Non-US Strategy Commentary

3Q21

Southeastern Asset Management

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					Annualized Total Return		
	3Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Non-US Strategy (Gross)	-8.27	0.93	25.21	3.33	8.07	9.02	8.00
Non-US Strategy (Net)	-8.45	0.34	24.21	2.51	7.21	8.09	6.92
MSCI EAFE	-0.45	8.35	25.73	7.62	8.81	8.10	6.53
MSCI EAFE Value	-0.97	9.61	30.66	3.04	5.96	5.97	5.60

*Since Inception 6/30/2002

The Non-US Strategy returned -8.45% in the third quarter vs. the MSCI EAFE's -0.45% return, taking the Strategy's year-to-date figure to 0.34% vs. the MSCI EAFE Index at 8.35%. The Strategy's Hong Kong and China-listed businesses, together with two China-linked companies listed in Europe, drove the relative and absolute decline in the quarter. The rest of the portfolio essentially treaded water, with a handful of positive contributors in Europe and the Americas. The last six months in Asia have been reminiscent of the Asian Crisis in the late 1990's, when we first seeded the Longleaf Partners International Fund and established an office on the ground in Asia. We are no strangers to volatility in the region. As value investors, we recognize that macro-driven market swings can seriously impair some businesses overnight, while simultaneously creating compelling, historically discounted opportunities in others over the long term. We draw upon insights from our team on the ground in Asia and our extensive network of regional and industry experts, current and former investee company management teams and boards, asset management peers and clients to help inform our view. In addition to working with this network, we have been reviewing the Strategy's

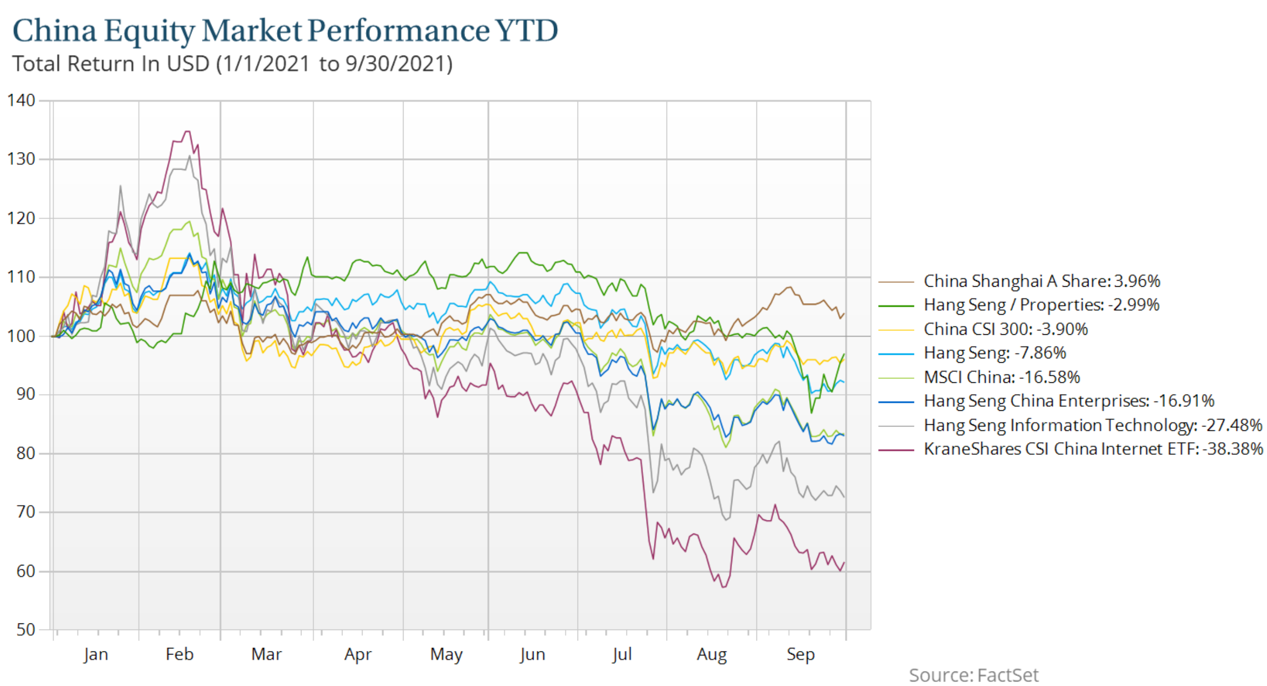
Portfolio Characteristics

Price-to-Value	low-60s%
# of Holdings	21
% of Cash	4.3%
Portfolio Yield	2.0%

exposure and evaluating any potential value impact on a bottom-up, case-by-case basis.

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.



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. The 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, which further impacted our real estate and construction-related holdings. To further compound volatility created by regulatory action, COVID re-emerged in China, leading to restrictions and lockdowns across numerous cities in China.

Macau

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.

In the past few weeks, connected insiders have started to buy shares in their own Macau gaming companies at Galaxy and SJM, giving us further confidence in the prospects for Macau. We remain confident in our holding in Melco International, which is led by a local operator with strong ties to Macau and Mainland China. We discuss Melco in more detail below.

China and Hong Kong Property

China's multi-year policy to deleverage the real estate sector took another meaningful step forward when the government imposed financial covenants last year on developers and severely restricted access to bank financing for developers who failed to meet the "3 Red Lines" leverage tests. The Chinese government is seeking to avoid a "Lehman Moment." It has been aggressively tackling the leverage and speculation in the real estate market to prevent an unhealthy misallocation of capital towards the real estate sector. Contagion fears spread from Evergrande to other Hong Kong-listed developers (and equity markets globally). Hong Kong property developers also weakened in September in reaction to a Reuters news article on September 17 claiming that mainland officials met with Hong Kong developers to redirect resources to help solve the housing shortage in Hong Kong. Fears of a "Common Prosperity" agenda, leading to housing price controls and the confiscation of idle landbank caused the Hang Seng Property Index to plunge. This volatile situation will likely create opportunity for the surviving businesses to acquire attractive property assets at a discount, but we recognize this could take some time.

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, as discussed above. 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 underlying holding Tencent), Alibaba, Gree Electric and CK Hutchison are buying back record amounts of shares. Gree is the largest share repurchaser in China after buying back almost 9% of the company, while paying out an 8.4% dividend yield at current prices. 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 the Portfolio?

The chain of events highlighted above and splashed across headlines this year have had a strong impact on the share prices of our underlying holdings. We have been acutely focused on stress testing the portfolio 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 the 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 have initiated two new investments – Alibaba and Gree – in 2021 that have been thrown up by China-related volatility. While we were early in these businesses and felt some initial price pain as we built out the positions, we feel great about the long-term prospects of these two companies and their respective management teams. Alibaba has non-earning assets which are still in money-losing investment mode (including the cloud business and community group buying), so returns and profitability are deeply understated. As these businesses grow and scale up, they should generate high margins that will accelerate profitability and return on equity (ROE) going forward, despite regulatory pressures at the margin. In the meantime, Alibaba bought $3.7 billion (bn) discounted shares since April 2021, and the company upsized its approved buyback plan, first from $6bn to $10bn in December 2020, and again to $15bn in August 2021. Gree (the dominant air conditioner player in China) is free from the current regulatory uncertainty. The company is poised to benefit from the structural consumption upgrade in China, and the market volatility gave us the opportunity to buy this leading business at a single-digit free cash flow (FCF) multiple. As discussed above, Gree initiated its first major share buyback program in 2020 and has since repurchased just under 9% of the company.

We sold our position in Baidu, as we believed there were better uses of capital that did not face as strong of headwinds to value recognition. We reduced our position in Baidu early in the year in the wake of a dramatic price spike in mid-February, resulting in the stock producing a modest gain over our full holding period. 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 own can provide strong future returns over the long term that will compensate for the short-term pain felt this year.

Contribution to Return

3Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
EXOR	5	0.45
GRUMA	3	0.16
Lazard	3	0.15
Premier Foods	5	0.12
Domino's Pizza Group (UK)	1	0.09

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Melco International	-36	-2.32
Alibaba	-35	-1.01
Prosus	-18	-0.74
GREE	-21	-0.69
Richemont	-13	-0.65

EXOR, the European holding company of the Agnelli family, was the top contributor for the quarter after reporting a first half 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.

Gruma, the tortilla consumer packaged goods (CPG) company in the US and Mexico, contributed. Constant-currency revenues in the US are up at a 6% CAGR over the last two years with strong pricing and mix effects. Gruma's smaller European and Asia Pacific retail businesses are also growing quickly. Though margins are now somewhat depressed due to high corn prices, the company has locked in commodity hedges through 2022 and will continue to price through cost increases even if this is on a lagged basis. The stock still trades under 70% of our appraisal and at 11x our estimate of FCF power, which is almost a 50% discount against US-domiciled CPG companies with less growth ahead of them.

Melco International, the Macau casino and resort operator, was the 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. However, 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).

Alibaba, the largest online retail platform in China, was a top detractor in the quarter, as it was whipsawed by the events discussed above. Alibaba's China marketplace-based core commerce revenue grew 14% year-over-year (YOY) despite a high base but is expected. Q1 growth of 29% YOY in Alibaba's cloud business was below market expectations, but if we exclude the negative impact of a single customer (which had to terminate its Ali Cloud relationship in international markets due to geopolitical pressure), the growth has remained in the 40-50% range contrary to the market's bearish view. Alibaba has a proven track record of incubating new businesses that develop into multibillion-dollar franchises, and we are confident that current investments can achieve attractive internal rates of return (IRR) over time. In August, China passed PIPL (Personal Info Protection Law in China) which is China's version of Europe's GDPR (data protection and privacy). We believe its impact on Alibaba is relatively small compared to the audience targeting platforms. Alibaba is a private marketplace platform where consumers come with an intent to purchase. Alibaba does contextual marketing and does not engage in buying and selling data/traffic. While these new regulations could lower return on investment (ROI) on marketing dollars for merchants, the relative impact on e-commerce platforms like Alibaba will be lower than social networking, short video and livestreaming platforms. At today's depressed stock price, the underlying core China marketplace business, which we expect will compound at low to mid-teens rate in coming years, is only trading at a mid-single digit FCF. It is noteworthy that Alibaba is increasing its buyback authorization from $10bn in December 2020 to $15bn, which indicates management's positive view on Alibaba's growth prospects.

Prosus, a global consumer internet group, was also a 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 game 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 the leading internet operations in the emerging markets, which have been delivering over 20% IRRs. 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
No New Purchases	Baidu

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. 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. Ironically, this is the same kind of sentiment that led to the launch of the Longleaf Partners International Fund over 20 years ago and that we saw in another rough period when Europe was similarly depressed 10 years ago. We improved the portfolio and our process out of both of those periods and delivered subsequently both times. 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 our Europe and Americas-based stocks' performance was muted in the quarter, most of the companies grew their values.

For multiple letters we have pounded several important themes: non-US will revert and have its outperformance versus the US, just as we have seen in every cycle through history, and value will eventually out and have its day of relative outperformance against growth. We believe that the world outside of the US 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 earnings per share (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. We are confident that the Southeastern investment approach delivers on its promise of adding value and that this is a historically attractive relative and absolute opportunity to allocate funds outside of the US.

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 NON-U.S. EQUITY COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	MSCI EAFE (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	465	5	7.8%	2.0%	1.2%	1.8%	22.7%	17.9%
2019	12,481	451	5	22.0%	18.6%	17.6%	1.3%	13.4%	10.8%
2018	13,881	386	5	-13.8%	-5.7%	-6.4%	0.8%	13.1%	11.2%
2017	18,203	453	5	25.0%	28.0%	27.0%	1.9%	15.1%	11.8%
2016	19,302	354	5	1.0%	13.4%	12.5%	1.3%	15.4%	12.5%
2015	20,315	298	5	-0.8%	-4.0%	-4.8%	2.0%	14.0%	12.5%
2014	30,542	313	5	-4.9%	-7.5%	-8.2%	1.3%	13.9%	13.0%
2013	34,914	325	<5	22.8%	30.0%	28.8%	na1	16.5%	16.3%
2012	31,752	281	<5	17.3%	24.2%	22.8%	na1	18.4%	19.3%
2011	31,485	455	6	-12.1%	-19.3%	-20.1%	0.6%	20.9%	22.4%

na1 - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Institutional Non-US Equity Composite - **Portfolios** included in this composite contain not only companies headquartered outside of the U.S., but also U.S. domiciled companies with more than half of revenues, profits, or appraised value derived from non-U.S. locations. These portfolios normally contain 18-22 securities. 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 EAFE 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 Non U.S. Equity Composite has had a performance examination for the periods July 1, 2002 through December 31, 2020. The verification and performance examination reports are available upon request.

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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 Non-U.S. Equity Composite was created on July 1, 2011. The inception date for this composite is June 30, 2002.