# Non-US Strategy Commentary

# 4Q20

For Institutional Investors Only

| | | | | Annualized Total Return | | |
|---|---|---|---|---|---|---|
| | 4Q (%) | 1 Year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) | Since Inception (%) |
| Non-US Strategy (Gross) | 24.05 | 2.02 | 4.49 | 10.62 | 6.73 | 8.28 |
| Non-US Strategy (Net) | 23.79 | 1.21 | 3.65 | 9.73 | 5.80 | 7.20 |
| MSCI EAFE | 16.05 | 7.82 | 4.28 | 7.45 | 5.51 | 6.34 |
| MSCI EAFE Value | 19.20 | -2.63 | -1.24 | 4.20 | 3.37 | 5.89 |

*Since Inception 6/30/2002

The Non-US Strategy reported a strong fourth quarter, returning 23.79% and outpacing the MSCI EAFE's 16.05%. For the year, the Strategy returned 1.21%, a disappointing absolute and relative performance outcome versus the Index's 7.82%. 2020 performance was a tale of two halves, with the first half overwhelmingly driven by COVID-19 fear and stock price volatility. Our 3Q letter highlighted the tightly "coiled spring" nature of the portfolio at the end of September. Indeed, the beginnings of that uncoiling resulted in the strong recovery, as many of the same stocks that hurt the most in the first half drove the outperformance in the second. In both periods and for the full year, our overweight to Hong Kong (and the relative underperformance of our holdings there) was the largest single relative detractor. Currency was a tailwind for the year, as the remarkable dollar strength of the last decade finally started to reverse, but the index benefitted more from this tailwind given its larger Japanese yen weighting, as the yen appreciated 5% against the US dollar. For all the volatility and drama of 2020, the Strategy ended up almost where we started. We believe the steps we took to improve the portfolio over the course of the year have left it well positioned, and we think there are substantial "coiled springs" left to deliver strong future performance.

## Portfolio Characteristics

| | |
|---|---|
| Price-to-Value | high-60s% |
| # of Holdings | 21 |
| % of Cash | 5.4% |
| Portfolio Yield | 1.7% |

## Performance Review

The largest absolute and relative detractor for the year remains our exposure to Hong Kong-listed businesses. As we discussed in detail in our 3Q letter, Hong Kong has stood out as a relative performance laggard this year. It has faced continued tensions between the US and China, social instability from increasing Chinese control over the territory, COVID-related lockdowns and border closures in 2020. Technology and Biotech companies that operate mostly in Mainland China − which recovered first from COVID − outperformed older economy sectors within the Hang Seng index. Utilities, Banks and Properties (where we are invested) underperformed, as they were most affected by the closure of borders to Mainland Chinese visitors and lockdowns.

Even in the face of the difficult and worsening environment over the last two years, our confidence in the four Hong Kong-listed businesses that we own (the two largest of which, Melco International and CK Hutchison, are discussed in more detail below) has remained strong. In each case, we have management teams that think and act like owners doing all that they can to get the underlying value of their businesses recognized by the market. We believe insider buying and share repurchases led by proven capital allocators we respect are a good indicator of our portfolio's attractiveness. 2020 marked a year where we saw both of these utilized in a significant manner.

The Li family, the largest shareholder of CK Asset and CK Hutchison, spent close to $550 million in the last 18 months buying shares of the two companies. In November, CK Hutchison agreed to sell its European telecom tower network for €10 billion, worth 31x EBITDA (earnings before interest, taxes depreciation, and amortization), equating to almost 43% of the market capitalization of CK Hutchison. The first tranche of the transaction closed in December, and we expect the company to use some of the €2.1 billion of proceeds for value-accretive share repurchases. Management took advantage of the harsh energy environment and merged oil business Husky Energy with Cenovus Energy to create an integrated Canadian oil and natural gas company with substantial synergies in the fourth quarter. Furthermore, in December, CK Hutchison entered into a Memorandum of Understanding with Ooredoo to merge its Indonesian mobile telecom businesses. We believe CK Hutchison will continue to explore opportunities to consolidate the telecom industry in Europe to achieve scale synergies.

Lawrence Ho, Melco's Chairman and CEO spent over $60 million year to date (YTD) buying shares personally in Melco International. The Macau operating environment was extremely challenging for Melco and its peers, with industry gross gaming revenue (GGR) declining between 90-97% year-over-year in the second and third quarters. With travel restrictions between Macau and Mainland China beginning to ease in mid-August, we started to see a gradual recovery of Macau visitation and GGR. In the most recent quarter, the company reported lower than expected EBITDA losses, driven by further cost reductions, market share gains and better luck. Melco cut its daily operating costs by over 40% in just a few months, further lowering its cash breakeven point. This improvement was driven by prudent cost-cutting and a favorable mix shift towards higher-margin mass market business. We believe the availability of vaccines, further easing of travel restrictions and customer confidence recovery will help drive a sustained recovery in Macau. We expect Melco will emerge stronger post-COVID given Lawrence Ho and his team's strong execution and the company's solid position in the premium mass segment.

We believe the heavily value-oriented nature of our Hong Kong and Macau investments will benefit from the re-opening of borders, relaxation of lockdowns and any shift away from the past decade's growth mania.

Hong Kong’s Hang Seng Index’s -0.46% return for the year starkly contrasted with particularly strong performance in Mainland China, with the CSI 300 index up 30%. China was the largest positive contributing country in our portfolio for the year. While this may sound surprising for a value manager performance was driven by our investments in Chinese internet companies Baidu and Tencent (via the holding company Prosus). Baidu was first purchased in 2015, when its share price was highly discounted. Even after returning over 70% this year, the company trades at an attractive discount to its growing appraisal value and offers significant upside from here. We believe that its core search and newsfeed business is trading at an attractive 10x free cash flow.

Baidu stands out not just for its stock price performance but also for management's value-accretive actions in the last quarter. Not only did Baidu increase their buyback program from one billion to three billion dollars in August, but it further increased it to $4.5 billion in December. Operationally, the adjusted EBITDA margin for Baidu's core advertising business continued to expand, and its adjusted EBITDA grew 31% year-over-year in the third quarter. Baidu also agreed to acquire YY, JOYY's China live streaming business, at an attractive 8x earnings. YY is the pioneer in Chinese live streaming. YY has the business and technological know-how but lacks new user growth. YY offers Baidu immediate operational experience in operating a large live video community and has many performers on the platform. YY has 10x more performers on its platform than Baidu has, but Baidu has 10x more users on Baidu's ecosystem platform. We expect synergies to be significant, and YY to increase Baidu's monetization of its massive user base. Furthermore, Baidu is progressing with monetizing and accelerating their Apollo automotive artificial intelligence program and established a joint venture with Zhejiang Geely Holding Group to produce intelligent electric vehicles.

We took advantage of 1Q volatility in Asian markets to purchase Prosus after South African company Naspers spun out its 31% stake in Tencent in September 2019 into a Netherlands-listed holding company. We had long admired Tencent but never could get comfortable with the shareholder-unfriendly South African structure under Naspers. The years of work by multiple research team members across Asia, Europe and the US on Tencent, Naspers and Prosus eventually meant we were well prepared when the pandemic started and the Prosus share price dramatically decoupled from the underlying Tencent value. Today, the share price is up 51% from our initial investment but remains attractively valued. During the fourth quarter, the company announced a $5 billion program to repurchase shares and acquire discounted shares of its parent, Naspers. Prosus is among the Strategy’s larger positions, reflecting our conviction in this high-quality, well-managed business.

## Lessons from COVID

COVID taught us all many lessons this year. We admit that we may have been too complacent in the face of pandemic risk early on, as our insight from our team in Asia (where the virus has largely been successfully mitigated, in contrast to most other countries around the world) and our collective experience with SARS (which was an opportunity for the Strategy), Bird Flu (which we studied extensively when we owned Yum Brands and Yum China) and Ebola (which impacted Vivendi's African operations) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and adjust the portfolio accordingly.

In the first half, we sold three companies where our long-term appraisal values were permanently impaired in the face of COVID or the people situation had deteriorated: C&C Group, Bolloré and OCI. We improved the portfolio with new positions in Glanbia, Prosus, Accor, Applus and Jollibee, and added to several existing companies whose share prices were negatively impacted in the short term. With the exception of Melco, which is discussed further below, these companies all rebounded in the second half and offer significant further upside from here. We also held on to some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far, with Baidu and LANXESS both among top performers for the year, compared to CK Hutchison and CK Asset, which had muted second half returns and remain detractors for the year but offer significant potential upside from these discounted levels. While the portfolio decisions discussed above impacted absolute and relative performance in the short term, we believe they have positioned us for stronger performance in the years ahead.

## Market Review

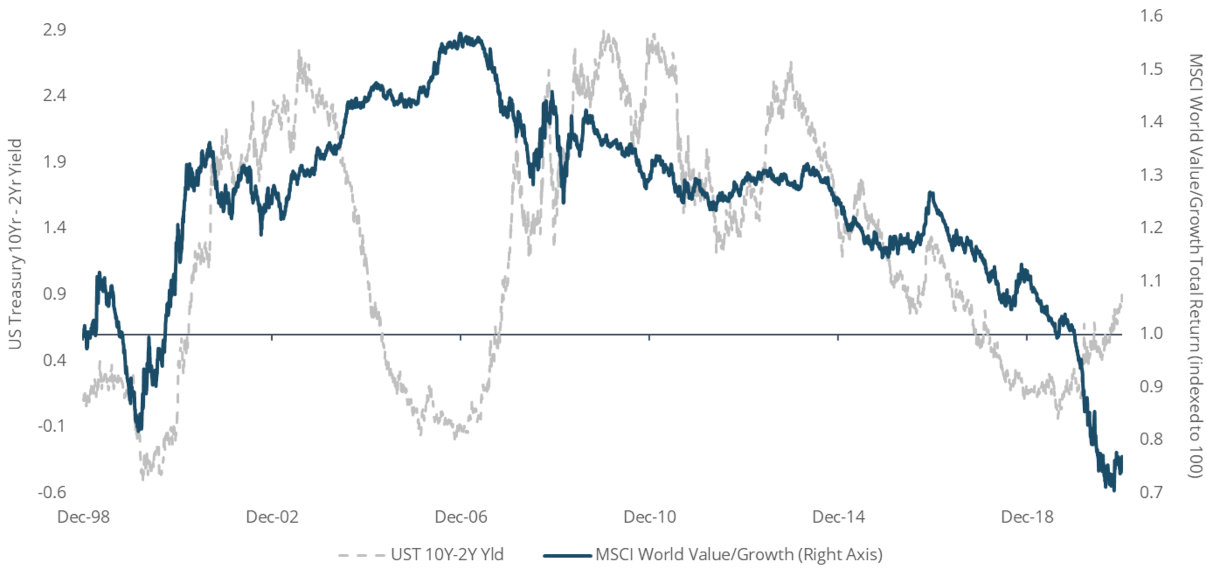
Long-time investors well know that we do not define "value" as a factor or low multiple, such as headline price to earnings (P/E) or low price-to-book, though these metrics may correlate with the assessments of value we favor. Rather, we define value as an adequate margin of safety relative to our internal, conservatively calculated intrinsic value for a business. A key factor in our discounted cash flow (DCF) math is the discount rate. Some commentators, particularly in the US, defend elevated stock market valuations with an appeal to low interest rates and the influence a risk-free rate approaching zero has on a capital asset pricing model (CAPM) generated cost of capital. The slippery slope of slashing discount rates brings a temporary high by inflating the value of a business, but the hangover of pulling future value accretion into the present is hard to avoid. The hard truth of the math dictates that high multiples translate into low future returns for overpriced assets. Our absolute return goal of inflation plus 10% does not leave much room for a 5% discount rate. Consider a long duration asset with no cash flow for 19 years and a $20 payout in year 20. Reducing the discount rate from 10% to 5% increases the present value by 154%. This math may be a significant factor in 2020 market performance as the time value of money matters less in a low discount rate world. This is a one-time gain setting up a low return future, or a reckoning. The $20 payout 20 years in the future suffers significantly when the discount rate moves from 5% to 10% with a 61% drop in present value.

While there are some Non-US examples of the extreme overvaluation that results from this bending of the math, the effect is more muted outside of the S&P 500. Long duration assets, whether long-dated bonds or fast compounding tech companies that typically have 100% of their value in the terminal value (free cash flow in the explicit forecast period is negative or negligible) — have been the biggest beneficiaries over the past decade. We have written at length in the last few years about the Growth outperforming Value, US outperforming all other markets and ever-stronger US dollar (USD) themes that have dominated the market narrative for the last decade+. The extraordinary 12-year+ bull market in US equities has now compounded to a 14.98% annualized total return (with dividends reinvested into the S&P 500 Index), while the MSCI EAFE Index has generated 7.67% annualized over that same period. These backward-looking returns make it easy for investors to forget that the prior decade ending in 2008 saw Non-US markets handily outpace US markets by 218 basis points (annualized).

Although the US large-cap growth trend continued for the first nine months in 2020, we believe this dynamic is finally near a breaking point and that Non-US value, in particular, is primed to outperform. The overly strong US dollar trend has started to revert with the US Dollar Index down -6.7% for the year. However, it is still rich with plenty of room to be a tailwind. Non-US markets continue to be relatively cheap, paced by continued geopolitical (and virus) uncertainty within emerging markets broadly, as well as the UK in a post-Brexit world. Using the 10-2 Treasury Yield Spread as a proxy for yield curve steepness, the chart below shows that historically a steepening yield curve has been positive for value relative to growth, perhaps reflecting the time value of money dynamic referenced above. This reversal might already have begun in the fourth quarter.

## MSCI World Value/Growth vs. Yield Curve

1/31/1999 to 12/31/2020 (daily in USD)




Source: Bloomberg

## Contribution to Return

### 4Q Top Five

| Company Name | Total Return (%) | Contributio n to Return (%) |
|---|---|---|
| EXOR | 49 | 3.63 |
| Baidu | 70 | 3.13 |
| Richemont | 36 | 1.60 |
| LANXESS | 34 | 1.56 |
| Accor | 29 | 1.54 |

### 4Q Bottom Five

| Company Name | Total Return (%) | Contribution to Return (%) |
|---|---|---|
| Domino's Pizza Group (UK) | -8 | -0.76 |
| CK Asset Holdings | 0 | 0.00 |
| GRUMA | 5 | 0.22 |
| MinebeaMitsumi | 8 | 0.29 |
| CK Hutchsion | 16 | 0.54 |

## 2020 Top Five

| Company Name | Total Return (%) | Contribution to Return (%) |
|---|---|---|
| Prosus | 56 | 3.82 |
| Baidu | 70 | 3.39 |
| Jollibee | 54 | 1.77 |
| Accor | 36 | 1.75 |
| Applus Services | 77 | 1.56 |

## 2020 Bottom Five

| Company Name | Total Return (%) | Contribution to Return (%) |
|---|---|---|
| C&C Group | -60 | -4.04 |
| Melco International | -31 | -2.75 |
| CK Hutchison | -22 | -2.70 |
| Bolloré | -22 | -2.50 |
| OCI | -42 | -1.46 |

Prosus, a global consumer internet group, was the top contributor for the year. Tencent, in which Prosus owns a 31% stake, representing the majority of its appraisal, demonstrated significant resilience this year, even during the pandemic. Online advertising, gaming and cloud all grew revenue strongly year-over-year and improved their market position. Tencent's investment portfolios, which include companies such as JD.com, Sea Ltd and others, also delivered outstanding share price appreciation in the year. Tencent has been a great investment for Prosus/Naspers, resulting in a portfolio IRR of 37% since FY2002. What is less known is, even excluding Tencent, the rest of the portfolio still achieved 18% IRR in the same period. We believe Prosus is still undervalued today. Its stake in Tencent at the market price is more than the entire market capitalization of Prosus, meaning the market gives no credit for its group of unlisted businesses, which have strong growth prospects and dominant positions in their respective geographies. Prosus management is well aligned and has a history of taking decisive action to unlock the value. They have worked to improve disclosure on the valuable businesses outside of Tencent and also announced a $5 billion share buyback program for Prosus and Naspers shares at advantageous prices.

Baidu, the dominant online search business in China, was a top contributor in the fourth quarter and for the year. Baidu's search advertising business was negatively affected by the pandemic this year. While the lockdown increased users' time spent online and brought more traffic to the platform, it also hurt advertisers' budgets, as companies cut costs in a difficult environment. As China began to see success in controlling the pandemic, there was a robust sequential recovery in Baidu's business. Baidu delivered margin expansion, benefiting from both positive mix change and more disciplined return on investment-driven spending. The non-advertising business also made progress in the year. In September, Baidu raised equity financing for its DuerOS smart speaker business at a valuation of RMB 20 billion. In November, Baidu opened Apollo Go robotaxi services in Beijing, the third city in China where passengers can call a robotaxi from Baidu Maps. Baidu announced its intention to acquire JOYY's live streaming business in China. JOYY, the pioneer and leading live streaming platform in China, would strengthen Baidu's live streaming operation and expand the non-advertising offerings in its ecosystem.

Jollibee, the largest restaurant chain in the Philippines, was a top contributor for 2020. Jollibee showed a varying pace of recovery during the quarter. Its domestic business remained challenged, while its international business, a growth driver for Jollibee, showed meaningful improvements. In the third quarter, its domestic system-wide sales declined by 48% YOY primarily caused by social distancing measures in the restaurants and reduced public transportation, effectively decreasing the dine-in capacity by 50-70%. Unlike in other developed countries, the Philippine delivery business's growth was not enough to offset dine-in sales decline. Most of Jollibee's consumers in the Philippines are low-to-middle-income customers who still find delivery charges too high. For the international business, system-wide sales excluding Coffee Bean & Tea Leaf (CBTL) declined by 10% YOY, showing sequential improvement. Despite the challenging operating environment, Jollibee's pre-IFRS EBITDA, excluding business transformation costs, turned positive. In September, most of its businesses were registering positive operating income except Smashburger, CBTL US, and Pho24, thanks to its ability to reduce costs by rationalizing underperforming stores, the supply chain, and rightsizing the labor force. With the normalization of the operating environment and turnaround of Smashburger and CBTL, 2021 should be a better year. Despite the recent sharp rise in the share price, we are encouraged by Jollibee's founder Tony Tan buying shares, which we believe reflects the attractiveness of the share price and his positive view on the company's outlook.

C&C Group, the Irish cider, beer and soft drinks company, was a large detractor for the year. After being a top contributor in 2019, our outlook for the business and view on the people changed entirely in a short two-month period. First the much-admired CEO, Stephen Glancey, surprised everyone by retiring in February, after overseeing an 11-year annual return of 17.6% for his tenure as a top executive of the company. This track record is near the top of the list for European executives over that time frame. Glancey was a key part of his case, and we put in the order to sell half our position when the announcement was made and began revisiting our business case. Unfortunately, the pandemic exploded onto Europe over the next weeks with a uniquely devastating impact on C&C's business model, as all pubs across C&C's markets in Ireland, England, Scotland and Wales were closed. Given the operating and financial leverage of the company (financial debt levels were healthy, but the business has heavy working capital exposures that became de facto debt in such a sudden downturn), our assessment of intrinsic value was heavily impacted. The change in management, coupled with the rapid shift in business environment completely changed our thesis leading to a full exit and re-allocation of that capital to more attractive opportunities.

Melco International, the Asian casino and resort holding company, was also a top detractor for the year. Its Macau operating subsidiary Melco Resorts (MLCO) was off to a strong start in the beginning of 2020 but both Macau visitation and gross gaming revenue (GGR) collapsed around Chinese New Year on the back of the COVID-19 outbreak and travel restrictions. The operating environment was extremely challenging for MLCO and its peers, with industry GGR declining between 90-97% year-over-year in the second and third quarters. With the travel restrictions between Macau and Mainland China beginning to ease in mid-August, we have begun to see a gradual recovery of Macau visitation and GGR. In October, MLCO reached 35% of 2019 GGR levels. In the most recent quarter, the company reported lower than expected EBITDA losses, driven by further cost reductions, market share gains and better luck. MLCO cut its daily operating costs by over 40% in just a few months, and it now expects to reach property EBITDA breakeven when GGR reaches mid-to-high 20% of historical levels, which is further improvement from the previous guidance of 30-35%. This improvement has been driven by prudent cost cutting, as well as mix shifts towards the higher margin mass segment. We are monitoring the anti-overseas and anti-online gambling measures which have impacted VIP market recovery, but this represents a very small portion of MLCO's business. These measures so far have not impacted premium mass market, where MCLO is more exposed. Management believes that the measures will in fact be positive for Macau in the long run. We believe the availability of vaccines, further easing of travel restrictions and recovery of customer confidence for travelling will help drive a sustained recovery in Macau. We are not expecting a V-shape recovery any time soon, but we believe the long-term fundamental attractiveness of Macau gaming business is intact. We expect MLCO will emerge stronger post-COVID given Lawrence Ho and his team's strong execution and the company's solid position in the premium mass segment.

CK Hutchison, a conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, was also a detractor. The company's Oil and Retail businesses were severely impacted by COVID in the first half of the year. Taking advantage of the tough environment, management merged oil business Husky Energy with Cenovus Energy to create a new integrated Canadian oil and natural gas company with tremendous synergies. Within Retail, Watson stores have seen traffic recovery after cities unlocked, and profits are expected to grow year-over-year in the second half. While global Port total volume declined in 2020, CK Hutchison's ports outperformed relative to its peers, given its hub locations in Europe and Asia. The Telecom division is the least impacted in the current environment, as lockdowns and work from home have resulted in improvement in business volume and asset utilization. In November, the company reached an agreement with Cellnex to sell its telecom tower assets for €10 billion, well above our expectation and nearly half of CK Hutchison's market cap. The deal would materially strengthen CK Hutchison's balance sheet by reducing net debt. We are greatly encouraged that the board stated its plans to allocate a portion of the proceeds to share buybacks, which would increase the value per share for all shareholders. In another potentially value-accretive market consolidation opportunity, CK Hutchison entered into a Memorandum of Understanding in December to discuss merging its telecom business in Indonesia with Indosat.

## Portfolio Activity

### Summary of Trade Activity in 4Q

| New Purchases | Full Exits |
| --- | --- |
| No New Purchases | No Complete Exits |

2020 was a busy year for the team, as we added five new investments and increased our position in an additional five discounted holdings in the year. The new positions are a mix of recycles (companies we have successfully invested in before) with Accor and Applus, and new investments with Prosus, Glanbia and Jollibee. This mix is a healthy output of a broad and deeply experienced team. We have a long list of companies on the wish list but are continually learning about new companies and opportunities as they develop and were able to act quickly to take advantage of stock price volatility in the first three quarters. Although we made no new investments in the fourth quarter, we added opportunistically and trimmed multiple positions as prices appreciated.

## Southeastern Updates

We have focused on safety for our employees and communities while adapting to the new way of getting work done from home in 2020. We will likely all be together again in the office at some point in 2021, but longer term we will also embrace a more flexible work setup. From a research perspective, our global network built over the last 45+ years was a distinct competitive advantage this year, as travel and in-person meetings quickly ceased in March. We have a well-established dialogue with our existing investee management teams, as well as with those at many competitors to our portfolio holdings and new potential investment opportunities that we reviewed in the year. Past investees and current clients have also helped our research in many ways. We have been able to maintain our constructively engaged approach without disruption and, in many cases, deepened these relationships and expanded our topics of engagement throughout the year.

Environmental, social and governance (ESG) factors have always been important to us - both as we assess our “Business, People, Price” criteria for any new investments and as we review our businesses and engage with management teams for our existing holdings. In the last year, we have taken steps to formalize our approach to how we incorporate ESG into our investment process. We established an ESG team, with representation from the Research and Client Relations and Communications teams, which reports directly to CEO and Head of Research Ross Glotzbach. While each research analyst is ultimately responsible for each name under coverage, the ESG team is involved in ongoing oversight of the incorporation of ESG matters into our investment process and client reporting, as well as our day-to-day business operations. We have formally incorporated a section on ESG analysis into our research reports. This analysis details how the company rates on ESG factors, including how the reality compares to the market's perception of these issues, as well as areas where we might seek to engage with management to improve the company's footprint. We recently signed on MSCI ESG Rating as a third party data provider to help quantify ESG-specific metrics. We have found this to be a useful supplement to our in-house, bottom-up analysis that draws upon our extensive global resources and network to gain a more comprehensive picture, but just like our long history of proxy voting where we review ISS recommendations but make our own decision, we will never outsource something this important. At the start of the year, we became signatories to the United Nations-supported Principles for Responsible Investing (UNPRI), as well as to Climate Action 100+ (CA100), an investor-led initiative that is supported by PRI and is focused on actively engaging with management teams that are in a position to help drive long-term, global progress in the fight against climate change. We have also been heartened to see the steps that our companies across all our portfolios are taking to give back and support the fight against COVID - whether through producing PPE for healthcare workers, supporting their own employees through enhanced safety plans to ensure critical services continue uninterrupted and/or raising and donating funds to local food banks and other charities that directly support the most vulnerable community members.

In 3Q, we seeded a new European investment strategy with internal capital to address the growing opportunity in Europe to engage with companies and key stakeholders to enhance and realize value. Josh Shores and John Woodman are Co-Portfolio Managers of the strategy, and we anticipate that the strategy will, over time, expand the opportunity set for our Non-US and Global strategies and deepen our global network, which supports all our investment mandates.

Finally, Andy McCarroll (General Counsel, at Southeastern since 1998) and Gwin Myerberg (Global Head of Client Relations and Communications, at Southeastern since 2008) joined Southeastern's Board of Directors. The Board supports Ross Glotzbach in his role as CEO and works closely with department heads to coordinate management functions across all key areas of the organization, to set the strategy and goals for the firm and to ensure we always stick to the guiding principles that define our unique culture. We are excited to add Andy's and Gwin's experience and insight to this important role.

## Outlook

The Strategy has 5.4% cash, and trades with a price-to-value in the high-60s%. While the COVID-influenced whipsaws of 2020 continued to favor the momentum drives of the last decade, we expect this could be the last gasp of the cycle. We believe non-US, non-US dollar, undervalued companies are set to outperform from here. Despite a challenging year and disappointing relative last two years, over a five-year time horizon (which we believe is the minimum to judge effectiveness in today's markets), the Strategy has returned 9.91% on an annualized basis vs. the MSCI EAFE Index's 8.93% return and more than double the EAFE Value Index's total annualized return of only 4.20%. We believe the Strategy can outperform over the next five+ years. We wish you all the best for a safe and healthy New Year .

*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. Portfolio information is based on a sample account at December 31, 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

| 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 | | | |
| 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-US 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. ("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 Global Equity Composite has been examined for the periods January 1, 2001 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-US Equity Composite was created on July 1, 2011.