

Longleaf Partners
International Fund
*Quarterly
Summary
Report*



For the Quarter Ended
June 30, 2020

2Q20

Longleaf Partners International Fund

(800) 445-9469 / southeasternasset.com

Fund Profile

Investment Style	International value
Ticker	LLINX
Inception Date	October 26, 1998
Net Assets	\$1.0 billion
Expense Ratio (Gross/Net)	1.17% / 1.15%
Turnover (5 yr avg)	34%
Weighted Average Mkt. Cap	\$20.0 billion

Holdings (20)

	Activity*	Weight
EXOR		9.4%
Melco International	-	7.3
Domino's Pizza Group (UK)	-	6.3
LANXESS		5.9
Prosus		5.9
Fairfax Financial	+	5.2
Becle	-	4.8
Glanbia	+	4.8
LafargeHolcim		4.7
MinebeaMitsumi	-	4.7
Baidu		4.7
Lazard		4.6
CK Asset Holdings		4.5
Richemont		4.5
Millicom	+	4.0
CK Hutchison		3.7
Accor	NEW	3.7
GRUMA		2.9
Great Eagle	+	2.3
Undisclosed	NEW	1.5
Cash		4.6
Total		100.0%

*Full eliminations include the following positions: Bolloré, C&C Group, OCI, and Trip.com

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

The total expense ratio for the Longleaf Partners International Fund is 1.17% (gross) and 1.15% (net). The International Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.15% of average annual net assets.

LLP0001056 expires October 31, 2020

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing \$9.0 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our 15-person global investment team are generalists, tasked with finding the best bottom-up opportunities across the globe.

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

Sector Composition

Consumer Discretionary	27.7%
Financials	19.2
Consumer Staples	12.5
Materials	10.6
Industrials	9.9
Communication Services	8.7
Real Estate	6.8
Cash	4.6

Regional Composition

Europe ex-UK	44.4%
Asia ex-Japan	22.5
North America	17.5
UK	6.3
Japan	4.7
Cash	4.6

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
Melco International	2.36%	36%	C&C Group	-0.29%	-13%
Becle	2.08	59	Bolloré	-0.16	25
LANXESS	1.81	33	Millicom	-0.02	-5

Performance at 6/30/2020

	Total Return			Average Annual Return				
	QTR	YTD	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
International Fund	16.58%	-20.87%	-16.24%	1.98%	4.10%	2.82%	4.65%	6.33%
MSCI EAFE Index	14.88%	-11.34%	-5.13%	2.05%	5.73%	4.09%	2.91%	4.05%

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

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

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

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

July 13, 2020

Longleaf Partners International Fund Commentary 2Q20

Longleaf / Partners
Funds

Longleaf Partners International Fund followed a dismal 1Q with a strong absolute and solid relative bounce back of 16.58% versus MSCI EAFE of 14.88% in the second quarter. Most companies posted positive results in the quarter, with performance broadly dispersed across sector and geography in the portfolio and the market, as stocks broadly rebounded post the COVID-19 lows in March and April. While not owning Information Technology and holding an average 5% cash allocation were both a relative drag on 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. Our four largest positions – EXOR, Melco, Domino's Pizza Group and Lanxess – have detracted from year-to-date performance, but they remain among the highest conviction investments for the coming years. We took advantage of the pandemic-led volatility to sell or trim

Average Annual Total Returns (6/30/20) Longleaf Partners International Fund: Since Inception (10/26/98): 6.33%, Ten Year: 4.10%, Five Year: 1.98%, Three Year: -2.42%, One Year: -16.24%. MSCI EAFE Index: Since (10/26/98): 4.05%, Ten Year: 5.73%, Five Year: 2.05%, Three Year: 0.81%, One Year: -5.13%.

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com. As reported in the prospectus, dated May 1, 2020, the total expense ratio for the Longleaf Partners International Fund is 1.17% (gross) and 1.15% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.15% of average annual net assets. Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 1.15% of average net assets per year. This agreement is in effect through at least May 1, 2020 and may not be terminated before that date without Board approval.

companies that will be most challenged in the current environment and/or that are most fully valued and add multiple high-quality franchises to our portfolio at attractive prices. We believe this has materially improved the portfolio both in terms of quality and margin of safety, which we expect will lead to strong future performance.

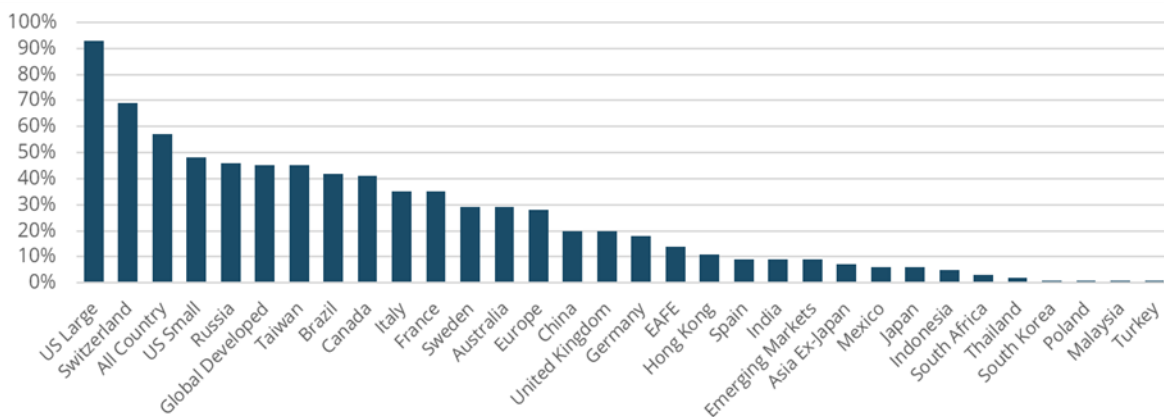
Stock markets across the globe rallied sharply in the quarter amid early signs of positive coronavirus trends in some countries and economies reopening, coupled with unprecedented fiscal and monetary stimulus by central banks. While we were encouraged to see the market becoming more of a bottom-up weighing 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 do not invest based on top-down analysis, but as dedicated fundamental investors focusing on the world from the bottom-line numbers. We have a hard time reconciling buoyant market headlines with the situation in the real economy. Nowhere was this more evident than in the US large cap market, as the gap between US and Non-US performance widened even further in the quarter.

As shown in the chart below, the US large cap cyclically adjusted price-to-earnings (CAPE) ratio is near an all-time high versus its own history. Some would say these multiples are supported by rock bottom interest rates. However, a skeptic would have to say that if low interest rates support a trailing CAPE of approximately 30 on the S&P 500, then the passive investor is agreeing to disappointingly low returns for the foreseeable future. An even worse case for the passive investor would be earnings yields regressing to the long-term mean. We constantly see going-in earnings yields compared to current bond yields, as if that constitutes a complete determination of equity valuations. But the math of deriving multiples also includes the important interplay between low growth rates and low discount rates, as well as the issue of terminal multiples. This is why multiples are historically more "sticky" than just tracking the inverse of bond yields. This is also why all shrewd real estate investors don't simply buy properties at any cap rate, which is below the interest rate on their borrowings. One would have to move into less efficient and global markets with lower valuations to begin with to meet their expected return hurdles from the past. You do not have to look long at this chart to note that nearly the

entire world outside of the US Large Cap space is priced below its average CAPE today. We are finding plenty of opportunity in these markets.

CAPE Ratio: Current Historic Percentile

Chart shows the percent of time the CAPE ratio has been cheaper than the current CAPE ratio



Source: Research Affiliates. Data as of May 31, 2020

Additionally, the US Dollar (USD) remains heavily overvalued versus much of world, particularly Europe. While a currency translation effect in the face of the ever stronger USD has been a recurring headwind, the Fund benefitted in the quarter as the USD weakened. Today, the UK, Eurozone and Japan are notably inexpensive relative to their historical relationship to the USD, and we believe we could see this shift to a longer-term tailwind. Going forward, 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.

Shifting to what we own today, in our 1Q letter we discussed the three categories of COVID impact to our portfolio companies: 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 26%/64%/4% in each bucket (+6% cash) the last time we updated you, but today they are 30%/66%/0% (+5% cash). As we noted last quarter, we are continually reviewing each existing company and comparing it against opportunities to upgrade the quality and durability of the portfolio with any new additions. While this may look 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 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. That is also part of the calculus in investing in Fairfax and its Odyssey reinsurance subsidiary, with whom our long history also informs our current bullish view. We are disappointed not to receive deal liquidity at 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 demonstrates conclusively what sort of negotiator Mr. Elkann will be in seeing through the more strategically important FCA-PSA deal. 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 C&C Group and OCI, was the most important category for us to address, as we sought to upgrade the portfolio. We exited both companies in the second quarter, though for somewhat different reasons. The common denominator was people changes, a decline in the business outlook amidst the COVID-19 environment and balance sheet deterioration.

C&C is the most singularly impacted investment in the fund from COVID-19. After being a top contributor in 2019, our outlook for the business and view on the people changed entirely in a short two-month period. First, CEO Stephen Glancey announced his surprise retirement in February. Glancey was a key part of our case, given his strong track record of value creation as an owner-operator. We put in the order to sell half our position as soon as the announcement was made and began revisiting the facts of the case. Only a number of weeks later, the pandemic drove the closure of all pubs across C&C's markets in Ireland, England, Scotland and Wales. The high margin on-trade business in these markets contributed over 60% of C&C's profits on paper but even higher than that when factory utilization and corporate overheads are taken into account. The balance sheet rapidly deteriorated given the monthly operating losses, and as the normal negative working capital balance became a significant liquidity drain, and payables came due with no receivables to keep working capital in balance, the result was dramatically rising debt levels. We believe there is a material risk that the balance sheet stress could persist into 2021, at which point the risk of a capital raise to repair the balance sheet rises. As the facts of the case changed dramatically in a short period, we sold the full position in the quarter.

We also completed our exit of OCI 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 a particularly challenging macroeconomic backdrop. OCI was a smaller position than C&C but was a longer-standing disappointment in the portfolio. We have maintained an engaged dialog with management on the potential to create value through asset sales or to potentially sell the business over the course of our ownership, but ultimately the macro swamped the ability for the company to execute on the original case. The outcome reminded us of the business quality lesson wisely summed up by Warren Buffett: "When a management with a reputation for brilliance

tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact.”

Finally, we sold Bolloré Group, which we bought in August 2018 but have followed for years, tracking back to our investment in Vivendi in 2011-12. The original thesis was based on generational change to new leadership being a catalyst to unlock the latent value of this conglomerate of attractive businesses. However, we grew concerned over our alignment with the controlling family. We concluded that there were better places to allocate our capital given all the opportunities the COVID-19 pandemic provided.

We used the proceeds from these three sales to initiate two new positions – Accor and another company, which remains undisclosed while we build out the position. Both companies fall into category 2, and we believe help further upgrade the portfolio’s long-term upside. We discuss Accor in more detail below in the portfolio activity section. We continue to monitor the portfolio and our on-deck list and will take advantage of identified opportunities to increase the portfolio quality, margin of safety and potential performance upside.

Contributors/Detractors

(Q2 Investment return; Q2 Fund contribution)

Melco International (36%, 2.36%), the Macau casino and resort holding company, was the 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.

Becle Sab de Cv (59%, 2.08%), the tequila and spirits holding company, added to the quarter's strong returns. The first quarter featured particularly good results from Becle's Jose Cuervo Tequila brands, with volume and pricing up significantly in constant currency over the last two years. Our appraisal of the company's value increased, even as the lockdown froze most of Becle's on-premise (bar and restaurant) sales. However, 87% of Becle's US dollar-value is consumed off-premise, and US at-home spirits consumption (particularly of tequila) has accelerated significantly during the lockdown. Tequila and Irish Whiskey (Becle owns Bushmills as well) have taken share from beer and vodka for years, and the trend appears to be accelerating. Becle's Mexican business, representing <20% of the company's revenues, has however been weaker recently, and Becle's consolidated gross margins remain depressed due to cyclically high agave prices. However, when the commodity's supply catches up and pulls down pricing over the next several years, Becle margins should increase significantly. Rumors of a potential Campari acquisition at a significant premium also helped drive the stock's price appreciation in the quarter.

Lanxess (33%, 1.81%), a German specialty chemical company, was also a positive contributor for the quarter. While its auto-exposed Engineered Materials business, which accounted for a mid-teens percent of revenues in FY19, naturally suffered in the COVID-19 environment, its other consumer facing businesses have proven more resilient to the downturn. For example, its Consumer Protection Products business, which manufactures disinfectants and biocides, is likely to benefit from a demand uptick created by COVID-19. Unlike other DAX companies, CEO Matthias Zachert has

provided guidance, which speaks to his confidence that Lanxess can deliver even in these trying times. During the quarter, Lanxess strengthened its already robust balance sheet, which should help insulate the company from any continued uncertainty or further COVID-19 impact. Management took the decision to suspend the share buyback program and reduced capital expenditure by €50 million, while also executing cost measures of €50-100 million. The company completed the sale of Currenta in April, which generated an additional €150 million in pre-tax profit participation. This ultimately leaves Lanxess with a total liquidity position of €3 billion (cash and financial assets). Zachert has a strong track record of value-accretive M&A, and this environment is likely to create some compelling opportunities which Lanxess is well placed to capitalize on once the dust settles.

Prosus (33%, 1.54%), a global consumer internet group, was another top contributor in the quarter and the strongest 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.

Portfolio Activity

As discussed above, we sold OCI, C&C and Bolloré and established two new positions in the quarter. Both new positions are "recycled" companies that we know well and have successfully invested in before. One position remains undisclosed, as we have a small position currently but hope to increase it. The second is in the global hotel operator, Accor.

We first invested in Accor in mid-2008 through March 2013. This period saw external pressure by Colony Capital, led by Sebastien Bazin, to shift to an asset-light business model of hotel operations and spin out the “hidden gem” independent voucher business, which became Edenred. We supported both of these actions and developed an appreciation for Mr. Bazin’s successful approach. After we exited the position when it reached our appraisal value, he was appointed CEO of Accor. The transition from external capital allocator to operating executive was not a simple process. We kept up with him and the company in the intervening years, but the discount to value and business/people opportunity never aligned until COVID-19 disrupted the hospitality scene. Today, Accor runs an asset-light management and franchise model on 96% of rooms. The company has an even stronger portfolio of brands post its Fairmont Raffles and Movenpick acquisitions. These deals complete the company line up. An expanding focus and pipeline in high-quality luxury and upscale, which comprises 41% of fee income, with the pipeline skewed further towards this category, is coupled with the strongest liquidity in the global hotel industry with over €2bn cash on hand. Our past and current experience with Mr. Bazin indicate a shareholder value-focused management. He has a history of buybacks and has returned 20% of the market cap to shareholders via buybacks and dividends over the last three years. We do not profess to know how the pandemic will ultimately play out, but we are confident that asset-light, large scale hotel brands will still be valuable franchises on the other side. Accor is well placed to take advantage. Over the long term, it could be a consolidation target.

Outlook

The second half of 2020 has the potential for additional geopolitical drama and market uncertainty. A presidential election in the US in the face of a continuing global pandemic and a developing cold war between the US and China, coupled with unprecedented monetary and fiscal intervention, translates into an extraordinarily broad range of possible outcomes. While we cannot predict the direction or shape that markets will take in the near-term, our decades of experience tell us that the best place to be in an uncertain environment is in high-quality, well-financed, owner-oriented companies bought at a discount to intrinsic value held for the long term. The portfolio trades at a price-to-value (P/V) ratio in the low-60s%, the Fund is close to fully invested with 5% cash and our on-deck list remains robust. Even after a strong relative

and absolute second quarter, the first three months of the year left us in a hole on our near-term trailing performance numbers. We are confident that ground can continue to be recovered, and the 22-year track record of value creation will show through again.

See following page for important disclosures.

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RISKS

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

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

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

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

CAPE Ratio is an acronym for the cyclically-adjusted price-to-earnings ratio. The ratio is calculated by dividing a company's stock price by the average of the company's earnings for the last ten years, adjusted for inflation.

Cap rate (capitalization rate) is the rate of return on a real estate investment property based on expected income.

As of June 30, 2020, the top ten holdings for the Longleaf Partners International Fund: EXOR, 9.4%; Melco, 7.3%; Domino's, 6.3%; LANXESS, 5.9%; Prosus, 5.9%; Fairfax, 5.2%; Becele, 4.8%; Glanbia, 4.8%; LafargeHolcim, 4.7 %; MinebeaMitsumi, 4.7%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by ALPS Distributors, Inc.

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