Condensed Interim Report & Unaudited Financial Statements

For the six months ended
30 June 2020

Longleaf Partners
Unit Trust

Longleaf Partners Funds

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Investment Manager's Report

Global Fund

Longleaf Partners Global UCITS Fund rebounded from a challenging first quarter with a strong absolute return of 19.17% in the second quarter, roughly equal to the MSCI World's 19.36%. Most companies posted positive results in the quarter, as stocks broadly rebounded post the COVID-19 lows in March and April. While not owning Information Technology and holding an average 8% cash allocation were collectively a 3.4% drag on relative performance in the quarter, strong stock returns outweighed the impact of what we did not own. However, the Fund's year-to-date figures remain frustratingly poor following the first quarter sell-off. While our investments performed nicely from the lows, this was not significant enough to offset the declines in the first quarter. We are confident in the quality of our businesses and in our aligned management teams' ability to build significant future value and drive returns for the Fund. In this letter, we will focus first on what drove performance, what detracted and discuss what we do not own (and are happier than ever to avoid today, even as this has contributed to the Fund trailing the index). Finally we will end with what is most important: what we own today, how we have upgraded the portfolio, and why we believe this sets us up for stronger returns going forward.

Average Annual Total Returns 30 June 2020

	Inception Date	Since Inception	5 Year	3 Year	1 Year
Class I-USD	04/01/2010	4.33%	2.39%	-3.59%	-9.77%
Class I-Euro	20/05/2010	6.20%	2.08%	-3.19%	-8.66%
Class I-GBP	13/11/2013	5.97%	7.29%	-1.97%	-7.54%

Performance Review

Although most companies posted positive results in the quarter as markets rebounded, a handful of our companies declined. As we started the year, we felt that the companies we owned were broadly well-prepared for a downturn, but we had not taken into account the possibility for a once every 50 to 100 years pandemic-led downturn, which uniquely hit some businesses. At General Electric, the abrupt stoppage in air travel has hit GE Aviation worse than in previous downturns (when profits were actually flat to up). Additionally, Fairfax Financial (FFH), which was a star in the global financial crisis (GFC) downturn, has so far disappointed from a stock price perspective in the current downturn. From a relative perspective, FFH also suffered as a cloud hangs over many insurers due to the ongoing business interruption insurance debate over COVID-19. FFH was also grouped with emerging market stocks after a decade of value-accretive investments outside of North America amidst an environment where US large cap companies have continued to dominate global markets. We took our time to reassess our FFH case and ultimately decided to buy more, a decision which was bolstered further when CEO/Founder Prem Watsa stepped up with a personal investment of over $100 million. We have filtered through the tough reality of the "new normal" environment into our appraisals for each business and made changes in our portfolio positioning where appropriate to reflect our new outlook.

To the positive, our relative energy overweight and better stock specific performance by natural gas company CNX and pipeline operator Williams was a bright spot for absolute and relative performance. We have built on lessons learned in previous downturns in that industry and avoided optically discounted oil companies. Additionally, our newer positions in DuPont and Carrier (which spun out of United Technologies (UTX) at the start of the quarter) were also both top contributors. Our decision to upgrade the portfolio by adding to Carrier is already paying off.

Market Review: What We Do Not Own

Last quarter, we wrote to you about the extreme dislocation in markets and the virtues of not panicking at the bottom. As we said then:

The stock market typically reacts most to the second derivative of a curve – are things accelerating, decelerating or flattening out? While the absolute number of cases and deaths will grow in the near term, there is a chance that the worldwide rate of growth could begin decelerating with aggressive global mitigation measures being taken. This could be perceived positively by markets… [Also], as the number of cases and testing increases around the world, this larger sample size gives the world more data to analyze…. The market hates uncertainty, so while more data very likely will lead to more immediate negatives, the fact that there will be fewer "unknown unknowns" in the months to come will likely be a positive. Additionally, the worldwide focus on developing a COVID-19 vaccine gives us confidence that, as we look into 2021 and beyond, the market should begin discounting a more "normal" world, even if the new definition of normal looks very different than it did in 2019.

Today, we have a different message. While we were encouraged to see the market becoming more of a bottom-up weighing machine - to use Ben Graham's phrase - in April, troubling trends started building in May and June as certain, long-favored parts of the market again felt more like a perpetual motion machine (reminder: there is no such thing!), as what had been going up for years resumed its march upward.

We are now into the seventh bear market of the last 50+ years. The first six can be broadly grouped into two different categories: those that were started by an external macro shock and those that were started by the popping of a speculative stock market bubble. Four of the six were driven by external shocks and were less kind to value investing in their beginnings. This current downturn has thus far been the fifth in this group. The other two downturns more directly involving bubbles were kinder to value investors initially. We do not have much to add to this great article, which we highly recommend as educational reading:
https://www.researchaffiliates.com/en_us/publications/articles/808-value-in-recessions-and-recoveries.html.
The good news for the go forward for our portfolio is two-fold: 1) value investing did bounce back better than the market in the previous four macro-shock downturns after the initial pain and 2) we think it is likely that there is still a speculative bubble to pop in the near term. We hate how painful it has been over the last decade to get to this point, but we do think that this is a rare moment that is measured in generations.

We believe we can outperform mostly because of what we own, but we think that avoiding the overvalued parts of the market and the potentially statistically cheap but lower quality parts of the market will also be key. As growth stocks continue to drive the market upwards, we have seen higher multiple, higher return on equity (ROE) stocks particularly outperform. The market has moved from discounting these businesses at a high-single-digit discount rate to a mid-single-digit or lower rate over the last several years. It is also likely that terminal multiples have gone up as well, signaling a dangerous level of overconfidence about what the world will look like 5-10+ years from now for each of these stocks vs. the broader market.

In order to put some more detailed numbers on this concept, meet the "20/20 Club" – those stocks with a PE ratio > 20x and an existing ROE > 20%. Much like how the market became infatuated with stocks like this in the early '70s "Nifty Fifty" and again in the late '90s with the "Dotcoms", a period of easy money has served as rocket fuel for these stocks. Here is how the 20/20 Club out of several indices has fared over the last five years:

Name	# w/ Returns	USD Return (%) 3 Month	1 Year	3 Year	5 Year	Annualized 3 Year	5 Year
S&P 500		19.87	6.91	35.01	65.53	10.52	10.61
S&P 500 20/20	107	20.16	7.32	67.79	160.79	16.46	16.92
S&P 500 Non-20/20	395	17.56	-10.43	8.53	39.60	0.26	3.77
Russell 2000		22.92	-8.48	4.03	20.90	1.33	3.87
Russell 2000 20/20	73	30.08	16.42	277.21	433.07	31.35	21.61
Russell 2000 Non-20/20	1889	25.53	-14.19	5.97	16.97	-6.28	-3.45
MSCI EAFE		14.82	-5.18	2.40	10.64	0.79	2.04
MSCI EAFE 20/20	97	21.50	12.47	55.61	163.81	13.13	16.24
MSCI EAFE Non-20/20	819	16.03	-6.75	5.15	29.38	-0.77	2.43

Source: Factset

If anything, this effect is understated because money-losing or barely-earning yet high-flying tech and healthcare companies do not make the cut because of their current ROEs. The 20/20 Club now has a forward PE of 32 vs. the rest of the index at 17 & the Fund at 14.5. This gap is enormous and very rare historically.

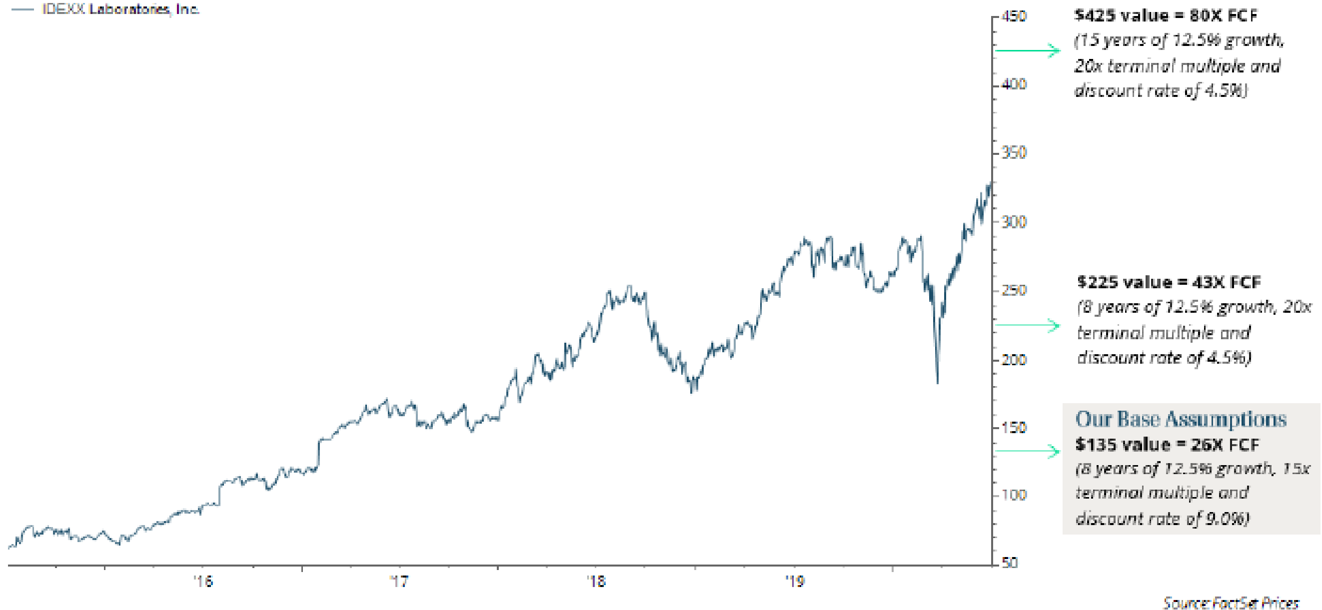
We thought it might help to illustrate this point in more detail with a specific company that we love qualitatively but don’t own: Idexx, the great animal diagnostics company. It is near the top of our list in terms of growth runway and competitive position, and we expect the company to continue to meet its projected low double-digit profit growth in the near term.

We know that owning stocks with growing earnings per share (EPS) is good at the right price. But what is “low double-digit profit growth for a while” worth? In analyzing Idexx, we start by running our typical discounted cash flow (DCF) model, with the high end of our usual conservative assumptions: 12.5% profit growth for 8 years, discounted back at 9%, using a relatively high by our standard 15x terminal value because the quality of the business is so great. Over the last decade, we have stuck to an average high single digit discount rate, rather than chasing down to the low single digits, because the equity risk premium has averaged 300-500bps as far back as there are records. Even in the context of today’s 30-year US treasury yield of 140bps and 10-year yield of 65bps, we still believe a 4-6% risk free rate (RFR) makes sense vs. a long look back at history and/or a 1% population growth + 1-2% productivity growth + 2-3% inflation. We have also stuck to an initial term of 5-10 years of growth because things can change a lot beyond that timeframe. Finally, we cap our max terminal value at around the long-run average market price-to-earnings (P/E) ratio, defined roughly as “mid-teens”. Using our typical approach gives you a 26x free cash flow (FCF), or a conservative value of approximately $135.

But, what if we are being too conservative? The chart below shows what happens when we change the assumptions in the model. Tinkering with the inputs can quickly yield much higher - though we would submit unsustainably so - outputs:

Price Chart and Potential Value Ranges for IDEXX Laboratories

02-Jul-2015 to 30-Jun-2020



Change up the growth numbers a bit for other market favorites beyond FAAANM, like Visa, Master Card, Workday, ServiceNow, Intuit, Autodesk, Adobe, Shopify, Dollar General, Costco, Wal-Mart, Zoetis, Rollins, Brown Forman, etc., and you can see how they get their current multiples and how the S&P 500 P/E multiples quickly get into nosebleed territory. There are non-US equivalents in certain cases, but the S&P 500 is home to the most overvaluation today. These specific examples are all great companies. Value investors, like ourselves, have undoubtedly suffered by missing out on their run. However, we believe there is a big difference between "owning a great company at a fair price" and owning these companies that have been the prime driver of the market over the last few years at today's full valuations. Today, these stocks are reminiscent of the aforementioned bubbles in the mid-late '90s and the early-mid '70s, when stock performance became way too concentrated as people paid up for "certainty."

On the other side of the coin, not all low-multiple stocks are created equal. While we evaluate every company on a bottom-up basis and are hesitant to rule out entire sectors of the market, there are certain industries that make up a meaningful part of the index we intentionally remain relatively underweight. Some of the lower multiple groups in the MSCI World are mature health care companies, oil majors and banks. We have trouble capitalizing some of the high returns in mature health care these days, as the US health system is not working for its high cost. There is a greater than 50% probability we will see an administration change coming out of the November elections, which would likely lead to further changes to the system. That said, we do have one on-deck company that we have vetted within this industry, which we think could be unique. We have always had a hard time understanding why the oil majors trade where they do and still struggle with them today. It seems possible that these are owned for their (now even more unsustainable) dividends and/or for shadow-indexing purposes. The world has changed in a big way for companies focused on oil and for many others in the energy industry that do not have strong balance sheets. Banks also look statistically cheap now. The current downturn looks like it could be uniquely bad for this industry, as banks are hit from a variety of angles in the small business, consumer and real estate lending worlds, growing digital trends are eroding their brand power and finally a potential administration change could put their dividends at risk. We also see higher tax rate risk for all three of these industries. Our relative underweight will likely have a strong impact on our relative returns going forward because these groups make up over 20% of the market cap of the MSCI World Index and approximately 18% of the stocks in this index, and we often see value peers owning even greater weightings than this.

A key lesson that we have learned over the past decade is that future value growth is more important than a single point in time price discount. Our greatest investment successes have come from companies where our appraisal value has steadily grown, and our management teams have taken steps to get that value recognized. Our greatest mistakes have come from focusing too much on the discounted price at the expense of business and people quality and value growth. Today, we are firmly focused on future value growth, but we doubly benefit from deep discounts across the board in the current environment.

What We Do Own: Looking to the Future

Back to what we do own, in last quarter's letter, we described three buckets of stocks in our portfolios post-COVID: 1) those that have benefitted in at least some way and therefore had little value pain; 2) those that have taken some pain but will survive and can keep growing over the medium term and 3) those that have some real, material issues to deal with, which saw a more material near-term value hit and potential for permanent value impairment. The percentages for the Fund were 31%/57%/6% in each bucket (+7% cash) the last time we updated you, but today they are 29%/54%/1% (+17% cash). While this looks like a small headline shift, a deeper dive shows a material upgrade in the underlying portfolio position. We firmly believe that this will lead to better prospective returns from here due to a higher quality portfolio.

We noted in the 1Q letter that EXOR was categorized in the second bucket but that "it could quickly move to the first category if the two recently announced deals – the merger of FCA and Peugeot and the sale of PartnerRe to Covea - continue as planned." The PartnerRe deal was originally an unsolicited opportunistic bid that management could not pass up given the premium, rather than a targeted asset divestiture. It was disappointing to see Covea back out of the agreement in the quarter. Our view on reinsurance was steadily improving during the same period they made the decision to break the deal. The COVID impact on top of an already firming price environment is translating to the hardest (most positive) reinsurance pricing environment in years. We believe this is a good time to be allocating capital to the space. We are disappointed not to receive deal liquidity in what would have been an opportune time, but we were happy to see CEO John Elkann's discipline in refusing to negotiate a lower, fire sale price in the face of a dramatically improving business environment. PartnerRe is well positioned to thrive over the next few years and ultimately be worth more than Covea's offer. We believe that EXOR's firm stance on refusing to re-open discussions has to be a positive factor in seeing the more strategically important FCA-PSA deal through. Mr. Elkann has demonstrated conclusively what sort of negotiator he will be. In prior situations, EXOR has gone out of its way to stand by its commitments despite changing environments. This high integrity and conviction increase the probability of a successful conclusion in the fourth quarter of 2020 or by the first quarter of next year.
Our appraisal value was never dependent upon the deals closing, and we remain highly confident in John Elkann as the right partner for navigating EXOR through the current environment to come out even stronger on the other side.

The third bucket, which held OCI, was the most important category for us to address, as we sought to upgrade the portfolio. We exited the company in the second quarter, as a result of a combination of people changes (as founder Nassef Sawiris, whom we admire and support, stepped back from day-to-day management of the company) and balance sheet deterioration, amid an environment where the macro swamped the ability for the company to execute on the original case.

We would add the following important notes to our current expectations for the various groups of stocks within the COVID-19 environment.

1. Stocks that seem like they are 100% binary today as it relates to the virus might be more nuanced as the year plays out. For example, when Carrier spun out of UTX at the start of the quarter, it was viewed as an overleveraged company that was vulnerable to the economy stopping as people deferred HVAC (heating, ventilation and air conditioning) spending. That perception changed quickly however, as HVAC spend has so far hung in better than expected, the company renegotiated a debt covenant, management purchased shares personally and the market began to focus on the best in class Carrier brand name's long term staying power. Going forward, we could see stocks like GE transition out of the virus-correlated large daily price

swings, as large parts of GE's value are much less long-term impacted than the market seems to be saying today.

2. If stocks might stay in the "virus binary" category for a while in the market's perception, then we want to own only those companies that have trophy assets, great partners and balance sheets that let them go on offense. Melco International is a good example in this category.
3. We are also going to see the importance of great partners more than ever. It has been wonderful to see big owners like Prem Watsa at FFH and Lawrence Ho at Melco step up with big insider buys. Additionally, John Elkann made the difficult yet long-term correct decision not to renegotiate the sale of PartnerRe to Covea.
4. Sometimes surprisingly good things happen to specific investees that do not fall into any of these categories. For example, while it had been a painful wait to see CNX outperform, at long last natural gas sentiment shifted positively due to a variety of hard-to-foresee factors, plus the company delivered another solid quarter based on what was in their control.
5. As we said last quarter: if things change for real (not just a stock moving around day to day), we will change the portfolio accordingly. We had more activity than usual on this front in the quarter.

Contributors/Detractors

(Q2 Investment return; Q2 Fund contribution)

CNX (64%, 3.87%), the Appalachian natural gas producer, was the top contributor in the quarter. The company reported strong free-cash flow and earnings before interest rate, tax, depreciation and amortization (EBITDA) growth in the first quarter. CNX has demonstrated a path to reach $500-$730 million annual pretax cash earnings over the next several years, assuming modest $2.45-$3.00/mcf gas prices. If the commodity price continues to disappoint going forward, CNX maintains the industry's best hedging book, as well as one of its lowest leverage ratios. CNX bonds trade close to par, while inferior exploration and production peers face near-term bankruptcy risks. CNX also recently announced cuts to its six-year capital expenditure plans, which should increase cash profitability on flat gas production. CEO Nick DeIuliis and Chairman Will Thorndike have taken decisive actions to restore long-term profitability during an excruciating year for the energy industry. They have more moves to make this year from a position of relative strength.

DuPont (57%, 2.63%), the industrial conglomerate, was another strong contributor to performance. Coronavirus-driven lockdowns led to 10-15% revenue declines across its businesses in April, but revenues have improved quickly in May and June. In Transport, revenues declined the most as auto production froze, while Safety & Construction and Electronics were more resilient as demand for Tyvek wrap and semiconductors held steady. Recently returned CEO Ed Breen took advantage of the crisis by shrinking DuPont's unnecessarily wide product assortments, while simultaneously increasing the company's investments into sales and R&D. The actions set up DuPont for better profitability and growth for years to come. DuPont's Nutrition segment is also on track to close its value-growing merger with highly-valued International Flavors and Fragrances. DuPont has no significant debt maturities until the end of 2023 and is well positioned to navigate even an extended crisis.

Carrier (54%, 2.26%), the HVAC manufacturer that was spun out of United Technologies at the beginning of April, was a positive contributor. Though it was initially overshadowed by the simultaneous spin of more expensive Otis Elevators, which we sold soon after its distribution, Carrier is a high-quality business. We bought additional Carrier shares when the stock traded at less than half our appraisal and a 7x trailing P/E, against similar competitors trading at 13-17x. Carrier owns strong brands and has a reasonable debt load. As a result of COVID shutdowns and abnormally high growth in last year's first quarter, Carrier's first-quarter 2020 organic revenue declined 9% year-over-year, and its operating income 12%. The company still earned healthy FCF. In March and April, CEO Dave Gitlin conserved cash by deferring capital expenditures and implementing permanent cost savings. We expect Carrier's financial performance to improve significantly for the next several years as a focused independent company.

Williams (38%, 2.06%), the natural gas pipeline company, was also a top performer. The company's midstream assets in the Gulf of Mexico, Northeast and Transco (arguably the best pipeline in the world, carrying Texas gas to much of the US) grew EBITDA by a mid-single digit percentage. Natural gas demand has remained strong throughout the

last several months. One of the reasons we had the opportunity to buy Williams at a discount was its exposure to customer Chesapeake Energy. However, when Chesapeake's bankruptcy became official at the end of the quarter, Williams' stock barely reacted as the market is coming to understand that this is not going to significantly impact Williams' long term FCF and value per share. Despite the Williams stock appreciation this quarter, shares still trade for a significantly higher dividend yield and lower EBITDA multiple than the industry's and stock's own historical averages. The majority of Williams' pipelines are growing their cash flows this year, and the company's leverage is conservative.

Prosus (34%, 1.50%), a global consumer internet group, was another top contributor in the quarter and a strong year-to-date contributor. The company's 31% stake in Tencent demonstrated significant resilience during the pandemic. Tencent's online advertising and gaming businesses grew revenues by 30% last quarter, as consumers spent more time on their mobile phones during the lockdown. Prosus has both the discipline and financial strength to navigate the current uncertain environment. Over the past year, Prosus made only 54 investments after evaluating over 5,000 potential transactions. At a time when cash is king, Prosus has $4.5 billion in net cash and has access to an undrawn $2.5 billion revolving credit facility. Furthermore, the company has no debt maturing until 2025. Despite a strong track record and solid fundamentals, Prosus continues to trade at a significant discount to its net asset value. Management's compensation is tied to getting shareholder value recognized, and we expect that they will continue to work to close the gap between price and value.

Melco International (33%, 1.12%), the Macau casino and resort holding company, was a top contributor for the quarter, after being the largest detractor in the first quarter. Melco's operating subsidiary Melco Resorts (MLCO) reported better than expected results in the first quarter, with gross gaming revenue (GGR) market share growing quarter-over-quarter. This, combined with optimism on potential easing of travel restrictions, led to a strong price rebound from depressed levels. The Macau operating environment remains challenging due to COVID-19 induced travel restrictions in the region. With China, Hong Kong and Macau borders effectively closed, Q2 GGR was down over 95% year-over-year. Macau has been very effective in containing the spread of the virus, but the casinos are virtually empty and will remain so as long as there is a 14-day quarantine requirement by the neighboring Chinese province of Guangdong, which accounts for nearly half of all Chinese visitation to Macau. Hong Kong has seen a minor second wave of COVID-19 and extended the border restrictions into August. There is increasing optimism, partly fueled by comments from Macau's Chief Executive Ho Iat Seng, of a travel bubble formation between Guangdong and Macau, which could jumpstart the recovery. MLCO management is managing its balance sheet and cash flows well during these tough times, reducing daily cash costs, liquidating its stake in Crown, reducing capex for the year and cancelling quarterly dividends. Today, MLCO has $3.2 billion of available liquidity, which is equivalent to almost two years of fully-loaded cash burn in a zero-revenue scenario. We are encouraged to see our partner CEO Lawrence Ho invested over $50 million of his personal capital in Melco International shares during the quarter - the highest amount of open market purchases by him ever.

General Electric (-14%, -1.02%), the industrial conglomerate, was the only significant detractor in the quarter. GE's Aviation segment, its most valuable, manufactures and maintains commercial and military jet engines. Aviation revenues will take years to recover back to 2019 levels, though they have already bottomed, and passengers have gradually begun to fly again. CEO Larry Culp responded to the COVID-19 crisis with decisive steps to control costs, and long-term GE Aviation earnings before interest and taxes (EBIT) margins should recover to over 20% once the industry recovers. With leading positions in narrow-body jets, GE Aviation has decades of strong growth ahead despite COVID-19's sharply negative impact. GE's Healthcare and Power sales slowed during the first quarter as hospitals postponed elective surgeries and plants deferred maintenance services, but the revenues of both businesses should bounce back later this year. COVID-19 has delayed GE's ability to deleverage to its 2.5x industrial net debt/EBITDA target, but the balance sheet is strong enough to survive the downturn, and GE recently issued bonds with a 2050 maturity. Our appraisal of the value declined moderately and assumes a slow multi-year rebound for Aviation but is still more than 80% above the stock's current price.

Portfolio Activity

This quarter was in many ways the opposite of the first quarter that started with more cash than usual and ended essentially fully-invested, as markets declined. In the second quarter, we started with more ideas than money but ultimately ended up building approximately 10% cash, as we sold three companies and trimmed several top performers as the quarter went on. This is frustrating to us, but we must stick to our discipline. We are keenly focused on continually upgrading the quality of the portfolio. We have done the work to build out a compelling on-deck list and can act quickly as stock prices cooperate. We believe that the current environment of uncertainty will yield the necessary price volatility for us to put the cash to work, as we did at the start of this quarter.

We took advantage of the chance to increase our position in Carrier early in the quarter, as it spun out of United Technologies (UTX) at a deep discount to its absolute value and inferior peers. As the stock appreciated later in the quarter, we trimmed some of our holding as price approached value. We also added to FFH as it was unfairly punished vs. its insurance peers. It was great to see CEO/Founder Prem Watsa join us with a massive personal purchase of over $100 million in the quarter.

We exited Otis as it spun out of UTX at or above our opinion of its fair value and joined the 20/20 Club. It was a harder decision to exit Raytheon Technologies, as it did not reach fair value in the quarter (although still a higher price to value (P/V) than most other holdings), but we ultimately concluded that the commercial aerospace business was changed for the worse and we already had a superior business in that industry at GE. The now more important defense business was not one we are 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. As discussed above, we also finished our sale of OCI, as our outlook for the business weakened amid COVID-19, and management's ability to go on offense deteriorated.

Outlook

We are confident that our underpriced, good businesses and their competent and shareholder-oriented management teams will produce above average returns. While our on-deck list unsurprisingly has fewer names than we had in March, they are uniquely competitive companies that we believe we will have the opportunity to own. A lot of the work we have done pre-qualifying the qualitative will not have been wasted on those stocks where prices rocketed higher in May and June, as we could get other shots at them and think it more likely than not that these shots could come quickly with the increased market volatility of this year. Some are closer than others, and we expect to see at least one to two new companies in the portfolio the next time we are writing to you. Examples on our on-deck list include the aforementioned large health care company, and we also have pre-qualified but are waiting on price another company that would be classified as health care but is really more of a consumer product company. We also did a good amount of work on a company that is transitioning from hardware to software and are excited about its business and people, but its price has not cooperated. A real estate/resources company has been on our radar for a long time but needs to show further progress on capital allocation, and we are monitoring management's next steps closely. We have delved into a company with good people that we feel is unfairly lumped in with balance-sheet-heavy financials when it is actually more of a fee business, but the price is not right yet. A communications/media conglomerate is undergoing positive changes, so we are doing more work to get to the right decision. And the list goes on.

Our portfolio of competitively-entrenched and growing – but currently out of favor – businesses now has a forward P/E of 14.5 vs. the index at 21.9. We made meaningful progress in upgrading the strength and quality of the portfolio this quarter. Today we have approximately 17% in cash to put to work in new opportunities that qualify on our Business, People, Price criteria. We are confident we will have the opportunity to be a liquidity provider amid the current environment of heightened global uncertainty. While US large cap market favorites have gone to even higher prices on potentially lower earnings, we believe the quality of the businesses we own will be recognized and that our patience will be rewarded. We thank you for your partnership and look forward to delivering for you.

Southeastern Asset Management, Inc.
July 2020

Schedule of Investments as at 30 June 2020

Global Fund

Security (Domicile)	Nominal Holdings	Fair Value US$	% of Net Assets
Transferable Securities (December 2019: 89.83%)			
Common Stock (December 2019: 89.83%)			
Air Freight & Logistics (December 2019: 5.99%)			
FedEx Corporation (United States)	39,208	5,497,746	6.06
Chemicals (December 2019: 3.64%)			
DuPont de Nemours Inc. (United States)	65,790	3,495,423	3.85
Construction Materials (December 2019: 4.75%)			
Carrier Global Corporation (United States)	161,615	3,591,085	3.96
LafargeHolcim Limited (France listed) (Switzerland)	23,632	1,024,054	1.13
LafargeHolcim Limited (Switzerland listed) (Switzerland)	70,836	3,103,491	3.42
		7,718,630	8.51
Diversified Financial Services (December 2019: 14.94%)			
CK Hutchison Holdings Limited (Hong Kong)	554,691	3,564,107	3.93
EXOR N.V. (Netherlands)	136,501	7,796,762	8.60
		11,360,869	12.53
Diversified Telecommunication Services (December 2019: 8.44%)			
CenturyLink Inc. (United States)	691,591	6,936,657	7.64
Millicom International Cellular S.A. (Luxembourg)	86,594	2,265,633	2.50
		9,202,290	10.14
Hotels, Restaurants & Leisure (December 2019: 4.99%)			
Melco International Development Limited (Hong Kong)	1,866,589	3,612,520	3.98
Industrial Conglomerates (December 2019: 11.67%)			
General Electric Company (United States)	587,822	4,014,824	4.43
Insurance (December 2019: 4.87%)			
Fairfax Financial Holdings Limited (Canada)	14,883	4,596,466	5.07
Internet Software & Services (December 2019: 4.10%)			
Alphabet Inc. (United States)	1,641	2,319,734	2.56
Prosus N.V. (Netherlands)	52,977	4,924,655	5.43
		7,244,389	7.99
Machinery (December 2019: 8.80%)			
CNH Industrial N.V. (Netherlands)	166,983	1,168,406	1.29
MinebeaMitsumi Inc. (Japan)	167,100	3,022,425	3.33
		4,190,831	4.62
Media (December 2019: 4.67%)			
Comcast Corporation (United States)	96,957	3,779,384	4.17

Security (Domicile)	Nominal Holdings	Fair Value US$	% of Net Assets
Transferable Securities (December 2019: 89.83%) (continued)			
Common Stock (December 2019: 89.83%) (continued)			
Oil, Gas & Consumable Fuels (December 2019: 8.48%)			
CNX Resources Corporation (United States)	390,553	3,378,283	3.73
Williams Companies Inc. (United States)	209,544	3,985,527	4.39
		7,363,810	8.12
Real Estate Management & Development (December 2018: 4.49%)			
CK Asset Holdings Limited (Hong Kong)	640,459	3,817,716	4.21
Total Common Stock		**75,894,898**	**83.68**
Total Transferable Securities (Cost $86,679,974)		**75,894,898**	**83.68**
Short Term Obligations (December 2019: 10.33%)			
State Street Repurchase Agreement State Street Bank 0% due 01/07/2020 (Collateral: US$14,999,069 U.S. Treasury Note 0.3750% due 15/07/2025) (United States)	14,852,000	14,852,000	16.38
Total Short Term Obligations		**14,852,000**	**16.38**
Portfolio Of Investments (December 2019: 100.16%)		**90,746,898**	**100.06**
Bank Overdraft (December 2019: (0.08)%)		(68,758)	(0.08)
Other Assets (December 2019: (0.08)%)		13,776	0.02
Net Asset Value		**90,691,916**	**100.00**

Analysis of total assets	% of Total Current Assets
Transferable securities admitted to an official stock exchange listing or traded on a regular market	83.27
Short term obligations	16.30
Other current assets	0.43
Total Assets	**100.00**

Statement of Changes in Composition of Portfolio

Global Fund

	Acquisition Cost* US$
DuPont de Nemours Inc.	7,273,113
Prosus N.V.	5,572,576
Carrier Global Corporation	3,250,630
Millicom International Cellular S.A.	2,713,206
Fairfax Financial Holdings Limited	1,192,020
Williams Companies Inc.	1,151,910
EXOR N.V.	667,431
Raytheon Technologies Corporation	390,238

	Disposal Proceeds US$
General Electric Company	4,868,634
Alphabet Inc.	4,737,671
Raytheon Technologies Corporation	4,467,304
CNX Resources Corporation	4,357,005
EXOR N.V.	4,340,304
DuPont de Nemours Inc.	4,280,573
CNH Industrial N.V.	4,122,376
CK Hutchison Holdings Limited	4,099,169
CenturyLink Inc.	3,896,087
OCI N.V.	3,873,168
FedEx Corporation	3,380,477
Comcast Corporation	3,010,694
Williams Companies Inc.	2,852,844
MinebeaMitsumi Inc.	2,834,451
Fairfax Financial Holdings Limited	2,573,165
CK Asset Holdings Limited	2,483,683
Melco International Development Limited	2,282,627
Carrier Global Corporation	1,967,929
Prosus N.V.	1,933,165
LafargeHolcim Limited (Switzerland listed)	1,721,193
Otis Worldwide Corporation	701,375

*There were no other purchases during the six months ended 30 June 2020.

Significant portfolio changes are defined as the aggregate purchases of a security exceeding one per cent of the total value of purchases for the period and aggregate sales of a security exceeding one per cent of the total value of sales for the period. At a minimum, the 20 largest purchases and 20 largest sales must be shown.

A list of all purchases and sales of the Fund during the six months ended 30 June 2020 can be obtained free of charge from the Swiss Representative.

Statement of Comprehensive Income

Global Fund

	Notes	For the six months ended 30 June 2020 US$	2019 US$
Income			
Dividend income		1,422,650	2,263,719
Interest income		18,981	59,892
Net (loss)/gain on investments at fair value through profit or loss	2	(28,937,569)	16,967,282
Net foreign exchange (loss)/gain	2	(35,148)	10,674
Other income		-	16,704
Total net (loss)/income		(27,531,086)	19,318,271
Expenses			
Investment Management fees	8	(568,668)	(874,377)
Administration fees		(34,358)	(51,367)
Depositary fees		(37,337)	(35,632)
Audit fees		(10,707)	(8,637)
Other operating expenses		(100,421)	(77,626)
Total operating expenses		(751,491)	(1,047,639)
(Loss)/income for the financial period before interest and taxation		(28,282,577)	18,270,632
Finance cost			
Interest expense		-	(114)
Taxation			
Withholding tax	4	(287,568)	(463,635)
(Loss)/income for the financial period after interest and taxation		(28,570,145)	17,806,883
(Decrease)/increase in net assets attributable to holders of redeemable participating units resulting from operations		(28,570,145)	17,806,883

Gains and losses arose solely from continuing operations.
There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The notes to the financial statements form an integral part of these financial statements.

Statement of Financial Position

Global Fund

	Notes	30 June 2020 US$	31 December 2019 US$
Current Assets			
Dividends receivable		154,634	138,978
Receivable for investments sold		232,493	-
Financial assets at fair value through profit or loss		90,746,898	170,157,612
Interest receivable		-	268
Other receivables		9,067	5,868
Total Current Assets		91,143,092	170,302,726
Current Liabilities			
Bank overdraft		(68,758)	(143,292)
Management fees payable	8	(146,215)	(147,063)
Administration fees payable		(22,624)	(26,839)
Depositary fees payable		(31,011)	(28,265)
Audit fees payable		(31,659)	(20,952)
Other liabilities		(61,152)	(28,719)
Payable for fund units redeemed		-	(27,690)
Payable for investments purchased		(89,757)	-
Total Current Liabilities (excluding net assets attributable to redeemable participating unitholders)		(451,176)	(422,820)
Net assets attributable to holders of redeemable participating units		90,691,916	169,879,906

Details of the NAV per unit are set out in Note 3.

The notes to the financial statements form an integral part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Units
Global Fund

		For the six months ended 30 June	
		2020	2019
	Notes	US$	US$
Net assets attributable to holders of redeemable participating units at beginning of the period		169,879,906	152,606,729
Proceeds from the issuance of redeemable participating units	3	3,175,871	28,366,619
Payments on redemptions of redeemable participating units	3	(53,793,716)	(16,861,116)
Net (decrease)/increase from unit transactions		(50,617,845)	11,505,503
(Decrease)/increase in net assets attributable to holders of redeemable participating units resulting from operations		(28,570,145)	17,806,883
Net assets attributable to holders of redeemable participating units at end of the period		90,691,916	181,919,115

The notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows

Global Fund

	For the six months ended 30 June	
	2020	**2019**
	US$	**US$**
Cash flows from operating activities		
(Loss)/Income for the financial period after interest and taxation	(28,570,145)	17,806,883
Adjustments to reconcile net (decrease)/increase in net assets resulting from operations to net cash provided by/(used in) operating activities:		
Net loss/(gain) on investments at fair value through profit or loss	28,937,569	(16,967,282)
Cash inflow/(outflow) due to purchases and sales of investments during the period	50,330,409	(12,001,436)
(Increase)/decrease in debtors	(18,587)	72,041
Increase/(decrease) in creditors	40,823	(152,615)
Net cash provided by/(used in) operating activities	50,720,069	(11,242,409)
Cash flows from financing activities		
Proceeds from the issuance of redeemable participating units	3,175,871	28,129,234
Payments on redemptions of redeemable participating units	(53,821,406)	(16,851,599)
Net cash (used in)/provided by financing activities	(50,645,535)	11,277,635
Increase in cash and Cash Equivalents	74,534	35,226
Cash and Cash Equivalents at beginning of the period	(143,292)	286
Cash and Cash Equivalents at end of the period	(68,758)	35,512
Interest received	19,249	59,134
Interest paid	-	(114)
Dividends received	1,406,994	2,334,471

The notes to the financial statements form an integral part of these financial statements.

Investment Manager’s Report

Asia Pacific Fund

The Longleaf Asia Pacific UCITS Fund returned 19.49% in the quarter, outpacing the MSCI AC Asia Pacific Index's 15.94% in the period.

Portfolio Returns at 30/06/20 – Net of Fees

	2Q20	YTD	1 Year	3 Year	5 Year	Since Inception 2/12/2014
APAC UCITS (Class I USD)	19.49%	-11.48%	-7.89%	-2.29%	3.63%	3.72%
MSCI AC Asia Pacific Index	15.94%	-6.42%	1.04%	3.19%	4.02%	4.67%
Relative Returns	+3.55%	-5.06%	-8.93%	-5.48%	-0.39%	-0.95%

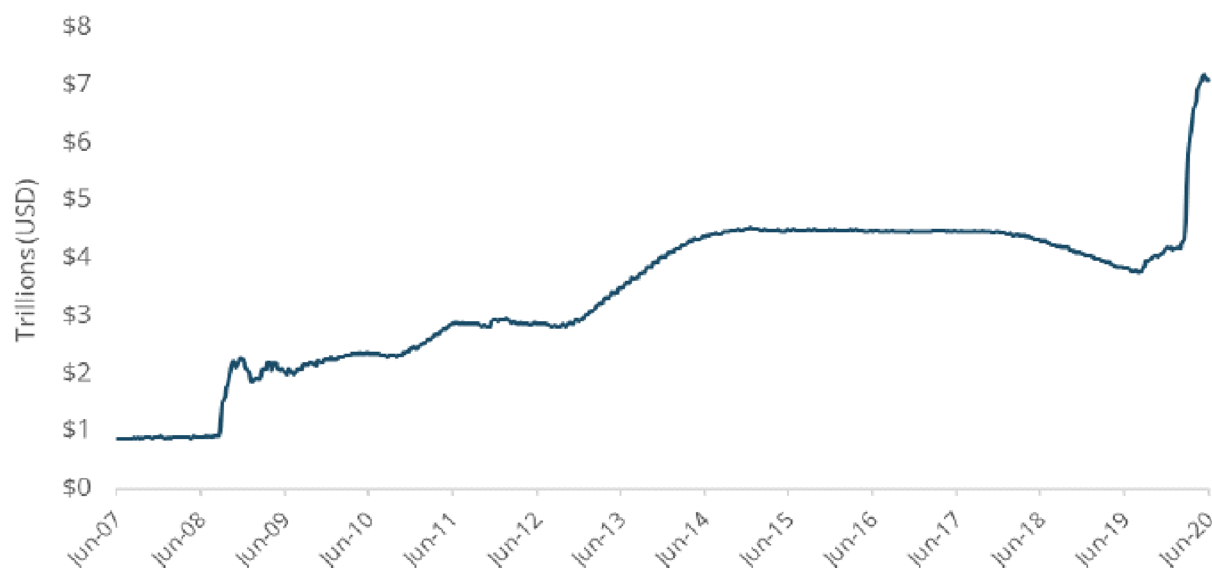
Selected Indices*	2Q20	YTD	1 Year	3 Year	5 Year
Hang Seng Index	4.64%	-11.98%	-11.80%	1.57%	1.95%
TOPIX Index (JPY)	11.24%	-8.19%	3.08%	1.22%	1.36%
TOPIX Index (USD)	11.18%	-7.29%	3.12%	2.62%	3.92%
MSCI Emerging Markets	18.08%	-9.78%	-3.38%	1.90%	2.86%

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

After a challenging first quarter, capital markets across most asset classes staged a V-shaped recovery in the second quarter. Fueled by an unprecedented amount of liquidity injections by central banks and record fiscal stimulus worldwide, markets seemed to look past surging unemployment, an inevitable collapse in near-term corporate earnings and fear of COVID-19 second waves, and focused instead on the reopening and recovery narrative.

As shown in the chart below, the US Federal Reserve printed close to 3 trillion dollars between early March and mid-June, expanding its balance sheet by 70%, and throwing it at the markets. The Fed further assured the markets that it firmly stands behind ensuring stability and will not run out of ammunition in doing so. According to economic research firm Gavekal, "In the US, the fiscal response to the COVID crisis so far amounts to 20x the Marshall Plan, or 5.5x the New Deal (in constant US dollars).”
https://blog.evergreengavekal.com/towards-more-of-the-same/

Interest rate cuts globally shifted the yield curve downwards and further reduced the discount rates used to price risk assets. We continue to use 9% to discount future cash flows in our appraisals, with higher discount rates in selected emerging markets. The US 10-year Treasury is yielding 65 basis points, and the 10-year inflation-indexed Treasury (TIPS) is yielding negative 75 bps. The Austrian government recently issued a 100-year bond at 85 bps, which is now yielding less than 70 bps. Investors are paying over 140x earnings for an Austrian government bond with zero likelihood of any growth in coupons!



Source: Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets, retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/WALCL, July 6, 2020.

In the context of ever-higher liquidity, an almost zero risk-free rate, and falling credit spreads, we believe there is no better alternative than equities. However, after dropping by 31% for the year through March 23, the S&P 500 staged a dramatic 39% recovery in a matter of weeks and ended the second quarter down just 3% for the year. The following tweet by Director of Research at Ritholtz Wealth Management Michael Batnick captured the sentiment well — "We've gone from recession to depression to recovery to euphoria in less than 100 days".

The MSCI AC Asia Pacific Index also marked the bottom for the year on March 23, down 29%. While we expected recovery from those oversold levels, the pace and magnitude of this V-shaped market recovery have surprised us. The index has recovered 31% since March 23 and is now down 6.4% YTD. We have rarely seen such a broad decoupling of the financial markets from economic reality. We are facing the worst pandemic in our lifetimes and the biggest economic contraction since the Great Depression…yet equity and fixed income markets remain strong.

We see numerous risks which may not be adequately discounted in broader markets today:

- **Second Wave:** As most countries emerge from various versions of lockdowns, there is a heightened risk of a second wave of COVID infections. We already see this in many countries, including China, India, and South Korea. Could we see rolling lockdowns if cases of new infections rise higher? The economic outlook for the rest of the year is shrouded in high uncertainty and hinges on avoiding a re-acceleration of the COVID outbreak.

- **Geopolitics:** The two biggest economies in the world are trading blows on the trade front, and their navies are playing chicken in the South China Sea. COVID has further strained the already tenuous relationship between the US and China. With the US presidential election in November, we see a higher risk of US-China tensions affecting business and macro sentiment. We believe that US-China relations will remain tense in the medium term, regardless of who is elected president of the United States. On another front, the two most populous countries (China and India) are literally trading blows along their shared border, and events have taken a dangerous turn in recent weeks with the first loss of life in four decades in skirmishes along the disputed border area.

- **Real economic impact:** Market sentiment is buoyed by enormous monetary and fiscal stimulus, but when this emergency support is retracted, only then will we know the actual effect of COVID on employment, consumer behavior, and corporate earnings. It is hard to determine the long-term impact of this pandemic on the consumer — will they spend now, or will they be frugal and save more for a rainy day? We might see higher levels of defaults and bankruptcies that would lead to higher levels of sustained unemployment. The economic recovery is more likely to be bumpy and gradual, rather than the V-shaped recovery we have seen in capital markets. Furthermore, the prospect of higher corporate and income tax rates, especially in the United States under a Biden administration, will be a further headwind to the equity capital markets.

- **Liquidity:** Central bank support could wear thin both in magnitude and effectiveness. The liquidity injection was front-loaded — $2.3 trillion out of the Fed's $2.8 trillion stimulus was completed in the first month — and after the initial shock-and-awe response, it has tapered down as the marginal utility of every incremental stimulus dollar decreased.

- **Vaccine:** Markets have rallied on any early signs of vaccines or treatments, but it could be a while before we have a workable solution in place. Most health experts believe a vaccine could take many months to more than a year to complete clinical trials and then begin mass production and distribution.

- **Inflation:** It may be hard to imagine inflation in today's world of excess labor and manufacturing capacity, empty hotels, malls and office buildings, low energy prices, and demand contraction. However, we have a very powerful counterforce of global supply chain disruption and the trends towards more local production. Globalization and "offshoring" have probably been the most significant deflationary factors over the last two decades. But now, not buying the cheaper product made in China will mean buying a more expensive product made in the US. If there is a return of inflation, interest rates will likely go higher, impacting risk asset prices.

How have we positioned our portfolio, given the potential risks outlined above?
While we are very much bottom-up investors and focus on buying businesses, we are not blind to powerful macro trends. At all four levels — the Consumer, the Company, the Country, and the Currency — we believe Asia is attractively priced with a higher margin of safety, conservatively capitalized with financial flexibility, and a greater ability to compound value compared to the US and Europe. In the US, the government, corporates, and consumers suffer from excess leverage at all three levels, exacerbated by record fiscal spending at the government level, significant share repurchases and lackluster earnings growth at the corporate level, and high unemployment and little income growth at the consumer level. Asian countries have the fiscal space and external buffers in the form of international reserves to cushion the economic shock caused by the pandemic. In fact, Asian countries account for six of the top ten countries with the largest foreign reserves globally.

No central bank has been as aggressive in printing money as the Fed, with the Fed's balance sheet expanding by about $3 trillion in less than three months, and the US money supply growing ten times faster than the US nominal GDP growth rate. Such a vast supply of dollars is likely to lead to US dollar weakness over time. We would expect currencies that have not monetized the COVID crisis as aggressively as developed economies have to do well over time, which bodes well for Asian currencies and economies. With a substantial amount of emerging market (EM) capital spending still being financed in dollars, a weaker dollar will typically be favorable for EM growth. Asia EM is one of the few regions in the world left that provides investors with a positive real yield curve. We believe that Asian currencies are substantially undervalued relative to the US dollar, which should provide a tailwind for returns in Asia. The ubiquitous Big Mac is 38%, 53%, 45%, and 50% cheaper than a US Big Mac in Japan, India, China, and the Philippines, respectively. As shown in the chart below, Asian currencies have started appreciating relative to the US dollar since the Fed's stimulus initiation in late March.

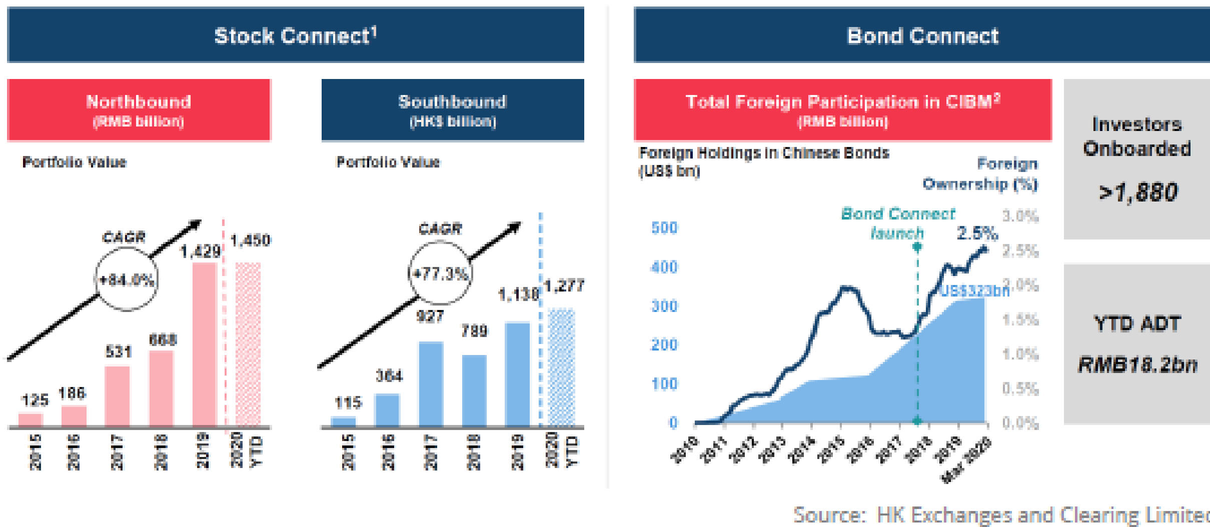
We increased our allocation to dominant Asian consumer companies, which we believe will continue to compound faster than GDP growth, in light of the risks outlined above. We believe the Asian consumer will continue to grow purchasing power, driven by secular growth trends of urbanization, a relatively young and growing population, growth of the middle class, access to credit, and premiumization. Some consulting firms believe that Asian consumers will drive 50% of all global consumption growth by 2030. In the case of luxury goods, Asian consumers already contribute the majority of incremental demand for brands like Richemont, LVMH, Chanel, and Hermes.

"Over the past two decades, global poverty has dropped dramatically. Some 1.2 billion people have been propelled into the consuming class, meaning that they have passed the income level at which they can begin to make significant discretionary purchases. This is one of the greatest economic success stories in history — and it is very much an Asian story." Source: McKinsey Global Institute – "Asia's Future is Now".

We increased exposure to Asian consumer companies that rely more on their local economies and currencies, are less dependent on trade, tariffs, and geopolitics, and have dominant market positions that bless them with pricing power. As discussed in detail below, all four companies (one undisclosed) purchased in the quarter demonstrate this domestic focus, market dominance, and economies of scale.

China imposed a new security law for Hong Kong, calling into question Hong Kong's status as an international finance center. This security provision is included in Hong Kong's Basic Law, but it has never been implemented. Hong Kong last tried passing it in 2003, but failed due to public opposition. After watching social unrest and protests increase over the past few years in Hong Kong, President Xi Jinping has taken ownership of this issue to give the People's Republic of China (PRC) the legislative support to restrict political dissent and to deal with any serious challenges to the Mainland's authority over Hong Kong.

C | Transformational Growth from China's Opening



Source: HK Exchanges and Clearing Limited

Hong Kong is a critical financial hub for China, whose importance is growing rapidly. About 40% of Chinese IPO capital is raised via the Hong Kong markets, and about 50% of total international funds deployed in mainland China's capital markets are made via Hong Kong's stock connect program. We expect this to increase over time, as the US stock exchanges have become more hostile towards Chinese listing candidates. Massive secondary listings of Alibaba, JD.com, and NetEase in Hong Kong in the last few months have solidified Hong Kong's position as the primary international financial center through which global capital can invest in Chinese equities. We expect this to remain the case until Mainland China is prepared to eliminate capital controls. With the US passing laws that could potentially lead to the delisting of Chinese companies from US stock exchanges, China needs a stable Hong Kong now more than ever, where international capital feels safe investing in Chinese equities. China wants to end political dissent and the pro-democracy movement in Hong Kong, while retaining a "one country two systems" common law regime to ensure its status as an international financial hub. While the equity markets reacted negatively to this news, this action could be supportive of Hong Kong markets longer term, in as much as it sanitizes Hong Kong of political risk and leads to higher capital inflows from mainland institutions, more than offsetting any international capital that might leave the region.

Indeed, the stock market has regained lost ground, and the Hong Kong dollar is at the strong side of its trading band. With the recent large number of capital raisings on the Hong Kong stock exchange, the demand for Hong Kong dollars has increased. The Hong Kong stock exchange's market capitalization has hit record highs in anticipation of several massive IPOs of Chinese companies re-domiciling from the US to Hong Kong. As shown below, secondary home prices have also recovered in recent weeks. Most new residential project launches have seen high sell-through rates without much discounting, including our portfolio company, CK Asset, which saw a 99% sell-through rate at its Sea to Sky project in Tseung Kwan O district at elevated prices. Another portfolio company, New World Development, just sold two non-core properties for around $465 million at a 3.5% cap rate (~$3,100 per square foot).

Source: http://www1.centadata.com/cci/cci_e.htm

Source:Factset

India has been one of the worst-hit countries by the COVID pandemic. As we discussed in our Q3 2019 letter, the Indian economy was already struggling with a financial crisis (especially in the Non-Bank Financial Company = NBFC space) and forced deleveraging coming into 2020. The pandemic has made the situation much worse. The combination of a weak social safety net program, poor healthcare infrastructure, and a large unorganized sector has made India highly vulnerable to disruption by COVID. The Modi administration instituted one of the strictest and longest nationwide lockdowns globally to avoid overwhelming the fragile healthcare system. This lockdown has come with a considerable cost of lives and livelihoods. At the same time, the government's hands have been tied on the stimulus front, given fiscal deficit concerns, and a 20 trillion rupee stimulus package (10% of GDP) is more of liquidity injections and credit guarantees, rather than fiscal spending. In the March 2020 fiscal year, GDP growth fell to 4.2% compared to 6.1% in FY19. GDP is expected to contract by over 5% this year. Furthermore, tensions with China have escalated and will inevitably lead to more protectionism and a breakdown in trade relationships, further hurting growth prospects in the near term. An exodus of foreign capital has brought valuations in India down to more interesting levels. There is a saying that goes: "India does not change when there are better options. India changes when there are no options." The Modi government, having won an absolute mandate last year, is putting in place meaningful policy reforms that aim to bring growth back to its true potential, if executed correctly. We find ourselves spending more time searching for opportunities in India today than at any other time since the launch of this strategy.

PORTFOLIO CHANGES

Shifts in sentiment from optimism to hopelessness and back, short-termism, and a move towards passive investing (which does not discriminate on fundamentals and valuations) result in the extreme volatility that we observe in markets today. At market highs, everybody thinks the market or a stock is going higher, and crowds extrapolate the trend. At the lows, extreme pessimism takes hold that things are terrible, and can only get worse — crowds extrapolate this downward trend.

This volatility is our friend, as it allows us to buy strong franchises at discounted prices. In the second quarter, we continued to upgrade our portfolio on both qualitative and quantitative (price-to-value) fronts. It may be helpful to recap here what key characteristics we look for in our investments:

1. **Strong businesses:** We want to own businesses that can sustainably earn high returns on invested capital (ROIC) relative to their cost of capital and have attractive reinvestment opportunities (or a long runway for growth). Such businesses tend to have strong competitive moats and high barriers to entry. An economic moat could take the form of brand strength, intellectual property, a network effect, economies of scale (low cost), switching costs, etc. Such businesses are consistent compounders throughout the cycle.

2. **Good people:** We want to partner with owner-operators with skin in the game, who think and act in the best interests of shareholders. They are astute capital allocators focused on growing NAV per share (organically and/or inorganically) and closing the discount to NAV.

3. **Attractive valuations:** We are business appraisers — for every potential investment, we estimate the intrinsic value of the business based on our conservative expectations of its free cash flow generation capability. We want to invest with a sizable margin of safety — typically a 30-50% discount to our appraisal value. It is important to note that value growth (the compounding ability) is just as important as the Price-to-Value (P/V) ratio.

4. **Financial flexibility:** Financial leverage (especially when combined with operating leverage) can be fatal during down cycles. We want to invest in businesses that have the financial flexibility to survive crises and the willingness and ability to go on offense in times like today because the best deals are often found during the worst times.

Strong businesses with smart managers are typically not on sale. But every once in a while, due to company-specific or broader macro reasons, prices correct to a point that offers us our desired margin of safety. We just need to be prepared and wait patiently. Given that we run a concentrated 20-company portfolio with a long-term horizon, our pipeline of opportunities is rarely dry. The fear side of extreme volatility this quarter offered us a chance to initiate four new investments (three are discussed below). These are high-quality franchises we have followed and admired for many years, which became competitive for our capital for the first time.

We funded these investments by exiting our investments in Seria and Toyota. Seria, the second-largest 100 yen store operator in Japan, was a beneficiary of the COVID pandemic driven by strong sales of masks, disinfectants, and home cleaning equipment, and delivered same-store sales growth that exceeded our expectations. The share price appreciated and closed the gap to our appraisal value. Toyota is arguably the most robust car manufacturer globally with best in class scale, products, R&D, and a fortress-like net cash balance sheet, but this business is highly capital intensive and has high operating leverage. We believe lockdowns, combined with a weak outlook for demand, will lead to low fixed cost absorption and margin dilution for all automakers. Furthermore, in a world fraught with trade tensions between most major economies, we believe production will increasingly become more local, and companies like Toyota, which have optimized a just-in-time global supply chain, will be at risk. Toyota's stock price was relatively more resilient, and we exited our position to invest in higher returning, more consistent compounders at lower P/Vs.

We trimmed Tongcheng Elong and Man Wah after their strong performance on the back of a recovery in China's domestic consumption. We also marginally reduced our investment in Baidu, MinebeaMitsumi, MGM China, New World Development, Prosus, and Trip.com after a surprisingly strong relief rally. We ended the quarter with around 8% cash, which is higher than usual. We are allocating some of this cash to new investments that we have initiated post-quarter. Any remaining cash balance will serve as dry powder in these volatile times, which we expect we can put to work quickly.

New investments:

Housing Development Finance Corporation: HDFC is the largest non-banking financial company in India with an unparalleled, long-term track record of growth and disciplined underwriting. HDFC and its affiliate, HDFC Bank, have been consistent compounders over the last two decades. HDFC's book value per share has grown at 18% CAGR during the previous ten years, return on equity (ROE) has been around 20%, and cumulative write-offs since inception (1977) are under 15 basis points of cumulative loan disbursements.

HDFC started as a specialized housing mortgage company in India. Beyond its core housing finance operations, HDFC has created numerous industry leaders over the last 20 years: HDFC Bank, HDFC Asset Management, HDFC Life Insurance, General Insurance (HDFC Ergo), and student lending business Credila. Under the leadership of Chairman Deepak Parekh, CEO Keki Mistry, and Managing Director Renu Karnad, HDFC not only created companies worth over $150 billion, but also helped enable the value discovery for most of these businesses by listing them once they reached critical mass. Each of these associates/subsidiaries is a market leader in its space with best-in-class operating metrics and management.

HDFC has the lowest cost of funds, highest asset quality, strongest capital position, and most efficient cost-to-income ratio (9%) of its peer group. While the near term looks challenging due to a decline in housing loan demand, asset quality issues in construction finance, and a central bank imposed moratorium, we believe competitors will struggle on the liquidity and solvency fronts, yielding market share to HDFC. Its associate HDFC Bank reported preliminary Q1 FY21 results with deposits up 25% YoY (up 4% QoQ) and loans up 21% YoY (up 1% QoQ) despite the weak macro context and COVID lockdowns. In the March quarter, when most of the financial sector was struggling with liquidity, HDFC Bank grew deposits by 800 billion rupees (~$11 billion) — the highest quarterly deposit growth in its 25-year history. HDFC is a major beneficiary of the flight to quality, which we expect will continue for the foreseeable future.

HDFC is a lending franchise we have always admired, but only from the sidelines. Even during the Global Financial Crisis, it traded at over 2x adjusted book value. HDFC and its listed entities have hit a rough patch lately due to severe macro conditions, and the NBFC crisis further aggravated by COVID. Carrying its listed holdings at market value (which were all down 20-30% themselves YTD), we paid around ~1x book value or 10x earnings for its core mortgage business. The core mortgage business can continue compounding at a mid-to-high teens rate long term given improved affordability, low mortgage to GDP penetration, demographics (the average home buyer is 39-years old in India and 2/3rd of the Indian population is below 35-years old), urbanization, government incentives to increase housing ownership, and attractive interest rates.

China Lesso: We initiated a position in China Lesso, the largest plastic pipe manufacturer in China during the quarter. China Lesso commands a 17% market share in China, while the second biggest player has less than 5% market share. This market position gives the company an unmatched scale advantage. Plastic pipes are bulky, and transportation costs create barriers to move products around. As a result, pipe manufacturers have a strong local competitive advantage within a certain distance from their manufacturing plants. China Lesso is the only player in China that has set up a nationwide production footprint with 25 plants in 16 provinces. While the company's national market share is 17%, it has more than 40% market share in Southern China, with 54% of its pipe sales from the region. Given its scale, China Lesso is a price leader in the plastic pipe industry. Its pricing power is reflected in its cost-plus model and stable margins. Since its IPO in 2010, China Lesso's gross profit margin has been steady at around 27%, with a net margin of about 11% while achieving double-digit revenue growth.

China Lesso was founded by Wong Luen Hei and his wife in 1996. Both of them remain heavily involved in the business today, and Mr. Wong's family owns about 68% of China Lesso. The COVID concerns in the broader market weakened the share price by 30% and provided an attractive entry point for us. Adjusting for the value of its Lesso Home segment, a collection of real estate investments that are still under development and not earning profits yet, we are paying around 10x FCF for this dominant plastic pipe business. We expect China Lesso to benefit not only from increased spending on infrastructure, but also from oil price declines, which reduce their raw material costs.

Jollibee Food: We initiated an investment in Jollibee Food Corporation (JFC), the largest restaurant company in the Philippines, with almost 6,000 stores worldwide – 3,528 Group-owned and franchised stores in the Philippines and 2,446 stores overseas. From humble beginnings as an ice cream parlor in the 1970s, JFC rapidly expanded through the organic growth of the Jollibee brand and a string of acquisitions of multiple brands, generating over $4.8bn system-wide sales last year. JFC is the dominant quick-service restaurant (QSR) player with over 50% market share (by store network) in the Philippines, larger than McDonald's and KFC in the region. Chairman Tony Tan Caktiong and his brother, CEO Ernesto Tanmantiong, who collectively own around 56%, run JFC as prudent owner-operators with good operation and execution capabilities. We like the company's focus on ROIC and the long runway for profitable growth opportunities in the Philippines and overseas.

Long an EM consumer franchise darling, we have been monitoring JFC as the stock price plummeted from a greater than 300 pesos per share level last year as a result of an earnings drag following the overseas acquisitions of Coffee Bean & Tea Leaf (CBTL) and Smashburger, operational issues at Red Ribbon Philippines in 2019, and COVID's broad negative impact on QSR players.

We believe in management's ability to turnaround the two acquired brands that have high potential with attractive store economics. Smashburger is already showing encouraging results since JFC management took full control last year, and its newly opened stores in better locations are posting much higher sales than old stores. JFC management also took over at CBTL this year and are making significant overhead cost reductions, aiming to achieve profitability this year. JFC fixed Red Ribbon's operational issues, and we believe the company can emerge stronger when things normalize after COVID, as smaller independent operators find it challenging to absorb the impact of the difficult economic conditions.

JFC has ample room to grow profitability in both domestic and overseas markets. In the Philippines, it is one of the few original burger franchises that was able to stave off McDonald's entry into the country and retain its dominant position. JFC generates healthy incremental ROIC in the Philippines, generating ROIC between 20-22% and, translating to a 3-4 year store payback (after paying franchise fees). We expect JFC's brands to continue their rapid growth, as the company is one of the principal beneficiaries of strong consumption growth in the domestic market, given its strong dominance and high-quality offerings at the right prices with a strong runway for continued growth in less penetrated areas beyond the main island of Luzon.

We are even more excited about JFC's overseas growth potential. JFC's expansion plans are skewed towards overseas markets, where its store penetration is much lower and where its stores generate higher ROICs than domestic stores. For example, in 2019, the Jollibee brand in Vietnam achieved ROIC of more than 20 percent, and both the Jollibee brand in North America and Highlands Coffee in Vietnam achieved ROIC of more than 30 percent, all well above JFC's cost of capital. The average ticket size and store revenues are significantly higher in developed markets, which contributes to two-year payback periods. Jollibee is sought after not only by Filipinos, but also by locals globally with its localized, quality food offerings at the right prices. We believe JFC's international expansion has just begun and is likely to compound over many years with high same-store sales (SSS) growth and aggressive store additions. JFC has a good track record of acquisition and execution — acquisitions lead to short-term earnings drag, but provide long-term growth potential and value from turnarounds. We are effectively paying <1x sales and <10x EBITDA for this consumer franchise that has higher ROIC and growth potential than other leading QSR players.

Performance Review

2Q20			YTD 2020		
	Contribution to Portfolio Return (%)	Total Return (%)		Contribution to Portfolio Return (%)	Total Return (%)
Top Five			**Top Five**		
Man Wah	+2.70	+73	Prosus	+2.25	+35
SoftBank Group	+2.25	+45	SoftBank Group	+1.49	+20
Melco	+2.22	+34	Tongcheng-Elong	+1.46	+27
Prosus	+1.92	+33	Man Wah	+1.24	+35
Tongcheng-Elong	+1.57	+28	Seria*	+0.75	+17
Bottom Five			**Bottom Five**		
WH Group	-0.19	-8	Ebara**	-2.33	-41
Jollibee	-0.08	-1	Melco	-2.32	-31
Undisclosed	+0.00	+2	L'Occitane	-1.59	-29
China Lesso	+0.05	+7	CK Hutchison	-1.54	-29
CK Hutchison	+0.13	+0	Trip.com	-1.46	-22

*sold in 2Q20, **sold in 1Q20

TOP PERFORMERS:

Man Wah, the leading recliner sofa manufacturer in China, was the top contributor in the quarter. The financial year ending March 2020 was challenging due to tariff increases for US exports and demand shock in the March quarter due to COVID. Still, Man Wah was able to respond to changes and deliver results that exceeded market expectations. In the domestic market, Man Wah continues to maintain its dominant position in the recliner sofa space and further expanded its market share to 50%, compared to 45% a year ago. Man Wah has actively integrated its online-offline channels and delivered strong growth since April, driven by both pent-up demand and increased penetration of recliners during the lockdown. Overseas markets are lagging China in the post-COVID recovery, but the company's offshore business represents a small portion of profits. Once the recovery starts, Man Wah's presence in tax-

advantaged Vietnam will give the company a strong competitive advantage in export sales to the US. It is encouraging that the company has increased dividend payouts and share repurchases in 2020, demonstrating its confidence in the business.

SoftBank Group, an internet and telecom investment holding company, was also a strong contributor for the quarter. We discussed SoftBank in detail in our last letter, and since then, SoftBank has made significant progress on its recently announced plans to sell 4.5 trillion yen (~$41 billion) in assets and use up to 2 trillion yen (~$18.5 billion) of the proceeds to buy back shares. SoftBank raised $3 billion by selling some SoftBank Corporation shares, another $11.5 billion by selling some Alibaba, and around $20 billion by selling the majority of its T-Mobile stake (another $10 billion by 2024).

SoftBank completed the 500 billion yen buyback that was announced in Q1, and is currently repurchasing shares under its May 2020 500 billion yen authorization. At its AGM on June 25, the company announced an additional 500 billion yen buyback authorization. In total, this 1.5 trillion yen buyback authorization (~$14 billion) to date is equal to about 18% of the free float. While the company's shares have appreciated almost 100% from its March lows, SoftBank still trades at a 50% discount to SoftBank's estimate of its NAV (https://group.softbank/en/ir/stock/sotp).

Melco International, the Macau casino and resort holding company, was a contributor for the quarter. Its operating subsidiary Melco Resorts (MLCO) reported better than expected results in the first quarter, driven by a higher than normal hold rate and meaningful market share gains. As the new hotel Morpheus continues to ramp up, MLCO gained +5.1 points of gross gaming revenue (GGR) market share QoQ to 22.1%. This, combined with optimism around the potential easing of travel restrictions, led to a strong stock performance from last quarter's oversold levels.

Macau's operating environment remains challenging due to COVID-induced travel restrictions in the region. With the borders of China, Hong Kong, and Macau effectively closed, Q2 GGR was down over 95% YoY. Macau has been very effective in containing the spread of the virus with no new local cases and only one imported case in the last two months of the quarter. Yet, the casinos are largely empty and will remain so as long as there is a 14-day quarantine requirement by the neighboring Chinese province of Guangdong (which accounts for 46% of Chinese visitation to Macau). Hong Kong has seen a minor second wave of COVID and extended the border restrictions until August 7. There is increasing optimism (partly fueled by comments from Macau's Chief Executive Ho Iat Seng) that a travel bubble between Guangdong and Macau will be formed, which could jumpstart the recovery, but it would take many months to get back to normalized earnings power and would require lifting the ban on individual visit visas and group tours by Mainland authorities.

MLCO management is managing its balance sheet and cash flows well during these tough times. They have reduced daily cash costs by over 25%, liquidated their stake in Crown, reduced capital expenditure for the year by 35%, and canceled quarterly dividends. MLCO has $3.2 billion of available liquidity, which is equivalent to 20 months of fully loaded cash burn (including capex and interest expense) in a zero-revenue scenario. Additionally, Melco International has received a waiver on loan principal amortizations until the end of 2020 from its lenders.

We are encouraged to see our partner CEO Lawrence Ho investing over $50 million of personal capital in Melco International shares during the quarter in arguably his largest-ever open market purchase.

Prosus, a global consumer internet group, was a contributor in the quarter. Its 31% stake in Tencent, which represents the largest driver of value, demonstrated significant resilience during the pandemic. Both Tencent's key business segments – online advertising and gaming – grew revenues by 30% in the March quarter, as consumers spent more time on their mobile phones during the lockdown. Tencent has been a significant driver of Prosus's internet investment returns, helping to achieve a portfolio IRR of 37% since 2002. Even excluding the Tencent investment, the rest of the internet portfolio made an 18% IRR in the same period.

Prosus is still operating at a loss, driven primarily by investment in areas such as food delivery, which grew food orders by 102% last year. Classifieds and Payments & Fintech segments have turned profitable at the core.

Prosus has both the discipline and financial strength to navigate the current uncertain environment. Over the past year, Prosus made only 54 investments after evaluating over 5,000 potential transactions. At a time when cash is king, Prosus has $4.5 billion of net cash and an undrawn $2.5 billion revolving credit facility. Furthermore, they have no debt maturing until 2025. Despite such a strong track record and fundamentals, Prosus continues to trade at a significant discount to its NAV. We are encouraged to see components linked to narrowing the holding company discount included in management's performance incentive program. Management is committed to reducing this discount and has clearly outlined the steps they have taken so far in their inaugural annual report:

"We are openly exploring and acting upon measures to reduce the holding company discount. Key value-creating actions over the past two years include unbundling the MultiChoice Group, which unlocked approximately US$4bn of value for our shareholders; selling our stake in Indian ecommerce company Flipkart; and creating Prosus to successfully list our international internet assets on Euronext Amsterdam. At the time of the listing the Prosus value unlock was ~US$10bn through the reduction of the discount to the combined net asset value of Prosus and Naspers. Management engages with shareholders and investors with greater frequency. Our reporting includes focused messaging on the path to profitability for our core segments and the future potential of food delivery. We provide biannual updates on our internal rate of return (IRR), for the total portfolio and for ecommerce."

Tongcheng-Elong (TCEL), one of the top three online travel agencies in China, was a contributor in the quarter. TCEL reported first-quarter results that were better than market expectations. Despite COVID causing severe disruptions to the entire travel industry and reducing the company's revenue by 44% YoY, TCEL remained profitable with an adjusted EBITDA margin of 16%, benefiting from its large portion of costs being variable and management's efficiency to keep costs under control. TCEL is well-positioned in the online travel agency (OTA) space, as more than 95% of its revenues come from the domestic market, which is recovering faster than international travel. Lower-tier cities are resuming travel more quickly than higher-tier cities, and TCEL has 86% of its registered users from non-first tier cities, giving the company another competitive advantage. Management still sees vast opportunities ahead as lower-tier cities' online penetration is well below that of higher-tier cities. With a net cash balance sheet and profitable underlying operations, TCEL should be able to sail through the pandemic headwinds and compound value per share over time.

BOTTOM PERFORMERS:

WH Group, the largest pork producer and marketer in the world, was a detractor for the quarter. With food being an essential item, the demand for its products remained strong, but supply in China was constrained temporarily due to logistical issues caused by lockdowns in Q1. As a result, the company's performance was quite resilient in the first quarter, with its China business's operating profit growth over 20% YoY and its US business's operating profit up 106%. However, in Q2, some of its US meat processing plants were closed down for a few weeks due to COVID cases among its workers. Around 30% of US packaged meat sales are to foodservice channels (restaurants) and given COVID lockdown measures, these sales have declined drastically (offset somewhat by an increase in sales at retail stores). Finally, US-China trade war tensions are resurfacing and could keep making headlines going into the US elections in November, which could add to the holding's volatility. WH Group, a dominant, branded consumer staples company with a strong balance sheet (net debt to EBITDA <1X), and is highly undervalued at current levels. Using its A-share listed Shuanghui stake at market value, Smithfield Foods (the US and Europe business) trades at a negative equity value for a business with an underlying EBITDA earnings power of over $1.2 billion.

CK Hutchison, a conglomerate of telecommunications, health & beauty, infrastructure, global ports, and energy, was a bottom performer in the quarter. Husky Energy is facing challenges in the current oil environment, but Husky is just a low single-digit percentage of CK Hutchison's overall appraisal. Health and beauty chain Watson's stores in China are back in business post lockdown, and the number of stores reopening in Europe increases daily. We expect sequential improvement in the second half of the year. While global port total volume will decline in 2020, given CK Hutchison's ports are in key hub ports locations in Europe and Asia, its ports should outperform the broader industry.

The telecom division is the least impacted in the current environment; lockdowns and widespread remote work have improved business volume and asset utilization. The recent European Court ruling in favor of the 2016 merger between Three UK and O2 UK signals a more positive attitude towards mergers and acquisitions in the telecom industry. It is likely to stimulate greater consolidation and higher valuations in the European telecom industry, which would be positive for CK Hutchison. Also, CK Hutchison completed the legal separation of its tower assets in June, and we expect the business to start exploring ways to realize value by a potential monetization of their towers business.

Outlook

In closing, we would like to thank you for your continued trust and partnership during this highly volatile environment. We expect this volatility to continue and we remain at your disposal for a candid dialogue on our portfolio and outlook. Our Price-to-Value ratio remains attractive at 65%, the current cash level is at 8% (although some of that is already targeted to fill out new positions), and we are ready with a full on-deck list of investments should the market give us an opportunity.

Southeastern Asset Management, Inc.
July 2020

Schedule of Investments as at 30 June 2020
Asia Pacific Fund

Security (Domicile)	Nominal Holdings	Fair Value US$	% of Net Assets
Transferable Securities (December 2019: 97.99%)			
Common Stock (December 2019: 97.99%)			
Auto Components (December 2019: 4.48%)			
Hyundai Mobis Company Limited (South Korea)	14,305	2,283,377	3.48
Auto Manufacturers (December 2019: 4.45%)			
Construction Materials (December 2019: Nil)			
China Lesso Group Holdings Limited (China)	1,673,000	2,175,945	3.32
Cosmetics & Personal Care (December 2019: 4.83%)			
L'Occitane International S.A. (Luxembourg)	1,630,500	2,730,648	4.17
Diversified Financial Services (December 2019: 4.21%)			
CK Hutchison Holdings Limited (Hong Kong)	322,500	2,072,189	3.16
Housing Development Finance Corporation Limited (India)	129,995	3,020,985	4.61
		5,093,174	7.77
Food Products (December 2019: 4.86%)			
Dali Foods Group Company Limited (China)	391,000	237,036	0.36
WH Group Limited (Hong Kong)	1,572,000	1,346,762	2.05
		1,583,798	2.41
Home Furnishings (December 2019: 3.71%)			
Midea Group Company Limited (China)	327,238	2,765,802	4.22
Hotels, Restaurants & Leisure (December 2019: 14.11%)			
Melco International Development Limited (Hong Kong)	2,377,000	4,600,348	7.02
MGM China Holdings Limited (China)	2,239,200	2,889,104	4.41
		7,489,452	11.43
Household Durables (December 2019: 4.04%)			
Man Wah Holdings Limited (Hong Kong)	2,857,200	2,731,676	4.17
Internet Software & Services (December 2019: 10.76%)			
Baidu Inc. ADR (China)	34,710	4,161,383	6.35
Prosus N.V. (Netherlands)	49,475	4,599,115	7.02
Tongcheng-Elong Holdings Limited (China)	1,718,400	3,095,138	4.72
Trip.Com Group Limited ADR (China)	64,068	1,660,643	2.53
		13,516,279	20.62
Machinery (December 2019: 18.29%)			
Hitachi Limited (Japan)	86,400	2,723,030	4.15
Minebea Mitsumi Inc. (Japan)	168,500	3,047,747	4.65
		5,770,777	8.80

Security (Domicile)	Nominal Holdings	Fair Value US$	% of Net Assets
Transferable Securities (December 2019: 97.99%) (continued)			
Common Stock (December 2019: 97.99%) (continued)			
Real Estate Management & Development (December 2019: 10.51%)			
CK Asset Holdings Limited (Hong Kong)	475,000	2,831,430	4.32
New World Development Company Limited (Hong Kong)	556,333	2,641,514	4.03
		5,472,944	8.35
Retail (December 2019: 6.86%)			
Cie Financiere Richemont S.A. (Switzerland)	40,611	2,590,669	3.95
Jollibee Foods Corporation (Philippines)	885,460	2,486,272	3.79
		5,076,941	7.74
Telecommunication (December 2019: 6.88%)			
SoftBank Group Corporation (Japan)	74,900	3,780,551	5.77
Total Common Stock		**60,471,364**	**92.25**
Total Transferable Securities (Cost $63,731,007)		**60,471,364**	**92.25**
Short Term Obligations (December 2019: 2.15%)			
State Street Repurchase Agreement State Street Bank, 0% due 01/07/2020 (Collateral US$ 6,309,735 U.S. Treasury Note 2.250% due 15/08/2027) (United States)	6,186,000	6,186,000	9.44
Total Short Term Obligations		**6,186,000**	**9.44**
Portfolio Of Investments (December 2019: 100.14%)		**66,657,364**	**101.69**
Bank Overdraft (December 2019: (0.09)%)		(73,905)	(0.11)
Other Creditors (December 2019: (0.05)%)		(1,031,869)	(1.58)
Net Asset Value		**65,551,590**	**100.00**

Analysis of total assets	% of Total Current Assets
Transferable securities admitted to an official stock exchange listing or traded on a regular market	90.58
Short term obligations	9.27
Other current assets	0.15
Total Assets	**100.00**

Statement of Changes in Composition of Portfolio

Asia Pacific Fund

	Acquisition Cost* US$
Prosus N.V.	4,878,050
Tongcheng-Elong Holdings Limited	4,454,995
Housing Development Finance Corporation Limited	3,001,698
Jollibee Foods Corporation	2,533,953
China Lesso Group Holdings Limited	2,494,722
Trip.Com Group Limited ADR	1,154,811
Cie Financiere Richemont S.A.	1,024,021
Softbank Group Corporation	652,615
Melco International Development Limited	579,289
L'Occitane International S.A.	333,787
Dali Foods Group Company Limited	234,767

	Disposal Proceeds US$
Seria Company Limited	4,581,618
Toyota Motor Corporation	4,358,075
Minebea Mitsumi Inc.	3,651,242
Trip.Com Group Limited ADR	2,839,370
Ebara Corporation	2,742,840
CK Asset Holdings Limited	2,718,597
Softbank Group Corporation	2,523,550
Tongcheng-Elong Holdings Limited	2,327,703
Man Wah Holdings Limited	2,323,237
Bharti Infratel Limited	2,257,626
MGM China Holdings Limited	2,049,670
Melco International Development Limited	1,982,741
Baidu Inc. ADR	1,960,086
First Pacific Company Limited	1,688,257
Prosus N.V.	1,502,221
New World Development Company Limited	1,441,641
Escorts Limited	1,440,620
WH Group Limited	1,348,796
Hyundai Mobis Company Limited	1,176,546
L'Occitane International S.A.	1,172,491
Hitachi Limited	1,171,929
Midea Group Company Limited	1,122,894
CK Hutchison Holdings Limited	1,109,510
Cie Financiere Richemont S.A.	919,755

*There were no other purchases during the six months ended 30 June 2020.

Significant portfolio changes are defined as the aggregate purchases of a security exceeding one per cent of the total value of purchases for the period and aggregate sales of a security exceeding one per cent of the total value of sales for the period. At a minimum, the 20 largest purchases and 20 largest sales must be shown.

A list of all purchases and sales of the Fund during the six months ended 30 June 2020 can be obtained free of charge from the Swiss Representative.

Statement of Comprehensive Income
Asia Pacific Fund

		For the six months ended 30 June	
		2020	**2019**
	Notes	**US$**	**US$**
Income			
Dividend income		794,229	1,177,095
Interest income		3,595	21,538
Net (loss)/gain on investments at fair value through profit or loss	2	(15,985,783)	11,963,480
Net foreign exchange loss	2	(44,753)	(10,926)
Total net (loss)/income		(15,232,712)	13,151,187
Expenses			
Investment Management fees	8	(489,406)	(592,199)
Administration fees		(25,467)	(33,240)
Depositary fees		(37,018)	(63,359)
Audit fees		(9,637)	(7,774)
Other operating expenses		(92,195)	(64,986)
Total net expenses		(653,723)	(761,558)
(Loss)/income for the financial period before interest and taxation		(15,886,435)	12,389,629
Finance cost			
Interest expense		(120)	-
Taxation			
Withholding tax	4	(54,448)	(90,788)
Capital gain tax		(10,005)	-
(Loss)/income for the financial period after interest and taxation		(15,951,008)	12,298,841
(Decrease)/increase in net assets attributable to holders of redeemable participating units resulting from operations		(15,951,008)	12,298,841

Gains and losses arose solely from continuing operations.
There were no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The notes to the financial statements form an integral part of these financial statements.

Statement of Financial Position

Asia Pacific Fund

	Notes	30 June 2020 US$	31 December 2019 US$
Current Assets			
Dividends receivable		92,831	121,247
Interest receivable		-	35
Financial assets at fair value through profit or loss		66,657,364	108,166,636
Other receivables		6,574	6,617
Total Current Assets		66,756,769	108,294,535
Current Liabilities			
Bank overdraft		(73,905)	(97,688)
Management fees payable	8	(130,785)	(101,905)
Administration fees payable		(13,366)	(13,101)
Depositary fees payable		(18,419)	(13,810)
Audit fees payable		(28,520)	(18,883)
Other liabilities		(56,468)	(29,334)
Payable for investments purchased		(883,716)	-
Total Current Liabilities (excluding net assets attributable to redeemable participating unitholders)		(1,205,179)	(274,721)
Net assets attributable to holders of redeemable participating units		65,551,590	108,019,814

Details of the NAV per unit are set out in Note 3.

The notes to the financial statements form an integral part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Units

Asia Pacific Fund

	Notes	For the six months ended 30 June 2020 US$	2019 US$
Net assets attributable to holders of redeemable participating units at beginning of the period		108,019,814	90,329,503
Proceeds from the issuance of redeemable participating units	3	5,217,348	9,624,181
Payments on redemptions of redeemable participating units	3	(31,734,564)	(5,190,141)
Net (decrease)/increase from unit transactions		(26,517,216)	4,434,040
(Decrease)/increase in net assets attributable to holders of redeemable participating units resulting from operations		(15,951,008)	12,298,841
Net assets attributable to holders of redeemable participating units at end of the period		65,551,590	107,062,384

The notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows
Asia Pacific Fund

	For the six months ended 30 June	
	2020	**2019**
	US$	**US$**
Cash flows from operating activities		
(Loss)/income for the financial period after interest and taxation	(15,951,008)	12,298,841
Adjustments to reconcile net (decrease)/increase in net assets resulting from operations to net cash provided by/(used in) operating activities:		
Net loss/(gain) on investments at fair value through profit or loss	15,985,783	(11,963,480)
Cash inflow/(outflow) due to purchases and sales of investments during the period	26,407,205	(4,560,803)
Decrease/(increase) in debtors	28,494	(69,811)
Increase/(decrease) in creditors	70,525	(92,313)
Net cash provided by/(used in) operating activities	26,540,999	(4,387,566)
Cash flows from financing activities		
Proceeds from the issuance of redeemable participating units	5,217,348	9,624,181
Payments on redemptions of redeemable participating units	(31,734,564)	(5,190,141)
Net cash (used in)/provided by financing activities	(26,517,216)	4,434,040
Increase in cash and Cash Equivalents	23,783	46,474
Cash and Cash Equivalents at beginning of the period	(97,688)	575
Cash and Cash Equivalents at end of the period	(73,905)	47,049
Interest paid	(120)	-
Dividends received	822,645	1,085,255
Interest received	3,630	21,360

The notes to the financial statements form an integral part of these financial statements.

1. Significant Accounting Policies

Organisation
Longleaf Partners Unit Trust is organised as an open-ended umbrella unit trust under a Deed of Trust dated 24 October 2011, as amended and restated on 24 November 2014 established pursuant to the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulation 2019 (the "UCITS Regulations"). The primary investment objective of the Trust is to deliver long term capital growth over time through the identification of and investment in undervalued companies located around the world.

The Trust had obtained the approval of the Central Bank of Ireland (the "Central Bank") for the establishment of two funds, namely, the Longleaf Partners Global UCITS Fund ("Global Fund"), and Longleaf Partners Asia Pacific UCITS Fund ("Asia Pacific Fund") (each a "Fund", together the "Funds").

a) Basis of Preparation
These condensed unaudited interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss that have been measured at fair value.

The condensed unaudited interim financial statements are presented in U.S. Dollars, the functional currency of the Trust. All subscriptions received are denominated in the currency of the respective share class and converted to U.S. Dollars and any potential redemptions or distribution payments in the future would need to be paid out in the respective currency of each share class.

These financial statements for the Funds are prepared on a going concern basis.

b) Statement of Compliance
The condensed unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting' ("IAS 34") issued by the Financial Reporting Council, and the UCITS Regulations.

These condensed unaudited interim financial statements do not contain all of the information and disclosures required in the full annual audited financial statements and should be read in conjunction with the financial statements of the Trust for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union). The accounting policies and methods of computation applied by the Trust in these condensed unaudited interim financial statements are the same as those applied by the Trust in its financial statements for the year ended 31 December 2019, as described in those annual financial statements.

New standards, amendments and interpretations issued and effective for the financial period beginning 1 January 2020

There are no new standards, amendments or interpretations issued and effective for the financial year beginning 1 January 2020 that have a significant impact on the Trust financial position, performance or disclosures in its financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted

IFRS 17: Insurance Contracts, was issued in May 2017 and will become effective for accounting periods beginning on or after 1 January 2023. It applies to: insurance contracts, including reinsurance contracts, issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. An insurance contract is defined as 'a contract under which one

party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. The new standard is not expected to have a significant impact on the Trust's financial position, performance or disclosures in its financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Trust.

2. Composition of Net Gain/(Loss) on Investments at Fair Value Through Profit or Loss and Other Gains

Global Fund	**2020 US$**	**2019 US$**
Realized (loss)/gain on investments sold	(12,668,555)	4,782,575
Total change in unrealized (loss)/gain on investments	(16,269,014)	12,184,707
Net (loss)/gain on investments at fair value through profit or loss	(28,937,569)	16,967,282
Net foreign exchange (loss)/gain	(35,148)	10,674

Asia Pacific Fund	**2020 US$**	**2019 US$**
Realized (loss)/gain on investments sold	(6,325,000)	1,450,187
Total change in unrealized (loss)/gain on investments	(9,660,783)	10,513,293
Net (loss)/gain on investments at fair value through profit or loss	(15,985,783)	11,963,480
Net foreign exchange (loss)	(44,753)	(10,926)

3. Number of Units in Issue and Net Assets Attributable to Redeemable Participating Unitholders

Each of the units entitles the holder to participate equally on a pro-rata basis in the profits and dividends of the relevant Fund attributable to such units and to attend and vote at meetings of the Trust represented by those units. No class of units confers on the holder thereof any preferential or pre-emptive rights or any rights to participate in the profits and dividends of any other class of units or any voting rights in relation to matters relating solely to any other class of units.

Each unit represents an undivided beneficial interest in the relevant Fund of the Trust. The units are not debt obligations or guaranteed by the Depositary or the Manager. The return on an investment in the Fund will depend solely upon the investment performance of the assets in the Fund and the increase or decrease in the net asset value of the units. The amount payable to a unitholder in respect of each unit upon liquidation of the Trust will equal the net asset value per unit.

The Net assets attributable to Holders of Redeemable Participating Units represents a liability on the Statement of Financial Position, carried at the redemption amount that would be payable at the Statement of Financial Position date if the unitholder exercised the right to redeem its units to the relevant Fund.

The Trust Deed entitles the Manager to charge redeeming unitholders in the relevant Fund a redemption fee of up to 3% of the relevant redemption proceeds. The Manager does not currently intend to impose a redemption fee. Should it impose such a fee, the Manager will provide prior notice to each unitholder in the relevant Fund.

A summary of unitholder activity is detailed below:

Global Fund	For the six months ended 30 June 2020		
	Class I U.S. Dollar	Class I Euro	Class I British Pound
Units in issue at the beginning of period	8,576,339	321,490	427,771
Units issued	158,903	9,375	39,292
Units redeemed	(3,713,018)	-	(589)
Units in issue at the end of period	5,022,224	330,865	466,474
Net Asset Value	US$78,363,043	€4,537,891	£5,835,325
Number of Units in Issue	5,022,224	330,865	466,474
Net Asset Value per Unit	US$15.60	€13.72	£12.51

Global Fund	For the year ended 31 December 2019		
	Class I U.S. Dollar	Class I Euro	Class I British Pound
Units in issue at the beginning of year	8,797,129	232,269	815,658
Units issued	1,686,802	101,112	40,340
Units redeemed	(1,907,592)	(11,891)	(428,227)
Units in issue at the end of year	8,576,339	321,490	427,771
Net Asset Value	US$156,347,142	€5,159,421	£5,847,383
Number of Units in Issue	8,576,339	321,490	427,771
Net Asset Value per Unit	US$18.23	€16.05	£13.67

Global Fund	For the six months ended 30 June 2019		
	Class I U.S. Dollar	Class I Euro	Class I British Pound
Units in issue at the beginning of period	8,797,129	232,269	815,658
Units issued	1,574,023	51,897	37,418
Units redeemed	(547,967)	(8,483)	(425,926)
Units in issue at the end of period	9,823,185	275,683	427,150
Net Asset Value	US$169,874,652	€4,140,103	£5,777,199
Number of Units in Issue	9,823,185	275,683	427,150
Net Asset Value per Unit	US$17.29	€15.02	£13.53

Asia Pacific Fund	For the six months ended 30 June 2020	
	Class I U.S. Dollar	Class I British Pound
Units in issue at the beginning of period	6,507,950	1,300,643
Units issued	383,376	59,741
Units redeemed	(2,854,393)	(43,600)
Units in issue at the end of period	4,036,933	1,316,784
Net Asset Value	US$49,492,851	£12,959,996
Number of Units in Issue	4,036,933	1,316,784
Net Asset Value per Unit	US$12.26	£9.84

Asia Pacific Fund	For the year ended 31 December 2019	
	Class I U.S. Dollar	Class I British Pound
Units in issue at the beginning of year	6,456,381	1,285,216
Units issued	843,083	328,920
Units redeemed	(791,514)	(313,493)
Units in issue at the end of year	6,507,950	1,300,643
Net Asset Value	US$90,104,855	£13,524,809
Number of Units in Issue	6,507,950	1,300,643
Net Asset Value per Unit	US$13.85	£10.40

Asia Pacific Fund	For the six months ended 30 June 2019	
	Class I U.S. Dollar	Class I British Pound
Units in issue at the beginning of period	6,456,381	1,285,216
Units issued	596,469	108,899
Units redeemed	(343,596)	(53,734)
Units in issue at the end of period	6,709,254	1,340,381
Net Asset Value	US$89,310,598	£13,978,342
Number of Units in Issue	6,709,254	1,340,381
Net Asset Value per Unit	US$13.31	£10.43

Significant shareholders

The following table details the number of shareholders with significant holdings of at least 20 per cent of the relevant Fund and the percentage of that holding as at 30 June 2020 and 31 December 2019.

Fund	Number of significant shareholders 30 Jun 2020	Total Units held as at 30 Jun 2020	Total Shareholding as a % of the Fund as at 30 Jun 2020	Number of significant shareholders 31 Dec 2019	Total Units held as at 31 Dec 2019	Total Shareholding as a % of the Fund as at 31 Dec 2019
Global Fund	1	2,666,744	45.82	2	5,953,754	63.76
Asia Pacific Fund	1	2,071,891	38.70	2	3,756,361	48.11

Note 8 provides further detail of the significant shareholders of the Asia Pacific Fund included in the table above.

4. Taxation

Under current law and practice, the Trust qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains.

However, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes any distribution payments to unitholders, any encashment, redemption, cancellation or transfer of units and the holding of units at the end of each eight year period beginning with the acquisition of such units.

No Irish tax will arise on the Trust in respect of chargeable events in respect of:

a) a unitholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the

Taxes Consolidation Act, 1997, as amended, are held by the Trust or the Trust has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and

b) certain exempted Irish tax resident unitholders who have provided the Trust with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the relevant Fund in the Trust may be subject to taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Fund or its unitholders.

5. Financial Instruments

The Trust's financial risk management objectives and policies are consistent with those disclosed in the Trust's annual audited financial statements as at 31 December 2019.

Fair Valuation Hierarchy

IFRS 13 requires the Trust to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted market price in an active market for an identical instrument that the entity can access at the measurement point.
- Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement.

Equities are classified as Level 1.

Short Term Obligations are classified as Level 2.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The financial assets and liabilities at 30 June 2020 and 31 December 2019 are classified as follows:

Global Fund	**at 30 June 2020 US$**			
	Level 1	Level 2	Level 3	Total
Transferable securities	75,894,898	-	-	75,894,898
Short Term Obligations	-	14,852,000	-	14,852,000
	75,894,898	14,852,000	-	90,746,898

	at 31 December 2019 US$			
	Level 1	Level 2	Level 3	Total
Transferable securities	152,598,612	-	-	152,598,612
Short Term Obligations	-	17,559,000	-	17,559,000
	152,598,612	17,559,000	-	170,157,612

Asia Pacific Fund	at 30 June 2020 US$			
	Level 1	Level 2	Level 3	Total
Transferable securities	60,471,364	-	-	60,471,364
Short Term Obligations	-	6,186,000	-	6,186,000
	60,471,364	6,186,000	-	66,657,364

	at 31 December 2019 US$			
	Level 1	Level 2	Level 3	Total
Transferable securities	105,845,636	-	-	105,845,636
Short Term Obligations	-	2,321,000	-	2,321,000
	105,845,636	2,321,000	-	108,166,636

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the period and are deemed to have occurred when the pricing source or methodology used to price an investment has changed which triggers a change in level as defined under IFRS 13. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period ended 30 June 2020 and year ended 31 December 2019.

For each class of assets and liabilities not measured at fair value in the Statement of Financial Position but for which fair value is disclosed, IFRS13 requires the Trust to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and inputs used in the technique.

The assets and liabilities not carried at fair value but for which fair value is disclosed at 30 June 2020 and 31 December 2019 are classified as follows:

Global Fund				
	At 30 June 2020			
Assets	Level 1	Level 2	Level 3	Total US$
Other Assets	-	396,194	-	396,194
Total	-	396,194	-	396,194
Liabilities				
Bank Overdraft	(68,758)	-	-	(68,758)
Other Liabilities	-	(382,418)	-	(382,418)
Net assets attributable to holders of redeemable participating units	-	(90,691,916)	-	(90,691,916)
Total	(68,758)	(91,074,334)	-	(91,143,092)

Global Fund

Assets	At 31 December 2019 Level 1	Level 2	Level 3	Total US$
Other Assets	-	145,114	-	145,114
Total	-	145,114	-	145,114
Liabilities				
Bank Overdraft	(143,292)	-	-	(143,292)
Other Liabilities	-	(279,528)	-	(279,528)
Net assets attributable to holders of redeemable participating units	-	(169,879,906)	-	(169,879,906)
Total	(143,292)	(170,159,434)	-	(170,302,726)

Asia Pacific Fund

Assets	At 30 June 2020 Level 1	Level 2	Level 3	Total US$
Other Assets	-	99,405	-	99,405
Total	-	99,405	-	99,405
Liabilities				
Bank Overdraft	(73,905)	-	-	(73,905)
Other Liabilities	-	(1,131,274)	-	(1,131,274)
Net assets attributable to holders of redeemable participating units	-	(65,551,590)	-	(65,551,590)
Total	(73,905)	(66,682,864)	-	(66,756,769)

Asia Pacific Fund

Assets	At 31 December 2019 Level 1	Level 2	Level 3	Total US$
Other Assets	-	127,899	-	127,899
Total	-	127,899	-	127,899
Liabilities				
Bank Overdraft	(97,688)	-	-	(97,688)
Other Liabilities	-	(177,033)	-	(177,033)
Net assets attributable to holders of redeemable participating units	-	(108,019,814)	-	(108,019,814)
Total	(97,688)	(108,196,847)	-	(108,294,535)

Global Exposure

The Investment Manager uses the commitment approach to evaluate the global exposure of the Funds.

6. Exchange Rates

Where applicable the Administrator translated foreign currency amounts, market value of investments and other assets and liabilities into U.S. Dollars at the period end rates for each US$:

	30 June 2020	**31 December 2019**	**30 June 2019**
Australian Dollar	1.449065	-	1.424400
British Pound	0.807037	0.754945	0.787433
China Yuan Renminbi	7.074100	6.965700	6.868300
Danish Krone	6.632500	6.661850	6.564150
Euro	0.890076	0.891504	0.879430
Hong Kong Dollar	7.750500	7.792300	7.811700
Indian Rupee	75.503750	71.378150	69.027500
Japanese Yen	107.975000	108.655000	107.815000

	30 June 2020	31 December 2019	30 June 2019
Korean Won	1,202.850000	1,156.450000	1,154.650000
Philippine Peso	49.825000	-	-
Swedish Krone	9.318200	9.366350	-
Swiss Franc	0.947450	0.967800	0.976200

7. Efficient Portfolio Management

To the extent that the Trust may use techniques and instruments for efficient portfolio management, the Manager, on behalf of the Trust, would comply with the conditions and limits laid down from time to time by the Central Bank under the UCITS Regulations and as set out in Appendix II of the Trust's Prospectus. Transactions entered into for efficient portfolio management purposes would be entered into to enhance investment returns or for one or more of the following specified aims: the reduction of risk; the reduction of cost or the generation of additional capital or income for the Trust with a level of risk that is consistent with the risk profile of the Trust and the risk diversification rules set out in the UCITS Regulations.
As at 30 June 2020 and 31 December 2019, the Funds did not hold any derivative positions.

As at 30 June 2020 and 31 December 2019, the Funds held Repurchase Agreements as detailed in the Schedules of Investments. No material revenues arose and no direct or indirect costs were incurred for the Repurchase Agreements for the period ended 30 June 2020 and year ended 31 December 2019.

8. Related Party Transactions

In accordance with IAS 24, "Related Party disclosures", the following are the related parties and related party transactions during the period.

Transactions with entities with significant influence:
Southeastern Asset Management, Inc. serves in an appointed role as the Investment Manager for the Trust, and is paid an investment management fee for its services. For the Global Fund, the Investment Manager earned a fee of US$568,668 (June 2019: US$874,377) of which US$146,215 (December 2019: US$147,063) was outstanding at the period/year end. For the Asia Pacific Fund the Investment Manager earned a fee of US$489,406 (June 2019: US$592,199) of which US$130,785 (December 2019: US$ 101,905) was outstanding at the period/year end.

There was no management fee reimbursement applied to the Global Fund or to the Asia Pacific Fund in the period ended 30 June 2020 (June 2019: US$Nil).

The Investment Manager has been appointed by the board members of the Manager, which is a wholly owned subsidiary of the Investment Manager. The Manager does not receive a fee out of the assets of the Funds. The Manager is reimbursed for all of its expenses incurred in the normal course of business plus a 10% markup by the Investment Manager.

Directors of the Manager, Isaac Byrd and Steve McBride are employees of Southeastern Asset Management, Inc. and there are two Irish resident directors, Lisa Martensson and Michael Kirby. The Manager pays the independent directors a fixed fee per annum.

Transactions with other related parties:
The Pyramid Peak Foundation (the "Foundation") provided the Asia Pacific Fund's initial seed capital. Because some of the members of the Foundation's governing board are also owners of the Investment Manager, the Asia Pacific Fund and Pyramid Peak Foundation are considered related parties.The Pyramid Peak Foundation's holding in the Asia Pacific Fund constitutes approximately 39% (December 2019: 27%) of the Asia Pacific Fund's assets, and are therefore noted as significant unitholders in Note 3.

In addition, employees of the Investment Manager owned approximately 2.19% (December 2019: 1.4%) and 52.33% (December 2019: 32.7%) of the Global and Asia Pacific Funds at 30 June 2020 respectively.

KB Associates ("KBA") have been engaged by the Manager to provide operational and compliance support services. Michael Kirby is a Director and principal of KBA and also a Director of the Manager to the Trust. KBA fees are disbursed through the Manager.

9. Dealing with Connected Parties

Regulation 43 of the UCITS Regulations "Restrictions of transactions with connected persons" states that "A responsible person shall ensure that any transaction between a UCITS and connected persons conducted a) at arm's length; and b) in the best interest of the unit-holders of the UCITS".

As required under UCITS Regulation 43, the Directors of the Manager, as responsible persons are satisfied that there are in place arrangements, evidenced by written procedures, to ensure that the obligations that are prescribed by Regulation 43(1) are applied to all transactions with a connected party; and all transactions with connected parties that were entered into during the period to which the report relates complied with the obligations that are prescribed by Regulation 43(1).

10. Soft Commission Arrangements

There were no soft commission arrangements entered into by the Investment Manager, on behalf of the Trust, during the period ended 30 June 2020 or the year ended 31 December 2019.

11. Contingent Liability

There are no contingent liabilities at 30 June 2020 or 31 December 2019.

12. Committed Deals

There are no commitments at 30 June 2020 or 31 December 2019.

13. Distribution policy

The Manager is empowered to declare and pay dividends on any class of units in the Trust. The Manager did not declare any dividends during the period ended 30 June 2020 and year ended 31 December 2019.

14. Significant Events During the Period

On 11 March 2020, the Director-General of the World Health Organisation ("WHO") announced that the WHO had assessed the worldwide outbreak of COVID-19 as a pandemic. National governments and supranational organisations in multiple states have taken steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people. COVID-19 has created market turmoil and increased market volatility generally and this has impacted the prices of all asset classes, resulting in an impact to the Net Asset Values of the Funds. Increased market turmoil could also lead to investor redemptions in the Funds. The uncertainty and instability for a prolonged period could have an adverse impact on the Funds' business and there can be no assurance that the risks associated with COVID-19 will not alter significantly the investment portfolio and could lead to investor redemptions.

The directors of the Manager and the Trust's delegates are closely monitoring the advice and developments relating to the spread of the COVID-19, which is fluid and rapidly changing.

There were no other significant events during the period ended 30 June 2020.

15. Significant Events Since the Period End

There were no significant events since the period ended 30 June 2020.

16. Approval of the Financial Statements

The Board of Directors of the Manager approved these financial statements on 19 August 2020.

Background to Longleaf Partners Unit Trust

The Trust is an umbrella open-ended unit trust established in Ireland as an Undertaking for Collective Investment in Transferable Securities pursuant to the UCITS Regulations. The Trust was constituted on 23 December 2009 as an open-ended umbrella structure unit trust.

The Trust is organized in the form of an umbrella fund and due to the nature of Trust law, has segregated liability between Funds. The Prospectus provides that there may be more than one class of Units allocated to each Fund. The Trust had obtained the approval of the Central Bank for the establishment of three Funds, namely, the Longleaf Partners Global UCITS Fund ("Global Fund"), the Longleaf Partners U.S. UCITS Fund ("U.S. Fund") and Longleaf Partners Asia Pacific UCITS Fund ("Asia Pacific Fund") (each a "Fund", together the "Funds"). Longleaf Partners U.S. UCITS Fund fully redeemed on 27 March 2018 and the Central Bank's approval for the Longleaf Partners U.S. UCITS Fund was withdrawn on 28 February 2019. Additional Funds may be established by the Trust with the prior approval of the Central Bank. The Global Fund commenced operations on 4 January 2010. The U.S. Fund commenced operations on 9 May 2012. The Asia Pacific Fund commenced operations on 2 December 2014.

At 30 June 2020, the Class I U.S. Dollar, the Class I GBP and the Class I Euro shares of the Global Fund and the Class I U.S. Dollar and the Class I GBP shares of the Asia Pacific Fund were active. Further classes of units may be issued on advance notification to, and in accordance with the requirements of the Central Bank.

The investment objective and policy of the Funds is summarized below. For a complete description of the objectives and policies of the Funds, an investor should read the Prospectus.

Investment Objective and Policy

Global Fund
The Global Fund seeks to provide long-term capital growth.

The Fund seeks to achieve its investment objective by purchasing securities of certain companies traded, domiciled or operating in global developed countries which the Investment Manager deems eligible.

The Fund will generally be invested in equity securities of eligible companies. In addition, investments may include collective investment schemes which should give returns in line with the target returns of the Fund. No more than 10% of the Fund's net assets will be invested in collective investment schemes. If investments meeting the Fund's criteria are not available, the Fund may invest the Fund's assets temporarily in obligations of the U.S. government and its agencies, such as treasury bills or treasury bonds or in money market instruments such as commercial papers and certificates of deposit.

No more than 30% of the Fund's net assets will be invested in countries which the Investment Manager considers to be emerging markets.

In addition, and to the extent only that the Investment Manager deems consistent with the investment policies of the Fund, the Fund may utilize financial derivative instruments to enhance investment returns or for the purposes of efficient portfolio management. A Risk Management Process document is on file with the Central Bank in relation to the use of such instruments.

Minimum Subscription Amount/Minimum Holding
The minimum subscription amount and minimum holding of each Unit Class is as follows:

Classes	Minimum initial application	Minimum Holding
Class I U.S. Dollar Shares	US$1,000,000	US$100,000
Class I Euro Shares	EUR equivalent of US$1,000,000	EUR equivalent of US$100,000
Class I GBP Shares	GBP equivalent of US$1,000,000	GBP equivalent of US$100,000
Class A U.S. Dollar Shares	US$500,000	US$100,000
Class A Euro Shares	EUR equivalent of US$500,000	EUR equivalent of US$100,000
Class A Swiss Franc Share	CHF equivalent of US$500,000	CHF equivalent of US$100,000

Asia Pacific Fund
The investment objective of Longleaf Partners Asia Pacific UCITS Fund is to deliver long-term capital growth.

The Fund seeks to achieve its investment objective primarily by purchasing equity and debt securities of certain companies located in any country or market, including both developed, and emerging markets, in Asia or the Pacific region, including Australia and New Zealand (the "Asia Pacific Region") which the Investment Manager deems eligible.

The Fund will generally be investing in equity securities of eligible companies. In addition, investments may include collective investment schemes which should give returns in line with the target returns of the Fund. No more than 10% of the Fund's net assets will be invested in collective investment schemes. If investments meeting the Fund's criteria are not available, the Fund may invest the Fund's assets temporarily in obligations of the U.S. government and its agencies, such as treasury bills or treasury bonds or in money market instruments such as commercial paper and certificates of deposit.

In addition, and to the extent only that the Investment Manager deems consistent with the investment policies of the Fund, the Fund may utilize financial derivative instruments to enhance investment returns or for the purposes of efficient portfolio management. A Risk Management Process document is on file with the Central Bank in relation to the use of such instruments.

Minimum Subscription Amount/Minimum Holding
The minimum subscription amount of each Unit Class is as follows:

Classes	Minimum initial application	Minimum Holding
Class I U.S. Dollar Shares	US$1,000,000	US$100,000
Class I GBP Shares	GBP equivalent of US$1,000,000	GBP equivalent of US$100,000

Calculation of Net Asset Value
The Administrator shall determine the net asset value per unit of each class of the Funds on each dealing day (i.e. each day on which the relevant trading markets in Dublin and New York are open for normal business or as the Directors determine ("Business Day")) on the basis set forth below and in accordance with the Trust Deed.

The net asset value per unit of the Funds is determined by dividing the net asset value of the relevant class of units in the Funds by the total number of units outstanding in the relevant class of units of the Funds in issue.

The net asset value of the relevant Fund will be equal to all its assets less all of its liabilities as at the valuation point on each Business Day plus any interest accrued on underlying assets between the valuation point and the time of calculation of the net asset value on the dealing day.

Directory

Manager
Longleaf Management Company (Ireland) Limited
5 Earlsfort Terrace
Dublin 2
Ireland

Directors of the Manager
Isaac Byrd (American)*
Michael Kirby (Irish) (Chairperson)*
Steve McBride (American)*
Lisa Martensson (Irish)

Investment Manager
Southeastern Asset Management, Inc.
6410 Poplar Avenue
Suite 900
Memphis, TN 38119
United States of America

Administrator, Registrar and Transfer Agent
State Street Fund Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

Depositary
State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

Legal Advisers as to Irish law
Dechert
5 Earlsfort Terrace
Dublin 2
Ireland

Company Secretary
Dechert Secretarial Limited
5 Earlsfort Terrace
Dublin 2
Ireland

Swiss Representative and Distributor
ARM Swiss Representatives SA
Route de Cité-Ouest 2
1196 Gland
Switzerland

Swiss Paying Agent
NPB Neue Private Bank AG
Limmatquai 1
PO Box 8024 Zurich
Switzerland

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

*Denotes non-executive Directors.

Information for Investors in Switzerland

1. **Representative in Switzerland**
   ARM Swiss Representatives SA., Route de Cité-Ouest 2, 1196 Gland, Switzerland is the representative in Switzerland for the Units distributed in Switzerland.

2. **Paying Agent in Switzerland**
   NPB Neue Private Bank AG., Limmatquai 1, PO Box 8024 Zurich, Switzerland is the paying agent in Switzerland for the Units distributed in Switzerland.

3. **Place where the relevant documents may be obtained**
   The Prospectus, the Key Investor Information Document (KIID), the trust deed as well as the annual, semi-annual reports and a full listing of purchases and sales may be obtained free of charge from the representative in Switzerland.

4. **Publications**
   Publications in respect of the Trust and the Funds must be made in Switzerland.

5. **Performance Data**
   Details of the net asset value per unit are reported in Note 3 of the financial statements. The Investment Manager’s report also contains the cumulative returns for the period.

6. **Total Expense Ratios**
   The Total Expense Ratios (“TER”) are calculated according to the specifications of the "Guidelines on the calculation and disclosure of the TER and PTR" issued by the Swiss Funds & Asset Management Association, SFAMA.

   The average Total Expense Ratio table shows the actual operational expenses incurred by the Funds from 1 January 2020 to 30 June 2020 expressed as an annualised percentage of the average net asset value (NAV) of that Fund.

	Global Fund	Asia Pacific Fund
Total Expense Ratio		
Class I U.S. Dollar Shares	1.32	1.53
Class I Euro Shares	1.34	-
Class I GBP Shares	1.34	1.57

Appendix 1 – Securities Financing Transactions Regulation

Article 13 of Regulation (EU) 2015/2365 on transparency of securities financing transactions (SFTs) and of reuse and amending Regulation (EU) No 648/2012, requires UCITS investment companies to provide the following information in their annual and semi-annual reports published after 13 January 2017, on the use made of SFTs. The SFT's held by the Funds at 30 June 2020 consisted of repurchase agreements as detailed hereunder:

Global Fund

Market value	US$14,852,000
% of Net Assets	16.38%
Counterparty Name	State Street Bank
Counterparty Country of Establishment	U.S.A
Maturity Date	01/07/2020
Settlement	Bilateral
Collateral Description	Collateral: U.S. Treasury Note 0.3750% due 15/07/2025 Total collateral value is: US$14,999,069.

Asia Pacific Fund

Market value	US$6,186,000
% of Net Assets	9.44%
Counterparty Name	State Street Bank
Counterparty Country of Establishment	U.S.A
Maturity Date	01/07/2020
Settlement	Bilateral
Collateral Description	Collateral: U.S. Treasury Note 2.250% due 15/08/2027 Total collateral value is US$6,309,735.

Safekeeping of Collateral

The Funds' repurchase agreements are secured by collateral. State Street Corporation is responsible for the safekeeping of collateral received. The Funds did not reuse collateral received in relation to repurchase agreements. The Funds did not pledge collateral in relation to repurchase agreements.

Income and Costs

The interest income arising from the repurchase agreements earned by the Funds during the period ended 30 June 2020 is US$22,568 and this represents 100% of the overall returns generated by the repurchase agreements. Transaction costs are embedded in the price of the instruments and are not separately disclosed.