Global Strategy Commentary 2Q21

Southeastern Asset Management

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					Annualized Total Return		
	2Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Global Strategy (Gross)	0.89	14.39	45.35	7.41	12.42	7.38	7.18
Global Strategy (Net)	0.78	14.13	44.55	6.84	11.83	6.78	6.45
MSCI World	7.74	13.05	39.04	14.99	14.83	10.65	6.10
MSCI World Value	4.71	14.72	37.91	8.43	9.82	7.63	5.25

*Since Inception 9/3/2000

The Global Strategy added 0.78% in the second quarter, taking year-to-date (YTD) returns to 14.13%, while the MSCI World returned 7.74% and 13.05% over the same periods. The majority of our holdings were positive in the quarter. The Strategy's cash position, together with a few unrelated holdings that declined in price, drove the majority of the relative performance drag in a period where growth stocks saw a (we believe temporary) rebound. Despite relative underperformance, it was a solid period for value per share growth at our holdings.

We highlighted several high-conviction companies in last quarter's letter, and all saw positive progress. For example, CNX Resources is taking advantage of gas price strength to lock in more free cash flow (FCF) with accretive hedges. Lumen management spoke publicly of its efforts to realize value from its distinct parts, in line with the 13D that we filed at the end of last year. CK Hutchison began buying stock in a material way, with more than $460 million in shares repurchased year-to-date.

Portfolio Characteristics

Price-to-Value	high-60s%
# of Holdings	19
% of Cash	16.9%
Portfolio Yield	1.7%

The investments in the preceding paragraph have been long-term holdings, but what about our newer purchases? We have heard from long-time Southeastern/Longleaf observers who look at these stock charts and ask, "How can that still be cheap?" We continue to focus on the importance of value growth and dynamically updating our appraisals. MGM for example has seen very strong value growth since our purchase last year as the company's properties in the US have rebounded much stronger than even the biggest optimists predicted. Management and the board have reduced risk by monetizing more of MGM's holdings in MGM Growth Properties, its real estate subsidiary. There is still plenty of value to be added in the online division as well. All this leads to a value per share that was in the $30s last year now approaching $50. The company remains attractively discounted, even after price appreciated 101% since we first bought the stock 9 months ago.

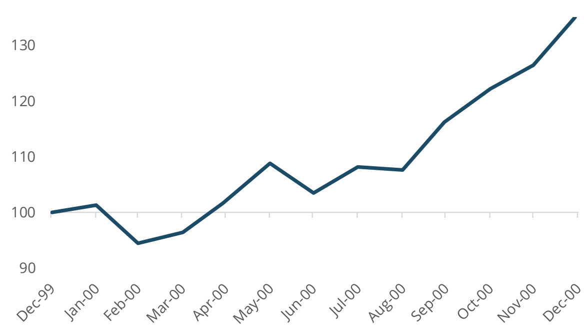
But price will always be important to us, no matter how great qualitatively a business or people are or how nice it feels to have price and value momentum. We will gladly sell fully priced winners like Biogen, where positive news sent the company's stock price to our appraisal in only a few short months, as detailed later in this letter.

More broadly, "value" had a pullback vs. "growth" in the second quarter on the back of lower interest rates and various other factors. Over the last year, we have seen interest rate consensus go from "low rates forever" for most of 2020 to "rates are definitely going up" in February/March of 2021 to now what feels like magical goldilocks thinking for growth stocks in the 1-2% US 10-year range. While we cannot predict precisely what rates will do in the near term, we welcome increased volatility on this all-important valuation input, especially after decades of gradual moves down have made things relatively harder for value-focused public equity investors.

It is also important to remember that, while what matters most will always be our individual holdings, we do not expect value to ever go up in a straight line. The chart below illustrates that point well. It can be easy to forget that, even in the greatest value bull market of our lifetime that started in 2000, there was a several month period after the initial turn in March/April in which growth fought back from similarly absurd relative valuations.

MSCI World: Value Relative to Growth in Year 2000

1/1/2000 to 12/31/2000 (monthly in USD)



MSCI World: Value Relative to Growth from 2001 to 2006

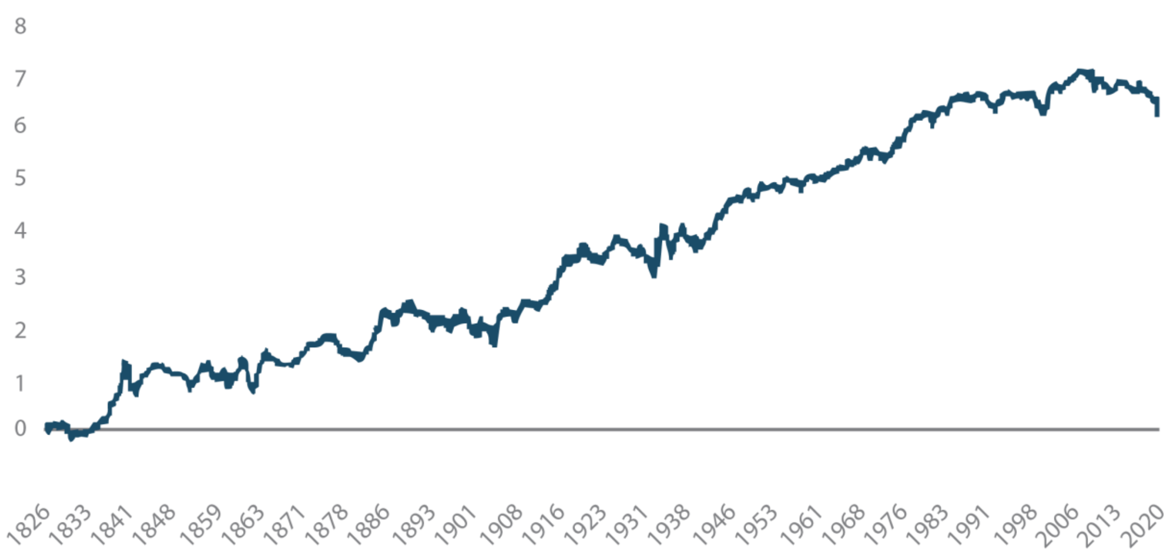
1/1/2001 to 12/31/2006 (daily in USD)

Source: Factset

However, value ultimately prevailed (with even more ups and downs in 2001-02), and the next several years looked like the previous 200 years for value. (Note the chart below is a reprint from our "Why We Believe Value Will Work Again" white paper published in December 2020.)

The Value Factor

Cumulative Excess Return of Value vs Growth



Source: TwoCenturies

Joining the macro with the stock specific, we continue to like our portfolios on both an earnings multiple and earnings growth basis vs. the growth and value parts of the index.

Implied Returns Based on Various P/E Assumptions

	2022 P/E		P/E Change	Performance from P/E Change
	Current	Assumption		
MSCI World	18.8	16.7	-2.1	-11%
MSCI World Growth	27.9	20.0	-7.9	-28%
MSCI World Value	14.1	14.3	+0.2	+2%
Global Equity Account	11.1	14.3	+3.2	+29%

Source: FactSet. Actual investment results and performance are not guaranteed
The Global Equity Account is a large representative Equity account

Contribution to Return

2Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
Biogen	52	1.19
Williams	14	0.50
MGM Resorts	12	0.42
Lumen	4	0.31
FedEx	5	0.23

2Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Prosus	-12	-0.69
Melco International	-10	-0.46
EXOR	-5	-0.41
CNX Resources	-7	-0.37
Hyatt	-6	-0.14

Biogen, a biotechnology company specializing in therapies for the treatment of neurological diseases, contributed in a way that warrants a longer than usual writeup. When we first began buying the company in early January, the stock scored well on all three Business, People and Price criteria, but the range of outcomes was wider than most investments for us. On the business, while the company has had a leading position in neuroscience for decades, it had become a collection of assets that was hard for the stock market to value. This led to most short-term investors focusing on year-over-year (YOY) earnings declines in 2021 and pipeline uncertainty. We focused most on strong cash flows from Biogen's Multiple Sclerosis franchise, a growing yet hidden biosimilars business, and a pipeline that we believed was actually quite interesting and diversified beyond the manic market focus on Aducanumab, a proposed treatment for Alzheimer's. On the people front, we also liked what the board and management had been doing (large, discounted repurchases and prudent internal and external investments) and not doing (no big, dumb M&A or unsustainable dividends). Our single point appraisal was around $375/share, but we saw a range at the low end of slightly above $250 if the pipeline totally failed or approaching $500 if the company saw a reasonable amount of pipeline success. We also thought that we were effectively paying a very low double-digit multiple of FCF/share. It is important to note that we were not betting on our science expertise or any other predictions that fall outside our circle of competence. Rather, we used our bottom-up appraisal skills to find a security that was mispriced at that given moment - we had followed the company for over 10 years before our purchase - and that shorter-term investors were afraid to own due to the potential for near-term stock price volatility. We started with a partial position, as we felt the wider-than-usual range of outcomes and uncertainty around the stock could lead to the chance to fill it out at a better price later.

On June 7, the FDA approved Aducanumab (now known as Aduhelm) after a contentious process that has yet to fully play out. The stock shot upward, and our single point value increased to $425. With the stock trading at that level, we exercised our price discipline and sold our position. In this era of "multi-decade-compounders at any price" and given Southeastern's history of being long term, it feels weird to be in and out of something so quickly. But it also feels OK to be able to use our appraisal skills to secure a payoff for our long-term clients. The company's stock price has fallen since our sale, and we will continue to watch the price-to-value (P/V) gap going forward.

Williams, the natural gas pipeline operator, was also a positive contributor. The value grew slowly but steadily thanks to continued cash flow growth at Williams's main Transco pipeline, as well as good volume trends (up 11% YOY) in its Northeast assets. The stock traded up with gas price strength as the quarter went on. We believe that management is open to more transactions to grow and simplify value per share, and as industry conditions improve, this becomes more likely.

MGM, the casino and online gaming company, was a top contributor as it reported a solid first quarter with Vegas EBITDAR (earnings before interest, taxes, depreciation, amortization and restructuring or rent costs) doubling sequentially and Regional EBITDAR actually growing strongly YOY due to exceptional cost control. The second quarter saw clear signs of even more growth with a strong rebound in travel to the company's US properties. MGM also continued to de-risk its value and balance sheet by selling over $1 billion of fully valued shares of its real estate subsidiary MGM Growth Properties in the quarter. On the first day of July, the company announced a transaction to consolidate and sell the real estate of its CityCenter project at a price that was accretive to our value per share.

Prosus, a global consumer internet group, was the top detractor in the quarter. There are two key components to Prosus's net asset value (NAV) - its 29% stake in Tencent (which represents the majority of its appraisal) and the global e-commerce portfolio (which includes the food delivery, classifieds, payments and education technology investments). Tencent reported strong results in the first quarter with revenues up 25% and profits up 22% YOY. The online advertising, gaming and cloud businesses all delivered solid topline growth YOY and strengthened their competitiveness. The company also announced its plans to step up investments in cloud, large-scale gaming and short form video, which we believe can help drive higher value growth in the coming years. But its stock price performance was negatively impacted by increasing regulatory headwinds for the entire online platform industry. The global e-commerce portfolio reported strong results with revenues up 54% YOY in FY21 and trading loss margin improving by 11%. This portfolio has been independently valued by Deloitte at $39 billion vs. an investment of $16 billion (inception to date). IRR on these investments is greater than 20%. During the second quarter, Prosus announced the disposal of 2% of its Tencent stake, raising around $14 billion. This will provide the company with greater financial flexibility to invest in this growth ventures portfolio. Despite solid operating performance, the discount to NAV has increased in recent months primarily due to holding company Naspers's (which owns a 73% stake in Prosus) excessive weighting (23%) on the South African Index (SWIX), which causes 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 Naspers's weighting on SWIX to 15% without any tax leakage. While this increases complexity by introducing crossholding structure, this is a value-accretive transaction for Prosus shareholders, as we are buying higher discount Naspers shares in exchange for relatively lower discount Prosus shares and addressing the key reason for the NAV discount. Prosus also announced an additional US$5 billion share repurchase program alongside this transaction (on top of the US$5 billion announced in November 2020). We believe these value accretive steps will lead to narrowing of discount to NAV. Given management's alignment and history of unlocking values, we remain positive on Prosus and added to our position in the quarter.

Melco International, the Macau casino and resort holding company, was a detractor in the quarter. The quarterly results (which were largely in-line with expectations) were a non-event because of the travel restrictions in its most important feeder markets, China and Hong Kong. As a result, revenue for the industry is down over 65%, and EBITDA is down almost 90% from pre-COVID levels. 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 strong May Golden Week holiday. While the reopening progress has been disappointing, we are confident that the demand is not impaired and Chinese consumers will come back strongly as vaccination rolls out and travel restrictions ease. Macau will be the biggest and the earliest beneficiary of Chinese outbound tourism. Melco International's operating subsidiary Melco Resorts (MLCO) reported property level EBITDA that, adjusting for the luck factor and bad debt provision, has shown a sequential improvement. MLCO continues to outperform the industry in the Macau mass segment with mid-single digit gross gaming revenue (GGR) growth on a quarter-over-quarter basis. In June, Melco International announced its joint venture with Agile to develop and operate a theme park in Zhongshan, Guangdong, contributing US$23 million for the land acquisition and US$28 million for the development costs. Although earnings contribution would be minimal in the near term, we still see value in the project, as this should enhance Melco's brand value in Guangdong and may serve them well on the license renewal front with increasing non-gaming contribution without a significant capital outlay. CEO Lawrence Ho, who has shown strong capital allocation skills during many uncertain times in the past, is well aligned with the shareholders, and we were encouraged to see him buying shares during the quarter. We continue to believe Melco's mid-to-long-term growth prospect is intact, and it will emerge stronger post-COVID given Lawrence Ho and his team's strong execution and the company's leading position in the premium mass segment. We took advantage of the price discount to add to our position in the quarter.

EXOR, the European holding company of the Agnelli family, detracted in the quarter. The moderate, single-digit stock price decline was not reflective of the positive results at underlying holdings Stellantis, CNH International and PartnerRe. Ferrari's share price fell after the company pushed out its 2022 EBITDA target of €1.8 bill to 2023 in the wake of COVID, but we already assumed a much lower number in our conservative valuation for the business. Although the holding company discount placed on EXOR has widened, our appraisal has been resilient and we remain highly convicted in the business and owner-operator management team.

Portfolio Activity

Summary of Trade Activity in 2Q

New Purchases	Full Exits
Undisclosed	Biogen

As discussed in detail above, we sold our position in Biogen in the quarter. The Strategy began buying a position in a European financial services company that gets incorrectly grouped with inferior peers and has underrecognized new leadership. The holding remains undisclosed as we continue to fill out the position, but we will look forward to sharing more details next quarter. We have added several companies to the on-deck list in financial services, industrials, retail/consumer packaged goods, health care and media. We remain disciplined on the price we will pay and are watching and waiting for prices to cooperate so we can put our cash to work.

Outlook

Our outlook on the stock market and the Strategy is not dramatically different than it was the last time we wrote to you. Our confidence in the specific company opportunities in the Strategy has only grown, as our businesses made solid progress in the quarter, and we believe the Strategy is more attractively positioned - qualitatively and quantitatively - than both the market and the average "value" strategy. We believe the recent pullback in value's performance of the last month or so is a temporary blip, and that the strong performance that began in the second half of 2020 marks a longer-term reversion to the mean for value vs. growth.

We wrote in our 4Q20 letter about the work we have done to formalize the way we incorporate environmental, social and governance (ESG) issues within our firm and our investment process in the last several years. We are excited to share our first Annual ESG Report, which highlights some of the progress we have made and the work we are doing to keep improving in this area. In addition to our annual ESG report, we will be sharing a semi-annual carbon footprint report and will continue to discuss our engagement efforts with our management partners on these important issues in our quarterly letters and the Price-to-Value Podcast.

Speaking of podcasts, we thought it would be good to close with a recent interview that our Vice-Chairman Staley Cates did with Bob Huebscher of Advisor Perspectives. It is a great summary of what we are all about at Southeastern and why we remain very excited about our future.

See the following for important disclosures.

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. Strategy 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.

SOUTHEASTERN ASSET MANAGEMENT, INC.
INSTITUTIONAL GLOBAL EQUITY COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	MSCI World (with net dividends)	Annual Performance Results Composite		Composite Dispersion	Composite 3-Yr Annualized EX-Post Standard Deviation	Benchmark 3-Yr Annualized EX-Post Standard Deviation
					Gross	Net			
2020	10,270	2,062	7	15.9%	6.3%	5.7%	0.6%	24.2%	18.3%
2019	12,481	2,394	14	27.7%	20.6%	19.9%	0.7%	15.2%	11.1%
2018	13,881	2,475	17	-8.7%	-15.1%	-15.5%	0.6%	14.7%	10.4%
2017	18,203	3,149	17	22.4%	27.7%	27.0%	5.2%	15.1%	10.2%
2016	19,302	3,873	20	7.5%	16.3%	15.8%	3.0%	15.4%	10.9%
2015	20,315	4,822	31	-0.9%	-9.2%	-9.6%	2.0%	13.7%	10.8%
2014	30,542	6,779	33	4.9%	-1.6%	-2.3%	1.2%	13.5%	10.2%
2013	34,914	9,680	45	26.7%	34.3%	33.4%	1.6%	17.9%	13.5%
2012	31,752	8,898	53	15.8%	15.5%	14.8%	2.1%	20.1%	16.7%
2011	31,485	8,885	65	-5.5%	-14.5%	-15.1%	2.0%	23.5%	20.2%

Institutional Global Equity Composite - Portfolios included in this composite normally contain 18-22 securities, which are generally a subset of those held in U.S. and non-U.S. portfolios. The subset reflects the companies with the most attractive qualifications at the time an account has cash. Country and 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 World Index with net dividends.

Southeastern Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Southeastern Asset Management, Inc. has been independently verified for the periods January 1, 2001 through December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Institutional Global

Equity Composite has had a performance examination for the periods January 1, 2001 through December 31, 2020. The verification and performance examination reports are available upon request.

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The investment management fee schedule for accounts with a market value less than $100 million is 1.0% on the first $50 million and 0.875% on the next $50 million. The fee schedule for accounts with a market value exceeding $100 million is 0.75% on all assets. Actual investment advisory fees incurred by clients may vary.

The Institutional Global Equity Composite was created on July 1, 2011. The inception date for this composite is September 30, 2000.