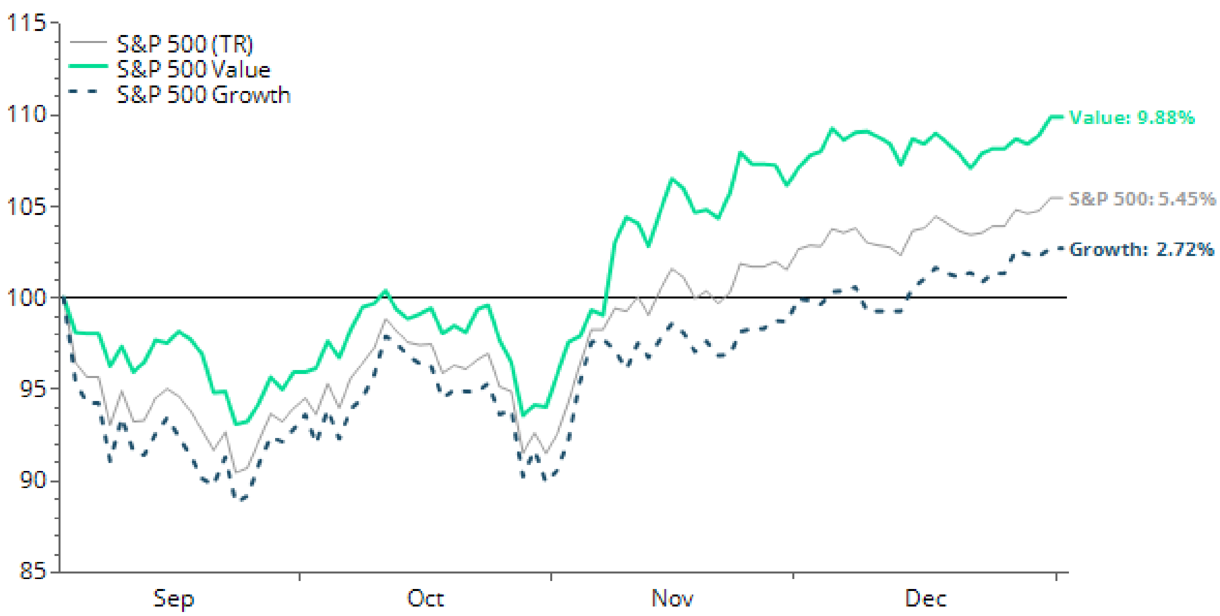
	2022 P/E		P/E Change	Performance from P/E Change
	Current	Assumption		
S&P 500	19.7	16.7	-3.0	-15%
S&P 500 Top 5 + Tesla	30.9	20.0	-10.9	-35%
20/20 Club	28.1	20.0	-8.1	-29%
Longleaf Partners Fund	11.7	14.3	+2.6	+22%

Source: FactSet. Actual investment results and performance are not guaranteed

The market might already be turning towards value, as we noted in the piece and as shown in the chart below:

Performance Since Market Peak

9/2/2020 to 12/31/2020



Source: FactSet

One thing that we would like to stress in anticipation of questions about this piece and the implied returns table in particular is that paying a low multiple does not automatically mean that you are buying something “low quality.” Nor is paying a low multiple a relic of the time before computers, and now all the advantage from this "strategy" has been competed away. There was plenty of computer-driven stock screening and trading in 2000 and even in 1987. We believe that paying a low multiple can actually be a great thing both qualitatively and quantitatively, as it means that you are getting a free shot at a brighter future than the market expects. Said another way, it lowers the bar for upside surprises that are hard to put into a spreadsheet. Look back to the 2010s, when we were able to buy at a discount great businesses like Colgate, Abbott Laboratories and McDonalds that are now once again consensus great. We have to try hard to remember how existential the market hate for those companies felt back then. The key when paying a low multiple is to pick a business with improving cash production over the long run and great partners allocating large amounts of free cash flow (FCF) from a position of balance sheet strength. We don't need the FCF to be clearly reported today, either, as we are more than willing to invest in IT companies that are investing today through the income and cash flow statements to drive growth for tomorrow, as we did when we bought Alphabet when it traded temporarily at a deep enough discount in 2015. But price matters greatly, and the revenue multiples for many IT favorites today are off the charts vs. the past. Conversely, we don't care about a big, readily-apparent FCF coupon today if it will be materially lower in the years to come. In the rare instances in the portfolio where there is "melting ice cube" risk like this, our management partners (helped along by our engagement) are making the right moves to allocate capital intelligently to lead to higher consolidated FCF/share in the years to come.

COVID taught us all many lessons. We admit that we may have been too complacent in the face of pandemic risk early on, as our insight from our team in Asia (where the virus has largely been successfully mitigated, in contrast to most other countries around the world) and our collective experience with SARS (which was an opportunity for our International Fund), Bird Flu (which we studied extensively when we owned Yum Brands and Yum China, held in the Longleaf Partners International Fund and the Longleaf Partners Global Fund) and Ebola (which impacted Vivendi's African operations) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and adjust the portfolio accordingly.

In the first half, we sold our worst performer, Park Hotels, whose long-term appraisal value was permanently impaired in the face of COVID, and CK Asset, to focus on more compelling opportunities within the US. We upgraded the portfolio with new positions in Hyatt Hotels and DuPont, which both went on to be top contributors for the year, and added to several existing companies whose share prices were negatively impacted in the short term, including GE, FedEx, AMG, Williams, LafargeHolcim, Carrier and Fairfax. These companies all rebounded meaningfully in the second half and offer significant further upside from here. We also held onto some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far, with Mattel and CNH Industrial both among top performers for the year after returning over 80% each in the second half, compared to Lumen and CK Hutchison, which had muted second half returns and remain top detractors for the year. The very encouraging news is that both are making moves that are within their control to get us paid sooner rather than later, and we discuss both in more detail below. While the portfolio decisions discussed above impacted absolute and relative performance in the short term, we believe they have positioned us for stronger performance in the years ahead.

New Risks

There are at least three areas like pandemic risk where the market has gotten more complacent, but hopefully we have not: inflation, regulation and taxes. The first order answer to inflation is what you would remember from Berkshire's annual letters in the '70s & '80s – own great businesses with pricing power. We own a lot of those, but many investors riding "compounders" into the 25x+ P/E zone own great businesses too. The problem for those overvalued compounders is that a higher nominal discount rate can drive down multiples much more dramatically for these highflyers than for our investments that were already out of favor - e.g. the mid-high single-digit market P/E of 1982 as an extreme case that was hard for any company to escape. We already own a lot of single-digit and low double-digit P/Es that will grow their earnings in this world, but it's a long way down to a more reasonable 20x (or lower) multiple for the 20/20 Club. On the flip side, for the value investors who own banks (which have been strong performers in 4Q 2020 on hopes for higher interest rates increasing near term earnings per share (EPS)), there could be pain to come. Inflation is historically much kinder to borrowers than lenders, and most banks are largely a bunch of illiquid loans set against more liquid (and less differentiated than ever, thanks to technology) deposits.

Regulation is also like inflation in that a lot of market participants today weren't around when it mattered more. There's always the comeback – "look at how well Standard Oil & AT&T's descendants performed after their forced breakups." We don't dispute their subsequent performance, but both benefitted from more focus at their descendants leading to cost cuts and capital efficiency, plus they both rode respective waves of cars leading to increased oil demand and the still-growing demand for information helping all things telecom. It's also important that the descendants of these two megas weren't actually hit with major new regulations themselves post-breakup. So we would caution big tech, big healthcare and big bank bulls that if actual global bipartisan guns are turned on them as they continue to be broadly unpopular while also already being highly profitable, their next 10+ years could look more like those of IBM's after the '70s, Microsoft's after the '90s or, taking it further back, utilities' after the '20s and railroads' until deregulation in the 1980s. Additionally, emboldened regulators might still have some unfinished business from the Global Financial Crisis to make sure that big financial entities don't get too big to fail again. This can't be good for the profits of certain large companies, or maybe even for the whole concept of indexing, which comprises over 50% of most global markets when measured to include ETF's and "closet indexers," or so-called active managers with an active share of < 75%.

Tax rates have been declining in most countries for decades. While we missed owning many of the biggest winners from the Trump era tax cuts, corporate tax rates are not a lock to go higher this year or next. However, the US political landscape does look different in the wake of the election, and there is a lot more government revenue needed in the long run to pay the bill for the war on COVID. It increasingly feels like some investors view ETFs as a magical, no-tax alternative to mutual fund annual tax distributions. But there is no such thing as a (tax)-free lunch. A great article in Tax Notes last year titled the phenomenon well: "ETFs as Tax Dialysis Machines". You can't successfully only hold your winners and only sell your losers forever, even if watering the flowers instead of the weeds is a sound strategy if you trim the flowers when the time is right. With passive becoming a bigger part of the market, loopholes (does anyone really think that "creation and redemption baskets" are safe from the IRS forever?) that have benefitted ETFs will not stand forever, and if investors do ever rush for the ETF exits (again, March 2020 was too shockingly quick to really make this happen in a big way), things could get ugly on this front.

Contributors/Detractors

(2020 Investment return, 2020 Fund contribution; Q4 Investment return, Q4 Fund contribution)

FedEx (76%, 3.69%; 3%, 0.29%), the global logistics company, was the top contributor in 2020 after an outstanding year for the business that wasn't simply the result of COVID, even if the company has been a strong beneficiary of the rapid societal changes driven by it. The share price returned over 85% in the last six months. Over the last quarter, Ground revenues increased 38%, while operating income grew 61%, despite another round of heavy investments weighing down margins temporarily into the single-digits. The company is indispensable for the United States' e-commerce deliveries and is reaping the rewards of its investments in previous years to gear up for 7-day delivery. The Express segment is still benefitting from fewer passenger flights diminishing competing underbelly capacity. Despite the sharp appreciation, the stock trades at a reasonable mid-teens P/E multiple on forward earnings, and we expect the value to grow double-digits annually from here. FedEx has done its part to give back this year in the face of COVID. Since the onset of the pandemic, FedEx has delivered more than 55 kilotons of personal protective equipment, including more than two billion face masks, and more than 9,600 humanitarian aid shipments around the globe. More recently, FedEx was tapped to deliver the first wave of Pfizer-BioNTech vaccines across the US, and its infrastructure will be critical to successfully disseminating the vaccines.

Carrier (101%, 3.25%; --, --), the heating, ventilation and air conditioning (HVAC) and security company, was also a top performer for the year. We received shares at the end of March with Carrier's spinoff from our long-time United Technologies holding, and bought more in April as it traded at less than half of our appraisal and a 7x trailing P/E against similar competitors that were trading at 13-17x. After the business rebounded faster than expected, we exited the position in July.

DuPont de Nemours (58%, 2.72%; 29%, 1.14%), the industrial conglomerate, was another top contributor after we initiated a position in the company for the third time in our history in February. The share price rebounded quickly, and it was a top contributor in 2Q. The company will soon close a value accretive merger between its

Nutrition business and International Flavors & Fragrances that will then lead to an intelligently-structured split-off. The Safety & Construction and Transportation & Industrial segments partially rebounded due to their strength in personal protective equipment (PPE) and global auto builds, respectively. Electronics & Imaging grew revenues 8% during the last quarter due to its exposure to semiconductors and 5G chips. Despite the industrial recession, CEO Ed Breen made excellent decisions to grow the value this year and improved both capital allocation and operations. Through its TyvekTogether program, DuPont partnered with multiple companies to produce and donate protective gowns for healthcare workers in the fight against COVID.

Hyatt Hotels (35%, 2.11%; 39%, 1.74%), the global hotel company, was another top performer for the year, even as system-wide revenue per available room (REVPAR) was down 70% year-over-year in the face of COVID. The company is well positioned to weather the storm, with over three years of liquidity at the current rate of intra-pandemic cash burn. We expect the business to return to profitability in 2021 as vaccines help drive a recovery in global travel. Hyatt's global number of rooms increased by a net 4% this year, and 2021 and '22 should see even stronger growth with a strong pipeline of ongoing construction. When the transaction market for hotels recovers, Hyatt plans to resume selling over $1 billion of its owned properties. The company's value primarily comes from its franchise fee revenues, a less cyclical and high-margin annuity on the long-term growth in global luxury travel. CEO Mark Hoplamazian and the management team performed admirably this year to navigate the industry's extraordinary challenges.

MGM Resorts (54%, 2.10%; 46%, 2.32%), the casino and online gaming company, quickly became a top contributor for the year after we initiated the position in the third quarter. 3Q EBITDA came in moderately above breakeven, a strong improvement from the COVID lockdown-impacted second quarter. MGM's regional casinos performed very well, while flight restrictions caused its Las Vegas properties to lag. More importantly, CEO William Hornbuckle finished implementing $450 million of necessary recurring annual cost savings, which should result in a 15% increase in pretax earnings once post-vaccine leisure travel resumes and MGM revenues normalize. The stock remains cheap against this post-reopening earnings power. BetMGM, the company's new online gaming and sports-betting app, is on track for over $150 million revenues this year and growing very quickly in a market with enormous potential. Comparable pure-play digital gaming businesses trade for extremely high multiples today, and BetMGM has a sustainably superior economic model due to its lower customer acquisition costs.

Mattel (29%, 2.04%; 49%, 3.15%), the global toy and media company, was also a top performer for the year as well as for the quarter. The company's third quarter was excellent across the board. Barbie's resurgence continued with 30% growth, leading consolidated Mattel revenues up 10%. Gross margins expanded by 400 basis points, and the quarter's EBITDA came in remarkably high at $470 million (for an $8.6 billion EV company), partially due to shifting advertising spending back towards the end of the year. Mattel typically earns all its annual profit during the fourth quarter holiday rush, and we expect another excellent sequential performance to result in over $100 million FCF for the year. CEO Ynon Kreiz has delivered extraordinary improvements to revenues, expenses and culture since he took over in 2018. This year the company reacted to store closures in March with a successful quick pivot towards e-commerce sales. Mattel has also continued to build out its intellectual property assets with 10 feature films under development, as well as over 25 TV projects and video games. These high-margin projects have not yet begun to boost the company's financial results and should prove transformative over the next several years. In the COVID environment, Mattel worked to manufacture PPE for donation to medical professionals and launched a "Thank You Heroes" collection with all net proceeds being donated to First Responders First. The company gave grants to Feed the Children and Save the Children and donated art supplies, games and toys to students in need.

General Electric (GE) (-2%, 0.17%; 74%, 3.56%), the Aviation, Healthcare and Power conglomerate, was the top contributor in the fourth quarter, taking its YTD performance into slightly positive territory after a very difficult first half. The company's crown jewel Aviation business sells and maintains commercial and military jet engines. With air travel frozen, this year's second quarter was its worst in over a century of operating history with a $680 million operating loss. 3Q revenues improved sequentially as some flights resumed but still declined 39% year-over-year. Yet GE Aviation earned a remarkable $356 million in the third quarter due to extreme cost discipline. With fewer expenses, the same world-class competitive position and favorable long-term air-travel growth prospects, Aviation should keep improving incrementally with the potential to emerge stronger than ever within several years. GE

Healthcare revenues, excluding non-recurring ventilator sales for COVID treatment, also improved 3% year-over-year in an encouraging performance. GE also took steps to give back in 2020 by working to help develop thousands of ventilators to aid coronavirus patients. The stock has roughly doubled from its March low as business results improved, in large part due to CEO Larry Culp's excellent management. Please stay tuned for the next episode of the Price-to-Value Podcast in which Vice-Chairman Staley Cates interviews Larry Culp on Lean manufacturing, GE's culture, navigating COVID and his outlook for the business. The episode will air in January and will be available on our website at https://southeasternasset.com/podcasts/, as well as all major podcast streaming platforms.

CNH Industrial (CNH) (15%, 0.76%; 63%, 3.24%), one of the world's largest agriculture machinery manufacturers, was another top contributor for the quarter, taking it into positive territory for the year. CNH started off the year with the worse-than-expected first quarter results caused by COVID-related demand disruption and production shutdowns starting in March. Margins across all segments were down primarily due to operating deleverage and cash flows deteriorating as sales and EBITDA collapsed, exacerbating the working capital drain. However, CNH showed strong sequential improvements, posting strong 2Q and 3Q results which far exceeded market consensus and management's initial conservative outlook. During the last quarter, industrial sales grew 4% year-over-year, compared to the market expectation of a 15% decline. The Agricultural Equipment business, which represents the majority of our appraisal value, showed its resiliency by posting a constant currency growth of 14% year-over-year. Despite the initial concerns on inventory buildup, CNH made significant progress by lowering its channel inventory by 35% in the quarter. Additionally, the order book grew double-digits, ending the year in a position of strength. Free cash flow has improved significantly from US$-1.5 billion in 1Q to US$1 billion in 3Q, driven by end market demand recovery, working capital reduction and prudent cash preservation measures. The company recently issued notes at very favorable rates, ensuring it has ample liquidity. We welcome the appointment of Scott Wine as CEO. He joins from Polaris, where he had a strong track record of compounding shareholder returns and encouraging employee ownership. CNH publicly reiterated Wine's commitment to delivering on the previously-announced split of the business into a pureplay Ag/Construction company and a commercial vehicle/powertrain company.

Park Hotels and Resorts (-69%, -3.72%; --, --), an owner of large convention and resort properties, was the top detractor for the year. Park saw its occupancy levels hit unprecedented lows in 1Q due to travel reduction and conference cancellations as a result of COVID. We sold the company in late 1Q, early 2Q, as our long-term appraisal for the business was permanently impaired. Park Hotels' 100%-owned model, as well as its focus on conferences and group meetings and trophy assets in hard-hit Hawaii, which we had viewed to be key competitive advantages within our original case, became extra-difficult places to be in the current environment. We sold the company and effectively swapped into Hyatt's better mix of fees and trophy owned assets. The majority of Hyatt's value comes from capital-light franchise fees, which require fewer expenses to maintain, particularly during this year of industry crisis. We preferred the stability and balance sheet strength of Hyatt to Park at the height of the COVID uncertainty. Both Hyatt's business and stock price have performed well since we made this swap.

Lumen (-19%, -2.71%; -1%, -0.12%), the fiber telecom company formerly named CenturyLink, was a top detractor for the year and the only (slight) detractor in the fourth quarter. During the last quarter, Enterprise fiber revenues grew 0.8% year-over-year, International and Global declined 2.6% and Small and Medium Business (SMB) shrunk 5.8% due to COVID repercussions. Yet margins slightly increased due to the strong cost controls of CEO Jeff Storey and CFO Neel Dev. Despite significant deleveraging over the last two years and multiple debt issuances this year at low to mid-single digit interest rates, the stock trades at an incredibly low multiple of <5x FCF. We believe Lumen can grow by continuing to invest into fiber, which should outweigh its declining legacy copper landline business. Numerous recent large transactions for fiber peers at double-digit EBITDA multiples and landline peers at mid-single digit EBITDA multiples also suggest that Lumen could monetize several of its segments at good prices well beyond its total market capitalization today. We have stepped up our engagement with the company and signed a non-disclosure agreement (NDA) last month, so unfortunately we cannot say more other than "stay tuned."

CK Hutchison (-23%, -2.23%; 15%, 0.77%), a conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, was also a detractor. The company's Oil and Retail businesses were severely impacted by COVID in the first half of the year. Taking advantage of the tough environment, management merged oil business Husky Energy with Cenovus Energy to create a new integrated Canadian oil and natural gas company with tremendous synergies. Within Retail, Watson stores have seen traffic recovery after cities unlocked, and profits are expected to grow year-over-year in the second half. While global Port total volume declined in 2020, CK Hutchison's ports outperformed relative to its peers, given its hub locations in Europe and Asia. The Telecom division is the least impacted in the current environment, as lockdowns and work from home have resulted in improvement in business volume and asset utilization. In November, the company reached an agreement with Cellnex to sell its telecom tower assets for €10 billion, well above our expectation and nearly half of CK Hutchison's market cap. The deal would materially strengthen CK Hutchison's balance sheet by reducing net debt. We are greatly encouraged that the board stated its plans to allocate a portion of the proceeds to share buybacks, which would increase the value per share for all shareholders. In another potentially value-accretive market consolidation opportunity, CK Hutchison entered into a Memorandum of Understanding in December to discuss merging its telecom business in Indonesia with Indosat.

Raytheon Technologies (-32%, -1.95%; --, --), the commercial aerospace business that spun out of United Technologies, detracted for the year. We exited the name in the second quarter after it was spun out from UTX, as we believed that the aerospace business was changed for the worse and we already had a superior business in that industry at GE (which went onto be a stronger subsequent performer in the second half of the year). The now more important defense business was not one we were as comfortable with for multiple reasons – especially given social concerns around the missile business and some of its key customers. Additionally, we felt the solid management team did not have enough ways to go on offense.

Portfolio Activity

Our on-deck list peaked (and cash troughed) this year at the end of 1Q, when we were finding more new investment opportunities than cash available in the portfolio. While the research team has been busy poring over multiple new ideas this year, the on-deck list of qualifying investments shrunk as stock prices rallied across the board. We were fortunate to buy two companies in the second half of the year that we had followed for a long time and were really the only two close things on our wish list. We began buying MGM Resorts in 3Q and continued to build the position in the fourth quarter. We had followed the company for a long time as a general company of interest and as a competitor to Wynn Resorts, much like how we followed McDonald's when we owned YUM! Brands. We saw multiple positive changes on the people front at MGM this year after a CEO change and Barry Diller joining the board. Online gaming is now a large, hidden but growing asset for the company, and management is making additional moves to unlock value and improve the balance sheet, including monetizing the company's real estate. However, this progress is obscured by a double whammy of COVID and confusing accounting, giving us an opportunity to buy shares at a large discount to our estimate of value. Our other new holding is Douglas Emmett (DEI). We first heard about the company in 2011 when, on a visit to a different prospective investee, we asked one of our favorite questions about what they'd invest in other than their own company if price didn't matter. The executive lit up talking about DEI's unique dominance in the advantaged West Los Angeles real estate market. As we followed the company over the subsequent years, we developed an increased appreciation for CEO Jordan Kaplan's focus on value creation and DEI's assets that successfully made it through various cycles. When COVID spawned many hot takes on the death of the office pre-vaccine, we were able to buy a position in the fourth quarter at a price that would have been impossible to pay in the private markets. We ended the year with 15% cash, which we view as dry powder that will allow us to act quickly as new investments qualify.

Southeastern Updates

We have focused on safety for our employees and communities while adapting to the new way of getting work done from home in 2020. We will likely all be together again in the office at some point in 2021, but longer term we will also embrace a more flexible work setup. From a research perspective, our global network built over the last 45+ years was a distinct competitive advantage this year, as travel and in-person meetings quickly ceased in March. We have a well-established dialogue with our existing investee management teams, as well as with those at many competitors to our portfolio holdings and new potential investment opportunities that we reviewed in the year. Past investees and current clients have also helped our research in many ways. We have been able to maintain our constructively engaged approach without disruption and, in many cases, deepened these relationships and expanded our topics of engagement throughout the year.

Environmental, social and governance (ESG) factors have always been important to us - both as we assess our “Business, People, Price” criteria for any new investments and as we review our businesses and engage with management teams for our existing holdings. In the last year, we have taken steps to formalize our approach to how we incorporate ESG into our investment process. We established an ESG team, with representation from the Research and Client Relations and Communications teams, which reports directly to CEO and Head of Research Ross Glotzbach. While each research analyst is ultimately responsible for each name under coverage, the ESG team is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. We have formally incorporated a section on ESG analysis into our research reports. This analysis details how the company rates on ESG factors, including how the reality compares to the market’s perception of these issues, as well as areas where we might seek to engage with management to improve the company’s footprint. We recently signed on MSCI ESG Rating as a third party data provider to help quantify ESG-specific metrics. We have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture, but just like our long history of proxy voting where we review ISS recommendations but make our own decision, we will never outsource something this important. At the start of the year, we became signatories to the United Nations-supported Principles for Responsible Investing (UNPRI), as well as to Climate Action 100+ (CA100), an investor-led initiative that is supported by PRI and is focused on actively engaging with management teams that are in a position to help drive long-term, global progress in the fight against climate change. We are specifically engaging with GE through CA100 and have had several productive discussions with the company, as well as our fellow CA100 signatories, and we were pleased to see GE’s recent commitment to carbon neutrality by 2030. We have also been heartened to see the steps that our companies across all our portfolios are taking to give back and support the fight against COVID - whether through producing PPE for healthcare workers, supporting their own employees through enhanced safety plans to ensure critical services continue uninterrupted and/or raising and donating funds to local food banks and other charities that directly support the most vulnerable community members.

In 3Q, we seeded a new European investment strategy with internal capital to address the growing opportunity in Europe to engage with companies and key stakeholders to enhance and realize value. Josh Shores and John Woodman are Co-Portfolio Managers of the strategy, and we anticipate that the strategy will, over time, expand the opportunity set for our Non-US and Global strategies and deepen our global network, which supports all our investment mandates.

Finally, Andy McCarroll (General Counsel, at Southeastern since 1998) and Gwin Myerberg (Global Head of Client Relations and Communications, at Southeastern since 2008) joined Southeastern's Board of Directors. The Board supports Ross Glotzbach in his role as CEO and works closely with department heads to coordinate management functions across all key areas of the organization, to set the strategy and goals for the firm and to ensure we always stick to the guiding principles that define our unique culture. We are excited to add Andy's and Gwin's experience and insight to this important role.

Outlook

What a year. We're all tired of the same clichés by now so will wrap it up. We believe we own great individual investments that combine to create a portfolio that looks dramatically different than the index. It's time for that to work, not because we are owed anything, but because of simple math and an increasing lack of competition doing sensible things that have worked for most decades of recorded history, but have never felt harder to do after a year like this on top of a rough 10+ years before. We will continue to treat your capital as if it were our own and to stick to our time-tested investment discipline, even when it feels difficult to do so. We thank you for your partnership and are looking forward to 2021.

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 Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Mid-cap stocks held by the Fund may be more volatile than those of larger companies.

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

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

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

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

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

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

As of December 31, 2020, the top ten holdings for the Longleaf Partners Fund: Lumen, 8.3%; MGM Resorts, 6.2%, Mattel, 6.2%; Affiliated Managers Group, 6.1%; General Electric Company, 6.0%; CNH Industrial, 5.6%; Douglas Emmett, 5.0%; CNX Resources, 5.0%; LafargeHolcim, 4.9%; Comcast, 4.9%. 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.

Funds distributed by ALPS Distributors, Inc.
LLP001138
Expires 4/30/2021

Longleaf Partners Small-Cap Fund

Longleaf Partners Funds

Summary - December 31, 2020

4Q20

Longleaf Partners Small-Cap Fund

(800) 445-9469 / southeasternasset.com

Longleaf Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $10.5 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our 14-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

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

Fund Profile

Investment Style	US small-cap value
Ticker	LLSCX
Inception Date	February 21, 1989
Net Assets	$1.8 billion
Expense Ratio (Net)	0.93%
Turnover (5 yr avg)	29%
Weighted Average Market Cap	$5.2 billion

Holdings(14)

	Activity*	Weight
Lumen		10.7%
Eastman Kodak		10.4
CNX Resources		7.5
Empire State Realty		6.6
Mattel	-	6.2
Realogy	-	6.1
Hyatt		4.9
Lazard	-	4.9
LANXESS	-	4.9
Graham Holdings		4.8
Everest Re	+	4.2
PotlatchDeltic	-	3.7
Liberty Braves Group	+	3.5
Formula One Group		1.2
Cash		20.4
Total		100.0%

*Full eliminations include the following positions: Summit Materials and Univar Solutions

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.

Sector Composition

Real Estate	16.4%
Consumer Discretionary	15.9
Communication Services	15.4
Information Technology	10.4
Financials	9.1
Energy	7.5
Materials	4.9
Health Care	--
Industrials	--
Consumer Staples	--
Utilities	--
Cash	20.4

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
Mattel	3.22%	49%	Lumen	-0.19%	-1%
Empire State Realty	2.32	52	Summit Materials	0.07	24
Realogy	1.83	39	Univar Solutions	0.33	9

Performance at 12/31/2020

	Total Return		Average Annual Return				
	QTR	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
Small-Cap Fund	17.56	4.14	8.87	10.19	8.5	9.65	10.46
Russell 2000	31.37	19.96	13.26	11.20	8.91	8.74	9.84

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com.

Before investing in any Longleaf Partners fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current Prospectus and Summary Prospectus, which contain this and other important information, visit southeasternasset.com/account-resources. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS - The Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. 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.

January 15, 2021

Longleaf Partners Small-Cap Fund Commentary

4Q20

Longleaf Partners Small-Cap Fund added 17.56% in the fourth quarter relative to the Russell 2000, which returned 31.37%. This quarter's absolute results took year to date performance into positive territory, yet the Fund's 4.14% return underperformed the Index's 19.96% for the year. 2020 performance was a tale of two halves, with the Fund underperforming in the first half, overwhelmingly driven by COVID-19 fear and stock price volatility, and outperforming in the second half (even taking into account 4Q's relative shortfall), as many top first half detractors rebounded significantly. In the first six months of the year, we sold six companies where both long-term business quality and management's ability to go on offense were meaningfully impaired by COVID. The losses in these companies that we sold accounted for the majority of the relative performance gap for the year, but the six new, high-quality businesses that we bought have already been meaningful positive contributors in aggregate. We did not hold the biotech companies that dominated the index's returns in 4Q and 2020 at 31% & 49%, and cash plus our largest holding Lumen weighed further on relative performance. Almost every company in the portfolio was positive in 4Q, with three-quarters of our holdings producing double-digit returns. The quick rally in the second half resulted in

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Average Annual Total Returns for the Longleaf Partners Small-Cap Fund (12/31/20): Since Inception (2/21/89): 10.46%, Ten Year: 10.19%, Five Year: 8.87%, One Year: 4.14%. Average Annual Total Returns for the Russell 2000 (12/31/20): Since Inception (2/21/89): 9.84%, Ten Year: 11.20%, Five Year: 13.26%, One Year: 19.96 %. Average Annual Total Returns for the Russell 2000 Value (12/31/20): Since Inception (2/21/89): 10.15%, Ten Year: 8.66%, Five Year: 9.65%, One Year: 4.63%.

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, 2020, the total expense ratios for the Longleaf Partners Small-Cap Fund is 0.93%.***

elevated cash, as we trimmed or sold top performers and had fewer new opportunities that qualified from a price perspective. Underperforming due to what we do not own is frustrating, but we are confident that not looking like the index can drive strong, differentiated outperformance over the long run.

2020: A Year in Review

2020 has been a hard year that humanity would like to forget for a lot of reasons. From a stock market perspective, the first two months of the year felt like a continuation of the last decade+ of momentum-driven index returns in most global markets (with the notable exception of Asia, which was hit by COVID-19 at the start of the year). The historically-sudden market panic that unfolded across global markets in March happened so quickly, and the Fed and Treasury stepped in so fast, that reality never really sank in for a lot of investors in the stock and bond markets. This initial freeze might be best measured by a surprising lack of large exchange-traded fund (ETF) outflows in March and April, when there were actually billions of inflows that didn't look all that different than the average month over the last several years. After the initial market panic subsided and most people found themselves working from home with a lot more time on their hands, the rest of the year saw momentum-chasing reach a whole new level, with what had been going up pre-March soaring to new heights. November 2020 saw the most US equity ETF inflows for any month over the last 10 years.

In our first quarter letter in April, we sounded a note of relative optimism with our view that the 1Q extremes would not last forever and that we could expect the market to begin discounting a more "normal" world by year-end. Yet markets turned much more quickly than we would have anticipated. As the year has gone on, we have witnessed and written extensively about the speculative Info Tech and Healthcare sectors, the market's lust for quality at any price, SPACs (special purpose acquisition corporations), IPOs (initial public offerings) and even bitcoin (you know things are rolling when bitcoin gets into the conversation!). They are all materially higher now than when we first mentioned them in our 2Q and 3Q letters. This news might be discouraging in the short term, but we believe it is great for our prospective returns, especially on a relative basis, as we wrote in our "Why We Believe Value Will Work Again" piece in December. While "WWB" focused on US large cap, we include below an update on the most important table in the piece (with comparable US small cap data), which highlights that we could see meaningful outperformance if we simply adjust 2022 P/E (price to earnings) multiples to slightly more normal levels:

Implied Returns Based on Various P/E Assumptions

	2022 P/E		P/E Change	Performance from P/E Change
	Current	Assumption		
Russell 2000	17.1	16.7	-0.4	-2%
Russell 2000 Growth	22.4	20.0	-3.4	-14%
Russell 2000 Value	13.7	14.3	+0.6	+4%
Longleaf Partners Small-Cap Fund*	11.4	14.3	+2.9	+25%

Actual investment results and performance are not guaranteed
*Used Price to Adjusted Funds from Operations, a financial measure that adjusts Funds From Operations (FFO) to deduct normalized recurring expenditures and to use straight-lining of rents

One thing that we would like to stress in anticipation of questions about this piece and the implied returns table in particular is that paying a low multiple does not automatically mean that you are buying something "low quality." Nor is paying a low multiple a relic of the time before computers, and now all the advantage from this "strategy" has been competed away. There was plenty of computer-driven stock screening and trading in 2000 and even in 1987. We believe that paying a low multiple can actually be a great thing both qualitatively and quantitatively, as it means that you are getting a free shot at a brighter future than the market expects. Said another way, it lowers the bar for upside surprises that are hard to put into a spreadsheet. Look back to the 2010s, when we were able to buy at a discount great businesses like Dreamworks, Texas Industries and GCI Liberty (which we sold in July at an 81% gain in only two years) that are now once again consensus great. We have to try hard to remember how existential the market hate for those companies felt back then.

The key when paying a low multiple is to pick a business with improving cash production over the long run and great partners allocating large amounts of free cash flow (FCF) from a position of balance sheet strength. We don't need the FCF to be clearly reported today, either, as we are more than willing to invest in IT or Healthcare companies that are investing today through the income and cash flow statements to drive growth for tomorrow. We are also glad to own cyclical companies at the right time in the cycle if their value is growing over the long-term. But price matters greatly, and the revenue multiples for many IT and Healthcare favorites today are off the charts vs. the past. We have also seen many small cap cyclicals bounce back too far in the fourth quarter, even if they still aren't producing much FCF. Conversely, we don't care about a big, readily-apparent FCF coupon today if it will be materially lower in the years to come. In the rare instances in the portfolio where there is "melting ice cube" risk like this, our management partners (helped along by our engagement) are making the right moves to allocate capital intelligently to lead to higher consolidated FCF/share in the years to come. Interestingly, approximately one-third of the stocks in the Russell 2000 have negative estimated earnings per share (EPS) for the next two years, and the extremely hard-to-value biotech companies that have appreciated 50%+ this year make up a large part of this group. While we also own some companies with negative projected 2021 and 2022 earnings, we think it's highly likely they will be FCF positive in the years that follow post-COVID and therefore trade at some of the lowest longer-term P/FCF multiples in our portfolio. Our group of high-quality near-term non-earners also have definable moats that have produced ample FCF previously (unlike the Russell 2000 high-flying non-earners) and management teams that are taking the necessary steps to bring forward value realization.

COVID taught us all many lessons. We admit that we may have been too complacent in the face of pandemic risk early on, as our insight from our team in Asia (where the virus has largely been successfully mitigated, in contrast to most other countries around the world) and our collective experience with SARS (which was an opportunity for our International Fund), Bird Flu (which we studied extensively when we owned Yum Brands in Longleaf Partners Fund and Longleaf Partners International Fund, and Yum China, owned in Longleaf Partners International Fund and Longleaf Partners Global Fund) and Ebola (which impacted Vivendi's African operations, held in Longleaf Partners Fund, Longleaf Partners International Fund and Longleaf Partners Global Fund) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and upgrade the portfolio accordingly.

In the first three quarters, we sold most of our worst performers, whose long-term appraisal values were permanently impaired in the face of COVID: Dillard's, Neiman Marcus, Park Hotels, Enerpac, ViaSat and OCI. We improved the portfolio with new positions in Hyatt Hotels, Lanxess, Univar Solutions and Liberty Braves Group, which went on to be strong contributors for the year. These companies all rebounded meaningfully from our initial purchase and (with the exception of Univar, which we sold) offer significant further upside from here. More recently, we initiated new positions in Summit Materials and Everest Re, both of which we have owned successfully before and know well. We also held on to some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far, with Kodak, Mattel and Realogy among top performers for the year after returning over 80% each in the second half, compared to Lumen, which had muted second half returns and remains a top detractor for the year. The very encouraging news is that Lumen's management team is making moves that are within their control to get us paid sooner rather than later, and we discuss both in more detail below. While the portfolio decisions discussed above impacted absolute and relative performance in the short term, we believe they have positioned us for stronger performance in the years ahead.

New Risks

There are at least three areas like pandemic risk where the market has gotten more complacent, but hopefully we have not: inflation, regulation and taxes. The first order answer to inflation is what you would remember from Berkshire's annual letters in the '70s & '80s – own great businesses with pricing power. We own a lot of those, but many investors riding "compounders" into the 25x+ P/E zone own great businesses too. The problem for those overvalued compounders is that a higher nominal discount rate can drive down multiples much more dramatically for these highflyers than for our investments that were already out of favor - e.g. the mid-high single-digit market P/E of 1982 as an extreme case that was hard for any company to escape. We already own a lot of single-digit and low double-digit P/Es that will grow their earnings in this world, but it's a long way down to a more reasonable 20x (or lower) multiple for the market darlings. On the flip side, for the value investors who own banks (which have been strong performers in 4Q 2020 on hopes for higher interest rates increasing near term EPS), there could be pain to come. Inflation is historically much kinder to borrowers than lenders, and most banks are largely a bunch of illiquid loans set against more liquid (and less differentiated than ever, thanks to technology) deposits.

Regulation is also like inflation in that a lot of market participants today weren't around when it mattered more. There's always the comeback – "look at how well Standard Oil & AT&T's descendants performed after their forced breakups." We don't dispute their subsequent performance, but both benefitted from more focus at their descendants leading to cost cuts and capital efficiency, plus they both rode respective waves of cars leading to increased oil demand and the still-growing demand for information helping all things telecom. It's also important that the descendants of these two megas weren't actually hit with major new regulations themselves post-breakup. So we would caution big tech, big healthcare and big bank bulls that if actual global bipartisan guns are turned on them as they continue to be broadly unpopular while also already being highly profitable, their next 10+ years could look more like those of IBM's after the '70s, Microsoft's after the '90s or, taking it further back, utilities' after the '20s and railroads' until deregulation in the 1980s. Additionally, emboldened regulators might still have some unfinished business from the Global Financial Crisis to make sure that big financial entities don't get too big to fail again. This can't be good for the profits of certain large companies, or maybe even for the whole concept of indexing, which comprises over 50% of most global markets when measured to include ETF's and "closet indexers," or so-called active managers with an active share of <75%.

Tax rates have been declining in most countries for decades. While we missed owning many of the biggest winners from the Trump era tax cuts, corporate tax rates are not a lock to go higher this year or next. However, the US political landscape does look different in the wake of the election, and there is a lot more government revenue needed in the long run to pay the bill for the war on COVID. What we can tell you is that our Fund is positioned tax-advantageously from here. Small-Cap Fund currently has over $250 million of realized tax losses that can be used to offset future realized gains. Of course we are not proud of being in this position, but what matters most for the future will be after-tax returns from here. It increasingly feels like some investors view ETFs as a magical, no-tax alternative to mutual fund annual tax distributions. But there is no such thing as a (tax)-free lunch. A great article in Tax Notes last year titled the phenomenon well: "ETFs as Tax Dialysis Machines". You can't successfully only hold your winners and only sell your losers forever, even if watering the flowers instead of the weeds is a sound strategy if you trim the flowers when the time is right. With passive becoming a bigger part of the market, loopholes (does anyone really think that "creation and redemption baskets" are safe from the IRS forever?) that have benefitted

ETFs will not stand forever, and if investors do ever rush for the ETF exits (again, March 2020 was too shockingly quick to really make this happen in a big way), things could get ugly on this front.

Contributors/Detractors

(2020 Investment return, 2020 Fund contribution; Q4 Investment return, Q4 Fund contribution)

Eastman Kodak (79%, 11.21%; 3%, 0.37%), the global technology company focused on chemicals and print, was by far the largest contributor for the year. Despite the damage from COVID disruptions to its sales pipeline, the company maintained breakeven EBITDA (earnings before interest, tax, depreciation and amortization) and positive FCF in the last quarter with excellent cost control. Revenues improved sequentially with a gradual rebound. CEO Jim Continenza has done incredible work this year to improve the product offerings and return the business towards sustainable profitability. The stock price was extremely volatile this summer in the wake of July's announcement of a potential $765 million US government loan to produce ingredients for a variety of generic drugs. While this government deal may have subsequently gone away, the physical assets, chemistry know-how, history of making ingredients and national need are still in place. Kodak's Licensing business continues to quietly hum along, producing huge margins. As discussed in more detail in our 3Q letter here, we exited our small common stock position the day the deal was announced and then worked with the company to convert our convertible bonds to common shares over the course of the next several days, which we subsequently sold to take advantage of the price appreciation and reduce an outsized position. The conversion price on the bonds was $3.10, and the average realized exit price of those common shares was (roughly) $11. Today the company has very little net debt and untapped revolver capacity. The Fund's remaining exposure is from preferred shares, which represented 10% of the portfolio as of year-end, and Kodak possesses the balance sheet strength to pay them off immediately.

Mattel (29%, 2.50%; 49%, 3.22%), the global toy and media company, was a strong performer for the year and the top contributor in the quarter. The company's third quarter was excellent across the board. Barbie's resurgence continued with 30% growth, leading consolidated Mattel revenues up 10%. Gross margins expanded by

400 basis points, and the quarter's EBITDA came in remarkably high at $470 million (for an $8.6 billion EV company), partially due to shifting advertising spending back towards the end of the year. Mattel typically earns all its annual profit during the fourth quarter holiday rush, and we expect another excellent sequential performance to result in over $100 million FCF for the year. CEO Ynon Kreiz has delivered extraordinary improvements to revenues, expenses and culture since he took over in 2018. This year the company reacted to store closures in March with a successful quick pivot towards e-commerce sales. Mattel has also continued to build out its intellectual property assets with 10 feature films under development, as well as over 25 TV projects and video games. These high-margin projects have not yet begun to boost the company's financial results and should prove transformative over the next several years. In the COVID environment, Mattel worked to manufacture PPE for donation to medical professionals and launched a "Thank You Heroes" collection with all net proceeds being donated to First Responders First. The company gave grants to Feed the Children and Save the Children and donated art supplies, games and toys to students in need.

CNX (22%, 2.22%; 14%, 0.95%), the natural gas company, was a strong contributor for the year, after having been noted in our 2019 year-end letter as a "problem child." The company reported strong free-cash flow and EBITDA growth in the first half. In addition to its positive absolute performance, CNX has been a strong relative contributor versus the S&P 500 for which Energy was by far the worst performing sector in the year. In October, Bloomberg reported that Appalachian neighbor EQT approached CNX with a merger offer. CEO Nick DeIuliis and Chairman Will Thorndike are focused on their company's value per share and will do the right thing for shareholders. CNX has the potential to both pay down debt with its hedged FCF and resume repurchases to grow FCF/share during an extreme energy bear market.

Lanxess (45%, 2.22%; 34%, 1.53%), the German specialty chemical company, was also a top performer in the year. COVID had a large impact on the share price early in the year, but not the ultimate business value. Management took advantage of the short-term price weakness and launched a share buyback scheme, while also buying personally in the open market. Lanxess management demonstrated their confidence in the business by continuing to pay the regular dividend and providing guidance, while most peers were withdrawing. Further evidence of their contrarian philosophy and the company's strength was signalled with an active M&A campaign. The balance sheet remains in great shape with €3 billion of liquidity. Lanxess has successfully sold JV Currenta and several non-core businesses, completing the non-core business disposal program. Exposure to Auto OEM has taken a hit, but recovered in 3Q in the US, though not to pre-COVID levels. Throughout the year, CEO Matthias Zachert has continued to actively look for M&A opportunities, and has hinted that some things are in the works. Zachert and team continue to demonstrate that the legacy, cyclical, lower-quality Lanxess is long gone.

Hyatt Hotels (25%, 1.62%; 39%, 1.68%), the global hotel company, was another top performer for the year and in the quarter, even as system-wide revenue per available room (REVPAR) was down 70% year-over-year in the face of COVID. The company is well positioned to weather the storm, with over three years of liquidity at the current rate of intra-pandemic cash burn. We expect the business to return to profitability in the next year or two as vaccines help drive a recovery in global travel. Hyatt's global number of rooms increased by a net 4% this year, and 2021 and '22 should see continued growth that outpaces their largest peers. When the transaction market for hotels recovers, Hyatt plans to resume selling over $1 billion of its owned properties. The company's value primarily comes from its franchise fee revenues, a less cyclical and high-margin annuity on the long-term growth in global luxury travel. CEO Mark Hoplamazian and the management team performed admirably this year to navigate the industry's extraordinary challenges.

Empire State Realty Trust (ESRT) (-15%, 0.11%; 52%, 2.32%), the New York City property owner, was another top contributor in the quarter. The stock nearly doubled within a month in 4Q following the announcement of Pfizer's COVID vaccine efficacy. COVID has presented new challenges to the NYC office market, but we believe they are more than reflected in the stock's still heavily discounted price. Empire State Building office space is 88% occupied, the company repurchased some shares when they were very cheap earlier this year, and a strong balance sheet will allow owner-operator CEO Tony Malkin to go on offense opportunistically should his peers run into financial distress. Visitors to the Empire State Building's Observatory, an excellent money-maker in normal times, are minimal but are likely to begin a strong recovery in 2021.

Realogy Holdings (36%, 1.47%; 39%, 1.83%), the residential real-estate brokerage franchisor, was a top contributor in the quarter and a strong performer for the year, after starting the year as a top detractor in 1Q. The company generated over $3 of FCF in the last quarter (against a $14 share price). Realogy fee revenues have benefitted from recent national surges in home sales and home prices. Realogy outperformed the industry's 23% year-over-year volume growth with an excellent 28% quarter after previously lagging. The bear case has argued that iBuyers and other new digital models will quickly disrupt Realogy's human brokers and their traditional fee take-rates, but there are no signs of near-term obsolescence. CEO Ryan Schneider has navigated the company well through a challenging year and most recently used the company's strong FCF to pay down net debt towards a more sustainable 4.0x net debt/EBITDA level.

Neiman Marcus (-69%, -4.51%; --, --), the luxury retailer, was the top detractor for the year, and we exited our position in the company's bonds in the second quarter. When we initially purchased the position, we had expected Neiman's revenues to rebound positively and believed that a potential merger with Saks would be beneficial to both retailers. After entering the COVID lockdown with too much debt from its private equity sponsor, Neiman filed for bankruptcy in May. The bonds retained value, in part due to Neiman's owned e-commerce subsidiary MyTheresa, but we exited the position to reallocate to opportunities with a larger margin of safety and greater potential upside.

Park Hotels and Resorts (-70%, -3.68%; --, --), an owner of large convention and resort properties, was another top detractor for the year. Park saw its occupancy levels hit unprecedented lows in 1Q due to travel reduction and conference cancellations as a result of COVID. We sold the company in late 1Q, early 2Q, as our long-term appraisal for the business was permanently impaired. Park Hotels' 100%-owned model, as well as its focus on conferences and group meetings and trophy assets in hard-hit Hawaii, which we had viewed to be key competitive advantages within our original case, became extra-difficult places to be in the current environment. We sold the company and effectively swapped into Hyatt's better mix of fees and trophy owned assets. The majority of Hyatt's value comes from capital-light franchise fees, which require fewer expenses to maintain, particularly during this year of industry crisis. We preferred the stability and balance sheet strength of Hyatt to Park at the height of the COVID uncertainty.

Dillard's (-48%, -2.80%; --, --), the department store, detracted for the year. We had successfully owned the company during a downturn before and felt that we were paying a low mid-single-digit multiple on stable FCF with a great management team in charge when we first initiated the position in 2019. Our case was supported by the potential for management to monetize part of the company's valuable owned retail real estate footprint for higher and better uses. COVID lockdowns, however, permanently impaired these values, as well as the company's ability to go on offense with share buybacks, despite great efforts during the crisis by CEO Bill Dillard. We sold our position in the second quarter as the price-to-value gap closed and our case had changed materially.

Lumen (-19%, -2.42%; -1%, -0.19%), the fiber telecom company formerly named CenturyLink, was a top detractor for the year and the only (slight) detractor in the fourth quarter. During the last quarter, Enterprise fiber revenues grew 0.8% year-over-year, International and Global declined 2.6% and Small and Medium Business (SMB) shrunk 5.8% due to COVID repercussions. Yet margins slightly increased due to the strong cost controls of CEO Jeff Storey and CFO Neel Dev. Despite significant deleveraging over the last two years and multiple debt issuances this year at low to mid-single digit interest rates, the stock trades at an incredibly low multiple of <5x FCF. We believe Lumen can grow by continuing to invest into fiber, which should outweigh its declining legacy copper landline business. Numerous recent large transactions for fiber peers at double-digit EBITDA multiples and landline peers at mid-single digit EBITDA multiples also suggest that Lumen could monetize several of its segments at good prices well beyond its total market capitalization today. We have stepped up our engagement with the company and signed a non-disclosure agreement (NDA) last month, so unfortunately we cannot say more other than "stay tuned."

Enerpac (-46%, -2.32%; --, --), the industrial tools company formerly called Actuant, detracted from performance in the year. While the company finally completed its transition to a pure-play tool business late in 2019, it faced COVID challenges in certain verticals like oil and gas in 2020. We also concluded that management was unlikely to monetize assets (or sell the full business) at an accretive price, so we sold our position to move onto better opportunities.

ViaSat (-50%, -2.29%; --, --), the satellite communications company, was also a top detractor this year. We exited our position in September at a moderate loss, but a longer-term opportunity cost after six years of ownership. Over the course of our holding, ViaSat shrunk its residential subscriber churn and raised prices, as we had originally believed they would. Its government business grew revenues and profits strongly, and ViaSat Inflight signed up over 2000 airplanes. But the company will not produce positive FCF for several more years due to the ongoing investment demands of its next-gen satellites and other capital allocation decisions. Hard to quantify threats from new entrants have emerged from the likes of a still-questionable but now well-funded SpaceX and a farther-off Amazon constellation. We have also disagreed with management on certain items over our holding period. There is a wide range of outcomes from here for the business, but we felt we could deploy the capital elsewhere with less risk.

Portfolio Activity

Our on-deck list peaked (and cash troughed) this year at the end of 1Q, when we were finding more new investment opportunities than cash available in the portfolio - so much so that we re-opened the Fund for the first time in two decades. While the research team has been busy poring over multiple new ideas this year, the on-deck list of qualifying investments shrunk as stock prices rallied across the board. As we wrote in our 3Q letter, we were uniquely close on multiple new investments (six were fully vetted on our on-deck list going into 4Q) and expected to be putting that cash to work. While we were able to initiate two new partial positions - in Summit Materials and Everest RE - prices rallied too quickly for us to put enough to work to mute the cash dampening of relative returns. Additionally, we were working to increase our position in ESRT when the great vaccine news hit in 4Q and caused the stock to almost double before we received a waiver to buy more shares. We have owned both cement and aggregates business Summit and reinsurance underwriter Everest Re before and were excited to have the opportunity to partner with the world class management teams at these high quality businesses once again. However, after only getting a small partial position in Summit, we decided to sell it as the stock appreciated 39% in a short period. We continue to monitor the company closely and hope that we will have another opportunity to own the business. We also sold our position in Univar in the fourth quarter. We made a profit on this investment, but we became increasingly disappointed in its qualitative aspects as the year progressed and decided to move on.

We ended the year with 20% cash, which we view as dry powder that will allow us to be a liquidity provider when new opportunities qualify. While we are not currently "pounding the table" on the opportunity set today, given the elevated cash, we believe that cash position will look very different in the near term. As the last quarter showed, things can change quickly in small-cap world. It was always unlikely that we would be able to initiate all six on-deck companies and increase ESRT within a single quarter, but there is an unusually large gap between our expectations of being able to initiate say, half the positions, putting 15-20% of the cash to work, vs. ending the quarter with one sub-5% position in Everest RE. We point to other recent, non-COVID bursts when we have bought multiple great businesses we'd been watching for years, like our second half 2018 period that brought in Lazard, Potlatch, GCI Liberty and Summit, all of which were positive additions to the portfolio. We believe we could see a similar opportunity in 2021.

Southeastern Updates

We have focused on safety for our employees and communities while adapting to the new way of getting work done from home in 2020. We will likely all be together again in the office at some point in 2021, but longer term we will also embrace a more flexible work setup. From a research perspective, our global network built over the last 45+ years was a distinct competitive advantage this year, as travel and in-person meetings quickly ceased in March. We have a well-established dialogue with our existing investee management teams, as well as with those at many competitors to our portfolio holdings and new potential investment opportunities that we reviewed in the year. Past investees and current clients have also helped our research in many ways. We have been able to maintain our constructively engaged approach without disruption and, in many cases, deepened these relationships and expanded our topics of engagement throughout the year.

Environmental, social and governance (ESG) factors have always been important to us - both as we assess our "Business, People, Price" criteria for any new investments and as we review our businesses and engage with management teams for our existing holdings. In the last year, we have taken steps to formalize our approach to how we incorporate ESG into our investment process. We established an ESG team, with representation from the Research and Client Relations and Communications teams, which reports directly to CEO and Head of Research Ross Glotzbach. While each research analyst is ultimately responsible for each name under coverage, the ESG team is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. We have formally incorporated a section on ESG analysis into our research reports. This analysis details how the company rates on ESG factors, including how the reality compares to the market's perception of these issues, as well as areas where we might seek to engage with management to improve the company's footprint. We recently signed on MSCI ESG Rating as a third party data provider to help quantify ESG-specific metrics. We have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture, but just like our long history of proxy voting where we review ISS recommendations but make our own decision, we will never outsource something this important. At the start of the year, we became signatories to the United Nations-supported Principles for Responsible Investing (UNPRI), as well as to Climate Action 100+ (CA100), an investor-led initiative that is supported by PRI and is focused on actively engaging with management teams that are in a position to help drive long-term, global progress in the fight against climate change. We are specifically engaging with GE through CA100 and have had several productive discussions with the company, as well as our fellow CA100 signatories, and we were pleased to see GE's recent commitment to carbon neutrality by 2030. We have also been heartened to see the steps that our companies across all our portfolios are taking to give back and support the fight against COVID - whether through producing PPE for healthcare workers, supporting their own employees through enhanced safety plans to ensure critical services continue uninterrupted and/or raising and donating funds to local food banks and other charities that directly support the most vulnerable community members.

In 3Q, we seeded a new European investment strategy with internal capital to address the growing opportunity in Europe to engage with companies and key stakeholders to enhance and realize value. Josh Shores and John Woodman are Co-Portfolio Managers of the strategy, and we anticipate that the strategy will, over time, expand the opportunity set for our Non-US and Global strategies and deepen our global network, which supports all our investment mandates.

Finally, Andy McCarroll (General Counsel, at Southeastern since 1998) and Gwin Myerberg (Global Head of Client Relations and Communications, at Southeastern since 2008) joined Southeastern's Board of Directors. The Board supports Ross Glotzbach in his role as CEO and works closely with department heads to coordinate management functions across all key areas of the organization, to set the strategy and goals for the firm and to ensure we always stick to the guiding principles that define our unique culture. We are excited to add Andy's and Gwin's experience and insight to this important role.

Outlook

What a year. We're all tired of the same clichés by now so will wrap it up. We believe we own great individual investments that combine to create a portfolio that looks dramatically different than the index. It's time for that to work, not because we are owed anything, but because of simple math and an increasing lack of competition doing sensible things that have worked for most decades of recorded history, but have never felt harder to do after a year like this on top of a rough 10+ years before. We will continue to treat your capital as if it were our own and to stick to our time-tested investment discipline, even when it feels difficult to do so. We thank you for your partnership and are looking forward to 2021.

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. The Russell 2000 Value index is drawn from the constituents of the Russell 2000 based on book-to-price (B/P) ratio. An index cannot be invested in directly.

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

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

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.

The price-to-free cash flow ration (P/FCF) is a valuation method used to compare a company's current share price to its per-share free cash flow.

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.

As of December 31, 2020, the top ten holdings for the Longleaf Partners Small-Cap Fund: Lumen, 10.7%; Kodak, 10.4%; CNX Resources, 7.5%; Empire State Realty, 6.6%; Mattel, 6.2%; Realogy Holdings, 6.1%; Hyatt Hotels, 4.9%; Lazard, 4.9%; LANXESS, 4.9%.; Graham Holdings 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.

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Expires 4/30/2021

Longleaf Partners International Fund

Longleaf Partners Funds

Summary – December 31, 2020

4Q20

Longleaf Partners International Fund

(800) 445-9469 / southeasternasset.com

Longleaf Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $10.5 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our 14-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

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

Fund Profile

Investment Style	International Value
Ticker	LLINX
Inception Date	October 26, 1998
Net Assets	$1.2 billion
Expense Ratio (Gross)	1.17%
Expense Ratio (Net)	1.15%
Turnover (5 yr avg)	29%
Weighted Average Market Cap	$25.3 billion

Holdings(21)

	Activity*	Weight
EXOR		9.9%
Melco International		6.4
Prosus		6.0
Domino's Pizza Group (UK)	-	5.5
Accor		5.5
Richemont		5.1
Fairfax Financial		5.0
Baidu	-	5.0
LANXESS	-	4.9
Lazard		4.9
Glanbia		4.8
LafargeHolcim		4.7
Millicom		4.7
CK Hutchison		4.5
GRUMA	+	4.1
CK Asset Holdings		3.4
Applus Services		3.2
Jollibee		2.5
Great Eagle		2.2
Becle	-	2.0
MinebeaMitsumi	-	1.4
Cash		4.3
Total		100.0%

*Full eliminations include the following positions: No full eliminations in the quarter

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 1.17% (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.

Sector Composition

Consumer Discretionary	31.0%
Financials	19.8
Consumer Staples	10.9
Communication Services	9.7
Materials	9.6
Industrials	9.1
Real Estate	5.6
Health Care	--
Information Technology	--
Utilities	--
Energy	--
Cash	4.3

Regional Composition

Europe Ex-UK	48.8%
Asia Ex-Japan	24.0
North America	16.0
UK	5.5
Japan	1.4
Cash	4.3

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
EXOR	4.06%	49%	Domino's Pizza Group (UK)	-0.64%	-8%
Baidu	3.03	70	CK Asset Holdings	0.19	4
LANXESS	1.62	34	MinebeaMitsumi	0.30	4

Performance at 12/31/2020

	Total Return		Average Annual Return				
	QTR	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
International Fund	22.73	-1.22	8.95	4.08	3.62	5.22	7.25
MSCI EAFE	16.05	7.82	7.45	5.51	4.48	4.50	4.88

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting 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 15, 2021

Longleaf Partners International Fund Commentary 4Q20

Longleaf Partners International Fund reported a strong fourth quarter, returning 22.73% and outpacing the MSCI EAFE Index's 16.05%. The Fund ended the year with a 1.22% decline, a disappointing absolute and relative performance outcome versus the Index's 7.82%. 2020 performance was a tale of two halves, with the first half overwhelmingly driven by COVID-19 fear and stock price volatility. Our 3Q letter highlighted the tightly "coiled spring" nature of the portfolio at the end of September. Indeed, the beginnings of that uncoiling resulted in the strong recovery, as many of the same stocks that hurt the most in the first half drove the outperformance in the second. In both periods and for the full year, our overweight to Hong Kong (and the relative underperformance of our holdings there) was the largest single relative detractor. Currency was a tailwind for the year, as the remarkable dollar strength of the last decade finally started to reverse, but the index benefitted more from this tailwind given its larger Japanese yen weighting, as the yen appreciated 5% against the US dollar. For all the volatility and drama of 2020, the Fund's net asset value (NAV) ended

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Average Annual Total Returns (12/31/20) Longleaf Partners International Fund: Since Inception (10/26/98): 7.25%, Ten Year: 4.08%, Five Year: 8.95%, Three Year: 3.27%, One Year: -1.22%. MSCI EAFE Index: Since (10/26/98): 4.88%, Ten Year: 5.51%, Five Year: 7.45%, Three Year: 4.28%, One Year: 7.82%. MSCI EAFE Value Since (10/26/98): 5.09%, Ten Year: 3.37%, Five Year: 4.20%, Three Year: -1.24%, One Year: -2.63%.

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, 2020, the total expense ratio for the Longleaf Partners International Fund is 1.17% (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.*

up almost where we started. We believe the steps we took to improve the portfolio over the course of the year have left it well positioned, and we think there are substantial "coiled springs" left to to deliver strong future performance.

Performance Review

The largest absolute and relative detractor for the year remains our exposure to Hong Kong listed businesses. As we discussed in detail in our 3Q letter, Hong Kong has stood out as a relative performance laggard this year. It has faced continued tensions between the US and China, social instability from increasing Chinese control over the territory, COVID-related lockdowns and border closures in 2020. Technology and Biotech companies that operate mostly in mainland China − which recovered first from COVID − outperformed older economy sectors within the Hang Seng index. Utilities, Banks and Properties (where we are invested) underperformed, as they were most affected by the closure of borders to Mainland Chinese visitors and lockdowns.

Even in the face of the difficult and worsening environment over the last two years, our confidence in the four Hong Kong listed businesses that we own (the two largest of which, Melco International and CK Hutchison, are discussed in more detail below) has remained strong. In each case, we have management teams that think and act like owners doing all that they can to get the underlying value of their businesses recognized by the market. We believe insider buying and share repurchases led by proven capital allocators we respect are a good indicator of our portfolio's attractiveness. 2020 marked a year where we saw both of these utilized in a significant manner.

The Li family, the largest shareholder of CK Asset and CK Hutchison, spent close to $550 million in the last 18 months buying shares of the two companies. In November, CK Hutchison agreed to sell its European telecom tower network for €10 billion, worth 31x EBITDA (earnings before interest, taxes depreciation, and amortization), equating to almost 43% of the market capitalization of CK Hutchison. The first tranche of the transaction closed in December, and we expect the company to use some of the €2.1 billion of proceeds for value-accretive share repurchases. Management took advantage of the harsh energy environment and merged oil business Husky Energy with Cenovus Energy to create an integrated Canadian oil and natural gas company with substantial synergies in the fourth quarter. Furthermore, in December, CK Hutchison entered into a Memorandum of Understanding with Ooredoo to merge its Indonesian mobile telecom businesses. We believe CK Hutchison will continue to explore opportunities to consolidate the telecom industry in Europe to achieve scale synergies.

Lawrence Ho, Melco's Chairman and CEO spent over $60 million year to date (YTD) buying shares personally in Melco International. The Macau operating environment was extremely challenging for Melco and its peers, with industry gross gaming revenue (GGR) declining between 90-97% year-over-year in the second and third quarters. With travel restrictions between Macau and Mainland China beginning to ease in mid-August, we started to see a gradual recovery of Macau visitation and GGR. In the most recent quarter, the company reported lower than expected EBITDA losses, driven by further cost reductions, market share gains and better luck. Melco cut its daily operating costs by over 40% in just a few months, further lowering its cash breakeven point. This improvement was driven by prudent cost-cutting and a favorable mix shift towards higher-margin mass market business. We believe the availability of vaccines, further easing of travel restrictions and customer confidence recovery will help drive a sustained recovery in Macau. We expect Melco will emerge stronger post-COVID given Lawrence Ho and his team's strong execution and the company's solid position in the premium mass segment.

We believe the heavily value-oriented nature of our Hong Kong and Macau investments will benefit from the re-opening of borders, relaxation of lockdowns and any shift away from the past decade's growth mania.

Hong Kong's Hang Seng Index's -0.46% return for the year starkly contrasted with particularly strong performance in Mainland China, with the CSI 300 index up 30%. China was the largest positive contributing country in our portfolio for the year. While this may sound surprising for a value manager performance was driven by our investments in Chinese internet companies Baidu and Tencent (via the holding company Prosus). Baidu was first purchased in 2015, when its share price was highly discounted. Even after returning over 70% this year, the company trades at an attractive discount to its growing appraisal value and offers significant upside from here. We believe that its core search and newsfeed business is trading at an attractive 10x free cash flow.

Baidu stands out not just for its stock price performance but also for management's value-accretive actions in the last quarter. Not only did Baidu increase their buyback program from one billion to three billion dollars in August, but it further increased it to $4.5 billion in December. Operationally, the adjusted EBITDA margin for Baidu's core advertising business continued to expand, and its adjusted EBITDA grew 31% year-over-year in the third quarter. Baidu also agreed to acquire YY, JOYY's China live streaming business, at an attractive 8x earnings. YY is the pioneer in Chinese live streaming. YY has the business and technological know-how, but lacks new user growth. YY offers Baidu immediate operational experience in operating a large live video community and has many performers on the platform. YY has 10x more performers on its platform than Baidu has, but Baidu has 10x more users on Baidu's ecosystem platform. We expect synergies to be significant, and YY to increase Baidu's monetization of its massive user base. Furthermore, Baidu is progressing with monetizing and accelerating their Apollo automotive artificial intelligence program and established a joint venture with Zhejiang Geely Holding Group to produce intelligent electric vehicles.

We took advantage of 1Q volatility in Asian markets to purchase Prosus after South African company Naspers spun out its 31% stake in Tencent in September 2019 into a Netherlands-listed holding company. We had long admired Tencent but never could get comfortable with the shareholder-unfriendly South African structure under Naspers. The years of work by multiple research team members across Asia, Europe and the US on Tencent, Naspers and Prosus eventually meant we were well prepared when the pandemic started and the Prosus share price dramatically decoupled from the underlying Tencent value. Today, the share price is up 51% from our initial investment but remains attractively valued. During the fourth quarter, the company announced a $5 billion program to repurchase shares and acquire discounted shares of its parent, Naspers. Prosus is among the Fund’s largest positions, reflecting our conviction in this high-quality, well-managed business.

Lessons from COVID

COVID taught us all many lessons this year. We admit that we may have been too complacent in the face of pandemic risk early on, as our insight from our team in Asia (where the virus has largely been successfully mitigated, in contrast to most other countries around the world) and our collective experience with SARS (which was an opportunity for the Fund), Bird Flu (which we studied extensively when we owned Yum Brands and Yum China) and Ebola (which impacted Vivendi's African operations) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and adjust the portfolio accordingly.

In the first half, we sold three companies where our long-term appraisal values were permanently impaired in the face of COVID or the people situation had deteriorated: C&C Group, Bolloré and OCI. We improved the portfolio with new positions in Glanbia, Prosus, Accor, Applus and Jollibee, and added to several existing companies whose share prices were negatively impacted in the short term, including Richemont, Melco International, Millicom, Fairfax and Gruma. With the exception of Melco, which is discussed further below, these companies all rebounded in the second half and offer significant further upside from here. We also held on to some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far, with Baidu and Lanxess both among top performers for the year, compared to CK Hutchison and CK Asset, which had muted second half returns and remain top detractors for the year but offer significant potential upside from these discounted levels. While the portfolio decisions discussed above impacted absolute and relative performance in the short term, we believe they have positioned us for stronger performance in the years ahead.

Market Review

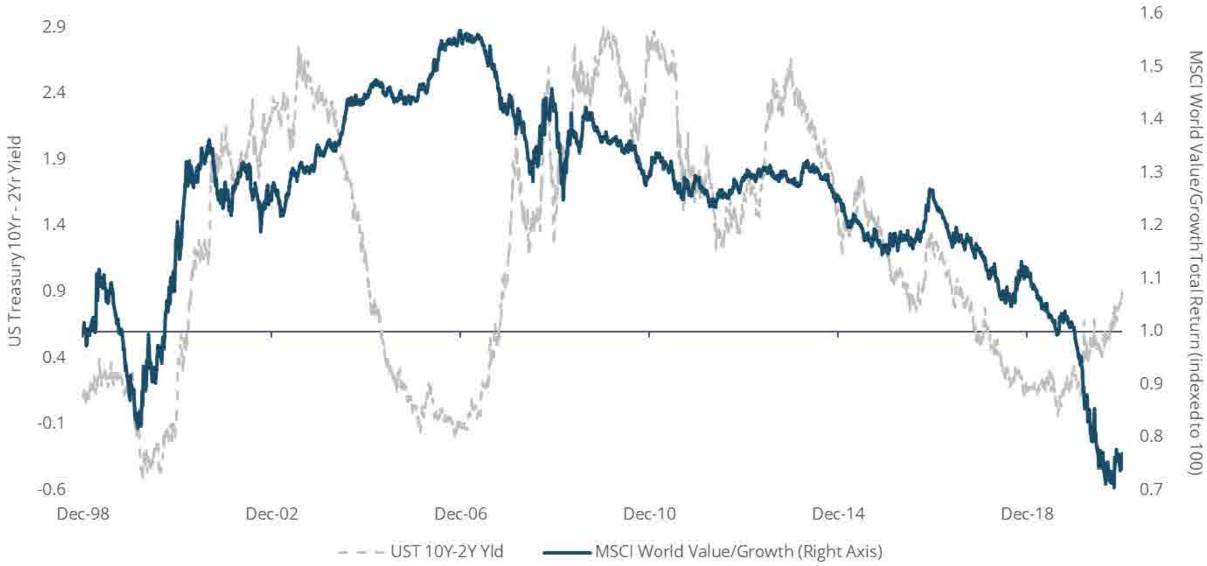
Long-time investors in this Fund well know that we do not define "value" as a factor or low multiple, such as headline price to earnings (P/E) or low price-to-book, though these metrics may correlate with the assessments of value we favor. Rather, we define value as an adequate margin of safety relative to our internal, conservatively calculated intrinsic value for a business. A key factor in our discounted cash flow (DCF) math is the discount rate. Some commentators, particularly in the US, defend elevated stock market valuations with an appeal to low interest rates and the influence a risk-free rate approaching zero has on a capital asset pricing model (CAPM) generated cost of capital. The slippery slope of slashing discount rates brings a temporary high by inflating the value of a business, but the hangover of pulling future value accretion into the present is hard to avoid. The hard truth of the math dictates that high multiples translate into low future returns for overpriced assets. Our absolute return goal of inflation plus 10% does not leave much room for a 5% discount rate. Consider a long duration asset with no cash flow for 19 years and a $20 payout in year 20. Reducing the discount rate from 10% to 5% increases the present value by 154%. This math may be a significant factor in 2020 market performance as the time value of money matters less in a low discount rate world. This is a one-time gain setting up a low return future, or a reckoning. The $20 payout 20 years in the future suffers significantly when the discount rate moves from 5% to 10% with a 61% drop in present value.

While there are some Non-US examples of the extreme overvaluation that results from this bending of the math, the effect is more muted outside of the S&P 500. Long duration assets, whether long-dated bonds or fast compounding tech companies that typically have 100% of their value in the terminal value (free cash flow in the explicit forecast period is negative or negligible) — have been the biggest beneficiaries over the past decade. We have written at length in the last few years about the Growth outperforming Value, US outperforming all other markets and ever-stronger US dollar (USD) themes that have dominated the market narrative for the last decade+. The extraordinary 12-year+ bull market in US equities has now compounded to a 14.98% annualized total return (with dividends reinvested into the S&P 500 Index), while the MSCI EAFE Index has generated 7.67% annualized over that same period. These backward-looking returns make it easy for investors to forget that the prior decade ending in 2008 saw Non-US markets handily outpace US markets by 218 basis points (annualized).

Although the US large-cap growth trend continued for the first nine months in 2020, we believe this dynamic is finally near a breaking point and that Non-US value, in particular, is primed to outperform. The overly strong US dollar trend has started to revert with the US Dollar Index down -6.7% for the year. However, it is still rich with plenty of room to be a tailwind. Non-US markets continue to be relatively cheap, paced by continued geopolitical (and virus) uncertainty within emerging markets broadly, as well as the UK in a post-Brexit world. Using the 10-2 Treasury Yield Spread as a proxy for yield curve steepness, the chart below shows that historically a steepening yield curve has been positive for value relative to growth, perhaps reflecting the time value of money dynamic referenced above. This reversal might already have begun in the fourth quarter.

MSCI World Value/Growth vs. Yield Curve

1/31/1999 to 12/31/2020 (daily in USD)



Source: Bloomberg

Contributors/Detractors

(2020 Investment return, 2020 Fund contribution; Q4 Investment return, Q4 Fund contribution)

Prosus (54%, 2.95%; 17%, 1.13%), a global consumer internet group, was the top contributor for the year. Tencent, in which Prosus owns a 31% stake, representing the majority of its appraisal, demonstrated significant resilience this year, even during the pandemic. Online advertising, gaming and cloud all grew revenue strongly year-over-year and improved their market position. Tencent's investment portfolios, which include companies such as JD.com, Sea Ltd and others, also delivered outstanding share price appreciation in the year. Tencent has been a great investment for Prosus/Naspers, resulting in a portfolio IRR of 37% since FY2002. What is less known is, even excluding Tencent, the rest of the portfolio still achieved 18% IRR in the same period. We believe Prosus is still undervalued today. Its stake in Tencent at the market price is more than the entire market capitalization of Prosus, meaning the market gives no credit for its group of unlisted businesses, which have strong growth prospects and dominant positions in their respective geographies. Prosus management is well aligned and has a history of taking decisive action to unlock the value. They have worked to improve disclosure on the valuable businesses outside of Tencent and also announced a $5 billion share buyback program for Prosus and Naspers shares at advantageous prices.

Baidu (71%, 2.72%; 70%, 3.03%), the dominant online search business in China, was a top contributor in the fourth quarter and for the year. Baidu's search advertising business was negatively affected by the pandemic this year. While the lockdown increased users' time spent online and brought more traffic to the platform, it also hurt advertisers' budgets, as companies cut costs in a difficult environment. As China began to see success in controlling the pandemic, there was a robust sequential recovery in Baidu's business. Baidu delivered margin expansion, benefiting from both positive mix change and more disciplined return on investment-driven spending. The non-advertising business also made progress in the year. In September, Baidu raised equity financing for its DuerOS smart speaker business at a valuation of RMB 20 billion. In November, Baidu opened Apollo Go robotaxi services in Beijing, the third city in China where passengers can call a robotaxi from Baidu Maps. Baidu announced its intention to acquire JOYY's live streaming business in China. JOYY, the pioneer and leading live streaming platform in China, would strengthen Baidu's live streaming operation and expand the non-advertising offerings in its ecosystem.

Accor (34%, 1.40%; 29%, 1.47%), the French hospitality company, was a top contributor in the year after we purchased the company in 2Q. Leisure businesses rallied in early November on positive vaccine effectiveness data and with the prospect of roll-outs on the horizon. Part of our investment thesis for Accor relates to the company’s undervalued associate earnings, which management took steps to simplify in late November. In buying out the remaining 50% minority of SBE (Mondrain, Delano, SLS) for $300 million, while selling off the remaining property and launching a new lifestyle joint venture with Ennismore (Gleneagles, Hoxton) of which Accor will own a majority, the related associate earnings will now be consolidated. This new company will be entirely asset-light with the owned and leased assets sold, allowing Accor to deconsolidate $52 million of lease debt from the balance sheet. Lifestyle is one of the fastest growing segments of the hospitality sector and is typically higher margin, so consolidating it gives Accor better control and should enable faster growth. It is only 5% of Accor’s current revenue but 25% of the pipeline. The combined entity has 73 hotels under 12 brands, but impressively 110 confirmed projects in the pipeline and another 70 under discussion. Accor has stated it expects €100 million EBITDA from this division in 4-5 years. We continue to like Accor as an operationally-leveraged play on a post-COVID tourism travel recovery with particularly strong growth prospects in upscale/luxury segments in Asia. Accor has one of the strongest balance sheets in the industry, with €4 billion of liquidity. The pandemic has accelerate the push to an asset-light model and enabled more aggressive structural cost reductions to drive a rapid earnings recovery once travel restrictions ease. The management team has a strong focus on shareholder value creation, and we believe a re-rating towards asset-light peers is possible as the new structure becomes better appreciated.

EXOR (5%, 0.35%; 49%, 4.06%), the European holding company of the Agnelli family, was the top contributor in the fourth quarter, rallying 49% to take its YTD returns into positive territory after a challenging first half. During the quarter, the market started to price in the previously announced Fiat Chrysler (FCA) and PSA (the owner of Peugeot) merger, which is scheduled to complete in January 2021. This great move will create the world's third largest carmaker by vehicle sales. Additionally, CNH, the agriculture machinery business, produced strong 2Q and 3Q results that far exceeded market consensus and management's prior conservative outlook. The company made significant progress in lowering its channel inventory and meaningfully improving free cash flow. It also announced that Scott Wine will join the company as CEO after a successful run at Polaris. Meanwhile, EXOR's reinsurance underwriter holding PartnerRe has performed well in a tough year and is positioned to take advantage of hardening insurance prices. We believe this business will ultimately be worth more than the $9 billion price offered early in 2020 by Covéa. While the later attempts by Covéa to renegotiate those terms ultimately resulted in the deal being cancelled, the consolation prize of Covéa investing €1.5 billion in EXOR and PartnerRe goes a long way to repairing any lingering impact. We believe the €750 million being invested in PartnerRe's third-party capital business will provide the momentum needed to build a robust third-party insurance capital management business. Ferrari, which comprises approximately one-fifth of EXOR's NAV, sailed through the pandemic unscathed, further demonstrating the value of this luxury brand.

C&C Group (-60%, -3.27%; --, --), the Irish cider, beer and soft drinks company, was the largest detractor for the year. After being a top contributor in 2019, our outlook for the business and view on the people changed entirely in a short two-month period. First the much-admired CEO, Stephen Glancey, surprised everyone by retiring in February, after overseeing an 11-year annual return of 17.6% for his tenure as a top executive of the company. This track record is near the top of the list for European executives over that time frame. Glancey was a key part of our case, and we put in the order to sell half our position when the announcement was made and began revisiting our business case. Unfortunately, the pandemic exploded onto Europe over the next weeks with a uniquely devastating impact on C&C's business model, as all pubs across C&C's markets in Ireland, England, Scotland and Wales were closed. Given the operating and financial leverage of the company (financial debt levels were healthy, but the business has heavy working capital exposures that became de facto debt in such a sudden downturn), our assessment of intrinsic value was heavily impacted. The change in management, coupled with the rapid shift in business environment completely changed our thesis leading to a full exit and re-allocation of that capital to more attractive opportunities.

Melco International (-31%, -2.48%; 10%, 0.70%), the Asian casino and resort holding company, was also a top detractor for the year. Its Macau operating subsidiary Melco Resorts (MLCO) was off to a strong start in the beginning of 2020 but both Macau visitation and gross gaming revenue (GGR) collapsed around Chinese New Year on the back of the COVID-19 outbreak and travel restrictions. The operating environment was extremely challenging for MLCO and its peers, with industry GGR declining between 90-97% year-over-year in the second and third quarters. With the travel restrictions between Macau and Mainland China beginning to ease in mid-August, we have begun to see a gradual recovery of Macau visitation and GGR. In October, MLCO reached 35% of 2019 GGR levels. In the most recent quarter, the company reported lower than expected EBITDA losses, driven by further cost reductions, market share gains and better luck. MLCO cut its daily operating costs by over 40% in just a few months, and it now expects to reach property EBITDA breakeven when GGR reaches mid-to-high 20% of historical levels, which is further improvement from the previous guidance of 30-35%. This improvement has been driven by prudent cost cutting, as well as mix shifts towards the higher margin mass segment. We are monitoring the anti-overseas and anti-online gambling measures which have impacted VIP market recovery, but this represents a very small portion of MLCO's business. These measures so far have not impacted premium mass market, where MCLO is more exposed. Management believes that the measures will in fact be positive for Macau in the long run. We believe the availability of vaccines, further easing of travel restrictions and recovery of customer confidence for travelling will help drive a sustained recovery in Macau. We are not expecting a V-shape recovery any time soon, but we believe the long-term fundamental attractiveness of Macau gaming business is intact. We expect MLCO will emerge stronger post-COVID given Lawrence Ho and his team's strong execution and the company's solid position in the premium mass segment.

Bolloré (-22%, -2.04%; --, --), the French holding company, was a detractor on the back of COVID-related impact to its African businesses. While the shares remain discounted, the positive developments we had hoped to see when investing in the company had stalled. This disappointment, plus the COVID impact, caused us to exit the holding in the second quarter and re-allocate to more attractive opportunities.

CK Hutchison (-23%, -2.02%; 15%, 0.53%), a conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, was also a detractor. The company's Oil and Retail businesses were severely impacted by COVID in the first half of the year. Taking advantage of the tough environment, management merged oil business Husky Energy with Cenovus Energy to create a new integrated Canadian oil and natural gas company with tremendous synergies. Within Retail, Watson stores have seen traffic recovery after cities unlocked, and profits are expected to grow year-over-year in the second half. While global Port total volume declined in 2020, CK Hutchison's ports outperformed relative to its peers, given its hub locations in Europe and Asia. The Telecom division is the least impacted in the current environment, as lockdowns and work from home have resulted in improvement in business volume and asset utilization. In November, the company reached an agreement with Cellnex to sell its telecom tower assets for €10 billion, well above our expectation and nearly half of CK Hutchison's market cap. The deal would materially strengthen CK Hutchison's balance sheet by reducing net debt. We are greatly encouraged that the board stated its plans to allocate a portion of the proceeds to share buybacks, which would increase the value per share for all shareholders. In another potentially value-accretive market consolidation opportunity, CK Hutchison entered into a Memorandum of Understanding in December to discuss merging its telecom business in Indonesia with Indosat.

Portfolio Activity

2020 was a busy year for the team, as we added five new investments and increased our position in an additional five discounted holdings in the year. The new positions are a mix of recycles (companies we have successfully invested in before) with Accor and Applus, and new investments with Prosus, Glanbia and Jollibee. This mix is a healthy output of a broad and deeply experienced team. We have a long list of companies on the wish list but are continually learning about new companies and opportunities as they develop and were able to act quickly to take advantage of stock price volatility in the first three quarters. Although we made no new investments in the fourth quarter, we added opportunistically to Gruma at a discount and trimmed multiple positions as prices appreciated. The portfolio remained essentially fully invested throughout the year, with the sale of C&C, Bollore and OCI in the first half and active trimming of several strong performers throughout the course of the year providing funding for the new positions.

Southeastern Updates

We have focused on safety for our employees and communities while adapting to the new way of getting work done from home in 2020. We will likely all be together again in the office at some point in 2021, but longer term we will also embrace a more flexible work setup. From a research perspective, our global network built over the last 45+ years was a distinct competitive advantage this year, as travel and in-person meetings quickly ceased in March. We have a well-established dialogue with our existing investee management teams, as well as with those at many competitors to our portfolio holdings and new potential investment opportunities that we reviewed in the year. Past investees and current clients have also helped our research in many ways. We have been able to maintain our constructively engaged approach without disruption and, in many cases, deepened these relationships and expanded our topics of engagement throughout the year.

Environmental, social and governance (ESG) factors have always been important to us - both as we assess our "Business, People, Price" criteria for any new investments and as we review our businesses and engage with management teams for our existing holdings. In the last year, we have taken steps to formalize our approach to how we incorporate ESG into our investment process. We established an ESG team, with representation from the Research and Client Relations and Communications teams, which reports directly to CEO and Head of Research Ross Glotzbach. While each research analyst is ultimately responsible for each name under coverage, the ESG team is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. We have formally incorporated a section on ESG analysis into our research reports. This analysis details how the company rates on ESG factors, including how the reality compares to the market's perception of these issues, as well as areas where we might seek to engage with management to improve the company's footprint. We recently signed on MSCI ESG Rating as a third party data provider to help quantify ESG-specific metrics. We have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture, but just like our long history of proxy voting where we review ISS recommendations but make our own decision, we will never outsource something this important. At the start of the year, we became signatories to the United Nations-supported Principles for Responsible Investing (UNPRI), as well as to Climate Action 100+ (CA100), an investor-led initiative that is supported by PRI and is focused on actively engaging with management teams that are in a position to help drive long-term, global progress in the fight against climate change. We have also been heartened to see the steps that our companies across all our portfolios are taking to give back and support the fight against COVID - whether through producing PPE for healthcare workers, supporting their own employees through enhanced safety plans to ensure critical services continue uninterrupted and/or raising and donating funds to local food banks and other charities that directly support the most vulner able community members.

In 3Q, we seeded a new European investment strategy with internal capital to address the growing opportunity in Europe to engage with companies and key stakeholders to enhance and realize value. Josh Shores and John Woodman are Co-Portfolio Managers of the strategy, and we anticipate that the strategy will, over time, expand the opportunity set for our Non-US and Global strategies and deepen our global network, which supports all our investment mandates.

Finally, Andy McCarroll (General Counsel, at Southeastern since 1998) and Gwin Myerberg (Global Head of Client Relations and Communications, at Southeastern since 2008) joined Southeastern's Board of Directors. The Board supports Ross Glotzbach in his role as CEO and works closely with department heads to coordinate management functions across all key areas of the organization, to set the strategy and goals for the firm and to ensure we always stick to the guiding principles that define our unique culture. We are excited to add Andy's and Gwin's experience and insight to this important role.

Outlook

The Fund remains fully invested, with less than 4% cash, and trades at an attractive discount with a price-to-value in the high-60s%. While the COVID-influenced whipsaws of 2020 continued to favor the momentum drivers of the last decade, we expect this could be the last gasp of the cycle. We believe non-US, non-US dollar, undervalued companies are set to outperform from here. Despite a challenging year and disappointing relative last two years, over a five-year time horizon (which we believe is the minimum to judge effectiveness in today's markets), the Fund has returned 53.52% on a cumulative basis vs. the MSCI EAFE Index's 43.22% return and more than double the EAFE Value Index's total return of only 22.87%. We believe the Fund can outperform over the next five+ years. We wish you all the best for a safe and healthy New Year and thank you for your continued faith, trust and partnership.

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. ***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. An index cannot be invested in directly.***

The US Dollar Index is used to measure the value of the dollar against a basket of six world currencies - Euro, Swiss Franc, Japanese Yen, Canadian dollar, British pound, and Swedish Krona.

The CSI 300 Index is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. 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.

"Margin of Safety" is a reference to the difference between a stock's market price and Southeastern's calculated appraisal value. It is not a guarantee of investment performance or returns.

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

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.

ROI (Return on Investment) measures the gain or loss generated on an investment relative to the amount of money invested.

Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows from an investment equal zero.

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

Discounted cash flow (DCF) is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future free cash flow projections and discounts them to arrive at a present value estimate, which is used to evaluate the potential for investment.
The Capital Asset Pricing Model (CAPM) is a model that describes the relationship between the expected return and risk of investing in a security.

As of December 31, 2020, the top ten holdings for the Longleaf Partners International Fund: EXOR, 9.9%; Melco, 6.4%; Prosus, 6.0%; Domino's (UK), 5.5%; Accor, 5.5%; Richemont, 5.1%: Fairfax Financial, 5.0%; Baidu, 5.0%; LANXESS, 4.9%; Lazard, 4.9%. 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.
LLP001141
Expires 4/30/2021

Longleaf Partners Global Fund

Longleaf Partners Funds

Summary – December 31, 2020

4Q20

Longleaf Partners Global Fund

(800) 445-9469 / southeasternasset.com

Longleaf Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $10.5 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our 14-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

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

Fund Profile

Investment Style	Global Value
Ticker	LLGLX
Inception Date	December 27, 2012
Net Assets	$0.3 billion
Expense Ratio (Gross)	1.32%
Expense Ratio (Net)	1.15%
Turnover (5 yr avg)	32%
Weighted Average Market Cap	$46.8 billion

Holdings(20)

	Activity*	Weight
EXOR		10.1%
Lumen	+	7.7
General Electric	-	6.0
Prosus		4.9
Comcast		4.8
Melco International		4.8
CK Hutchison		4.6
Fairfax Financial		4.6
CNX Resources		4.5
LafargeHolcim		4.5
DuPont		4.2
FedEx	-	4.2
Williams		3.9
CK Asset Holdings		3.3
MGM Resorts	+	3.2
Millicom		3.0
Hyatt		2.4
Accor	+	2.3
Affiliated Managers Group	NEW	1.0
MinebeaMitsumi	-	0.9
Cash		15.1
Total		100.0%

*Full eliminations include the following positions: No full eliminations in the quarter

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 Global Fund is 1.32% (Gross) and 1.15% (net). The Global Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.15% of average annual net assets.

Sector Composition

Consumer Discretionary	17.6%
Financials	15.7
Industrials	15.7
Communication Services	15.5
Materials	8.7
Energy	8.4
Real Estate	3.3
Information Technology	--
Health Care	--
Consumer Staples	--
Utilities	--
Cash	15.1

Regional Composition

North America	46.5%
Europe Ex-UK	24.8
Asia Ex-Japan	12.7
Japan	0.9
Cash	15.1

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
EXOR	3.84%	49%	Lumen	-0.08%	-1%
General Electric	3.32	74	Williams	0.18	4
MGM Resorts	1.23	48	CK Asset	0.19	4

Performance at 12/31/2020

	Total Return		Average Annual Return				
	QTR	YTD	Five Year	Ten Year	15 Year	20 Year	Since Inception
Global Fund	17.46	3.57	9.72	--	--	--	6.50
MSCI World	13.96	15.90	12.19	--	--	--	11.24

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com.

Before investing in any Longleaf Partners fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current Prospectus and Summary Prospectus, which contain this and other important information, visit southeasternasset.com/account-resources. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS - The Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. 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 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 15, 2021

Longleaf Partners Global Fund Commentary

4Q20

Longleaf Partners Global Fund added 17.46% in the fourth quarter, ahead of the MSCI World's impressive 13.96% return. While this quarter's strong performance took the Fund into positive territory in the year, the Fund's 3.57% return for the year fell short of the Index's 15.90%. 2020 performance was a tale of two halves, with the first half overwhelmingly driven by COVID-19 fear and stock price volatility. Many of the same stocks that hurt the most in the first half rebounded meaningfully to drive strong returns in the second half of the year. Almost every company in the portfolio was positive in 4Q, with three-quarters producing double-digit returns. In both periods and for the full year, our overweight to Hong Kong (and the relative underperformance of our holdings there) was the largest single relative and absolute detractor. The three Hong Kong-listed companies we own declined in the year, but we believe these businesses offer some of the most compelling future upside from today's overly discounted prices. This exposure, together with the drag from our average 14% cash weighting, accounted for over 90% of the Fund's relative underperformance for the

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Average Annual Total Returns (12/31/20): Longleaf Partners Global Fund: Since Inception (12/27/12): 6.50%, Ten Year: na, Five Year: 9.72%, One Year: 3.57%. MSCI World Returns (12/31/20) Since Inception: 11.24%, Ten Year: na, Five Year: 12.19%, One Year: 15.90%. MSCI World Value Returns (12/31/20): Since Inception: 7.35%, Ten Year: na, Five Year: 7.14%, One Year: -1.16%.

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, 2020, the total expense ratio for the Longleaf Partners Global Fund is 1.32% (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.*

year. The quick rally in the second half resulted in elevated cash, as we trimmed or sold top performers and had fewer new opportunities that qualified from a price perspective. Underperforming for what we do not own is frustrating, but we are confident that not looking like the index can drive strong, differentiated outperformance over the long run.

2020: A Year in Review

2020 has been a hard year that humanity would like to forget for a lot of reasons. From a stock market perspective, the first two months of the year felt like a continuation of the last decade+ of momentum-driven index returns in most global markets (with the notable exception of Asia, which was hit by COVID-19 at the start of the year). The historically-sudden market panic that unfolded across global markets in March happened so quickly, and the Fed and Treasury stepped in so fast, that reality never really sank in for a lot of investors in the stock and bond markets. This initial freeze might be best measured by a surprising lack of large exchange-traded fund (ETF) outflows in March and April, when there were actually billions of inflows that didn't look all that different than the average month over the last several years. After the initial market panic subsided and most people found themselves working from home with a lot more time on their hands, the rest of the year saw momentum-chasing reach a whole new level, with what had been going up pre-March soaring to new heights. November 2020 saw the most US equity ETF inflows for any month over the last 10 years.

In our first quarter letter in April, we sounded a note of relative optimism with our view that the 1Q extremes would not last forever and that we could expect the market to begin discounting a more "normal" world by year-end. Yet markets turned much more quickly than we would have anticipated. As the year has gone on, we have witnessed and written extensively about the top-heavy S&P 500, the market's lust for quality at any price driven by the "20/20 Club" of market favorites with 20%+ return on equity (ROE) and 20x+ price-to-earnings (P/E) ratios, SPACs (special purpose acquisition corporations), IPOs (initial public offerings) and even bitcoin (you know things are rolling when bitcoin gets into the conversation!). They are all materially higher now than when we first mentioned them in our 2Q and 3Q letters. This news might be discouraging in the short term, but we believe it is great for our prospective returns, especially on a relative basis, as we wrote in our "Why We Believe Value Will Work Again" piece in December. While "WWB" focused on US large cap, we include below an update on the most important table in the piece (with comparable global data), which highlights that we could see meaningful outperformance if we simply adjust 2022 P/E multiples to slightly more normal levels:

Implied Returns Based on Various P/E Assumptions

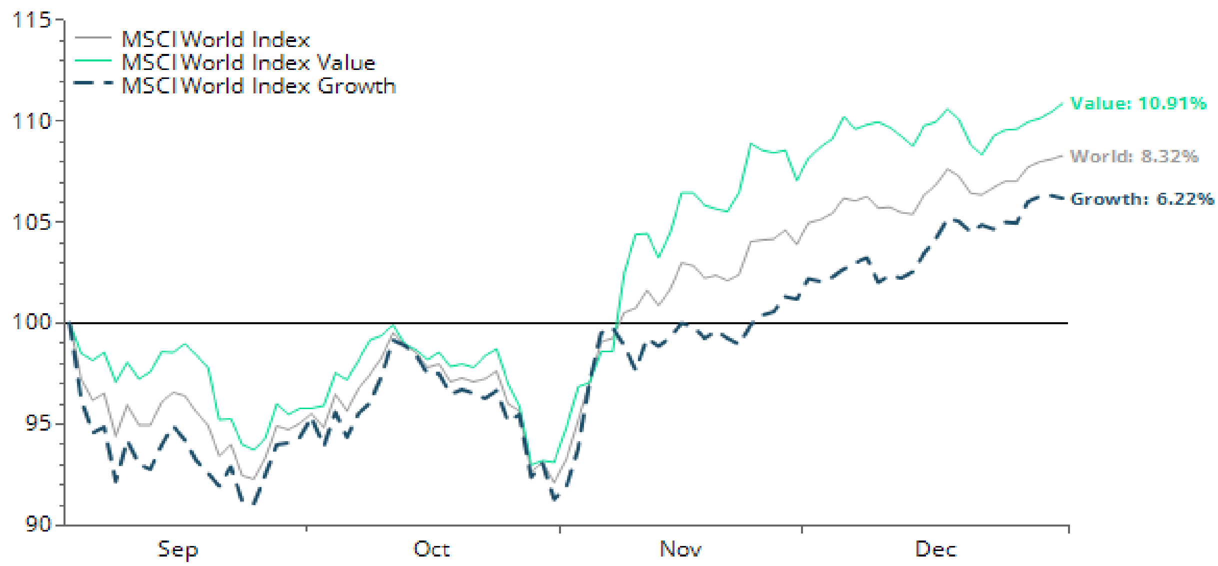
	2022 P/E Current	2022 P/E Assumption	P/E Change	Performance from P/E Change
MSCI World	18.1	16.7	-1.4	-8%
MSCI World Growth	27.2	20.0	-7.2	-27%
MSCI World Value	13.7	14.3	+0.6	+5%
Longleaf Partners Global Fund	10.9	14.3	+3.4	+31%

Actual investment results and performance are not guaranteed

The market might already be turning towards value, as we noted in the piece and as shown in the chart below:

Performance Since Market Peak

9/2/2020 to 12/31/2020 (in USD)



Source: FactSet

One thing that we would like to stress in anticipation of questions about this piece and the implied returns table in particular is that paying a low multiple does not automatically mean that you are buying something "low quality." Nor is paying a low multiple a relic of the time before computers, and now all the advantage from this "strategy" has been competed away. There was plenty of computer-driven stock screening and trading in 2000 and even in 1987. We believe that paying a low multiple can actually be a great thing both qualitatively and quantitatively, as it means that you are getting a free shot at a brighter future than the market expects. Said another way, it lowers the bar for upside surprises that are hard to put into a spreadsheet. Look back to the 2010s, when we were able to buy at a discount great businesses like Colgate, Abbott Laboratories, adidas and McDonalds that are now once again consensus great. We have to try hard to remember how existential the market hate for those companies felt back then. The key when paying a low multiple is to pick a business with improving cash production over the long run and great partners allocating large amounts of free cash flow (FCF) from a position of balance sheet strength. We don't need the FCF to be clearly reported today, either, as we are more than willing to invest in IT companies that are investing today through the income and cash flow statements to drive growth for tomorrow, as we did when we bought Alphabet when it traded temporarily at a deep enough discount in 2015. But price matters greatly, and the revenue multiples for many IT favorites today are off the charts vs. the past. Conversely, we don't care about a big, readily-apparent FCF coupon today if it will be materially lower in the years to come. In the rare instances in the portfolio where there is "melting ice cube" risk like this, our management partners (helped along by our engagement) are making the right moves to allocate capital intelligently to lead to higher consolidated FCF/share in the years to come.

COVID taught us all many lessons. We admit that we may have been too complacent in the face of pandemic risk early on, as our insight from our team in Asia (where the virus has largely been successfully mitigated, in contrast to most other countries around the world) and our collective experience with SARS (which was an opportunity for our International Fund), Bird Flu (which we studied extensively when we owned Yum Brands, held in the Longleaf Partners Fund and Longleaf Partners International Fund, and Yum China) and Ebola (which impacted Vivendi's African operations) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and adjust the portfolio accordingly.

In the first half, we sold our remaining position in OCI, whose long-term appraisal value was permanently impaired in the face of COVID. We upgraded the portfolio with new positions in Prosus, Hyatt Hotels, DuPont, Accor and MGM Resorts, which have gone on to be top contributors for the year, and added to several existing companies whose share prices were negatively impacted in the short term, including GE, Millicom, Williams, LafargeHolcim, Fairfax, EXOR and Melco. With the exception of Melco, these companies all rebounded meaningfully in the second half and offer significant further upside from here. We also held on to some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far, with FedEx among the top performers for the year after returning 90% in the second half, compared to Lumen and CK Hutchison, which had muted second half returns and remain top detractors for the year. The very encouraging news is that both are making moves that are within their control to get us paid sooner rather than later, and we discuss both in more detail below. While the portfolio decisions discussed above impacted absolute and relative performance in the short term, we believe they have positioned us for stronger performance in the years ahead.

New Risks

There are at least three areas like pandemic risk where the market has gotten more complacent, but hopefully we have not: inflation, regulation and taxes. The first order answer to inflation is what you would remember from Berkshire's annual letters in the '70s & '80s – own great businesses with pricing power. We own a lot of those, but many investors riding "compounders" into the 25x+ P/E zone own great businesses too. The problem for those overvalued compounders is that a higher nominal discount rate can drive down multiples much more dramatically for these highflyers than for our investments that were already out of favor - e.g. the mid-high single-digit market P/E of 1982 as an extreme case that was hard for any company to escape. We already own a lot of single-digit and low double-digit P/Es that will grow their earnings in this world, but it's a long way down to a more reasonable 20x (or lower) multiple for the 20/20

Club. On the flip side, for the value investors who own banks (which have been strong performers in 4Q 2020 on hopes for higher interest rates increasing near term earnings per share (EPS)), there could be pain to come. Inflation is historically much kinder to borrowers than lenders, and most banks are largely a bunch of illiquid loans set against more liquid (and less differentiated than ever, thanks to technology) deposits.

Regulation is also like inflation in that a lot of market participants today weren't around when it mattered more. There's always the comeback – "look at how well Standard Oil & AT&T's descendants performed after their forced breakups." We don't dispute their subsequent performance, but both benefitted from more focus at their descendants leading to cost cuts and capital efficiency, plus they both rode respective waves of cars leading to increased oil demand and the still-growing demand for information helping all things telecom. It's also important that the descendants of these two megas weren't actually hit with major new regulations themselves post-breakup. So we would caution big tech, big healthcare and big bank bulls that if actual global bipartisan guns are turned on them as they continue to be broadly unpopular while also already being highly profitable, their next 10+ years could look more like those of IBM's after the '70s, Microsoft's after the '90s or, taking it further back, utilities' after the '20s and railroads' until deregulation in the 1980s. Additionally, emboldened regulators might still have some unfinished business from the Global Financial Crisis to make sure that big financial entities don't get too big to fail again. This can't be good for the profits of certain large companies, or maybe even for the whole concept of indexing, which comprises over 50% of most global markets when measured to include ETF's and "closet indexers," or so-called active managers with an active share of < 75%.

Tax rates have been declining in most countries for decades. While we missed owning many of the biggest winners from the Trump era tax cuts, corporate tax rates are not a lock to go higher this year or next. However, the US political landscape does look different in the wake of the election, and there is a lot more government revenue needed in the long run to pay the bill for the war on COVID. It increasingly feels like some investors view ETFs as a magical, no-tax alternative to mutual fund annual tax distributions. But there is no such thing as a (tax)-free lunch. A great article in Tax Notes last year titled the phenomenon well: "ETFs as Tax Dialysis Machines". You can't successfully only hold your winners and only sell your losers forever, even if watering the flowers instead of the weeds is a sound strategy if you trim the flowers when the time is right. With passive becoming a bigger part of the market, loopholes (does anyone really think that “creation and redemption baskets” are safe from the IRS forever?) that have benefitted ETFs will not stand forever, and if investors do ever rush for the ETF exits (again, March 2020 was too shockingly quick to really make this happen in a big way), things could get ugly on this front.

Contributors/Detractors

(2020 Investment return, 2020 Fund contribution; Q4 Investment return, Q4 Fund contribution)

FedEx (78%, 3.70%; 3%, 0.28%), the global logistics company, was the top contributor in 2020 after an outstanding year for the business that wasn’t simply the result of COVID, even if the company has been a strong beneficiary of the rapid societal changes driven by it. The share price returned over 85% in the last six months. Over the last quarter, Ground revenues increased 38%, while operating income grew 61%, despite another round of heavy investments weighing down margins temporarily into the single-digits. The company is indispensable for the United States’ e-commerce deliveries and is reaping the rewards of its investments in previous years to gear up for 7-day delivery. The Express segment is still benefitting from fewer passenger flights diminishing competing underbelly capacity. Despite the sharp appreciation, the stock trades at a reasonable mid-teens P/E multiple on forward earnings, and we expect the value to grow double-digits annually from here. FedEx has done its part to give back this year in the face of COVID. Since the onset of the pandemic, FedEx has delivered more than 55 kilotons of personal protective equipment, including more than two billion face masks, and more than 9,600 humanitarian aid shipments around the globe. More recently, FedEx was tapped to deliver the first wave of Pfizer-BioNTech vaccines across the US, and its infrastructure will be critical to successfully disseminating the vaccines.

Carrier (94%, 3.18%; --, --), the heating, ventilation and air conditioning (HVAC) and security company, was also a top performer for the year. We received shares at the end of March with Carrier’s spinoff from our long-time United Technologies holding, and bought more in April as it traded at less than half of our appraisal and a 7x trailing

P/E against similar competitors that were trading at 13-17x. After the business rebounded faster than expected, we exited the position in July.

DuPont de Nemours (58%, 2.36%; 29%, 1.09%), the industrial conglomerate, contributed after we initiated a position in the company for the third time in our history in March. The share price rebounded quickly, and it was a top contributor in 2Q. The company will soon close a value accretive merger between its Nutrition business and International Flavors & Fragrances that will then lead to an intelligently-structured split-off. The Safety & Construction and Transportation & Industrial segments partially rebounded due to their strength in personal protective equipment (PPE) and global auto builds, respectively. Electronics & Imaging grew revenues 8% during the last quarter due to its exposure to semiconductors and 5G chips. Despite the industrial recession, CEO Ed Breen made excellent decisions to grow the value this year and improved both capital allocation and operations. Through its TyvekTogether program, DuPont partnered with multiple companies to produce and donate protective gowns for healthcare workers in the fight against COVID.

Prosus (49%, 2.17%; 17%, 0.91%), a global consumer internet group, was another top contributor for the year. Tencent, in which Prosus owns a 31% stake, representing the majority of its appraisal, demonstrated significant resilience this year, even during the pandemic. Online advertising, gaming and cloud all grew revenue strongly year-over-year and improved their market position. Tencent's investment portfolios, which include companies such as JD.com, Sea Ltd and others, also delivered outstanding share price appreciation in the year. Tencent has been a great investment for Prosus/Naspers, resulting in a portfolio IRR (internal rate of return) of 37% since FY2002. What is less known is, even excluding Tencent, the rest of the portfolio still achieved 18% IRR in the same period. We believe Prosus is still undervalued today. Its stake in Tencent at the market price is more than the entire market capitalization of Prosus, meaning the market gives no credit for its group of unlisted businesses, which have strong growth prospects and dominant positions in their respective geographies. Prosus management is well aligned and has a history of taking decisive action to unlock the value. They have worked to improve disclosure on the valuable businesses outside of Tencent and also announced a US$5 billion share buyback program for Prosus and Naspers shares at advantageous prices.

CNX (22%, 1.57%; 14%, 0.58%), the natural gas company, was also a strong contributor, after having been noted in our 2019 year-end letter as a “problem child.” The company reported strong free-cash flow and earnings before interest rate, tax, depreciation and amortization (EBITDA) growth in the first half. In addition to its positive absolute performance, CNX has been a strong relative contributor versus the S&P 500 for which Energy was by far the worst performing sector in the year. In October, Bloomberg reported that Appalachian neighbor EQT approached CNX with a merger offer. CEO Nick DeIuliis and Chairman Will Thorndike are focused on their company’s value per share and will do the right thing for shareholders. CNX has the potential to both pay down debt with its hedged FCF and resume repurchases to grow FCF/share during an extreme energy bear market.

Williams (1%, 1.53%; 4%, 0.18%), the natural gas pipeline company, was a strong contributor for the year. Similar to CNX, Williams was a strong absolute and relative performer in the portfolio. In the most recent quarter, EBITDA increased 4% quarter-over-quarter and year-over-year, highlighting the value of these assets and consistency of their earnings. We began buying these assets at a discount in late 2019, as the market feared negative effects from customer bankruptcies and low natural gas prices, and then we added more in a totally irrational market panic in March, before its share price stabilized and rebounded significantly this year as it became clear that these worries would not impact the business’s FCF or long-term value per share. Williams is on track to generate 2021 EBITDA growth and FCF after all capex and dividends, but the share price does not yet reflect the quality of the business or the significant future upside from today’s level.

EXOR (5%, 0.20%; 49%, 3.84%), the European holding company of the Agnelli family, was the top contributor in the fourth quarter, rallying 49% to take its YTD returns into positive territory after a challenging first half. During the quarter, the market started to price in the previously announced Fiat Chrysler (FCA) and PSA (the owner of Peugeot) merger, which is scheduled to complete in January 2021. This great move will create the world’s third largest carmaker by vehicle sales. Additionally, CNH, the agriculture machinery business, produced strong 2Q and 3Q results that far exceeded market consensus and management’s prior conservative outlook. The company made significant progress in lowering its channel inventory and meaningfully improving FCF.

It also announced that Scott Wine will join the company as CEO after a successful run at Polaris. Meanwhile, EXOR's reinsurance underwriter holding PartnerRe has performed well in a tough year and is positioned to take advantage of hardening insurance prices. We believe this business will ultimately be worth more than the $9 billion price offered early in 2020 by Covéa. While the later attempts by Covéa to renegotiate those terms ultimately resulted in the deal being cancelled, the consolation prize of Covéa investing €1.5 billion in EXOR and PartnerRe goes a long way to repairing any lingering impact. We believe the €750 million being invested in PartnerRe's third party capital business will provide the momentum needed to build a robust third party insurance capital management business. Ferrari, which comprises approximately one-fifth of EXOR's NAV, sailed through the pandemic unscathed, further demonstrating the value of this luxury brand.

General Electric (GE) (-3%, -0.28%; 74%, 3.32%), the Aviation, Healthcare and Power conglomerate, was among the top two contributors in the fourth quarter after a very difficult first half. The company's crown jewel Aviation business sells and maintains commercial and military jet engines. With air travel frozen, this year's second quarter was its worst in over a century of operating history with a $680 million operating loss. 3Q revenues improved sequentially as some flights resumed but still declined 39% year-over-year. Yet GE Aviation earned a remarkable $356 million in the third quarter due to extreme cost discipline. With fewer expenses, the same world-class competitive position and favorable long-term air-travel growth prospects, Aviation should keep improving incrementally with the potential to emerge stronger than ever within several years. GE Healthcare revenues, excluding non-recurring ventilator sales for COVID treatment, also improved 3% year-over-year in an encouraging performance. GE also took steps to give back in 2020 by working to help develop thousands of ventilators to aid coronavirus patients. The stock has roughly doubled from its March low as business results improved, in large part due to CEO Larry Culp's excellent management. Please stay tuned for the next episode of the Price-to-Value Podcast in which Vice-Chairman Staley Cates interviews Larry Culp on Lean manufacturing, GE's culture, navigating COVID and his outlook for the business. The episode will air in January and will be available on our website at https://southeasternasset.com/podcasts/, as well as all major podcast streaming platforms.

Melco International (-31%, -2.66%; 10%, 0.53%), the Asian casino and resort holding company, was the top detractor for the year. Its Macau operating subsidiary Melco Resorts (MLCO) was off to a strong start in the beginning of the year, but both Macau visitation and gross gaming revenue (GGR) collapsed around Chinese New Year on the back of the COVID-19 outbreak and travel restrictions. The operating environment was extremely challenging for MLCO and its peers, with industry GGR declining between 90-97% year-over-year in the second and third quarters. With the travel restrictions between Macau and Mainland China beginning to ease in mid-August, we have begun to see a gradual recovery of Macau visitation and GGR. In October, MLCO reached 35% of 2019 GGR levels. In the most recent quarter, the company reported lower than expected EBITDA losses, driven by further cost reductions, market share gains and better luck. MLCO cut its daily operating costs by over 40% in just a few months, and it now expects to reach property EBITDA breakeven when GGR reaches mid-to-high 20% of historical levels, which is further improvement from the previous guidance of 30-35%. This improvement has been driven by prudent cost cutting, as well as mix shifts towards the higher margin mass segment. We are monitoring the anti-overseas and anti-online gambling measures which have impacted VIP market recovery, but this represents a very small portion of MLCO's business. These measures so far have not impacted premium mass market, where MCLO is more exposed. Management believes that the measures will in fact be positive for Macau in the long run. We believe the availability of vaccines, further easing of travel restrictions and recovery of customer confidence for travelling will help drive a sustained recovery in Macau. We are not expecting a V-shape recovery any time soon, but we believe the long-term fundamental attractiveness of Macau gaming business is intact. We expect MLCO will emerge stronger post-COVID given Lawrence Ho and his team's strong execution and the company's solid position in the premium mass segment.

Lumen (-19%, -2.40%; -1%, -0.08%), the fiber telecom company formerly named CenturyLink, was another top detractor for the year and the only (slight) detractor in the fourth quarter. During the last quarter, Enterprise fiber revenues grew 0.8% year-over-year, International and Global declined 2.6% and Small and Medium Business (SMB) shrunk 5.8% due to COVID repercussions. Yet margins slightly increased due to the strong cost controls of CEO Jeff Storey and CFO Neel Dev. Despite significant deleveraging over the last two years and multiple debt issuances this year at low to mid-single digit interest rates, the stock trades at an incredibly low multiple of <5x FCF. We believe Lumen can grow by continuing to invest into fiber, which should outweigh its declining legacy copper landline business. Numerous recent large transactions for fiber peers at double-digit EBITDA multiples and landline peers at mid-single digit EBITDA multiples also suggest that Lumen could monetize several of its segments at good prices well beyond its total market capitalization today. We have stepped up our engagement with the company and signed a non-disclosure agreement (NDA) last month, so unfortunately we cannot say more other than "stay tuned."

CK Hutchison (-22%, -1.64%; 15%, 0.76%), a conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, was also a detractor. The company's Oil and Retail businesses were severely impacted by COVID in the first half of the year. Taking advantage of the tough environment, management merged oil business Husky Energy with Cenovus Energy to create a new integrated Canadian oil and natural gas company with tremendous synergies. Within Retail, Watson stores have seen traffic recovery after cities unlocked, and profits are expected to grow year-over-year in the second half. While global Port total volume declined in 2020, CK Hutchison's ports outperformed relative to its peers, given its hub locations in Europe and Asia. The Telecom division is the least impacted in the current environment, as lockdowns and work from home have resulted in improvement in business volume and asset utilization. In November, the company reached an agreement with Cellnex to sell its telecom tower assets for €10 billion, well above our expectation and nearly half of CK Hutchison's market cap. The deal would materially strengthen CK Hutchison's balance sheet by reducing net debt. We are greatly encouraged that the board stated its plans to allocate a portion of the proceeds to share buybacks, which would increase the value per share for all shareholders. In another potentially value-accretive market consolidation opportunity, CK Hutchison entered into a Memorandum of Understanding in December to discuss merging its telecom business in Indonesia with Indosat.

Fairfax Financial (-26%, -1.46%; 16%, 0.75%), the insurance company, detracted for the year. Insurance pricing has been improving this year and grew high single-digits in reinsurance to double-digit increases in primary lines during the third quarter. Fairfax's underwriting has also been excellent at a sub-100% combined ratio, despite losses from one-time catastrophes and moderate COVID-related business and travel cancellations. Fairfax has suffered from poor equity returns from its investment portfolio in recent years and also in 2020 as certain investments like restaurants in Canada and an airport in India were particular impacted, as well as money-losing market hedges that CEO Prem Watsa has since closed. We expect the underwriting and insurance pricing to remain strong, the investment portfolio to improve, and were especially excited to see Watsa purchase over $100 million of stock earlier this year in one of our largest investee insider purchases ever.

Portfolio Activity

Our on-deck list peaked (and cash troughed) this year at the end of 1Q, when we were finding more new investment opportunities than cash available in the portfolio. While the research team has been busy poring over multiple new ideas this year, the on-deck list of qualifying investments shrunk as stock prices rallied across the board. Our only addition in the fourth quarter was a small position in AMG. We weren't able to get a full position, but we hope to have another chance to fill it out in the new year. We ended the year with 15% cash, which we view as dry powder that will allow us to act quickly as new investments qualify. While we are not currently "pounding the table" on the opportunity set today, given the temporarily elevated cash, we believe that cash position could look very different in the near term.

Southeastern Updates

We have focused on safety for our employees and communities while adapting to the new way of getting work done from home in 2020. We will likely all be together again in the office at some point in 2021, but longer term we will also embrace a more flexible work setup. From a research perspective, our global network built over the last 45+ years was a distinct competitive advantage this year, as travel and in-person meetings quickly ceased in March. We have a well-established dialogue with our existing investee management teams, as well as with those at many competitors to our portfolio holdings and new potential investment opportunities that we reviewed in the year. Past investees and current clients have also helped our research in many ways. We have been able to maintain our constructively engaged approach without disruption and, in many cases, deepened these relationships and expanded our topics of engagement throughout the year.

Environmental, social and governance (ESG) factors have always been important to us - both as we assess our "Business, People, Price" criteria for any new investments and as we review our businesses and engage with management teams for our existing holdings. In the last year, we have taken steps to formalize our approach to how we incorporate ESG into our investment process. We established an ESG team, with representation from the Research and Client Relations and Communications teams, which reports directly to CEO and Head of Research Ross Glotzbach. While each research analyst is ultimately responsible for each name under coverage, the ESG team is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. We have formally incorporated a section on ESG analysis into our research reports. This analysis details how the company rates on ESG factors, including how the reality compares to the market's perception of these issues, as well as areas where we might seek to engage with management to improve the company's footprint. We recently signed on MSCI ESG Rating as a third party data provider to help quantify ESG-specific metrics. We have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture, but just like our long history of proxy voting where we review ISS recommendations but make our own decision, we will never outsource something this important. At the start of the year, we became signatories to the United Nations-supported Principles for Responsible Investing (UNPRI), as well as to Climate Action 100+ (CA100), an investor-led initiative that is supported by PRI and is focused on actively engaging with management teams that are in a position to help drive long-term, global progress in the fight against climate change. We are specifically engaging with GE through CA100 and have had several productive discussions with the company, as well as our fellow CA100 signatories, and we were pleased to see GE's recent commitment to carbon neutrality by 2030. We have also been heartened to see the steps that our companies across all our portfolios are taking to give back and support the fight against COVID - whether through producing PPE for healthcare workers, supporting their own employees through enhanced safety plans to ensure critical services continue uninterrupted and/or raising and donating funds to local food banks and other charities that directly support the most vulnerable community members.

In 3Q, we seeded a new European investment strategy with internal capital to address the growing opportunity in Europe to engage with companies and key stakeholders to enhance and realize value. Josh Shores and John Woodman are Co-Portfolio Managers of the strategy, and we anticipate that the strategy will, over time, expand the opportunity set for our Non-US and Global strategies and deepen our global network, which supports all our investment mandates.

Finally, Andy McCarroll (General Counsel, at Southeastern since 1998) and Gwin Myerberg (Global Head of Client Relations and Communications, at Southeastern since 2008) joined Southeastern's Board of Directors. The Board supports Ross Glotzbach in his role as CEO and works closely with department heads to coordinate management functions across all key areas of the organization, to set the strategy and goals for the firm and to ensure we always stick to the guiding principles that define our unique culture. We are excited to add Andy's and Gwin's experience and insight to this important role.

Outlook

What a year. We're all tired of the same clichés by now so will wrap it up. We own great individual investments that combine to create a portfolio that looks dramatically different than the index. It's time for that to work, not because we are owed anything, but because of simple math and an increasing lack of competition doing sensible things that have worked for most decades of recorded history, but have never felt harder to do after a year like this on top of a rough 10+ years before. We will continue to treat your capital as if it were our own and to stick to our time-tested investment discipline, even when it feels difficult to do so. We thank you for your partnership and are looking forward to 2021.

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.

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

Return on Equity (ROE) is a measure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholders' equity.

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

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

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows from an investment equal zero.

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

As of December 31, 2020, the top ten holdings for the Longleaf Partners Global Fund: EXOR, 10.1%; Lumen, 7.7%; GE, 6.0%; Prosus, 4.9%; Comcast, 4.8%; Melco, 4.8%; CK Hutchison, *4.6%; Fairfax, 4.6%; CNX Resources, 4.5%, LafargeHolcim 4.5%. 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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