Global Strategy Commentary
1Q21

Southeastern Asset Management

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			Annualized Total Return			
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Global Strategy (Gross)	17.10	82.24	10.61	11.77	9.13	13.68
Global Strategy (Net)	13.25	69.77	7.08	11.34	6.74	6.50
MSCI World	4.92	54.03	12.81	13.36	9.88	5.79
MSCI World Value	9.56	48.27	6.71	9.11	7.13	5.08

* Since Inception 9/30/2000

The Global Strategy added 13.25% in the first quarter, more than double the MSCI World's 4.92% return. Almost every company was positive in the quarter, with last year's largest COVID laggards rebounding to help drive strong absolute and relative results. The Strategy's average cash position was the only meaningful relative drag on returns, with stock selection (and strong stock-specific performance) within the Communications Services, Industrials and Consumer Discretionary sectors (plus our relative overweight to Energy) driving outperformance. We did not own the banks and lower-quality companies that largely drove the global value performance rally. Our Hong Kong-listed investments that were among the largest absolute and relative detractors in 2020 began paying off this year. These Hong Kong businesses benefitted from an improvement in sentiment related to the relaxation of COVID lockdown measures, the beginning of mass vaccination programs, and the rotation from growth to value.

Since we are bottom-up business appraisers and long-term business owners, the most important driver of our long-term returns will always be stock selection. In a first quarter that saw a lot of macro focus on interest rates and retail stock mania, we saw

Portfolio Characteristics

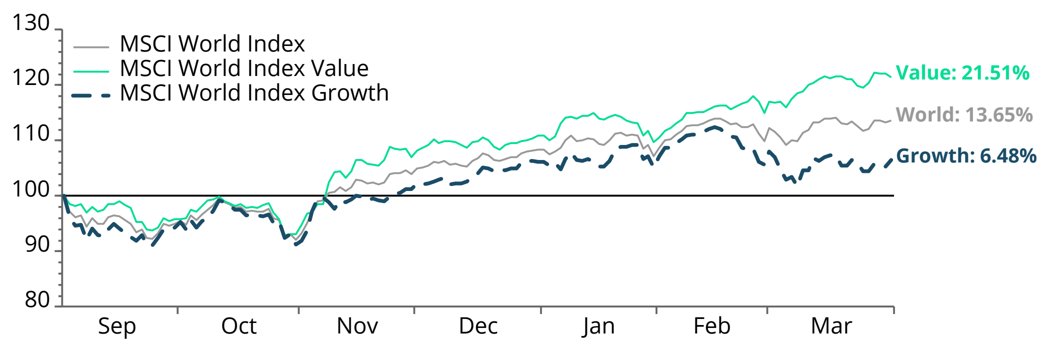
Price-to-Value	high-60s%
# of Holdings	19
% of Cash	16.9%
Portfolio Yield	1.7%

strong stock-specific returns across the Strategy with no significant detractors. Lumen outperformed telecom peers as fears about its near-term cash flow recede with its steady business mix improvement, yet it still trades at less than half of its private market value. EXOR closed on the previously announced merger of Fiat Chrysler Auto (FCA) with Peugeot, creating Stellantis and putting our great partner John Elkann more on offense than ever before with a great look-through balance sheet. CNX performed well on its way to $2/share of relatively low risk free cash flow (FCF), and the market has still yet to recognize how much more of its earnings before interest, taxes, depreciation and amortization (EBITDA) turns into FCF than peers. CK Hutchison is turning into a more focused, higher-quality company and started repurchasing shares this quarter after the sale of their cell towers business began to close in stages. Newer holdings like MGM Resorts and Affiliated Managers Group (AMG) have been quick contributors and we believe are set up well for future value growth.

We have written about value being out of favor and underperforming relative to growth extensively over the last decade. Last year, the relative gap between the two strategies reached historic levels, with value suffering its worst performance run in at least two centuries, as we wrote about last December in a paper titled [Why We Believe Value Will Work Again (WWB).] We wrote then that it was early days but that "the market might already be turning towards value." The chart below shows that value's relative strong outperformance has continued in the first quarter.

Performance Since Value vs Growth Bottom

9/2/2020 to 3/31/2021 (in USD)



Source: FactSet

While we believe that we are just at the beginning of a long-term rebound of fundamentals mattering again, we understand if some might ask: 1) if the "shift to value" has already played out or is yet another head fake; and 2) if our higher-than-average cash is evidence that the easy money has been made or we are not participating enough in this market rally. On 1), the relative multiple math for the Strategy vs. the market from the WWB piece still holds, as shown in the chart below, even after this quarter's strong performance.

Implied Returns Based on Various P/E Assumptions

	2022 P/E		P/E	Performance from
	Current	Assumption	Change	P/E Change
MSCI World	18.5	16.7	-1.8	-10%
MSCI World Growth	27.7	20.0	-7.7	-28%
MSCI World Value	14.3	14.3	0.0	0%
Global Equity Account	11.7	14.3	+2.6	+22%

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

Our values and free cash flow per share estimates have grown. Despite this, there are days when various parts of the market move in lockstep so that it feels like all the ETF money sloshing from theme to theme is all that matters. We disagree. There is a big difference between the Strategy's actual valuation floor supported by both reasonable discounted cash flow models (DCFs) and strategic/financial buyers willing to pay at or above our appraisals vs. the higher-flying stocks in the market where that real-life bid for the full company doesn't exist. The depths of COVID took away that bidder safety net for a while given the lack of on-the-ground due diligence. As things get back to normal, there have been plenty of deal announcements in the market over the last few months. This bodes well for the Strategy, which has historically benefitted from buyouts.

On the other hand, the wild IPO and SPAC speculation that we discussed in our 2Q and 4Q 2020 letters has only intensified. Joining the party, we now have NFTs bringing the 1990s Beanie Baby energy, where falsely perceived scarcity creates thousands and then millions of dollars out of thin air, thus eventually also creating too much supply and sowing the seeds of a downfall. We take comfort knowing this short-term frenzy is a necessary step towards more rationality coming our way sooner rather than later, and we began to see cracks emerge in the SPAC world as the quarter drew to a close. Usually at a market turn, you see the weakest parts of the previous run-up get shaken out first, and that might already be happening for some SPAC participants. While short-term SPAC valuations are in silly territory, there is a great long-term benefit to so many companies and management teams coming back into the public realm, as it ultimately increases the investable universe of opportunities for long-term investors like us.

On 2), our cash is never a top-down market call, but rather the residual of the bottom-up opportunity set. We would of course prefer to be fully or close-to-fully invested at all times as a result of finding compelling bottom-up investment opportunities, but we remain disciplined in an overvalued market and have proven (with quarters like this one), that we can deliver solid absolute returns with less risk when we have a cash buffer. Our history has shown that our cash can turn into investments quickly and it has typically been beneficial to have cash on hand to take advantage of market corrections. Simply adding to the portfolio holdings that are currently less than 5% would use all of our current cash.

Contribution to Return

1Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
Lumen	39	2.97
CNX Resources	36	1.64
General Electric	22	1.46
Fairfax Financial	31	1.43
Williams	21	0.88

1Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Millicom	-2	-0.11
MinebeaMitsumi	11	0.08
Ferrovial	7	0.09
Accor	4	0.12
Comcast	4	0.14

Lumen, the global fiber company, was the top contributor. While COVID fallout still weighed on fourth quarter results, the company benefitted from positive business mix improvements. Early in the quarter, Lumen appreciated 38% in a few short days amidst the “Game Stop / Reddit” short cover phenomenon, and we trimmed the position on the price strength. After this short-term bounce, Lumen’s stock price appreciated more steadily over the last six weeks of the quarter with improved results. Many of last year’s worst-case fears have not materialized and the outlook is improving for the core business. We continue to believe that the company has multiple ways within its control to both grow and realize value per share, and we have a 13D filed to allow us to discuss these options with the company. Lumen’s board, which includes Southeasternnominated Chairman Mike Glenn from FedEx and Director Hal Jones from Graham Holdings, is doing good work to realize Lumen's hidden value and return the business to FCF/share growth. Despite its appreciation, the stock trades at less than half of our appraisal.

CNX Resources, the Appalachian natural gas company, was another top performer. The company earned $85 million FCF in the fourth quarter and used the profits to pay down debt and repurchase shares at a 7% annualized pace. 2021 and 2022 production is hedged at solid prices, and the company has guided to a growing $1.90 per share FCF coupon in the near term. The stock trades under 8x FCF before adjusting for farther off undeveloped acreage and the company's pipeline infrastructure. CNX is the lowest-cost producer in the region and its PDP decline rate continues to improve, meaning it can maintain or grow future production without spending heavily. Encouragingly, CNX announced meaningful progress in its ESG initiatives in the quarter, including its commitment to transparent reporting through its adoption of Climate-Related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB) disclosure standards. We have engaged with CNX leadership on this topic over the last several years and have encouraged them to commit to these leading industry standard disclosure frameworks. Additionally, the company formed a dedicated working group focused on future emissions reduction and approved a performance measure program that ties executive compensation to meeting targeted methane emissions reduction thresholds over a three-year period.

General Electric (GE), the revitalized Aviation, Healthcare and Power conglomerate, was a top contributor following on its strong 4Q 2020 performance. Fourth-quarter Healthcare results were excellent, with revenues up 6% year-over-year, operating margins up 3% to 20% and strong FCF conversion. The Power and Renewables segment improved margins due to strength from gas plant services. With flight traffic increasing, Aviation appears likely to begin a multi-year recovery in the second half of this year. GE also swapped its aircraft leasing operations to AerCap for a 46% stake in the combined company, intelligently wrapping up its previously troubled GE Capital financing operations and further decreasing overall leverage. We continue to be impressed by the turnaround work of CEO Larry Culp, and the stock remains discounted against the quality of the three core business segments.

Fairfax Financial (FFH), the insurance and investment conglomerate, was a top contributor in the quarter. The COVID pandemic has had a dramatic impact on the insurance industry. Pricing trends had already turned positive in 2019, yet the losses and uncertainty from a global pandemic pushed the positive pricing trend, a "hard market" in insurance industry speak, to another level. As a result, sentiment toward Fairfax continued to improve as fourth quarter results demonstrated profitable underwriting with a 95.5% combined ratio, and premiums written increased 16% with significant contributions from increased pricing, as the insurance market continues to harden. Fairfax also invests a significant portion of its investments in equity securities with a value orientation. As the overall stock market and value stocks appreciated strongly over the last five to six months, Fairfax's equity portfolio was a beneficiary. The company increased its book value per share 8% in 4Q, and we expect to see continued growth next quarter. With interest rates beginning to increase, Fairfax is also primed to reinvest in higher yielding debt. The company currently holds a significant portion of its fixed income portfolio in short-term instruments, putting the company in an opportunistic position to capitalize on higher rates. The stock still trades low on book value and normalized earnings multiples. CEO Prem Watsa repurchased over 5% of Fairfax shares through swaps to preserve capital for additional underwriting and also ended the costly market hedges that had stunted Fairfax's value growth over the last several years. The attractive price environment looks likely to continue, making this one of the best times in years for allocating capital into underwriting.

Portfolio Activity

Summary of Trade Activity in 1Q

New Purchases	Full Exits
Undisclosed	DuPont
Undisclosed	MinebeaMitsumi
	CK Asset Holdings

We exited three businesses in the quarter: DuPont, MinebeaMitsumi and CK Asset Holdings. We sold DuPont, as its share price went to our appraisal value. We have owned DuPont successfully three times now in the last decade and have great respect for CEO Ed Breen, who has delivered on creating value and focusing the company on its core businesses. We continue to view the business and leadership highly and hope to have the opportunity to partner with them again. We sold our partial position in MinebeaMitsumi, as our outlook for the business and management's capital allocation plans deteriorated and our position in CK Asset Holdings to upgrade into opportunities with a larger margin of safety and potential upside. We trimmed an additional three holdings, taking advantage of price strength to manage position sizes at companies trading at a higher price-to-value.

We bought two new currently undisclosed businesses this quarter. One is a company that we know well and have successfully owned before. We are excited to have the opportunity to partner with the strong management team again. The second is a cash-flow generative healthcare company with a strong balance sheet and aligned board and management team with a history of long-term value creation. It represents a relatively rare opportunity where we can find a compelling company whose value has the right mix of downside protection from established franchises and hard to quantify upside from a misunderstood pipeline, all at a price that meets our discount criteria.

Our team has been hard at work evaluating new businesses across multiple sectors, including healthcare, consumer products and infrastructure. Our on-deck list remains better than we would expect for a market at this aggregate level, as new companies have moved on, while others have moved off. There are not broad "themes" that are driving our new additions, but rather unique one-offs that come our way as we go down the list day by day. We can see multiple ways to have a similarly productive second quarter and rest of the year on new name generation. We also have several existing holdings closer to buys than sales at today's portfolio weights.

Outlook

We are excited about the specific company opportunities in the Strategy and on our on-deck list, but we would also highlight a few additional potential sources for tomorrow's "value stocks," which we are watching closely. While more money into index funds or thematic ETFs can lift all of those boats in the good times, there will inevitably be bad times when all these move down together, leading to some high-quality companies within this group becoming misunderstood, and then we will get a chance to own them. That statement might apply more to some of the higher-flying parts of the market, so we would also point to some of the more boring, consumer product parts of the market with hope. The thirst for perceived safety via low-volatility grew over the last several years in conjunction with lower interest rates / higher multiples, amplified by a one-time COVID bump that helped that group further. We have owned many high-quality consumer goods companies before, but we expect a tougher near-term outlook for these “places to hide.” We expect this will eventually translate into more opportunities for long-term value investors like us at better multiples.

We are glad to start the year off as we have and do not believe this is a blip. Value has outperformed for 70%+ of rolling 10-year periods throughout recorded history. The data would support that we are more likely than not just getting started after a longer than usual rough period. We also like how our unique portfolio is positioned vs. an average active value manager or ETF. We do not own either extreme of 1) opaque, undifferentiated bank stocks or 2) “compounders” that are great qualitatively but just are not undervalued and therefore have minimal or no margin of safety. Our carefully selected portfolio has much more room to grow, and our cash holdings will provide a buffer vs. overvalued markets and then turn into our next great qualifiers.

See the following for important disclosures.

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 March 31, 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%

<u>Institutional Global Equity Composite</u> - 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.

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 list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are 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. Composite dispersion and 3 year annualized ex-post standard deviation are reported using gross returns. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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.