

Global Strategy Commentary 3Q21

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	Annualized Total Return						
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Global Strategy (Gross)	-7.71	5.57	26.88	3.82	8.17	9.22	6.68
Global Strategy (Net)	-7.81	5.21	26.18	3.28	7.60	8.61	5.96
MSCI World	-0.01	13.04	28.82	13.14	13.74	12.68	6.02
MSCI World Value	-0.84	13.76	31.66	6.70	8.57	9.57	5.14

*Since inception 9/30/2000

The Global Strategy returned -7.81% in the third quarter, while the MSCI World returned -0.01%. After a very disappointing quarter of performance, the Strategy trails the index year-to-date, adding 5.21% vs. the MSCI World at 13.04%. The Strategy's Hong Kong and China-linked businesses drove approximately half the relative and absolute decline in the quarter. Additionally, a handful of our stocks in the US and Europe declined double-digits, each for different reasons which we discuss in more detail below. The majority of our investments reported flat to low-single digit + or - returns. Although our stocks' performance was disappointing in the period, most of the Strategy's companies grew their values. This compounding force should drive material future returns.

The bottom-up progress is far better than market sentiment would indicate, and our corporate management partners are acting on this disconnect. We have also acted on the disconnect in the market, as declining interest rates, a cooling of COVID reopening excitement in the face of the delta variant and top-down China fear caused many investors to flee into "safe haven" stocks. This created compelling opportunities within our sweet spot of high – and

Portfolio Characteristics

Price-to-Value	low-60s%
# of Holdings	22
% of Cash	4.9%
Portfolio Yield	1.9%

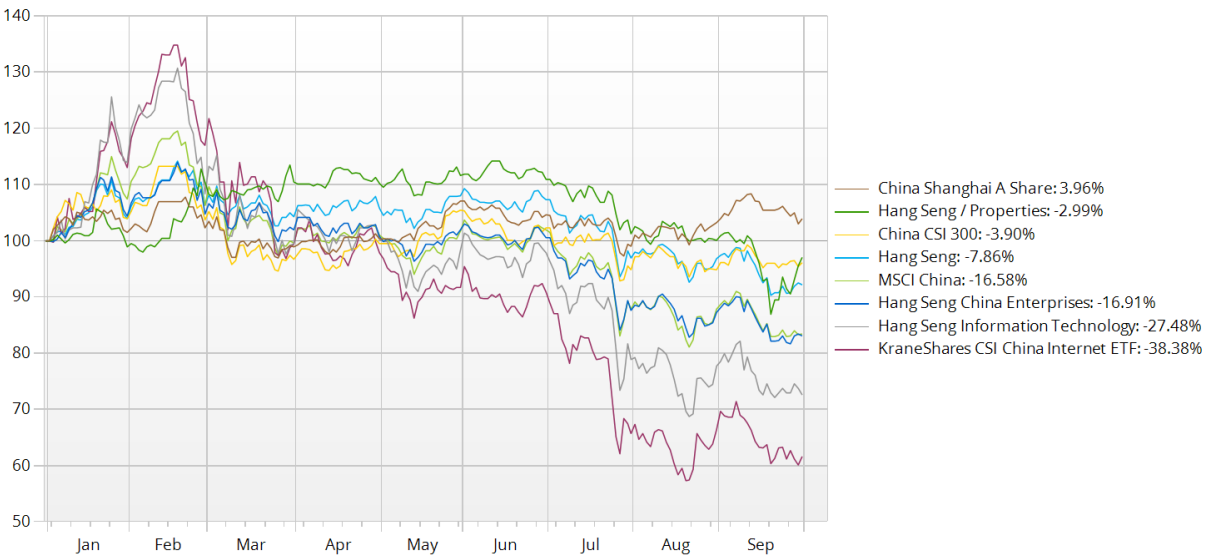
improving, but not yet consensus recognized – quality businesses that have been generally overlooked this year. We have bought six new companies in the portfolio this year, three of which we initiated in the third quarter, taking cash levels down in the quarter.

China: What happened?

Over the last seven months, both the Chinese government increasing regulation across multiple sectors and a fear of Evergrande being China’s Lehman moment combined to result in a spike in market volatility and the largest decline in Chinese equity markets since the Global Financial Crisis, as shown in the chart below.

China Equity Market Performance YTD

Total Return In USD (1/1/2021 to 9/30/2021)



Source: FactSet

In retrospect, China’s most recent regulatory crackdown started in November 2020 when the Ant initial public offering was suspended, stoking fears about the tech sector being regulated, even if these fears subsided as 2021 began. Over the last seven months, market concern increased due to a variety of events detailed below:

China Major Market Events



Source: FactSet

After an initial decline off market highs in February that seemed like a healthy correction and some milder regulatory actions in the spring that were manageable, markets took another leg down in July as the regulatory crackdown widened. First Didi and then the private education industry received scrutiny. After the private education sector was nearly put out of business due to harsh new regulations at the end of July, market declines accelerated. The market began to sell off anything that could be viewed as threatening China’s social stability and security agenda. Our Strategy was further punished with both the release of guidelines for the Macau concession process (which has been planned for June 2022 for years, is unrelated to the tech crackdown and is discussed in more detail below) and Chinese real estate developer Evergrande defaulting on its USD bond payment in mid-to-late September. To further compound volatility created by regulatory action, COVID re-emerged in China, leading to restrictions and lockdowns across numerous cities in China.

Insider Purchases and Share Buybacks on the Rise

We have seen a notable spike in insider buying across the region this year as prices have collapsed, including by Macau gaming operators. On top of higher levels of insider buying in sectors we own, we have seen a significant rise in share repurchase by companies run by owner-operators as share prices have corrected. Prosus (and

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underlying holding Tencent) and CK Hutchison are buying back record amounts of shares. CK Hutchison's buybacks are running at 10x the previous year's levels. The companies and their management teams themselves know the situation far better than anyone else, and it is thus encouraging to see the ramped-up pace in share buybacks by owner-manager led companies at advantageous prices.

How are We Reflecting this in Our Portfolio?

The chain of events highlighted above and splashed across headlines this year has had a strong impact on the share prices of our underlying holdings. We have been acutely focused on stress testing the portfolio, reviewing our exposure to China and assessing the potential value impact to the businesses we own.

In the last six months, the research team has spoken with numerous contacts within our extensive global network of regional, sector and/or company-specific experts, management teams and boards, investment peers and clients, who have all helped us frame our understanding of what this environment means for our portfolio holdings. These insights range from how the world really has changed dramatically for something like the Chinese education sector (which we reviewed deeply this year but did not invest in) to how various other China-facing businesses will likely have lower growth in the near term but not be permanently impaired to how one of our long-time Macau contacts described an item or two as "a bit out of the blue" but overall viewed this as in line with expectations and more of a "couple of months" problem.

Our contrarian instincts and our data going back many years suggest that when it feels the easiest to give up on an entire region, it is often the exact wrong time to do so. There are clear negatives on multiple fronts in China this year, but the resulting volatility has also created clear opportunity. The key learning from the past is that we must not squint on quality at a time like now. We are taking advantage of the current environment to upgrade the quality of what we own, just as we did coming out of COVID last year and in previous tough periods.

We began buying the world's largest pork producer, WH Group; however, we sold the small position shortly after quarter-end, as company-specific news emerged that resulted in positive changes to the management and board but is likely to elongate WH

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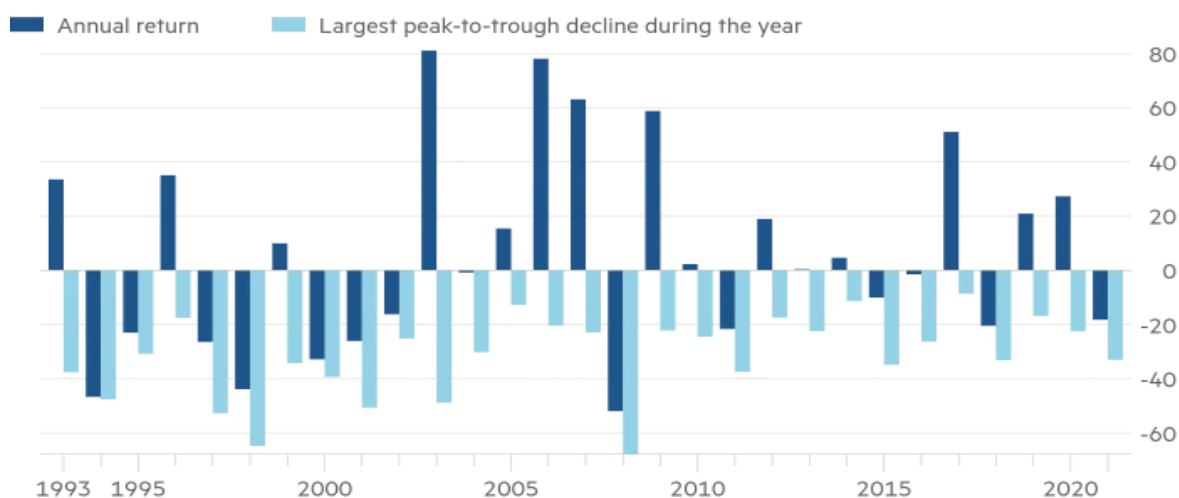
Group's recovery. We reallocated to other opportunities that we felt were a better immediate use of capital.

We sold our position in Hong Kong property developer CK Asset earlier this year, as we believed there were better uses of capital that did not face as strong of headwinds to value recognition. We continue to own several existing businesses in Asia where we remain confident in our original thesis and feel the market is simply over-reacting to short-term information. Prosus, CK Hutchison and Melco International are all down heavily for the year, collectively accounting for a large portion of the relative shortfall in the quarter. Each of these companies are led by owner-operators with track records of shareholder-friendly behavior, buying back stock opportunistically and exploring value creating strategic moves. We are optimistic about each company from today's depressed levels.

It is important to remember that volatility in China is nothing new. As shown in the chart below, MSCI China Index's 2021 peak-to-trough drawdown is not far off the average annual drawdown over the past 20 years. The Chinese market has historically snapped back quickly, with annualized total returns outperforming most global markets and rewarding the long-term investor for stomaching the volatility. We believe that the companies we still own can provide strong future returns over the long-term that will compensate for the short-term pain felt this year.

There are bear markets in Chinese stocks most years - but strong returns compensate for volatility

Change in MSCI China index (%)



Sources: Charles Schwab, Factset
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Contribution to Return

3Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
EXOR	5	0.47
MGM Resorts	1	0.10
Comcast	-1	0.03
Hyatt	0	0.03
IAC	5	0.03

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Melco International	-36	-1.82
FedEx	-26	-1.37
Prosus	-18	-0.99
CK Hutchison	-13	-0.76
Lumen	-7	-0.57

EXOR, the European holding company of the Agnelli family, was the top contributor for the quarter after reporting a first half net asset value (NAV) ahead of market estimates and 12.5% higher than year-end 2020. During the first half of 2021 EXOR focused on an increase in early-stage company investments, investing a further €122 million (mn) in EXOR Seeds, a division committing capital to promising early-stage companies. It also signed a €300mn partnership in June 2021 with World-Wide Investment Company Limited, a leading Hong Kong Family office, in order to invest in Italian medium-sized

consumer goods companies. This trend is viewed positively by the market as it allows EXOR to potentially acquire exposure to more growth companies and to diversify its portfolio of unlisted assets. EXOR's, wholly-owned reinsurance company, PartnerRe, remains well positioned in a healthy insurance pricing environment for its rated paper balance sheet and for the nascent third party capital, fee generating business.

Melco International, the Macau casino and resort operator, was a top detractor in the quarter. Melco's quarterly results were largely in-line with our expectations, but that was inconsequential in the context of ongoing travel restrictions and the market's misunderstanding of the news around the long-expected license renewal process. It has been known for years that all six Macau casino operators' licenses are scheduled to expire in June 2022. Right on schedule in mid-September, the Macau Special Administrative Region (SAR) announced that the government would overhaul the primary regulation governing the casino industry, kicking off a 45-day consultation period for amendments to the gaming law in preparation for the much-expected re-licensing process. The consultation paper released indicated tighter (but not unexpectedly tighter in many operators' opinions) supervision and regulation to come with new licenses, creating uncertainty and ultimately a sell-off across the sector. The consultation covers nine main topics, with a few primary areas causing market concern: increased local ownership requirements; dividend restrictions; government oversight changes.

We do not view the license retender process as a new crackdown on Macau, which already underwent a "common prosperity" transformation in 2014 to 2016 when Xi Jinping's anti-corruption reform campaign dramatically shrunk the VIP junket business. The Macau gaming industry contributes 70-80% of the government's tax revenue and over 55% of gross domestic product (GDP) and is the largest employer in Macau. If you include ancillary businesses, such as hotel, food and beverage and retail, the industry's contribution is even higher. The gaming sector is an important pillar of the economy of the Macau SAR and accounts for over 17% of employment of the total employed population in Macau, underscoring the importance of the sector.

Melco is well positioned for the increased local ownership requirements, dividend restrictions and government oversight changes laid out in the government

consultation. The local ownership requirements apply strictly towards the gaming concession company (in Melco's case, Melco Resorts Macau), and not the publicly listed holding companies. Melco already meets these requirements, as CEO and Managing Director (and Macau permanent resident) Lawrence Ho holds 10% voting rights (no economic rights) at the concession company level and a majority equity interest in Melco International. Although the Macau government will now need to approve dividends under the new rules, we believe the goal is to make sure that proper investment is being made in Macau's gaming industry. Melco has a strong track record of both investing in the development of Macau and allocating capital intelligently elsewhere, including opportunistic buybacks at the right time. Finally, we view the requirement for a government representative to be a minimal change, as Macau gaming operations are already highly regulated, and the casino operators are already closely working with the Gaming Inspection and Coordination Bureau (DICJ).

FedEx, the B2B and e-commerce global logistics company, was a top detractor for the quarter. Revenues continued to grow very well across all three segments, with Freight standing out at +23% year-over-year (YOY). Yet Ground margins declined by 1.6 percentage points due to the labor shortage and associated wage cost inflation, as FedEx is hiring over 80,000 employees this year. The company therefore cut its full-year earnings guidance by 5% and now trades around 11x. UPS with less growth and much more dangerous Amazon dependence trades at 17x, implying a FedEx value similar to our appraisal. Despite the stock's significant appreciation over the last year, we believe it remains highly discounted. We also expect to see capital allocation contribute going forward as the gap between earnings per share (EPS) and FCF closes while the company has an outstanding repurchase authorization.

Prosus, a global consumer internet group, was another top detractor in the quarter. There are two key components to Prosus's 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 was impacted by increasing regulatory headwinds for the global online platform industry, as strict time restrictions were introduced for underage players, and new game approvals were halted. However, Tencent's longstanding control measures are already stricter than regulatory requirements, and spending by

players under 16 on Tencent's games accounts for low-single digits of its China game grossing. We expect limited impact from further restrictions. More importantly, Tencent gaming has repositioned from a primarily China-centric business to a truly global business and therefore has more than tripled the addressable market. Its international game revenue has been growing at over 30% YOY in local currency and contributed 25% of the segment mix in the second quarter of 2021. For Prosus, we see a huge option value too with its fast-growing global e-commerce portfolio. The company has significantly invested in building leading internet operations in various markets, which have been delivering over 20% internal rate of return (IRR). The recent Naspers-Prosus share exchange transaction added complexity and resulted in a deeper price discount, even though the transaction was value-accretive to Prosus shareholders. We believe this level of discount is unwarranted, and the company continues to execute its second \$5 billion share buyback program.

Portfolio Activity

Summary of Trade Activity in 3Q

New Purchases	Full Exits
WH Group	No Complete Exits
Discovery	
IAC	

We bought three new companies in the Strategy in the third quarter. We have profitably owned Discovery Communications and Scripps Networks (which merged into Discovery in 2017) multiple times in Southeastern's history. We have followed Discovery closely for the last few years and waited to see how the company's high-quality assets would fit into an increasingly confusing video marketplace. We immediately got more interested in the second quarter of this year when Discovery announced its merger with AT&T's Warner Media. Warner has top-notch, highly differentiated media assets like the Warner Bros. library, HBO and CNN. When joined together with Discovery's more niche yet more global assets like Discovery, HGTV and Food, the new company will be a powerful participant in "traditional" media with a much stronger streaming option to compete with Disney and Netflix. We have great

confidence that CEO David Zaslav and long-time owner/board member John Malone will navigate this new company to a great position in the years ahead. John Malone is giving up his supervotes to accommodate the merger, a decision benefitting other shareholders and indicating his belief in the deal. Our other US company addition in the quarter is media and internet holding company IAC. We have followed IAC for years with growing admiration for the capital allocation abilities of the Joey Levin and Barry Diller team. After the spinoffs of Vimeo and Match over the last year plus, we find that the remaining assets of Angi, Dotdash, Care.com, Turo, MGM and other smaller investments are a compelling mix of high-quality, understandable and underpriced businesses. We are still building our position and look forward to talking about this one more in the future. We also initiated but subsequently sold a smaller position in WH Group, as discussed above.

We believe that the extreme volatility in China has created the opportunity to own high-quality businesses trading at a record discount. But we aren't looking only there, as our on-deck list is currently extremely strong with prospective investments across multiple regions and industries. For example, we have done deep work on two (very different) continental European companies that are lumped with other "financials" but are actually high-quality fee driven businesses. We are close on a diversified UK company with strong management alignment. We have been closely watching the Spanish infrastructure industry again. In the US, we are working on a broad range of companies across branded industrials, technology, health care, distribution and consumer products. We also have multiple Americas companies that are getting more interesting. And, of course, there are plenty more ideas in Asia (not just China) ranging from beverages to electronics.

Outlook

Collectively our investments in China and Hong Kong have been a relative drag over the last decade at the current endpoint. This decade has been marked by cycle after cycle of volatility in Asia that just makes a lot of people want to give up. With hindsight, we wish we were positioned differently going into this recent downcycle, but that doesn't make the go forward opportunity any less attractive. We acted quickly to update the quality of the portfolio by shifting our China exposure to businesses that we believe can navigate the current environment and deliver even more compelling

future value as a result. Although price performance in our US, Europe and Americas-based stocks' performance was muted in the quarter, most of the companies grew their values.

We believe that our carefully selected global portfolio could be poised for a major reversal of long-in-the-tooth trends: US vs. non-US; large cap vs. small cap; steady dividends and readily apparent EPS vs. no dividends and FCF/share power greater than current EPS; value vs. growth. Within this broader opportunity outside the US, the lower multiple and high (but hidden) quality companies where we are focused are doubly compelling. Current discounts are most extreme in Hong Kong and China, and we are not afraid to have a different weighting in this region than the index has. We also are not afraid to change our mind as things progress, recognizing the ever-evolving nature of investments in China. We are excited for the opportunity the Strategy offers today and are confident that the Southeastern investment approach delivers on its promise of adding value.

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 September 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.