Non-US Strategy Commentary

3Q20

Southeastern Asset Management

For Institutional Investors Only

					Annualized Total Return		
	Qtr (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Non-US Strategy (Gross)	2.59	-17.76	-8.11	-2.40	7.36	5.43	7.13
Non-US Strategy (Net)	2.39	-18.24	-8.84	-3.18	6.50	4.51	6.05
MSCI EAFE	4.80	-7.09	0.49	0.62	5.26	4.62	5.57
MSCI EAFE Value	1.19	-18.31	-11.93	-5.86	1.14	2.10	4.69

*Since Inception 6/30/2002

The Non-US Strategy returned 2.39% in the third quarter versus the MSCI EAFE's 4.80% in the third quarter. For the full year, the Strategy's return remains behind the Index after an extremely challenging first quarter. While we are disappointed in the Strategy's near-term absolute and relative results, we are confident that our long-term, concentrated, value-oriented investment style will not be out of favor forever. Throughout our history, our largest short-term detractors have typically gone on to be the most meaningful drivers of longer-term outperformance. However, our overweight to Hong Kong was the largest absolute and relative detractor in the period, with all of the Hong Kong-listed companies we own declining in the quarter. We believe these businesses offer some of the most compelling future upside from today's overly discounted prices.

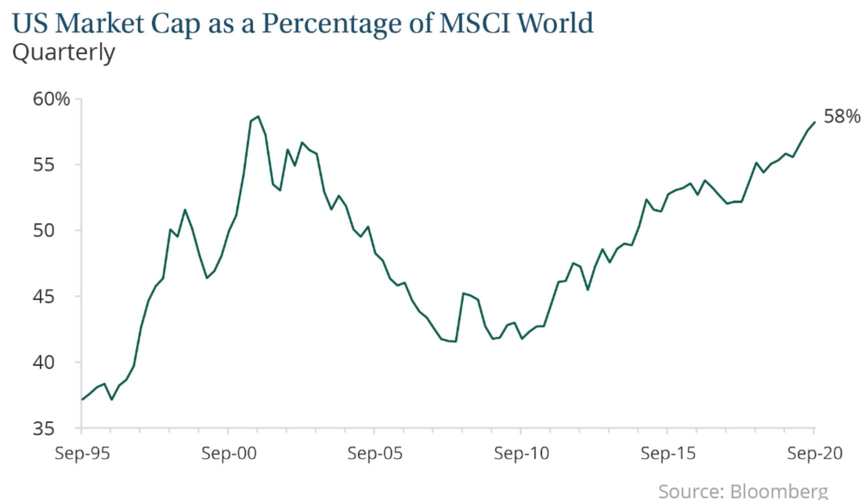
Today, we believe the Strategy is heavily weighted towards "coiled springs", companies with depressed stock prices where the underlying businesses are performing and the people are taking intelligent, value-accretive action. In addition to the Hong Kong-listed positions described in more detail below, companies in the tightly-coiled camp include: EXOR, Lanxess, Great Eagle, Glanbia, Baidu, Accor, Fairfax and Applus. Perhaps

Portfolio Characteristics

Price-to-Value	low-60s%
# of Holdings	21
% of Cash	2.8%
Portfolio Yield	1.9%

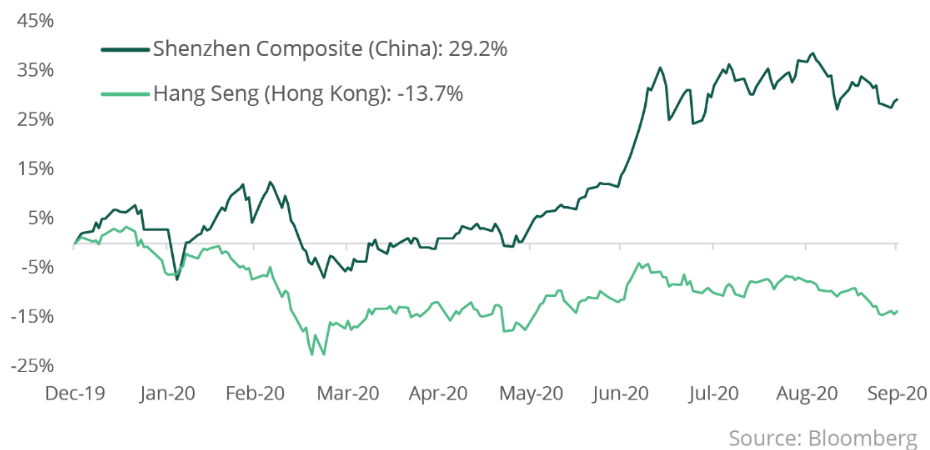
not surprisingly, these represent the companies that have been among the worst contributors to performance this year and/or are among our newest purchases. We believe this is a collection of extraordinarily discounted, high-quality companies with strong management partners at the helm. The return potential embedded in this group, collectively trading well below 60% of appraisal value, combine to represent over half of the Strategy. Alongside this group of deeply discounted companies primed for what we believe could be significant upside, we own companies like Domino's and Becle. These businesses have been lockdown beneficiaries that have been among the largest contributors to performance year to date (YTD). These companies remain attractively discounted, and we believe they are primed for continued value growth in the coming years.

Last quarter we highlighted the disparity between US markets and nearly every other equity market in the world on normalized cyclically-adjusted price-to-earnings ratios (CAPE). Today, US equity markets have reached a new threshold of "relative market share" at nearly 60% of global equity market capitalization. This level was last touched around the turn of the millennium, setting off a 7-year period of non-US outperformance relative to US equities.



Performance Review

Hong Kong particularly stands out as a relative performance laggard when it comes to non-US markets, which we have seen reflected in our returns YTD. Hong Kong's Hang Seng Index has declined 13.7% YTD (USD), among the worst-performing stock exchanges in North Asia. The Hang Seng Index's weak performance contrasts with strong performance in Mainland China. The Shenzhen Stock Exchange Composite Index, is up 29.2% YTD (USD), while the CSI 300 index has appreciated 17.1% YTD (USD).



In addition to a heavy weighting towards more value-oriented sectors – in the form of financials, property and utilities – which have underperformed growth globally, the Hong Kong stock market has been buffeted by continued tensions between the US and China and the closure of borders to non-residents since March. Strength in technology sector names, such as Alibaba, Tencent, and Xiaomi, and biotech names, such as Wuxi Biologics and Sino Biopharmaceutical, was insufficient to offset heavy exposure to old economy sectors such as utilities, banks, and properties (retail, office, hotels), which account for more than half of the market and depend more on open borders and inflow of mainland Chinese visitors and companies.

Last year, Hong Kong had about 56 million visitors, with 78% coming from Mainland China. In the current environment in the face of COVID-19, YTD visitation numbers

through August are down 92% year-over-year (YOY), to the detriment of businesses that benefit from tourism.

Hong Kong-listed conglomerates CK Asset (CKA) and CK Hutchison (CKH) and Macau casino operator Melco International were deeply affected by negative sentiment in Hong Kong and the closure of borders in Hong Kong and Macau. Both CKA and CKH reduced their interim dividends, which weakened their share prices. In our view, the dividend cuts were unnecessary and overly conservative, as both companies are well capitalized, and in the case of CKA, its balance sheet is significantly under-levered. CKH's free cash flow (FCF) in the first half was actually up 50% YOY due to excellent working capital discipline. CKA's hotels and retail malls in Hong Kong, their pub business in the UK, and their airplane leasing business were affected in varying degrees by COVID. CKH's retail business and Canadian energy business were affected most by COVID shutdowns and the collapse in oil prices. CKA has one of the best balance sheets in the world among real estate and infrastructure companies. But in the near term, the market is focused on some of the more short-term volatile parts of these companies that are hurting currently reported earnings per share.

Melco's casino business was severely affected by the closure of borders in Macau, with visitation down 87% YOY in the first eight months of the year, despite only 46 cases of COVID and zero deaths, as of the end of September. Despite effective cost-saving measures, an over 90% collapse in revenue is causing cash burn at all Macau casinos.

While the first half was challenging, the second half is looking much better for all three companies, as they see signs of recovery. Macau borders have slowly opened to Chinese visitors in the last month, with Individual Visit Scheme (IVS) visas open to all mainland residents from September 23rd. While the process of obtaining visas and COVID testing prior to travel means that recovery will be slow and measured, Melco only needs visitation to recover to 30% of last year's levels to achieve cash flow breakeven. We are confident that the pent-up demand for gaming in Macau remains undiminished and that logistical hurdles to travel will continue to fall away.

We have seen a strong recovery in travel and consumption in mainland China, where there is an unrestricted movement of people, and we believe that Macau will recover once restrictions on cross border travel are relaxed. In the first four days of the "golden week" holiday in China, there were 425 million domestic tourists, with total tourism revenue reaching 312 billion RMB, recovering to around 70% of last year's level. Discussions are ongoing regarding potentially adding Hong Kong to the China-Macau travel-bubble. We believe that opening the borders between Hong Kong Macau, and Mainland China would be highly beneficial for our Macau and other travel exposed investments.

CK Hutchison's retail stores have seen traffic recovery after cities unlock, and July's operating profit was already up 14% YOY. We understand that the positive YOY growth in retail operating profit has continued in the second half. The decline in port shipment volume at various ports is narrowing compared to the pandemic's peak in the first half.

CK Hutchison completed the legal separation of its European tower assets, and management is actively exploring ways to realize value. In the current low yield environment, stable earning assets like towers are in demand, and comparable peers in the developed market are trading above 20 times pre-IFRS 16 earnings before interest, taxes, depreciation and amortization (EBITDA). We believe selling assets at an attractive valuation, which the company has a strong track record of doing, and redeploying capital to repurchase discounted shares could create tremendous value for shareholders. If CK Hutchison were to sell its tower business for 24x EBITDA, in line with European telecom tower operator Cellnex Telecom's trading multiples, that would imply a value of $8.5 billion, or 36% of CK Hutchison's severely depressed market capitalization, which is trading at 5x earnings.

We have seen significant insider buying and share repurchases in our portfolio, which we believe is a good indicator of our portfolios' attractiveness by proven capital allocators whom we respect. In Hong Kong, The Li family, the largest shareholder of CK Asset and CK Hutchison, spent close to $500 million in the last 14 months buying shares of the two companies. Lawrence Ho, Melco's Chairman, and CEO spent over $55 million YTD buying shares personally in Melco International.

Contribution to Return

3Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
Domino's Pizza Group (UK)	25	1.48
Lazard	17	0.73
Millicom	16	0.62
LANXESS	10	0.56
Becle	7	0.32

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
CK Asset Holdings	-18	-0.72
Melco International	-9	-0.64
Great Eagle	-10	-0.46
Glanbia	-9	-0.39
EXOR	-5	-0.33

Domino's Pizza Group (DPG), the UK-listed iteration of the Domino's brand, was the top contributor in the quarter. DPG has seen a complete transformation of its board and C-Suite over the last year. In September, DPG announced the appointment of Natalia Barsegiyan and Lynn Fordham to its board, further improving governance and oversight and adding some much-needed diversity to the board. The dramatic improvement in management quality and governance effectiveness over the last year has coincided with a lockdown environment that has resulted in increased delivery pizza demand. DPG is by far the market leader in pizza delivery in the UK. This local economy of scale and dense distribution network of franchisees makes for the freshest and most consistent delivery product in an environment where consumers are increasingly turning to food delivery. DPG was not entirely unscathed by the COVID lockdown, as approximately 20% of 2019 revenue was derived from takeaway customers. This business entirely went away in the worst of the lockdown period but was more than made up for by the surge in delivery orders. DPG has a substantial runway for further growth within the underpenetrated market in the UK and Republic of Ireland. Despite strong performance, it trades at a meaningful discount to its growing appraisal value and we believe offers significant upside from here.

Lazard, the global asset management and investment banking company, was also a top contributor. During the quarter, Lazard's AUM grew 11% as international markets rallied, and management revealed a strong backlog of new accounts to drive future inflows. Financial advisory revenues declined 11% YOY with the depressed number of M&A transactions outweighing strong growth in restructuring work. CEO Ken Jacobs

has done excellent work to maintain the company's profitability by reducing costs more than 10% in a challenging market environment. As earnings rebound with an improving 2021 M&A environment, we expect further strong appreciation from Lazard's undervalued shares. In the meantime, Lazard's free cash flow funds a hefty 5% dividend. The recent news of Morgan Stanley acquiring an inferior peer to Lazard Asset Management for a high multiple, as well as activists taking stakes in peers Janus Henderson and Invesco, should help to highlight the value of Lazard's differentiated international asset management business. Lazard remains highly discounted versus our appraisal value, which has been growing again after the initial COVID pain.

Millicom, the Latin American cable company, was another positive contributor. Like most companies in the region, Millicom suffered a material negative impact from COVID, with its Panama and Bolivia businesses hit especially hard. Its businesses in Colombia and Paraguay have also suffered from FX weakness. However, Millicom was able to navigate the challenges in line with market expectations. CEO Mauricio Ramos and CFO Tim Pennington have done great work to deleverage the business to healthy levels, even as COVID took a near-term toll on revenues. Management updated guidance to target free EBITDA (EBITDA less capital expenditure) to be flat YOY. The company was cash flow positive in the first half of this year. In September, Southeastern Vice-Chairman Staley Cates joined Millicom's Nomination Committee, whose primary responsibilities are to identify potential board members, propose the compensation for all directors and present proposals on the election and compensation of the statutory auditor. This allows us to engage in a more meaningful way with the company on important issues but does not involve the same time or resource commitment of taking a seat on the Board of Directors. After double-digit returns in the quarter, Millicom still trades at a substantial discount to our conservative appraisal.

CK Asset, the Hong Kong and China real estate company, was the top detractor in the quarter. As discussed above, COVID has created disruptions in several segments within the company. Investment property and hotel profits were down YOY. The aircraft leasing division profits were up in the first half, primarily due to some disposal gains, but the industry is facing headwinds. CK Asset's UK pub operation booked losses due to pub closures during the lockdown, as well as a write down of assets. However, the

company continues to take strategic steps to create value during the pandemic. In May, CK Asset won a site on Anderson Road, Hong Kong at a material discount to comparable transactions nearby and disposed of the entire remaining mixed-use development in Chengdu, China at three times the book value in July. Given the macro environment this year, we have adjusted our appraisal assumptions to incorporate a worst-case scenario. However, CK Asset is still trading at a severe discount. It is encouraging to see that the KS Li family, the largest shareholder in the company, has continuously increased their stake via open market purchases, spending about HK$3.8 billion (US$485 million) since last August, an unparalleled level of insider buying.

Melco International, the Macau casino and resort holding company, was another detractor in the quarter. Its operating subsidiary Melco Resorts recorded property level EBITDA loss of US$156 million, ahead of consensus expectations, thanks to stringent cost control. As discussed above, travel restrictions between Macau and Mainland China began to ease in August, with the issuance of IVS visas in China resuming in late September. These are critical steps towards a normalization of the Macau operating environment. However, they have not led to an immediate recovery in visitations or gross gaming revenue (GGR) due to inconvenient logistics, including a manual processing of visa applications, required COVID testing and increased scrutiny over cross-border capital flows and junkets leading to weak VIP numbers. In this tough operating environment, we are encouraged that Melco has shown impressive cost controls and liquidity management. Melco cut its daily operating expenses by over 40% in just a few short months. The company expects to reach EBITDA breakeven when GGR reaches 30-35% of historical levels. Melco has enough balance sheet liquidity to sustain two years of a zero-revenue scenario, while still funding its growth capital expenditure. We are not expecting a V-shaped recovery in the near term, but we believe Melco's mid-to-long term growth prospects remain intact with Lawrence Ho’s strong execution and the company’s solid position in the premium mass segment.

Great Eagle, a Hong Kong real estate company that invests in and manages high quality office, retail, residential and hotel properties around the world, was a top detractor in the quarter. Ongoing COVID-related uncertainties continue to impact all of Great Eagle’s businesses. The hotel division saw revenues decline 60-70% YOY with hotels at only 20-30% occupancy rates, and all hotels turned loss-making as a result. Great

Eagle's listed Hong Kong subsidiary Champion REIT posted relatively resilient profits in the first half with total income down only 9% YOY. The office portfolio's net operating income was up 3% YOY with increasing rents, but Champion's retail business of Langham Mall was challenging with declining rental income. Great Eagle has been buying Champion REIT shares in the open market to take the advantage of the low price. The Hong Kong hotel market continues to face headwinds from the Hong Kong protests last year and COVID this year, impacting the performance of the other listed subsidiary Langham REIT. In July, Langham REIT announced a rights offering, which Great Eagle will subscribe as much as possible while maintaining the 25% free float limit. Despite the challenging environment for its hotel business, the residential project in Hong Kong ONTOLO is selling well and provides strong cash flow to the group. Great Eagle is maintaining its HK$0.33 per share interim dividend and also paying a HK$1.5 per share special dividend. Currently, Great Eagle is trading at less than its cash and listed securities valued at market, which implies zero value assigned to its overseas hotel portfolios. While we have updated our appraisal to reflect our expectations that this tough operating environment will continue throughout this year, the company still trades at a substantial discount today.

Portfolio Activity

Summary of Trade Activity

New Purchases	Full Exits
Jollibee	No Complete Exits

We initiated an investment in Jollibee Food Corporation (JFC), the largest restaurant company in the Philippines, with almost 6,000 stores worldwide – 3,528 Group-owned and franchised stores in the Philippines and 2,446 stores overseas. From humble beginnings as an ice cream parlor in the 1970s, JFC rapidly expanded through the organic growth of the Jollibee brand and a string of acquisitions of multiple brands, generating over $4.8 billion system-wide sales last year. JFC is the dominant quick-service restaurant (QSR) player with over 50% market share (by store network) in the Philippines, larger than McDonald's and KFC in the region. Chairman Tony Tan Caktiong and his brother, CEO Ernesto Tanmantiong, who collectively own around 56%, run JFC

as prudent owner-operators with good operation and execution capabilities. We like the company's focus on ROIC and the long runway for profitable growth opportunities in the Philippines and overseas.

Outlook

Although our portfolio has been out of favor for the last 12 months, we believe the outlook for this strategy is bright. Non-US, non-dollar, non-growth-at-any-price companies contain the seeds of excess future return. We have taken advantage of volatility this year to re-underwrite our portfolio and have taken some key steps to upgrade the quality. Today, the portfolio is fully invested with an on-deck list longer than most any time in the strategy's 20-plus year history. The fourth quarter holds the potential for plenty of geopolitical drama, including the US presidential election, the end of the Brexit transition period between the UK and European Union and further developments around the global pandemic. Of these, Brexit is perhaps the most relevant to the portfolio - not because we have any undue exposure directly to that outcome, but because it could provide plenty of opportunity for new investments. The original Brexit vote in 2016 set up an environment that led to several excellent investment opportunities. Our on-deck list of potential opportunities is well represented by UK-domiciled firms that could be impacted in the short term by Brexit-related volatility.

Despite a year of frustrating relative and absolute performance, we are confident that our two-decade-long track record of adding value in a rigorous, disciplined manner will continue for the future. We feel that the Strategy is primed to deliver strong excess returns going forward. Southeastern's time-tested strategy of concentrated value investing for the long term, focused on good businesses with an appropriate margin of safety where we can think and act like long term owners, can continue to deliver excess returns. We hope that you and your families remain healthy and safe.

See following page for important disclosures.

Southeastern Asset Management can be found in our ADV Part 2, available at www.adviserinfo.sec.gov. Statements regarding securities are not recommendations to buy or sell the securities discussed. The statements and opinions expressed are those of the author and are as of the date of this report. Holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients. Current and future holdings are subject to risk and past performance does not guarantee future results. Portfolio information is based on a sample account at September 30, 2020. 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

					Annual Performance Results Composite				
Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	MSCI EAFE (with net dividends)	Gross	Net	Composite Dispersion	Composite 3-Yr Annualized EX-Post Standard Deviation	Benchmark 3-Yr Annualized EX-Post Standard Deviation
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%
2010	34,639	546	6	7.8%	17.3%	16.1%	1.2%	24.7%	26.2%

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

Institutional Non-U.S. 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. ("Southeastern") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Southeastern has been independently verified for the periods January 1, 2001 through December 31, 2019. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Institutional Non-U.S. Equity Composite has been examined for the periods July 1, 2002 through December 31, 2019. The verification and performance examination reports are available upon request. Southeastern is an independent investment management firm that is not affiliated with any parent organization. Southeastern invests primarily in equities. Results are based on fully discretionary portfolios under management that are managed without regard to tax considerations. Past performance is not indicative of future results. A complete list of composite descriptions is available upon request. The U.S. dollar is the currency used to express performance. Returns are presented gross and net of management and performance fees and include the reinvestment of income. Dividends are recorded either gross or net of foreign withholding taxes based on the treatment of these taxes by the accounts' custodian. Net of fee performance is calculated using actual management and performance fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the portfolios in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The investment management fee schedule for accounts with a market value less than $100 million is 1.0% 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.