For the Quarter Ended
March 31, 2020

Longleaf Partners Funds

Summary - March 31, 2020

1Q20

Longleaf Partners Small-Cap Fund

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Longleaf Partners Funds

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $8.4 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.

Fund Profile

Investment Style	US small-cap value
Ticker	LLSCX
Inception Date	February 21, 1989
Net Assets	$2.0 billion
Expense Ratio	0.92%
Turnover (5 yr avg)	32%
Weighted Average Mkt. Cap	$3.7 billion

Holdings (20)

	Activity*	Weight
Eastman Kodak *(preferreds/ common/bonds)*		12.0%
CenturyLink		11.0
Mattel		6.6
Formula One Group	+	6.3
PotlatchDeltic		6.1
Graham Holdings	-	4.8
CNX Resources		4.7
Lazard		4.7
Enerpac Tools (Actuant)	-	4.4
GCI Liberty	-	4.3
ViaSat	+	3.9
LANXESS	NEW	3.5
Dillard's	-	3.5
Neiman Marcus *(bonds)*	+	3.3
OCI	-	3.3
Empire State Realty	NEW	3.0
Realogy		2.5
Univar Solutions	NEW	2.4
Park Hotels & Resorts	+	2.1
Hyatt	NEW	1.8
Cash		5.8
Total		100.0 %

*Full eliminations include the following positions: None.

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

Sector Composition

Communication Services	21.6%
Consumer Discretionary	20.0
Information Technology	15.9
Real Estate	13.7
Materials	6.8
Industrials	6.8
Energy	4.7
Financials	4.7
Cash	5.8

Performance Contribution

Top Three	Portfolio Contribution	Return
Hyatt	-0.36%	-19%
Univar Solutions	-0.52	-27
Empire State Realty	-0.53	-21

Bottom Three	Portfolio Contribution	Return
Realogy	-4.05%	-69%
Graham Holdings	-2.98	-47
CenturyLink	-2.79	-27

Performance at 3/31/2020

	Total Return		Average Annual Return				
	QTR	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
Small Cap Fund	-35.93%	-30.62%	-3.56%	6.00%	5.61%	7.94%	9.01%
Russell 2000 Index	-30.62%	-23.99%	-0.25%	6.90%	5.71%	5.28%	8.17%

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

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

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

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

April 9, 2020

Longleaf Partners Small-Cap Fund Commentary

1Q20

Longleaf Partners Small-Cap Fund declined -35.93% in the first quarter, while the Russell 2000 Index fell -30.62%. As one of the largest shareholder groups in the Funds, we are disappointed in both our absolute and relative results. While looking to the future does not lessen or excuse the near-term performance pain, we are more excited for the long-term prospects of our portfolio than we have been in over a decade, or even two. As global markets have been rocked by extreme uncertainty and fear in the last few months, we have seen a rapid rise in stock price volatility and a steep decline in investor sentiment. We have only seen this level of disruption a handful of times in Southeastern's 45-year history. Each of the seven bear markets Southeastern has lived through has felt uniquely difficult and at the time like it might never end. In each case, we stuck to our discipline and took advantage of market dislocations to upgrade the portfolio, which historically served us well with strong subsequent performance coming out of those periods. The drivers behind today's environment are unique, but our disciplined approach on how to navigate the turmoil remains the same.

Average Annual Total Returns for the Longleaf Partners Small-Cap Fund (3/31/20): Since Inception (2/21/89): 9.01%, Ten Year: 6.00%, Five Year: -3.56%, One Year: -30.62%. Average Annual Total Returns for the Russell 2000 (3/31/20): Since Inception (2/21/89): 8.17%, Ten Year: 6.90%, Five Year: -0.25%, One Year: -23.99%. *Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com.* ***As reported in the Prospectus dated May 1, 2019, the total expense ratios for the Longleaf Partners Small-Cap Fund is 0.92%.***

Performance Review

The gap between Value and Growth widened in the quarter, as the Russell 2000 Value fell -35.7%, dramatically underperforming the Russell 2000 Growth's -25.8% decline. In fact, Value was the worst performer in the US small cap universe. Growth, which has become synonymous with the higher P/E (price to earnings) Information Technology (IT) companies that have fueled the broader market's growth for a decade, was one of only two factors that meaningfully outperformed the Index.

In this quarter, which has felt much longer than 91 days, growing fears over the now global COVID-19 pandemic, coupled with an oil price war, weighed on global markets, and governments responded with heightened stimulus, resulting in even lower interest rates and greater global political uncertainty. The market volatility index (VIX) broke through its highest absolute level and posted its largest single intraday move since the global financial crisis (GFC).

As the table below shows, the spread between equity and bond yields is near an all-time high, with equities growing increasingly compelling versus the perceived safety of bonds. The multiple of earnings to treasury yield is significantly higher than in 2009, highlighting the extremely compelling absolute and relative case for active equity investing today. While some investors are looking to gain exposure today via the index or ETF trading in an effort to time and capture market beta, we believe this is a dangerous game. Now more than ever, there will be differences between winners and losers on an individual security basis. Our bottom-up work on Business, People and Price helps us distinguish between businesses trading at single digit multiples of free cash flow (FCF) that will grow versus low multiple stocks with poor underlying businesses or those that feel safer at higher multiples but don't have the right people at the helm to navigate the current market storm. The Small-Cap Fund trades for an average P/E of 9x and average earnings yield of 11%, an almost 10% spread and over 9x multiple versus 30-year treasuries. As Warren Buffett said about US 10-year treasuries recently: "If somebody came to you with a stock and said, you know, 'This is a terrific stock. It sells at 70 times earnings. The earnings can't go up for 10 years,' you'd say, 'Well, explain that to me again."

	Russell 2000 LTM P/E	Russell 2000 Earnings Yield	30-Year US Treasury Yield	Difference	Earnings Yield to Treasury Yield Multiple
1990	14.1	7.09%	9.08%	-1.99%	0.78
2002	29.9	3.34%	4.86%	-1.52%	0.69
2009	17.0	5.88%	3.57%	2.31%	1.65
2020	12.5	8.02%	1.32%	6.70%	6.09

Source: Factset

LTM P/E is the trailing price to earnings (P/E) multiple using the last twelve months (LTM) of actual earnings; Earnings yield is the inverse of the P/E ratio.

Market Sentiment – Calculus, Statistics and History

While we are not market forecasters or medical professionals who can predict how long this situation will last, we do need to take a broader look at how best to build our portfolios going forward. We do not believe that everything will "return to normal" in a few months. But, it is amazing how dramatically sentiment has shifted in the last few weeks. We try to remember a few simple mathematical principles during this period of great uncertainty. First is that exponential growth can be hard to fathom when things are going up, but 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, as in 2009 when there was plenty of bad news after early March, but the market turned upward after the first "green shoots" sprouted. The second mathematical concept we need to remember is that, as the number of cases and testing increases around the world, this larger sample size gives the world more data to analyze. This in turn leads to increased potential for breakthrough treatments and a better understanding of who has already had the virus and recovered. This must be tempered with the fact that many experts expect that COVID-19 may be seasonal with a second wave in the fall. 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.

In this environment, we are focused on companies that can make it through the next 6-12 months without needing to rely on the kindness of banks or consumers, but we are not going to run for the hills and only own those companies that feel the "safest" now. Taking a longer-term view, we could also see the pandemic leading to profound changes on three fronts that have hurt our portfolio in relative terms over the last 10+ years. First, printing trillions of dollars around the world to keep things afloat in this period could finally lead to some inflation, after over a decade of anemic interest rates. While the historical data is not 100% conclusive on the effects of inflation for value versus growth stocks, the extremes of the deflationary Great Depression (when growth won) and the inflationary 1974-early 1990s period (when value won) do suggest a potentially positive turn for our style of investing. Our businesses generally benefit from pricing power or gross profit royalties, which should help them thrive in a more inflationary environment. Second, as we move from fighting the coronavirus at all costs to figuring out how to pay the bill, we suspect we could see some profound changes in the US healthcare system. We have always had a hard time capitalizing the high returns of many healthcare players – for a life or death service – into perpetuity. The COVID-19 crisis is shining a hard light on the flawed system, where people are avoiding testing or treatment for a highly contagious disease because they are afraid of medical bills, resulting in a significantly worse public health crisis. Third, we expect to see an eventual rebalancing within Information Technology, the other sector that has dominated public and private markets for over a decade, outperforming even through this period of market distress. It feels somewhat counterintuitive today to make a case against the IT companies, as the world moves to remote working and turns to e-commerce apps and website, while we must abstain from other forms of direct commerce. However, a tougher environment and tighter financing terms will eventually compel these businesses to cut costs, raise prices and seek profits, thus ending the seemingly virtuous short-term customer satisfaction cycle of seeking higher volumes at all costs to meet increasingly challenging consumer demands, which ultimately punishes other industries. Finally, many IT giants have both the law of large numbers and worldwide regulators working to diminish future returns.

Confidence in What We Own: Stress Testing in a Stressful Period

Back to what we own today, we gain confidence in our portfolio in a number of ways. First and foremost, we look to our 45-year history as a reminder of how pay off patterns following large downturns can been quick and sizeable. We have historically seen short-term absolute and relative underperformance as markets declined. While always incredibly unpleasant, this is understandable, because when markets crash, correlations head towards one. Value names are generally shunned in a crash's initial flight to quality. However, our performance in the 12+ months following the low points has been dramatic, as value imbalances have corrected in the recoveries.

In periods like today, we maintain an even more active, engaged dialogue with our investee partners across our global portfolios. In some cases, we are looking for ways to add value by encouraging our management teams to pursue intelligent, value-accretive capital allocation moves or people changes to upgrade governance and oversight. In these times, our behind-the-scenes approach to engagement is even more productive and appreciated, and we look forward to sharing the fruits of that engagement as we see progress. In many cases, we are acting as a sounding board or otherwise cheering on our management partners, who are already taking steps to grow value and ultimately get that value recognized, like at CNX. Our partners were fully hedged at great prices going into this downturn, closed an asset backed financing at a 6-7% interest rate in March, and used the money raised to buy in debt trading at a high teens yield. Many of our companies offer unique insight into the macro situation, which helps us refine our bottom-up, company-specific assumptions and also informs our broader macro view. The economists at FedEx are a fantastic worldwide economic barometer. We also look closely at our management teams' behavior, which often speaks louder than words. As we write this letter, insiders at nine of the Fund's holdings have bought shares personally this quarter, signaling their confidence in their companies.

Additionally, we are reviewing each company that we own on a case-by-case basis to determine the potential value impact of this disaster and to ensure that our appraisal values are appropriately conservative as we face an uncertain future. We feel strongly that we own high-quality businesses with capable management teams that can adeptly navigate the current environment. However, long-term values are changing faster than

we have ever seen, as near-term FCF has evaporated or decreased dramatically for certain regions and businesses.

As we wrote in our recent COVID-19 update, we broadly group our investments into three categories as we reassess our portfolio holdings:

1) Those where we expect minimal long-term impact and/or see the potential for the company to at least partially benefit from the current situation. We generally expect to see a small near-term value impact but significant long-term value growth potential from these businesses that can more than make up for today's pain. Approximately 20% of the Small-Cap Fund portfolio falls into this category, including CenturyLink, which is seeing increased demand for its fiber infrastructure as video-conferencing and streaming grow strongly around the world and end providers are running short on bandwidth, even as their Small and Medium Business customer base will see an impact. Natural gas company CNX Resources should be a net beneficiary from sub-$30-40/barrel oil, as the growth in "associated gas" should slow dramatically as Permian basin oil drilling declines, creating a better future supply/demand balance for natural gas. Satellite communications company ViaSat should benefit from decreased competition, with OneWeb declaring bankruptcy and Starlink running into trouble. Although ViaSat's airline broadband business (which represents less than 10% of revenues) will see deferred volumes, its Exede residential business is stronger in the current environment and will be able to make use of the airline broadband business's capacity somewhat, while its Government segment feels little impact.

2) Those that we expect to feel a larger near-term hit (a mid-teens percentage decrease on average), but where we feel highly confident over the long term. This situation describes a majority of our holdings, approximately 60% of the Fund, similar to what we saw in the GFC. We held onto and/or added to this category in the GFC, and those companies ultimately led the Fund's significant outperformance as we

rebounded in 2009. We expect to see a similar pattern when we rebound from the current downturn. For example, German specialty chemical business Lanxess's more economically sensitive businesses, primarily auto which accounts for mid-teens percent of revenue, will suffer in the current environment, but its other business lines should prove more resilient. The company is well positioned, given its outstanding balance sheet health. The company took advantage of weakness to repurchase shares opportunistically. CEO Matthias Zachert also has a strong track record of accretive bolt-on M&A, and this environment is likely to create some compelling opportunities. Classic toy company Mattel is now facing bigger headwinds in the current environment, but its supply chain is more flexible than ever, the company is producing positive FCF and is moving multiple non-earning assets through its content pipeline, and the stock trades at 5x our estimate of earnings power. Timber company PotlatchDeltic has shown great value stability in times like today. However, the company's mill assets, which comprise less than 15% of the value, will be negatively impacted by a near-term decline in housing demand. The company is well-capitalized with a great, experienced management team and trades at less than 60% of what a private buyer would pay for the timber assets.

3) Those where we expect to see a more material near-term hit and a potential long-term impairment to appraisal. While it is difficult to know how long the current crisis will continue, we could potentially see some material value declines (20% or greater on average) in this smaller group of businesses, representing approximately 15% of the portfolio, reminiscent of the GFC. This includes a handful of businesses with the combination of operating and financial risk we discussed in 2008 and/or perceived dilution or bankruptcy risk, which is further weighing down the share price. Park Hotels has seen dramatic occupancy plunges in the current environment, as it closed a majority of its properties. It had a level of leverage going into this that seemed normal for its industry, but with near-term losses from these closures, the situation has changed.

Park has been hit by a dramatic downturn in occupancy as a result of shutdowns around the US, but it also trades at an extreme discount to replacement value and had encouraging insider buying in March. Nitrogen fertilizer company OCI has a significant amount of FX and commodity pricing risk (as it tends to track with oil prices) outside of its control, combined with debt that would be fine during normal or even slightly stressed times but might be a bit higher than the company would want if they could start fresh today. However, the company has been able to move to maintenance capex and generate FCF in this environment. Real estate owner and department store operator Dillard's benefits from an industry-leading balance sheet and ownership of 90% of its still valuable, prime real estate, but it has closed stores and is currently facing near-term losses. Luxury retailer Neiman Marcus has over 30% of its revenue online, but it is facing another debt restructuring that will hopefully lead to a more constructive path forward. Finally, real estate brokerage franchise Realogy has seen a dramatic slowdown in new home sales, which could continue through the key spring/summer selling season. The share price has dropped by over 75% in the last month, but the business endured a similar stress test in the GFC, when its debt traded down to 10 cents on the dollar before ultimately rebounding to pay off its private equity owners.

We are carefully weighing each individual business, revisiting our case for each. In some cases, "category 3" businesses are likely to prove to actually be a "category 1 or 2," as outlined above. However, our discipline dictates that we will not add to companies where our value has taken a permanent impairment until our values have stabilized and begun to grow again. If we believe that the long-term business case or competitive advantages of a business become impaired and/or that our management partners are not capable of taking action to grow the value, then we will take action to upgrade our portfolio.

We recognize that it can be easy to fall prey to simply holding onto or doubling down on the companies that we already own and know in an uncertain environment, and we also recognize that we built our portfolios in a very different environment than today. We are therefore looking at each existing company and comparing it against opportunities to upgrade the quality and durability of the portfolio with any new additions. What will matter most going forward are the individual stocks we own and the changes we are making to our portfolios.

Contributors/Detractors

(Q1 Investment return; Q1 Fund contribution)

Realogy (-69%, -4.05%), the real-estate brokerage franchise, was the largest detractor in the quarter. In February, the company reported a strong fourth quarter with franchise revenues up 7%. With Compass no longer capable of poaching agents with irrationally large compensation packages, Realogy's problems appeared behind it. The COVID-19 pandemic has since completely paused the U.S. housing market. As a result, Realogy, despite a liquidity position that was adequate for a more normal downturn, is now in danger of breaching debt covenants later this year. CEO Ryan Schneider, a significant owner of the stock, announced the sale of the company's relocation business at a great price last year, which would allow Realogy to de-lever its balance sheet and focus more on its cash-generative franchising fee business, but this deal has yet to close. Realogy's history gives us confidence, as the business endured a similar stress test through the GFC, when its debt traded down to 10-cents on the dollar. Realogy's strong brand and licensing relationships make it worth much more alive than dead for its lenders, who were motivated to help the company survive and ultimately produce positive equity returns for its owners. We expect a similar outcome from here under the strong leadership of Schneider, who is taking every step within his control to close the large price-to-value gap. Because of the rapid change in the company's value, we have not added to our position and are closely monitoring the situation.

Graham Holdings (-47%, -2.98%), the media and education conglomerate, weighed on returns in the quarter. In February, the company reported strong 5% growth from its TV stations and mixed performance in Kaplan education and its manufacturing

subsidiaries. The coronavirus is negatively impacting the company's TV revenues from local advertisers whose businesses have collapsed. Kaplan International programs have also been disrupted by the virus's impact on cross-border travel. The company's net cash balance sheet and overfunded pension are positive offsets that will allow the company to both weather the storm and potentially go on offense, as the company has a history of strong capital allocation moves, including intelligent share buybacks at advantageous prices and value accretive M&A.

CenturyLink (-27%, -2.79%), the fiber telecom company, was another top detractor, despite reporting over $1 of FCF per share in the fourth quarter of 2019. Two sell-side analysts downgraded CenturyLink to a "sell" in the last few weeks of the quarter, with the primary points of concern being the long-challenged consumer and voice business and an expected decline in earnings before interest, tax, depreciation and amortization (EBITDA), as customers within the small and medium business (SMB) segment shut down in the current environment. Our case has always assumed that the "bad" consumer and voice business, comprising roughly one-third of EBITDA, continues to decline every year. The positive growth from the remaining "good" parts of the business comes from segments with long-term growth prospects, like Enterprise, SMB and International connectivity. The SMB business is challenged today by small business customers facing sudden existential threats, and we might see a one-time hit to EBITDA as the company addresses bad credit at these customers. However, this is positively offset by the Enterprise business seeing a significant increase in demand to support remote working and in-home streaming, illustrated in part by the growth of CenturyLink's video-chat customer Zoom. The company, like many others, has suspended guidance in the current environment, but we believe it is well positioned to come out even stronger than before. The company's net debt-to-EBITDA is in a much better position than in 2008-09, and it produces over $3 per share in FCF. As noted above, we have a 13-D filed at the company and are actively engaged with CEO Jeff Storey and the board to explore numerous strategic options to bridge the substantial gap between share price and long-term appraisal value.

Park Hotels and Resorts (-68%, -2.61%), was another top detractor. As with the rest of the industry, the coronavirus took occupancy levels to unprecedented lows. Park responded by closing all or parts of many of its owned hotels. We evaluated the

company’s debt (the next maturity is $700 million at the end of 2021) and liquidity (about $1.4 billion) and believe it will survive the crisis. CEO Tom Baltimore purchased shares personally after the stock’s sharp decline but still well above where it trades. The stock was deeply discounted at quarter end, but our appraisal of the value has declined with the loss of cash-flow. Park trades at an extremely wide discount to both relatively stable replacement cost (it trades at less than 20% of that metric) and a fast moving value, providing a large margin of safety at today’s low price.

The fund’s Neiman Marcus bonds (-41%, -2.55%), detracted after the retailer closed stores in mid-March in response to the coronavirus outbreak. Recent headlines reported discussions between the company and its lenders to file for bankruptcy protection. We underestimated the extent and speed of the impact that coronavirus disruption, coupled with oil price weakness negatively impacting its Texas customers, would have on the business. We have followed companies through bankruptcy before, and we believe a new debt and ownership structure could be a long-term positive for the company. The bonds’ collateral includes MyTheresa, a growing e-commerce subsidiary, and Neiman’s locations in strong retail destinations across the US, especially the Bergdorf Goodman and the new Neiman Marcus Hudson Yards store. We made several trades during the quarter to swap from the more junior third-lien notes to the more senior second-lien notes, which improves our position in a bankruptcy situation.

Portfolio Activity

We started the year with relatively high levels of cash, which we have used as dry powder to improve our portfolios. The fund initiated two new positions – Hyatt Hotels and Univar Solutions – and two “recycled” businesses that we have successfully owned before (Empire State Realty Trust) and/or already owned in another portfolio (Lanxess).

We bought global hotel company Hyatt for less than half of our appraisal value in March, as travel industry stocks faced indiscriminate selling. The business combines many of the qualities we look for in every new investment: a safe balance sheet, owner-partners with a great track record, a proven brand with loyal customers, high-margin royalty income and owned real estate with a high replacement cost. The pandemic will freeze many of the company’s operations for a large part of this year, but the business

is positioned to withstand even a protracted shutdown and prosper on the other side. The balance sheet has lower net leverage than virtually all its competitors, and 60% of the value comes from capital-light franchise fees. We have had a long history of successfully investing in this industry, typically initiating and/or increasing our investment during times of significant industry disruption. We once again bought Empire State Realty Trust (ESRT), which owns the Empire State Building and other properties in the New York metropolitan area. Its share price has declined dramatically as it closed the Empire State Building Observatory due to the coronavirus, and its Manhattan office property business may be negatively impacted in the near-to-medium term. We have a great partner in CEO Tony Malkin, who refinanced debt at attractive rates in late March, adding $300 million in net incremental cash proceeds to its balance sheet. The current environment could provide some compelling share repurchase and/or M&A opportunities.

We bought specialty chemical company Lanxess, which we already owned in the International Fund and discussed above as a strong “category 2” business that stands to effectively navigate the current market storm. We also owned part of their assets previously via Chemtura, a successful investment in the Small Cap Fund in recent years. Historically, the business was more cyclical and reliant on commodity products, led by a heavy emphasis on rubber production for tires. Since returning to Lanxess in 2014, CEO Matthias Zachert has migrated the focus to specialty chemicals with stronger, less volatile growth prospects. The sale of the rubber business at a very attractive price, the 2017 acquisition of Chemtura, a focus on costs and efficiencies and opportunistic share buybacks at value-accretive prices have highlighted Zachert’s ability to drive long-term business value. We also initiated a position in the leading global chemicals distributor Univar Solutions, after it reported disappointing Q4 earnings as a result of weakness in its energy and commodity chemicals businesses and with market concerns about shareholder overhang. Univar, competitively positioned with a diverse global client base, is essentially a gross profit royalty on the chemical industry, without the same kind of fixed plant investment as its customers. Long-term, like-minded investors TCI and Baupost are significant owners at the company, representing 16% of outstanding shares. In the last week of the quarter, the company reaffirmed balance sheet strength, and we are confident the business will generate free cash flow even in this tough year.

We trimmed several companies to re-allocate cash to new and existing ideas. Our main increases at existing holdings were Liberty Formula One and ViaSat, both high-quality companies in groups 1 and 2, as described above. Our cash is now down to 6%, and we continue to monitor our current holdings and our on-deck list for new opportunities to upgrade.

Southeastern's COVID-19 Business Plan

While we have discussed at great length the investment opportunity that the market disruption has created, we are deeply saddened by the devastating loss of life and dangerous health impact the COVID-19 pandemic has had for so many globally. The health and safety of our employees, their families, our clients and the community around us remain our top priority. We have been heartened to see some of our companies taking steps to help where they can, such as Formula One teams working to help develop ventilators and other breathing aids for coronavirus patients.

Southeastern is closely monitoring the rapidly-developing situation and following WHO and local government guidelines and best practices. We shifted employees to a remote working scenario over the course of the quarter and have temporarily restricted all business travel and conference attendance for all employees. All teams are coordinating to ensure maximum productivity with this arrangement and have managed with minimal disruption. We have a robust business continuity plan (BCP) and remote connectivity platform in place, and our global research team is used to communicating across multiple locations and time zones. The transition has been seamless, with no material issues with connectivity or disruptions to daily business activities.

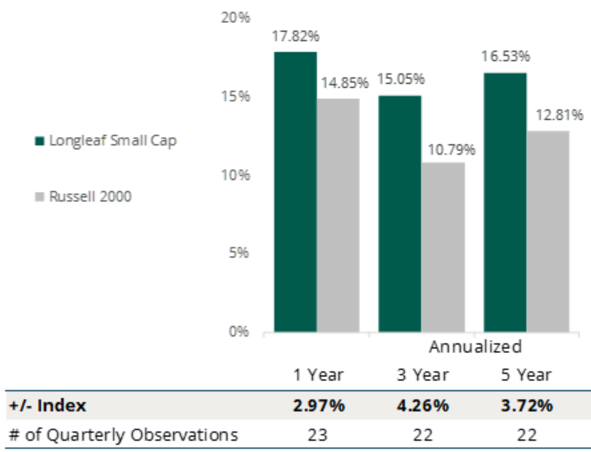
Re-Opening the Fund and Outlook

We closed the Small-Cap Fund to new investors in August 1997 to manage our size against any potential liquidity constraints that would limit the opportunity set and to avoid diluting our shareholders, given rising cash at that time. The Fund has remained closed to new investors for more than two decades over the course of various market conditions.

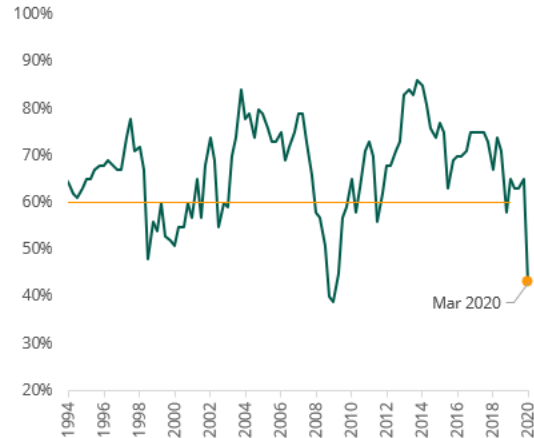
Throughout that period, our long-term, likeminded clients have opportunistically added at compelling times and taken cash when the opportunity set was more limited. We always strive to communicate our views on the opportunity set and what we are doing with our own capital as transparently as possible. In the first quarter, Southeastern employees have added to our investment in the Fund with the largest collective insider buying since the GFC. And we believe it is a great time for our partners to be adding as well.

Today, the opportunity set for US Small-Cap is even more compelling than in 2008-09. The smaller-cap universe started the year at a more attractively discounted level than the US large-cap market and has become even more attractive amid indiscriminate selling. After much consideration, we have decided to temporarily re-open the Small-Cap Fund to new investors. We are currently targeting an assets under management (AUM) level of $2.5 billion and will continue to monitor this target as the situation develops. We will be diligent in managing the Fund's size to ensure that we remain small enough to be nimble and to take advantage of compelling smaller businesses that are highly discounted today.

Our long-term outlook for the portfolio is the strongest it has been in over a decade. Although we expect to see some continued near-term volatility before we see a sustained upswing, we believe our portfolio is well positioned to weather the storm. We do not know when, but the COVID-19 situation will eventually stabilize, and global businesses will recover. When they do, equities should vastly outperform bonds, which are poised to lose capital in a meaningful way, as interest rates cannot go much lower. We believe our companies will outperform the market, as they have in prior recovery periods because they are more heavily discounted today, despite being strong, high quality businesses. Our management partners are exceptional and are taking the necessary steps to create significant value while navigating their businesses through this uncertain period to re-emerge even stronger in the future. Cash in the portfolio is 6%, the lowest in almost a decade, and the price to value (P/V) is in the low-40s%, a level only seen once in our history of tracking the metric, during the GFC. As shown in the chart below, we have historically seen strong relative and absolute outperformance in the subsequent 12+ months following periods of P/V below 60%.



	1 Year	3 Year	5 Year
+/- Index	**2.97%**	**4.26%**	**3.72%**
# of Quarterly Observations	23	22	22



Our on-deck list of qualified new potential holdings has more than doubled over the first quarter. The opportunities are not limited to a single industry or region, as selling has opened opportunities across a broad spectrum of companies. Some of the more interesting opportunities we are considering include "groups of people" stocks, primarily in the travel and entertainment space, that are competitively advantaged to weather the storm; misunderstood companies where the market is applying a 2008 scenario even though the business has changed significantly since the GFC; and industries or businesses that are great long-term value growers but are subject to short-term volatility. While many of these businesses are more cyclical or consumer-dependent in the short term, they pose a similar opportunity today to the companies that we bought after 9-11 in 2001-02 and in the GFC in 2008-09, which led our strong subsequent outperformance.

For example, we are getting back up to speed on one of our former winners for the Fund that is in both the media and real estate industries. We are working on a retailer with a hidden new business that we believe the market is missing. We have conviction in a unique industrial that we have followed for a long time but avoided because of the management team that now has a new leader in place, whom we are meeting to reassess our case. We have visited a services business that we believe has a long runway for growth and a great balance sheet, but is overlooked by the market as it has no direct public competitors. The list goes on.

We believe that many Consumer Branded Goods, Utilities and Health Care companies remain broadly fair-to-overpriced, given their perceived defensiveness, but we would love to own some of these businesses at the right price and are closely monitoring them. We are avoiding undifferentiated companies with over-leveraged balance sheets no matter how statistically cheap they are, such as balance-sheet-heavy financials, oil (which we do not consider high enough quality, despite the large price drop), airlines, etc.

We have stepped up our communications with you over the last several weeks, and you should expect additional outreach from us as long as this crisis lasts. We hope that you have found our Podcast and FAQ helpful, and we encourage you to reach out to us at info@SEasset.com or podcast@SEasset.com with your questions and topics that you would like to see us cover in future communications. We thank you for your continued partnership, trust and patience. We believe it will be rewarded with strong future performance.

See following page for important disclosures.

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

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

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

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

VIX is the CBOE Volatility Index, which reflects the market's expectation of near-term S&P 500 volatility based on a range of index options.

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

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

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

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

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.

As of March 31, 2020, the top ten holdings for the Longleaf Partners Small-Cap Fund: Kodak, 12.0%; CenturyLink, 11.0%; Mattel, 6.6%; Formula One, 6.3%; PotlatchDeltic, 6.1%; Graham Holdings, 4.8%; CNX Resources, 4.7%; Lazard, 4.7%; Enerpac Tool, 4.4%; GCI Liberty, 4.3%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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LLP001018
Expire 7/31/2020