

Longleaf Partners
Small-Cap Fund
*Quarterly
Summary
Report*



For the Quarter Ended
March 31, 2022

Longleaf/ Partners
Funds

LLP001309 expires July 31, 2022

1Q22

Longleaf Partners Small-Cap Fund

(800) 445-9469 / southeasternasset.com

Fund Profile

Investment Style	US small-cap value
Ticker	LLSCX
Inception Date	February 21, 1989
Net Assets	\$1.8 billion
Expense Ratio (Gross)	0.96%
Expense Ratio (Net)	0.95%
Turnover (5 yr avg)	27%
Weighted Average Market Cap	\$4.9 billion

Holdings (19)

	Activity*	Weight
Lumen		12.2%
CNX Resources	-	6.9
Oscar Health	+	6.3
Realogy	-	5.8
Empire State Realty		5.7
Liberty Braves Group		5.6
Mattel	-	5.4
White Mountains	+	5.1
Madison Square Garden Sports		5.0
Graham Holdings		4.8
Eastman Kodak		4.8
GRUMA		4.7
RenaissanceRe		4.6
Vimeo	+	4.4
Lazard		3.8
Hyatt	-	3.2
LANXESS		2.9
Idorsia	-	2.5
Ingles Markets		0.7
Cash		5.6
Total		100.0%

*Full eliminations include the following positions: No complete exits

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

Effective September 1, 2021, Southeastern has contractually committed to limit operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) to 0.95% of average net assets per year. This agreement is in effect through at least April 30, 2023 and may not be terminated before that date without Board approval.

LLP001296 expires July 31, 2022

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing \$9.9 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

Communication Services	27.2%
Financials	19.8
Consumer Discretionary	13.4
Real Estate	11.5
Energy	6.9
Consumer Staples	5.4
Information Technology	4.8
Materials	2.9
Health Care	2.5
Industrials	--
Utilities	--
Cash	5.6

Performance Contribution

Top Three	Portfolio Contribution	Return	Bottom Three	Portfolio Contribution	Return
CNX Resources	2.62%	51%	Vimeo	-1.24%	-30%
Oscar Health	1.54	27	LANXESS	-1.23	-29
Eastman Kodak	0.56	13	Lumen	-1.05	-8

Performance at 3/31/2022

	Total Return (%)		Average Annual Return (%)				
	1Q	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
Small-Cap Fund	0.76	0.26	6.48	10.21	7.36	9.40	10.42
Russell 2000	-7.53	-5.79	9.74	11.04	7.99	8.72	9.65

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 2022

Longleaf Partners Small-Cap Fund Commentary 1Q22

Longleaf/Partners
Funds

Fund Characteristics

P/V Ratio	High-50s%
Cash	5.6%
# of Holdings	19

March 31, 2022	Annualized Total Return					
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception*
Small-Cap Fund	0.76	0.26	8.10	6.48	10.21	10.42
Russell 2000	-7.53	-5.79	11.74	9.74	11.04	9.65
Russell 2000 Value	-2.40	3.32	12.72	8.57	10.54	10.50

*Inception date 2/21/1989

Longleaf Partners Small-Cap Fund added 0.76% in the first quarter, meaningfully outperforming the Russell 2000 Index, which declined 7.53%. In a volatile quarter for markets across the globe, our companies made solid progress across the board. Better relative stock performance across most sectors drove our outperformance. Our investment in US natural gas company CNX Resources was the strongest absolute performer, as demand for domestic natural gas increased and energy prices skyrocketed due to Russia's invasion of Ukraine. We wrote more extensively on our

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views on the expected impact of the ongoing conflict [here](#). Our appraisal values grew nicely across most of our businesses thanks to our aligned management teams that are taking steps to create value for shareholders.

We encourage you to watch our [video](#) with Portfolio Managers Ross Glotzbach and Staley Cates for a more detailed review of the quarter.

Contribution To Return

Top Five				Bottom Five			
Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/22)	Company Name	Total Return (%)	Contribution to Return (%)	Portfolio Weight (%) (3/31/22)
CNX Resources	51	2.62	6.9	Vimeo	-30	-1.24	4.4
Oscar Health	27	1.54	6.3	LANXESS	-29	-1.23	2.9
Eastman Kodak	13	0.56	4.8	Lumen	-8	-1.05	12.2
White Mountains	12	0.55	5.1	Lazard	-20	-0.97	3.8
Empire State Realty	11	0.55	5.7	Realty	-7	-0.35	5.8

Holdings are subject to change. Past performance does not guarantee future results.

- **CNX Resources** – CNX appreciated as energy prices increased dramatically, and the critical nature of natural gas infrastructure and its ability to support Europe in limiting its dependence on Russia as an energy source was broadly recognized. CNX saw the benefits of its extensive share buyback program over the last year+ with free cash flow (FCF) nearing \$3 per share. CNX increased the diversity and depth of experience of its board and executive management team in the quarter with the addition of Robert Agbede as a board director, Ravi Srivastava as President of New Technologies, and Hayley Scott as Chief Risk Officer.
- **Oscar Health** – A new position in 4Q 2021, US health insurance and software platform Oscar Health rebounded from dramatic post-IPO lows seen in 2021 (which gave us the opportunity to initiate the position). The company had become overly discounted primarily due to confusing financials and near-term losses as the company rapidly grew its health insurance subsidiary. In the first quarter, Oscar

reported strong revenue growth and outlined expectations for higher long-term margins at its analyst day.

- **Eastman Kodak** – Our convertible preferred position in Kodak appreciated on the back of a \$6 increase in book value per share growth in a single quarter as a result of its overfunded pension, fueled by strong performance and rising interest rates. The book value increase enhances Kodak's creditworthiness.
- **Vimeo** – Another new purchase in 4Q 2021, Vimeo, which was spun out of IAC last year, declined among a dramatic pullback in digital software companies in the quarter. This software company is misperceived and traded as a consumer business when it actually has a strongly growing enterprise business, but it is growing solidly at a 20% topline rate in the capable hands of CEO Anjali Sud and Chairman Joey Levin from IAC.
- **Lanxess** – German-listed specialty chemical company Lanxess's cyclical exposure to commodities and industrial inputs weighed heavily on its share price in the quarter. While we invested in this German-listed company because of its ownership of previous Small-Cap Fund winner Chemtura, its exposure to Russian gas drove the stock price in the quarter. This is a still-evolving situation where the European headlines do not relate 100% to the full value of this company. Management has shifted the fundamental profile of the business from a legacy European commodity chemicals business to a much higher quality global specialty chemical company today. CEO Matthias Zachert recently indicated that Lanxess is considering strategic options for its High Performance Materials division, which we think would be a good move.
- **Lumen** – Lumen reported weak organic revenue growth and guided more weakness for 2022. We expect revenue growth to kick back in towards the end of 2022, and the huge FCF coupon helped offset value decline from the weaker guidance. The other factor weighing on the stock price was largest shareholder Temasek's partial sale of its 10% position in the quarter, creating uncertainty and a share price overhang. We have a 13D filed and continue to urge the company to take steps to address the significant price-to-value gap, including continued share buybacks.

Portfolio Activity

After adding five new positions in the second half of last year, we built out several of these newer holdings in the first quarter but did not buy any new businesses. We

trimmed some of our stronger performers. We remain fully invested with just under 6% cash, and our on-deck list is growing longer amid market volatility. New investments have a high hurdle to qualify given our conviction in our current holdings and the steep discount of the portfolio, which trades at a High-50s% price-to-value ratio.

Outlook

In a challenging period of global uncertainty – amid fears of a potential world war, ongoing COVID concerns, rising interest rates/growing inflation and the potential for a pending recession – we were pleased with the solid progress made and value growth seen across our portfolio holdings. We own companies that have pricing power that can price through cost increases and grow their profitability as a result. Our companies come from a position of financial strength with aligned, proven management teams that can take proactive steps to manage through challenging market environments.

See following page for important disclosures.

Data and discussion as of March 31, 2022

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RISKS

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

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3,000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The Russell 2000 Value index is drawn from the constituents of the Russell 2000 based on book-to-price (B/P) ratio. An index cannot be invested in directly.

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.

IPO is an initial public offering.

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.

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.

As of March 31, 2022, the top ten holdings for the Longleaf Partners Small-Cap Fund: Lumen, 12.2%; CNX Resources, 6.9%; Oscar Health, 6.3%; Realogy, 5.8%; Empire State Realty, 5.7%; Liberty Braves Group, 5.6%; Mattel, 5.4%; White Mountains, 5.1%; Madison Square Garden Sports, 5% and Graham Holdings, 4.8%. Fund holdings are subject to change and holdings discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.