Asia Pacific Strategy Commentary 2Q21

Southeastern Asset Management

For Institutional Investors Only

Portfolio Returns at 6/30/21 – Net of Fees

	2Q21	YTD	1 Year	3 Year	5 Year	Since Inception 10/31/2014
APAC Strategy (USD)	2.41%	11.51%	40.62%	7.69%	12.83%	8.27%
MSCI AC Asia Pacific Index	2.61%	5.01%	34.33%	10.32%	12.60%	8.41%
Relative Returns	-0.21%	+6.49%	+6.29%	-2.63%	+0.23%	-0.15%

Selected Indices*	2Q21	YTD	1 Year	3 Year	5 Year
Hang Seng Index	2.69%	7.36%	21.40%	3.09%	10.18%
TOPIX Index (JPY)	-0.42%	8.89%	27.38%	6.41%	11.81%
TOPIX Index (USD)	-0.85%	1.20%	23.64%	6.31%	10.17%
MSCI Emerging Markets	5.05%	7.45%	40.90%	11.27%	13.03%

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

The Portfolio returned 2.41% in the second quarter, slightly trailing the MSCI AC Asia Pacific Index. The Portfolio's underweight in Australia, Taiwan, and China A-Share markets negatively impacted the relative performance, more than offsetting the benefit from our underweight to Japan. The first six months of the year have been strong, with the Portfolio returning 11.51%, well ahead of the Index.

Equity market returns in Asia have lagged those in the US and Europe this year. The MSCI AC Asia Pacific is up 5.0% YTD, underperforming both the S&P 500's 15.3% and MSCI Europe's 11.8% returns. Rapid vaccination rollouts and unprecedented fiscal stimulus funded by ultra-loose monetary policy have spurred strong consumer demand and an improved economic outlook in western markets. Carnival Corporation's CEO Arnold Donald commented, "People are ready to sail. We have far more demand than we have ships to supply right now." We have come a long way from last year when cruise ships were idle and restricted from accessing ports — to now when bookings for 2022 are already above 2019 pre-COVID levels. Indications of financial excesses, such as the strong performance of meme stocks, cryptocurrencies, and NFTs, all with zero yields, are appearing more often. There have been 213 IPOs in the US raising over $70 billion in the first half of 2021 alone — this is higher than the full-year average for the past

ten years. US corporate junk bond yields fell to a record low of 3.8% during the quarter, as Treasury rates have increased in recent months, implying a severe compression in the risk spread demanded by investors.

ICE BofA US High Yield Index Effective Yield

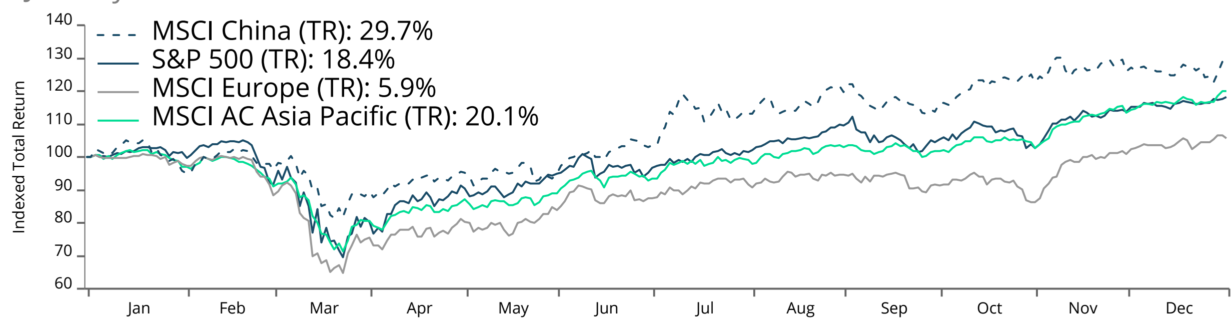
1 July 2011 to 30 June 2021

Source: Federal Reserve Bank of St. Louis

In comparison, the Asian fiscal and monetary response to COVID has been rather conservative, which bodes well for Asian currencies and long-term structural growth. China is the only major country that controlled COVID well enough in 2020 and got its economy back on track without relying on unsustainable relief measures. It most likely accounted for all of the global growth in 2020 and will remain the primary driver of global growth. It is not surprising that the MSCI China index significantly outperformed the S&P 500, MSCI Europe, and MSCI Asia Pacific last year (chart below).

Index Total Returns

1 January 2020 to 31 December 2020



Source: FactSet

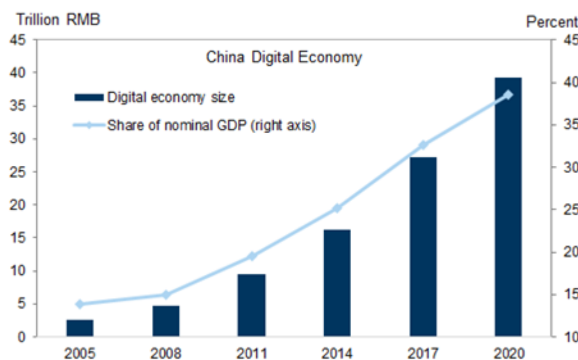
China's relative outperformance has reversed in 2021 YTD for two key reasons:

- The reopening story has moved from China to the US and Europe, which have seen vaccination rates rapidly reaching over 50% over the last few months. In contrast, most countries in southeast and north Asia, including developed economies like Japan and South Korea, have yet to see vaccination rates reach 20% (except China which has already administered 1.3 billion doses).

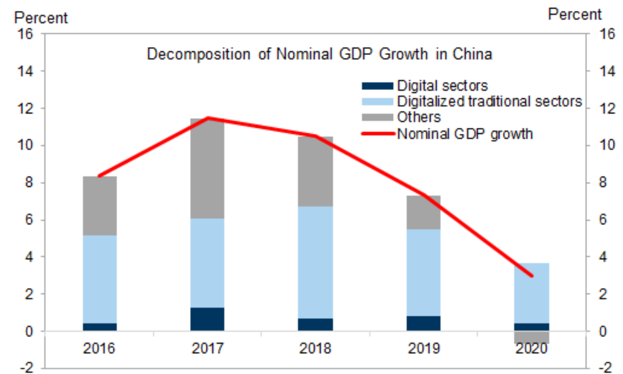
- The growth outlook and market returns in Western markets were further boosted by significant government relief spending and money printing. These effects should fade in the coming quarters. In contrast, China has been limiting money supply growth and public spending.

More importantly, China's internet sector (a key constituent of Asia and China indices) has come under tighter regulatory scrutiny, with anti-monopoly investigations and new fintech and data privacy regulations impacting regional returns. The launch of cybersecurity investigations by regulators against Didi, the largest ride-hailing platform in China, merely two days after its US listing that raised $4.4 billion, has further soured sentiment towards the Chinese tech sector and ADRs. This increased regulatory oversight is not too different from what we have observed in the US and European markets over the past decade. Globally, new rules governing the internet, privacy, content, data collection, storage, sharing, and usage are being written. At the extreme, US legislators are even contemplating breaking up big tech giants. However, the pace at which Chinese regulators have implemented regulation and oversight over the sector has been extremely rapid.

Digital Economy accounts for 40% of China's GDP



Digital Economy key driver of nominal GDP growth in China



Source: CAICT, Haver Analytics, Goldman Sachs Global Investment Research

The Chinese online industry has been largely unregulated for many years as the industry was small or non-existent many years ago. Fast forward to today, the Chinese digital economy generates almost 40% of China's GDP and accounted for over 60% of incremental GDP growth during 2016-2019. The fast-growing scale and significance of the online industry have attracted the attention of regulators. We view the recent regulatory developments in China as signs of regulations evolving and catching up with the economy. It is not surprising that Alibaba was among the first to be investigated by the State Administration for Market Regulation (SAMR) – Alibaba accounted for 18% of all retail sales in China in 2020, up from 10% in 2015.

Alibaba's $2.8 billion fine by SAMR compares favorably to the $9.5 billion of penalties imposed by the European Commission against Google from 2017 and 2019 for anti-competitive actions. Last year, Facebook paid a $5 billion penalty to the Federal Trade Commission (FTC) for misusing data and sharing customer data with third parties. Furthermore, the FTC and 46 states filed complaints against Facebook alleging that they violated antitrust laws by acquiring Instagram in 2012 and WhatsApp in 2014 and placing conditions on access to their platform. We believe that regulations imposed on Chinese tech companies are broadly consistent with those being applied to western peers, however its speed of implementation has been rapid, causing shock waves in the Asian capital markets.

The Chinese online sector accounts for six out of the top ten constituents of the MSCI China index (37% of the Index). Any dislocation in this sector has a meaningful impact on overall regional returns. We believe these regulations aim to ensure fair competition and the healthy development of online platforms (which, barring any regulatory oversight, lend themselves to natural monopolies due to their network effects and scale) and not kill these national champions. This regulatory crackdown allowed us to buy Alibaba and increase our exposure to Tencent (via Prosus) at a significant margin of safety. We believe China is on a sustainable growth trajectory, underpinned by rising disposable income and domestic consumption. The Portfolio's China weighting is the highest it's ever been.

The French economist Jacques Rueff said, "Inflation consists of subsidizing expenditures that give no returns with money that does not exist." We believe this is what is happening in the US. The supply of money has dramatically increased with the Fed's balance sheet expanding from under one trillion dollars in 2008, to around four trillion in 2019, to eight trillion now. Consumption is booming as the economy reopens while the supply of goods is constrained (semiconductor, labor, and logistics). Inflation is already running well above the Fed's average target of 2%, and the taper talks have re-started, but interest rate hikes still seem a few years away. The last taper tantrum in 2013 resulted in a meaningful selloff in emerging markets assets and currencies. We believe Asian countries will hold up much better this time around as they have stronger current account positions and larger foreign exchange reserves. Capital follows

growth, and Asia offers higher growth, positive real yields, and cheaper valuations — which lend support to prospective returns in the region.

Despite lagging on the vaccination rollout, the extreme stance adopted by policymakers in most Asian countries of eradicating COVID has meant that rolling lockdowns and travel restrictions are impacting the pace of recovery in the region. This is most evident in our Macau holdings (~9% weighting in our portfolio), the largest combined detractor in the quarter. Macau has reported zero COVID cases in the community for over a year, yet the market is effectively locked down because of travel restrictions in key feeder markets (Mainland China and Hong Kong). Industry gross gaming revenue remains 65% below 2019 levels because of the border closure with HK and tighter visa restrictions from Mainland China (more details below). Macau continues to be the largest coiled spring in our portfolio.

COVID has proven to be more of a social and a health crisis than an economic one. It has had a disproportionate impact on lower-income households in which people lost their manufacturing, retail, and food service jobs. On the other hand, mid to high income white-collar workers, who account for most of the purchasing power, have had a steady flow of income and limited avenues to spend it, adding to their savings buffer. As COVID concerns recede and life normalizes, these consumers are coming back strong. The luxury goods sector has been a major beneficiary of this trend. Our portfolio company Richemont (which we exited during the quarter), reported extremely strong growth with jewelry sales up 62% YOY in the quarter that ended March 2021 and, more impressively, growth of 28% on a 2-year stack. Richemont's Asia sales grew by 22% in the fiscal year, ending March 2021 and 106% in the final quarter, driven mainly by China. Pernod Ricard, the second-largest spirits group, noted that demand is recovering faster than expected as restrictions are progressively lifted and raised its June fiscal year 2021 forecast to 16% growth YOY driven by Chinese demand for cognac and scotch whiskey. This gives us confidence that Chinese consumers are alive and well, and Macau will also see the recovery when travel restrictions ease.

Some of our holdings announced significant corporate actions during the quarter to increase NAV per share and reduce the discount to NAV. Two of them are detailed below:

- Prosus, a global consumer internet group, is trading at a steep 38% discount to NAV, which comprises its 29% stake in Tencent and its fast-growing e-commerce portfolio (food delivery, classifieds, fintech, and education technology). One of the key reasons for this discount is Naspers (a holding company with a 73% stake in Prosus) excessive weighting (23%) on the South African Index (SWIX), which can cause funds to limit their exposure to Naspers due to single-stock ownership limits. To address this issue, Prosus announced a share exchange offer wherein Prosus proposes to acquire a 45.4% stake in Naspers in exchange for newly

issued Prosus shares. This will reduce the company's weighting on the SWIX to 15% without any tax leakage. While this increases complexity by introducing a cross-holding structure, this is a value accretive transaction for Prosus shareholders. We are buying higher discount Naspers shares in exchange for relatively lower discount Prosus shares and addressing the key reason for NAV discount. Once this transaction consummates (subject to Naspers shareholder tender), 60% of the economic interest in Prosus will be outside of South African tax jurisdiction. Prosus also announced an additional US$5 billion share repurchase program alongside this transaction, on top of the US$5 billion buyback announced in November 2020.

- WH Group, the largest pork packaged meat company globally, announced its intention to buy back and cancel 13% of its shares outstanding at HKD7.8 per share, representing a 17.3% premium to the price before the announcement. We detailed in our first quarter letter the level of undervaluation in WH Group. We were happy to see the board announce this $1.9 billion share repurchase to demonstrate their confidence in its prospects and address the steep discount. Importantly, insiders who own 34% of the company have given an irrevocable undertaking not to participate in the buyback program, effectively increasing their ownership to 39%. The buyback will be funded by low-cost debt and should be cash flow accretive because dividend savings on these canceled shares could more than offset any incremental after-tax interest expense. Apart from being value accretive, this demonstrates to the market that the management and the board care about reflecting the stock's actual value in the market.

Portfolio Review

We exited our investments in Richemont (as discussed earlier), Hyundai Mobis, and Duiba and initiated an investment in a China domestic consumption-focused company (undisclosed). We trimmed some of our winners, including China Lesso, Tongcheng Elong, and Hitachi, and redirected the proceeds to China internet holdings (Alibaba, Baidu, and Prosus), Gree, and HDFC.

	2Q21	
	Contribution to Portfolio Return (%)	Total Return (%)
Top Five		
L'Occitane	+1.58	+31
Jollibee	+1.15	+20
Hitachi	+1.12	+27
China Lesso	+0.92	+17
CK Asset	+0.74	+17
Bottom Five		
JOYY	-1.19	-29
Gree Electric	-0.94	-16
MGM China	-0.65	-15
Melco International	-0.62	-10
Prosus	-0.51	-13

	YTD 2021	
	Contribution to Portfolio Return (%)	Total Return (%)
Top Five		
China Lesso	+2.41	+60
L'Occitane	+2.21	+47
Hitachi	+1.80	+47
CK Asset	+1.38	+38
Tongcheng-Elong	+1.09	+29
Bottom Five		
JOYY	-1.28	-25
Gree Electric	-0.89	-16
MGM China	-0.57	-12
Melco International	-0.39	-6
Prosus	-0.27	-10

L'Occitane, the natural and organic-based beauty products company, was the top contributor for the quarter. COVID was particularly challenging for L'Occitane last year because it was highly dependent on the offline channel — 78% of the fiscal year March 2020 sales came from brick-and-mortar stores, which were largely closed last year. Most of these stores are self-operated, which meant the margin impact was much more significant than the sales drop due to operating deleverage. Our management partners used this crisis as an opportunity. They initiated long-desired restructuring actions to decrease the cost base in a sustainable manner and shift sales towards higher-margin online channels. Notably, the company's US operations filed for Chapter 11 to rid the company of long-term onerous lease contracts and reduce an unsustainably large physical store footprint in the US. Rental agreements were renegotiated down in other markets, headcount was reduced by 300, and the incentive structure was reconfigured to reward growth as well as margins. We believe L'Occitane is undergoing a cultural transformation wherein the focus has shifted from growth at all costs to profitable growth. This is a welcome change because we think 10-12% operating profit margins are too low for a business that generates over 80% gross margin. We already see the benefits of these actions, with more gross profit dollars flowing through to the bottom line. Despite FY21 (ended March 2021) sales contracting by 6.5% (due to COVID disruption in the first half), the operating margin increased by 300 bps to 14.3% - this was

much better than the market's expectations and ours. Online sales mix, which has higher margins than offline sales due to rental expense savings, increased to 37.5% in FY21 compared to 22.4% in FY20.

Jollibee Foods Corporation, the largest restaurant chain in the Philippines, was a top contributor for the quarter. Despite the challenging operating environment, especially in the Philippines due to the prolonged impact of COVID, we are encouraged to see the benefits of Jollibee's business transformation program executed last year. Jollibee's Philippine business remained weak, with system-wide sales (SWS) down over 21% YOY due to COVID and related social distancing measures. However, it still managed to grow operating profits by 24% YOY driven by cost reductions in the stores, commissaries, and support functions. Jollibee also announced plans to monetize certain real estate assets in the Philippines via a REIT.

In contrast, Jollibee's international business, a growth driver, is now almost back to its pre-pandemic levels. Its Philippine brands are getting good traction overseas, and North America, Europe, Middle East, and Asia's SWS already surpassed pre-pandemic levels. For the two newly acquired brands dragging down the group's profitability, Coffee Bean & Tea Leaf (CBTL) and Smashburger, their turnarounds are on track. Management continues to take various measures to reduce costs and improve profitability. CBTL generated a small operating profit in February and March this year, and Smashburger's operating loss was reduced significantly compared to last year. There are some worries around the rising cost of materials, but we are not concerned given Jollibee's scale, good relationships with suppliers, and its ability to pass on cost increases to customers. Jollibee increased the average selling price in both the fourth quarter last year and the first quarter this year. We like the management's focus on return on invested capital, its long runway for domestic and overseas growth, as well as its gradual shift into a franchise model. We remain positive on Jollibee despite the strong stock price appreciation since our purchase last year.

Hitachi, a Japanese conglomerate, was a top contributor for the quarter. Hitachi reported strong fourth-quarter results that were above its own and consensus forecasts. While other segments were affected by COVID, its IT segment offset some challenges elsewhere and posted a record high profit margin. Management believes Hitachi has passed through the worst of the pandemic impact and is poised for a strong recovery in the current fiscal year. Hitachi also agreed to sell Hitachi Metal to a consortium led by Bain Capital at a price both above our appraisal and above the valuation multiples Hitachi itself is trading. This sale will further simplify the corporate structure, which has been a focus of Higashihara-san since he took the CEO role in 2016. Post the sale of Hitachi Metals, Hitachi Construction Machinery is the only major listed subsidiary remaining and is also under evaluation for value optimization. While Hitachi's share price has risen materially in the quarter, it is still trading at around 6x EBITDA, which is below our appraisal.

On its recent investor day, management also expressed the view that the stock continues to be undervalued.

China Lesso, the largest plastic pipe manufacturer in China, was a top contributor for the quarter. While raw material price inflation has been a headwind for many companies in 2021, China Lesso has demonstrated a long track record of passing through cost increases to customers. By stocking up inventory in advance at low prices and raising prices several times in the first half of the year, China Lesso is confident it can maintain its gross profit margin while achieving double-digit growth. With the pandemic last year and cost inflation in 2021, industry consolidation has accelerated. China Lesso is already four to five times the size of the second-largest player, and its scale advantage is likely to get better over time. Its Lesso Home business will continue to focus on the Southeast Asia region, and the company is working on disposing of excess land in other non-core markets. Combined with increasing profits generated from its core plastic pipe business and reducing gearing, the management sees room to increase dividends over time.

CK Asset (CKA), the Hong Kong and China real estate company, was a top contributor in the quarter. In March, CKA announced an offer to buy stakes in infrastructure assets from the founder's foundation via scrips and structured a tender offer of shares to offset the dilution. After receiving feedback from various shareholders, including Southeastern, CKA enlarged the tender offer size, which resulted in a net share count reduction, and the transaction was completed in June. The net effect is that CKA bought infrastructure assets for HK$17 billion cash at about 8.3x EBITDA, which we view as fair, and repurchased a net HK$2.4 billion shares at HK$51 per share. The market was pleasantly surprised by CKA and the Li family buying more shares after the closing of the infrastructure acquisition. Since CKA is severely undervalued, this wasn't too surprising for us. In its most recent circular, the independent appraisal assessed CKA's NAV at over HK$130 per share, highlighting CKA's real estate portfolio value and the deep discount at which CKA currently trades. We believe CKA offers good value for long-term shareholders and will be a beneficiary of further unlocking in HK and the countries in which it operates.

Prosus, a global consumer internet group, was a top detractor in the quarter. There are two key components to Prosus' NAV: its 29% stake in Tencent and its global e-commerce portfolio (food delivery, classifieds, payments, and educational technology):

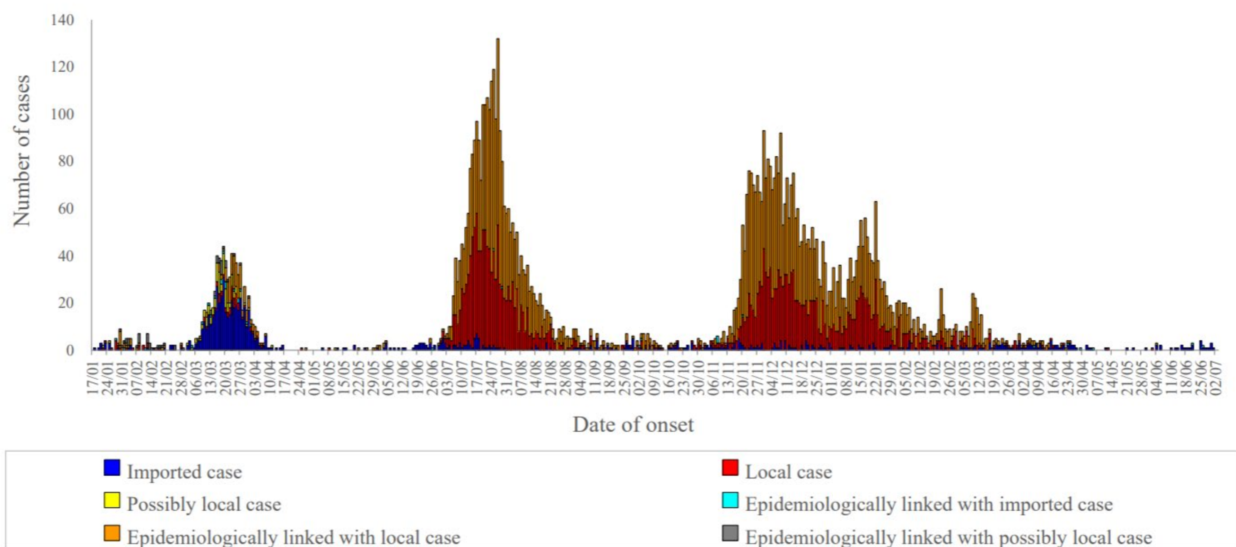
- Tencent reported strong results in the first quarter, with revenues up 25% YOY and profits up 22% YOY. Its online advertising, gaming, and cloud businesses all delivered solid topline growth YOY and strengthened competitiveness. The company also announced plans to increase investments in cloud, large-scale gaming, and short-form video, which will drive higher value growth. However, its stock price performance was negatively impacted by growing regulatory headwinds for the entire Chinese online platform industry.

- Its global e-commerce portfolio reported strong results with revenues up 54% YOY in FY21 and trading loss margin improving by 11%. Deloitte has independently valued this portfolio at $39 billion vs. an investment of $16 billion (inception to date). The IRR on these investments is more than 20%. During the quarter, Prosus disposed of a 2% stake in Tencent, raising around $14 billion, providing the company with capital to continue investing in this portfolio of assets.

Despite the solid operating performance, the discount to NAV has increased in recent months primarily due to technical factors (excessive weighting on SWIX Index). To address this discount, Prosus and Naspers announced the voluntary exchange offer for Naspers N shares into Prosus N shares and a US$5 billion buyback plan (as discussed in detail above). We believe these value-accretive steps will lead to the narrowing of the discount to NAV. Given the management's alignment and history of unlocking values, we remain positive on Prosus.

Melco International and **MGM China**, the Macau casino and resort operators, were top detractors in the quarter. The quarterly results (which were largely in line with expectations) were a non-event because of the travel restrictions in the most important feeder markets — China and Hong Kong. Industry revenue is down over 65%, and EBITDA is down almost 90% from pre-COVID levels. Recovery is dependent on the reopening timeline, which continues to get pushed back. Unlike Las Vegas, Macau does not have a domestic market and relies on international visitors. Despite having zero locally transmitted COVID cases in over a year, the gaming sector continues to languish. As mentioned earlier, this is attributable to government policy to pursue a complete eradication of COVID rather than controlling its spread. With a 7.5 million population, Hong Kong had less than 10 local cases per day for the last six months (zero local cases in the last three weeks), yet the Macau-Hong Kong border remains closed. Hong Kong, which historically accounted for 20-25% of Macau industry revenues, is basically contributing zero to gross gaming revenues. During the quarter, a COVID outbreak in parts of

neighboring Guangdong province (the most important feeder market) led to tighter travel restrictions being imposed, hurting any signs of recovery after a robust May Golden Week holiday. While the reopening progress has been disappointing, we are confident that the demand is not impaired. Chinese consumers will come back with a vengeance as the vaccination program rolls out and travel restrictions ease. We believe Macau will be the biggest and the earliest beneficiary of Chinese outbound tourism.



Source: Center for Health Protection (www.chp.gov.hk)

Gree Electric Appliances, the dominant air conditioner manufacturer in China, was a top detractor in the quarter. The Chinese home appliance industry had a strong recovery going into the first quarter of 2021. However, industry data shows that air conditioner shipment growth decelerated in April and May. Combined with commodity price inflation and concerns about margin pressure, the sector sold off in the second quarter. Gree has been focusing on strengthening the business and pushed ahead with its channel reform. By cutting out layers of traditional offline distribution and setting up online channels, Gree will be closer to the end retail customer and respond faster to consumers' changing needs. In April, Gree was awarded the Global Cooling Prize and demonstrated its technological superiority in this industry. On capital allocation, Gree declared an RMB 3 per share final dividend that was above consensus estimates. Including the interim dividend and the two consecutive buyback programs completed within a year, total shareholder return was about 12% of the current market capitalization. We expect a similar return going forward. Gree announced its third buyback program in May, which is bigger than the previous two buyback programs combined. We are encouraged to see its recently

announced first employee stock ownership plan and believe it will align the interests of the management and employees with those of shareholders.

JOYY, a global video-based social media platform, was a top detractor in the quarter. The technology sector's weakness in the quarter was a headwind for JOYY's share price. In addition, short-term investors were disappointed that JOYY did not announce any special dividend or incremental buybacks despite having $4 billion net cash on its balance sheet (equivalent to around 80% of its market capitalization now). However, JOYY's underlying first quarter results were above the market's expectations. The revenue of Bigo, the live-streaming platform for markets outside of China, was up 93% YOY, driven by 72% YOY growth in paying users and a 26% YOY increase in average revenue per paying user. Gross profit margin also expanded both YOY and sequentially. In the quarter, JOYY adjusted its marketing strategy for Likee, a global short video creation and sharing platform, and moved spending from ads promotion to content development, which will enhance the platform's competitive advantage and ensure more sustainable growth. The deal to sell YY Live, the domestic live streaming business, to Baidu is still on track, and JOYY has already received $1.9 billion in proceeds. Upon completing the transaction, we expect JOYY to return a meaningful portion of this excess capital to shareholders. In the meantime, JOYY has continued to pay a quarterly dividend and execute its existing share buyback program.

Outlook

The price-to-value ratio of the portfolio remains attractive in the high-60s%. The cash level is around 7%, as we are in the middle of recycling capital into higher and better uses. We are excited about the businesses we own and the management teams we have partnered with. While valuations have recovered to an extent, around 40% of our portfolio remains exposed to markets in some form of COVID-related lockdown and will enjoy rerating when reopening happens. Many of our companies and management teams bought back (or announced the intention to repurchase) shares this year, including Alibaba, Baidu, CK Asset, CK Hutchison, Gree, Jollibee, JOYY, Melco, Prosus, and WH Group.

The recent volatility caused by more regulation on the Chinese online sector and Chinese ADRs listed in the US has accelerated the selloff in Chinese equities. As you may expect, we are currently assessing new opportunities in this current firestorm. With ample liquidity and recent stark underperformance relative to the US, Asian equities look very attractive at this level.

After the recent correction sparked by the stress around China Huarong Asset Management and rising regulatory risk for large internet companies and the property sector, the Chinese equity market seems poised to deliver strong returns. The People's Bank of China's 50 basis point cut to reserve requirements in July, injected about 1 trillion yuan of liquidity into the system, lowering

bank's funding costs and interest rates on loans. While we believe the performance of Chinese internet stocks will become more stock-specific, most of the regulatory risk has been priced in. The strength of the renminbi gives us confidence that the Chinese economy is in relatively good shape.

Despite lagging on the vaccination rollout, Asia has shown its ability to effectively contain the economic damage from the pandemic without relying on unsustainable fiscal and monetary measures. This should hold Asian countries and currencies in good stead when reopening focus moves back to Asia. The US represents 25% of global GDP and 28% of global portfolios. On the other hand, China represents 20% of global GDP but just 1.6% of global portfolios. We believe Asia offers sustainable growth at a cheaper valuation and is poised to outperform the US market prospectively.

We thank you for your continued faith, trust, and partnership during this highly volatile environment.

See the following pages for important disclosures.

This document is for informational purposes only. Further information about Southeastern Asset Management can be found in our ADV Part 2, available at www.southeasternasset.com. Statements regarding securities are not recommendations to buy or sell the securities discussed. The statements and opinions expressed are those of the author and are as of the date of this report. Holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients. Current and future holdings are subject to risk and past performance does not guarantee future results. Portfolio information is based on a sample account at June 30, 2021. Portfolio makeup and performance will vary on many factors, including client guidelines and market conditions.

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 strategy 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.

Asia Pacific Equity Composite Annual Disclosure Presentation

						Annual Performance Results Composite				
Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	% of Non-Fee Paying Accounts	MSCI AC Asia Pacific (with net dividends)	Gross	Net	Composite Dispersion	Composite 3-Yr Annualized EX-Post Standard Deviation	Benchmark 3-Yr Annualized EX-Post Standard Deviation
2020	10,270	824	<5	0%	19.7%	13.6%	12.8%	na1	21.9%	16.3%
2019	12,481	603	<5	0%	19.4%	20.2%	19.3%	na1	17.1%	11.7%
2018	13,881	377	<5	0%	-13.5%	-21.0%	-21.7%	na1	16.9%	12.3%
2017	18,203	157	<5	0%	31.7%	41.4%	40.1%	na1	17.0%	12.7%
2016	19,302	111	<5	0%	4.9%	13.0%	12.0%	na1	na2	na2
2015	20,315	98	<5	0%	-2.0%	-2.0%	-2.8%	na1	na2	na2
2014*	30,542	19	<5	100%	-2.5%	-5.3%	-5.3%	na1	na2	na2

*Composite and benchmark performance are for the period 11/01/14 through 12/31/14
na1 - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
na2 - Information is not statistically meaningful due to an insufficient period of time.

Institutional Asia Pacific Equity Composite - Portfolios included in this composite invest in securities in Asia Pacific markets. These markets include developed and emerging markets in Asia or the Pacific region, including Japan, Australia and New Zealand which the manager deems eligible. These portfolios normally contain 15-25 holdings. Country, industry weightings and market cap size are a by-product of bottom-up investment decisions. Cash is a by-product of a lack of investment opportunities that meet Southeastern's criteria. The benchmark used for comparison is the MSCI All-Country Asia Pacific Index with net dividends.

Southeastern Asset Management, Inc. ("Southeastern") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Southeastern has been independently verified for the periods January 1, 2001 through December 31, 2020.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Institutional Asia Pacific Equity Composite has been examined for the periods November 1, 2014 through December 31, 2020. The verification and performance examination reports are available upon request.

Southeastern is an independent investment management firm that is not affiliated with any parent organization. Southeastern invests primarily in equities.

Results are based on fully discretionary portfolios under management that are managed without regard to tax considerations. Past performance is not indicative of future results.

A complete list of composite descriptions is available upon request.

The U.S. dollar is the currency used to express performance. Returns are presented gross and net of management and performance fees and include the reinvestment of income. Dividends are recorded either gross or net of foreign withholding taxes based on the treatment of these taxes by the accounts' custodian. Net of fee performance is calculated using actual management and performance fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the portfolios in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for accounts with a market value less than $100 million is 1.15% on the first $50 million and 1.00% on the next $50 million. The fee schedule for accounts with a market value exceeding $100 million is 0.90% on all assets. Actual investment advisory fees incurred by clients may vary. The Institutional Asia Pacific Equity Composite was created on November 1, 2014.