For the Quarter Ended
June 30, 2020

Longleaf Partners Funds

Summary - June 30, 2020

2Q20

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	$1.9 billion
Expense Ratio (Gross/Net)	0.93%
Turnover (5 yr avg)	33%
Weighted Average Mkt. Cap	$4.2 billion

Holdings (15)

	Activity*	Weight
Eastman Kodak *(preferreds/ common/bonds)*		12.8%
CenturyLink		10.7
Mattel		7.5
PotlatchDeltic	-	6.7
Lazard		6.1
CNX Resources	-	5.9
ViaSat	+	4.8
Empire State Realty	+	4.8
LANXESS		4.7
Graham Holdings	-	4.6
Realogy	-	4.5
Formula One Group	-	4.4
Univar Solutions		4.1
Hyatt	+	3.8
GCI Liberty	-	1.9
Cash		12.7
Total		100.0%

*Full eliminations include the following positions: Dillard's, Enerpac (Actuant), Neiman Marcus, OCI, and Park Hotels & Resorts

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.

LLP001058 expires October 31, 2020

Longleaf Partners Funds

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

Information Technology	17.6%
Communication Services	17.0
Real Estate	16.0
Consumer Discretionary	15.9
Financials	6.1
Energy	5.9
Materials	4.7
Industrials	4.1
Cash	12.7

Performance Contribution

Top Three	Portfolio Contribution	Return
CNX Resources	3.88%	62%
Realogy	3.12	146
Univar Solutions	1.41	57

Bottom Three	Portfolio Contribution	Return
Neiman Marcus	-1.82%	-48 %
Empire State Realty	-0.88	-19
Dillard's	-0.23	2

Performance at 6/30/2020

	Total Return			Average Annual Return				
	QTR	YTD	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
Small Cap Fund	13.18%	-27.48%	-20.60%	-0.89%	8.53%	6.32%	8.25%	9.37%
Russell 2000 Index	25.42%	-12.98%	-6.63%	4.29%	10.50%	7.01%	6.69%	8.88%

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

July 13, 2020

Longleaf Partners Small-Cap Fund Commentary

2Q20

Longleaf Partners Small-Cap Fund added 13.18% in the second quarter. Although this far surpassed our absolute return goal of inflation + 10%, it fell far behind the Russell 2000's 25.42% return. Most companies produced positive results in the quarter, as stocks broadly rebounded post the COVID-19 lows in March and April. However, the portfolio's stock-specific performance within the index's top performing sectors – consumer discretionary and information technology – more than accounted for the relative return gap. We made significant additional progress on reviewing and upgrading the quality of the portfolio in the quarter. While our investments performed nicely from the lows, they were 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 for the Longleaf Partners Small-Cap Fund (6/30/20): Since Inception (2/21/89): 9.37%, Ten Year: 8.53%, Five Year: -0.89%, One Year: -20.60%. Average Annual Total Returns for the Russell 2000 (6/30/20): Since Inception (2/21/89): 8.88%, Ten Year: 10.50%, Five Year: 4.29%, One Year: -6.63%. *Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting southeasternasset.com.* ***As reported in the Prospectus dated May 1, 2020, the total expense ratios for the Longleaf Partners Small-Cap Fund is 0.93%.***

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. While we thought that Neiman had unique downside protection with its Mytheresa (an online retailer in Europe) position, plus a lot of "self-help" options to grow cash flow at its core business, a stoppage in retail and negative oil prices for the key Texas market caused it to consider bankruptcy much more quickly than we would have anticipated. This led us to reassess a potentially messy road ahead and ultimately make the decision to exit the position. We were wary of cyclical headwinds at Dillard's and therefore had underweighted our position as we built it last year. We had lived with our great partners at Dillard's in a downturn before and were rewarded during the global financial crisis (GFC), as management was able to go on offense in a unique way. We also gained confidence from the strong safety net of their owned real estate. However, when the business came to a dramatic halt in the first quarter, the company's ability to buy back stock was hit more than previous downturns. Additionally, the radical shift to ecommerce in the new environment has likely significantly impaired the value of the company's real estate for the long term. We took advantage of a brief window to exit the position into strength when the market preferred Dillard's Sunbelt exposure during the COVID-19 lull in May and early June.

Park Hotels' 100%-owned model, as well as its focus on conferences and group meetings and trophy asset in hard hit Hawaii, which we had viewed to be key competitive advantages within our original case, are now extra-difficult places to be in the current environment. In the case of Park, the expected impact to the long-term appraisal was large enough that we sold the company and swapped into Hyatt's better mix of fees and trophy owned assets. One of our newest positions in Empire State Realty Trust was a top detractor in the quarter. The share price has suffered in the short term as the COVID-19 crisis hit the New York tri-state area particularly hard early on, with the Observatory currently closed and New York office workers relegated to working from home. However, we remain confident in CEO Tony Malkin's ability to navigate the difficult environment and were happy to have the opportunity to build out

the position in the quarter at prices we think will be great for the long-term. 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 to reflect the new outlook.

To the positive, our relative energy overweight and better stock-specific performance by natural gas company CNX were 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. Realogy also rebounded and contributed strongly with the resilient housing market, supporting our decision last quarter to hold onto the business after thoroughly reassessing the case. Additionally, our newer positions in chemical companies Lanxess and Univar were also both top contributors.

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. While the Russell 2000 might not have a lot of the big name, growth megacaps driving the S&P 500, we continue to be surprised by the resilience of more speculative elements of this index. Putting some numbers on this, you can see in the chart below that Info Tech and Healthcare have clearly driven a majority of the performance over the last five years and again this year:

Health Care and Information Technology Contribution to Return of the Russell 2000

	2Q20	YTD	1 Year	3 Year	5 Year
Information Technology	3.98	0.68	2.00	6.32	11.48
Health Care	7.25	3.49	5.00	7.97	6.32
Total Contribution of IT and Health Care	**11.23**	**4.17**	**7.00**	**14.29**	**17.79**
Contribution of the Rest of the Index	14.19	-17.15	-13.63	-8.15	-11.65
Total Return Russell 2000	**25.42**	**-12.98**	**-6.63**	**6.14**	**6.14**
IT and Health Care as % of Total Return	44%			233%	290%

Source FactSet

While there were certain companies in this group that we regret missing – especially the farther back we look – when focusing on the future, we have a very hard time understanding where these companies trade today.

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 where we intentionally remain relatively underweight. Some of the lower multiple groups in the Russell 2000 are challenged oil and gas-related companies, retailers and banks. We have not historically invested much in these industries, nor do we have any current investments in them, but it's not for a lack of trying.

While we still like our position in CNX as a low-cost natural gas player with a strong balance sheet, the world has changed in a big way for companies focused on oil and for many others in the industry that do not have strong balance sheets. We thought Neiman and Dillard's were some of the best out there in small-cap retail and discussed above what we think of them now. Banks look statistically cheap now, but this 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 to these areas will likely have a strong impact on our relative returns going forward because these groups make up approximately 30% of the market cap of the Russell 2000 Value Index and

approximately 35% 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, we will start by reviewing our overweight positions. We get the most questions from clients about CenturyLink and share your frustration with the stock price over the course of our ownership.

Even as price performance has been disappointing, our appraisal value has grown over the last year. We have not simply been sitting back and watching the price decline, as highlighted by the timeline of the last two-plus years:

4Q17 CTL enters the portfolio as a result of the merger between our initial investment in Level 3 Communications and CenturyLink.

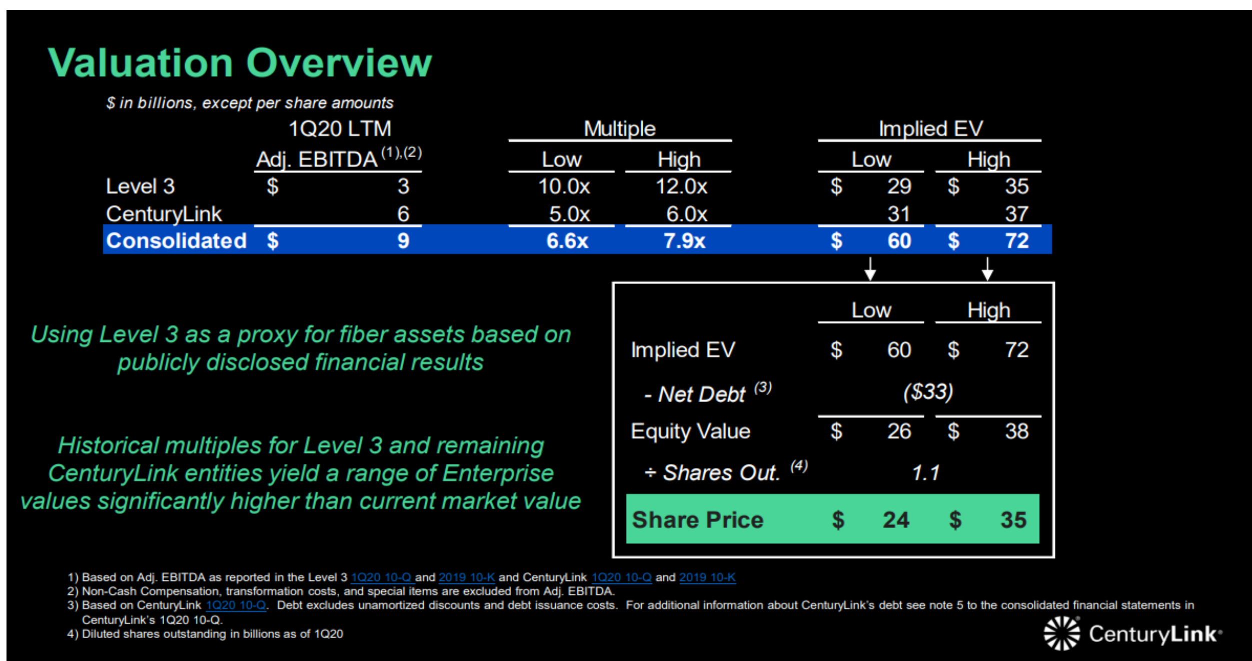
3Q18 The stock price appreciated 34% since the successful merger. However, CFO Sunit Patel left shortly thereafter for Sprint/T-Mobile, which drove the stock price back down.

1Q19 As the stock price dropped further, the company made the unfortunate decision to cut its dividend from a perceived position of weakness. Southeastern filed a 13D to engage with the company on a variety of issues, including upgrades to the board and potential steps to crystallize value.

3Q19 The company worked to sell a variety of assets and improve its board, and the stock began to respond positively.

1Q20 Positive board improvements came through with the addition of Hal Jones (former CFO of Graham Holdings, whom we know well and recommended to the company) and the elevation of Mike Glenn (another great former Southeastern partner from his time at FedEx) to Chairman, but the macro environment has made accretive deals more difficult.

Today The board is working together to explore a variety of options and understands the urgency of value realization. We think it is a good sign that they included the following slide in their most recent, fiber-focused presentation at the end of June, at our recommendation:



	1Q20 LTM Adj. EBITDA (1),(2)	Multiple Low	Multiple High	Implied EV Low	Implied EV High
Level 3	$ 3	10.0x	12.0x	$ 29	$ 35
CenturyLink	6	5.0x	6.0x	31	37
Consolidated	**$ 9**	**6.6x**	**7.9x**	**$ 60**	**$ 72**

	Low	High
Implied EV	$ 60	$ 72
- Net Debt (3)	*($33)*	
Equity Value	$ 26	$ 38
÷ Shares Out. (4)	*1.1*	
Share Price	**$ 24**	**$ 35**

1) Based on Adj. EBITDA as reported in the Level 3 1Q20 10-Q and 2019 10-K and CenturyLink 1Q20 10-Q and 2019 10-K
2) Non-Cash Compensation, transformation costs, and special items are excluded from Adj. EBITDA.
3) Based on CenturyLink 1Q20 10-Q. Debt excludes unamortized discounts and debt issuance costs. For additional information about CenturyLink's debt see note 5 to the consolidated financial statements in CenturyLink's 1Q20 10-Q.
4) Diluted shares outstanding in billions as of 1Q20

Source: CenturyLink Company Presentation. “The Platform for a Digital World: Diving Greater Value with CenturyLink Fiber Investments.” *www.ir.centurylink.com/events-and-presentations/default.aspx*. June 30, 2020.

Management put out an appraisal, which is crude in the name of being totally defendable. Our own detailed work has a high-$30's value, slightly higher than the high end on the above slide. The next twelve months free cash flow (FCF)/share is now $2.50 vs. $2.75-3.00 in 3Q18 – a number that is way out of whack with the stock price performance over that timeframe, during which we have also received $2.58/share of dividends. CenturyLink is seeing increased demand for its fiber infrastructure in the

current environment, as video conferencing and streaming are growing strongly across the globe, and end providers are running short on bandwidth.

Our Kodak position consists of three different securities that both protect our downside and give us large upside potential from today's stock price. We are more of a lender than an equity investor for now, and we have strong downside protection as we own control of the senior-most securities at a company that essentially has a net cash balance sheet available to pay us off at par when our bonds and preferreds mature next year. We have been pleased with the strides that new CEO Jim Continenza has been making. He has reduced costs, bought shares personally along with other insiders and has set the company up for a variety of strategic outcomes. There should be consolidation in the offset printing industry, and Kodak can play a key role. This would also highlight the value of their other, so-far hidden assets, including emerging printing businesses, licensing royalties and tax losses. We remain actively involved and encouraged by ways that the company can go on offense in the near term, and we see an (admittedly wide but positive) range of FCF per share outcomes in the 50c to 75c range vs. the company's current $2-2.50 stock price.

A handful of other positions are "overweight," or position sizes greater than our typical average 5%. Mattel, a moderately positive contributor in the quarter, has unique intellectual property (IP) and benefits from a long-term industry tailwind, as the toy and content industries have a history of growing through a variety of environments. The company has made great strides in cost cuts under CEO Ynon Kreiz. The company began the year poised to hit a value growth power curve, but COVID-19 delayed this, as the initial wave of family toy buying focused on games and outdoor toys – both areas where Mattel has lower exposure than its peers. We expect buying patterns will shift as time goes on, and Mattel will return to favor as it focuses on what it can control. To hear more from Mattel's plans for IP monetization and driving future growth, please tune into our recent interview with Ynon Kreiz on the Price-to-Value Podcast, Mattel: Ynon Kreiz on the Enduring Power of Brands and Navigating a Global Pandemic. PotlatchDeltic is perhaps our lowest profile overweight. This company continues to deliver as management sells non-core assets (including the announced sale of Minnesota acreage in the quarter), continuously improves operations and generally stays in a position to go on offense. We would also include CNX in this group of

“overweights,” as its price appreciated rapidly, taking it to a much larger overweight in the quarter. We decided to trim it back into strength – demonstrating that we keep an open mind about this group and will not hesitate to sell when necessary to reduce risk and build portfolio dry powder.

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 issues to deal with and saw a more material near-term hit leading to permanent value impairment. The percentages for the Fund were 20%/60%/15% in each bucket (+6% cash) the last time we updated you, but today they are 21%/66%/0% (+13% cash). It is likely that the transition away from category 3 to more of a category 1 and 2 portfolio depressed returns in the second quarter as we sold some category 3 positions at a loss. However, that is a trade-off we would make again to position the portfolio for strong future returns. We were careful not to blow out some of those at their worst prices in March and April. We firmly believe that this will lead to better prospective returns from here due to a higher quality portfolio. 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. In March and early April we were deeply concerned about Realogy, as the housing market appeared to freeze. But, through a variety of bottom-up work testing our case and not losing our nerve at this time, we saw encouraging signs that things were getting better and that the company could make it through. CEO Ryan Schneider also deftly navigated the company through the bottom, so that in June the company was able to execute a bond offering to further improve liquidity. We have therefore moved this stock up from bucket 3 to bucket 2, and it contributed strongly in the quarter. Going forward, we could see stocks like ViaSat transition away from virus-correlated large daily price swings, as large parts of the company’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. Hyatt, Empire State Realty Trust and Formula One are good examples of this category today.

3. We are also going to see the importance of great partners more than ever. John Malone and Greg Maffei once again made great moves at Formula One to protect the downside and make it more of a pure play focused on the core Formula One business with the sale of their Live Nation stake (at our opinion of fair value) in the quarter.

4. Sometimes surprisingly good things happen to specific investees that don't 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 (62%, 3.88%), 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.

Realogy (146%, 3.12%), the real estate brokerage franchise, was another top contributor. Realogy had reported strong performance until March, when the housing market froze and remained dormant until mid-April, resulting in it being the Fund's largest detractor in the first quarter. Since then, Realogy's sales have improved each week, as home sales returned and prices increased. Growing prices are the primary driver behind Realogy's franchise-fee earnings, which make up the majority of the company's value. At the peak of uncertainty in March, Realogy shares bottomed at a price less than 1.5x our estimated $1.75/share of FCF power. Even after appreciating by over 130%, the share price still trades at around 4x FCF per share and at 50% of our appraisal of the company's value today. As a result of the pandemic, Realogy's deal to sell its relocation segment Cartus remains in limbo. But, Realogy recently refinanced its 2021 bonds, substantially reducing the risk to shareholders in the event of a prolonged real estate downturn.

Univar (57%, 1.41%), the largest US chemical distributor, was also a positive contributor. Univar remained profitable across the lockdown with most of its facilities open, as its products include essential alcohols for hand sanitizer, chemicals for cleaning products and drinking water and food additives. Univar's Energy segment weakened in March, but the rebounding oil price has since helped it stabilize. Beyond a recovering economy, Univar stands to benefit in the years ahead from more chemical manufacturers outsourcing their distribution (today only about 10% of chemicals are moved by third-party distributors), a lack of competition from Amazon and significant remaining cost synergies from its recent Nexeo acquisition. Univar's debt load is manageable, and cash-flows this year should be positive. The stock still trades at a high-single-digit multiple of normalized FCF.

Lanxess (33%, 1.26%), a German specialty chemical company, was also a positive contributor for the quarter. While its auto-exposed Engineered Materials business, which accounted for 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 mergers and acquisitions (M&A), and this environment is likely to create some compelling opportunities which Lanxess is well placed to capitalize on once the dust settles.

Liberty Formula One (13%, 1.11%), the motor racing media business, also contributed. After four months of COVID-related delays, the racing season is scheduled to kick off over the first two weekends of July in Austria without fans in attendance. The company will receive all or most of this year's contracted sponsorship and broadcast revenues if it runs 15 races, which now appears likely. Lost earnings from this year's (and maybe next year's) absence of ticket sales will hit near-term earnings but should not inflict any lasting damage on the business. While several Formula One teams have acknowledged financial problems due to the delayed season, none appear likely to leave the sport. In April, Liberty Sirius bought Liberty Formula One's shares in Live Nation Entertainment, the concert promoter and Ticketmaster operator, as well as several smaller assets for about $1.5 billion in cash. The fairly-valued transaction helped ensure that Liberty Formula One has the liquidity to survive a potentially long COVID-19 crisis. In May, Formula One agreed to a critical new spending cap on teams, which promises to increase the competitiveness of the sport and should help attract new fans. CEO Chase Carey and Chairman Greg Maffei have done fantastic work to position the business for survival, long-term growth in engagement and earnings and a likely strong 2021 rebound despite the extraordinary challenges posed by COVID-19. We trimmed the

position in the mid to high 30s in the quarter, as the market got a bit ahead of itself before virus cases began picking up again.

The Fund's Neiman Marcus bonds (-48%, -1.82%), were the largest detractor in the quarter. Our original investment thesis for Neiman focused on the group's competitively advantaged position and brand in the luxury retail space, with a loyal customer base, a higher portion of online sales and lower physical footprint than over-stored peers. With the development of COVID-19, the world changed for all retailers. Neiman's heavy Texas customer base, which has historically been an advantage, was further negatively impacted by the precipitous oil price declines in the first and second quarters. In this environment where retail has essentially been shut-down as customers around the world shelter in place, Neiman became the second US retailer forced to declare bankruptcy. While we still saw potential upside between the bond price and the likely recovery value from Neiman's Mytheresa holding and reorganized retail operations, we sold the position, as there is a wide range of potential equity outcomes from here. We would prefer to hold the cash to serve as dry powder to allocate to new opportunities with a greater margin of safety and potential upside.

Empire State Realty Trust (ESRT) (-19%, -0.88%), the New York City property owner, was another detractor. The Empire State Building's famous observatory, which had grown revenues by 9% per year over the last two decades, is closed and will not recover its past profitability until international tourists feel safe flying. Our appraisal of the company assumes a slow recovery for the observatory, but the wait should be rewarding as the stock's price currently trades at less than half of our value. The company also is dealing with an unprecedented amount of unpaid rent from its office and retail tenants, but this has been improving week-over-week as New York recovers. CEO Tony Malkin's conservative financial approach positioned the company with ample liquidity and low debt ratios as it entered the crisis, and he took advantage of depressed prices to repurchase shares in March and April. The ongoing environment could provide compelling opportunities for ESRT to serve as a liquidity provider to distressed peers through intelligent M&A activity.

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 cash as we sold five companies and trimmed our 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 the second quarter.

We used proceeds from sales and trims to add to some of our most discounted positions with significant potential upside. We took ESRT to a full position on the stock weakness as described above. We also added slightly to ViaSat, as we feel it remains a "Bucket 1" stock even if the weakness in commercial aerospace (< 20% of the value) gets the headlines now. Our addition to Hyatt in the quarter should be viewed in conjunction with our sale of Park, as discussed above. We effectively swapped out of Park into Hyatt because we believe its fee business is better and higher quality than Park's owned property and its management partners that are better able to go on offense.

We had multiple exits in the quarter that will lead to an improved portfolio from here. In addition to our discussion on Neiman and Dillard's above, we also finished our sale of nitrogen fertilizer business OCI. We exited the company 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. While industrial tool company Enerpac (formerly Actuant) has a better business than these 3 aforementioned exits and will likely generate cash flow this year, we ultimately concluded that a full sale of the company to a strategic or financial buyer was unlikely in this environment. We were therefore more worried about its capital allocation going forward and sold the position for better opportunities. To the positive, we sold the rest of our GCI Liberty position after quarter end after

trimming into strength over the last year. This was a strong contributor for the Fund over our holding period, and we thank our great partners John Malone and Greg Maffei at Liberty for delivering for Southeastern once again. While GCI Liberty owns good businesses, we now feel that their positions in Charter and Lending Tree are priced for perfection, and we worry about the impact low oil prices and reduced tourism will have on their Alaskan operations, so it was time to move on.

Overall, this quarter reminded us of the second half of 2008, when the Fund had similarly higher than normal turnover. Then, as now, we re-evaluated our case for every business and ultimately took some losses by exiting select investments. However, we resisted the urge to blanket sell every detractor, which benefitted us as some of our most seemingly challenged companies at the time went on to be top future performers. We made the right calls then in aggregate to set up a strong next 10 years, and we think we have done the same here.

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 an understandable financial company that we have owned before and would love to partner with again. We have been doing work on two new software companies that have not been as high-flying as some of their peers. An interesting media property that we have owned before is coming back in range. While we are wary of the retail industry as discussed above, we think a strong global brand run by owners able to go on offense is getting unfairly lumped in with struggling retailers. We also recently spent time on a diversified company owning a variety of high-quality hard assets in industries to which we currently do not have exposure. And the list goes on.

We made meaningful progress in upgrading the strength and quality of the portfolio this quarter. Today we have approximately 15% 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 many US small 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.

See following page for important disclosures.

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

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

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

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.

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

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

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

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 June 30, 2020, the top ten holdings for the Longleaf Partners Small-Cap Fund: Kodak, 12.8%; CenturyLink, 10.7%; Mattel, 7.5%; PotlatchDeltic, 6.7%; Lazard, 6.1%; CNX Resources, 5.9%;ViaSat, 4.8%; Empire State Realty, 4.8%.; LANXESS, 4.7%%; Graham Holdings, 4.6%. 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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