Small-Cap 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 (%)
Strategy (Gross)	-3.30	7.63	24.60	6.34	7.48	13.69	9.79
Strategy (Net)	-3.54	6.97	23.53	5.39	6.47	12.59	8.72
Russell 2000	-4.36	12.41	47.68	10.54	13.45	14.63	8.69
Russell 2000 Value	-2.98	22.92	63.92	8.58	11.03	13.22	7.01

*Since inception 12/31/2006

The Small-Cap Strategy returned -3.30% in the third quarter, ahead of the Russell 2000 Index's 4.36% decline in the period. In a volatile quarter for most global markets, the portfolio was fairly steady. The majority of our investments reported flat to mid-single digit + or - returns. Although our stocks' performance was disappointing in the period, most of the portfolio's companies grew their values. This compounding force should drive material future returns.

The bottom-up progress is far better than market sentiment would indicate, and our partners are acting on this disconnect. We have also acted on the disconnect in the US market, as declining interest rates, a cooling of COVID reopening excitement in the face of the delta variant and top-down China fear drove investors to flee into "safe haven" stocks. This created compelling opportunities within our sweet spot of high – and improving, but not yet consensus recognized – quality businesses that have been generally overlooked this year. We have bought two new companies in the portfolio this year, one of which we initiated in the third quarter. We expect to see the portfolio

Portfolio Characteristics

Price-to Value	low-60s%
# of Holdings	11
% of Cash	32.1%
Portfolio Yield	1.3%

more fully invested as we uncover new opportunities in the current environment.

Some people might look at the Russell 2000's current next 12 months multiple of 15.5 and say that this doesn't look that expensive. If that really were the multiple for 100% of the Russell 2000 in normal, mid-cycle times, then we would probably agree. But the Russell 2000 multiple referenced above excludes 30-40% (depending on how you want to count it) of index companies that are currently unprofitable. This is significantly higher than even 10 years ago, when this was 20% (https://www.wsj.com/articles/small-cap-stocks-may-be-pricier-than-they-appear-11629640805).

We continue to believe that our footnotes for certain "non-earning" companies are more conservative than the "adjustments" made for the index constituents. Our non-earners have either free cash flow power in a few years that gets us to much lower than market multiples (like Mattel, Hyatt and Graham Holdings) and/or are asset-rich companies with recent comparable transactions at higher multiples than our appraisals for inferior properties (like Madison Square Garden Sports and Liberty Braves, among others). Many of the market's non-earning favorites are at big multiples of all-time-high gross profit and therefore much larger and more uncertain multiples of free cash flow (FCF). We also carefully select companies with FCF per share that will continue to grow even as margins rebound and improve, when the stock market is often the other way around as after-tax margins are at peak levels.

The best news and the biggest market reaction surprise in the quarter was at our largest holding Lumen. After much engagement with Southeastern following our amended 13D filed December of last year, the company announced that it was selling two assets – the slowest growth part of its legacy copper landline business in certain states in the US and the Latin American (therefore highest discount rate / lowest multiple) part of its enterprise fiber business. At a time when the company was trading at 5.5x EBITDA (earnings before interest, taxes, depreciation, and amortization) for all of its assets, it sold the legacy landline assets (i.e., the lowest multiple part of its lowest multiple business) for that same 5.5x and the Latin American assets (i.e., the lowest multiple part of its higher multiple business) for 9x. The absolute amount of gross proceeds was almost equal to the company's market cap. We believe the remaining legacy assets are worth greater than 5.5x and the remaining fiber/enterprise assets are worth greater than 9x, especially because infrastructure funds have recently paid mid-teens multiples for similar fiber assets. Thus, we now have a higher quality, higher growth, lower leverage mix of assets at Lumen. But when this news was announced, Lumen's stock price initially went down, due to weak communications around future growth and capital allocation on the conference call. This communication failure can be fixed much more easily than a business failure, and we were encouraged that the company authorized a share repurchase to take advantage of the market's short-term misunderstanding. The stock price stabilized and increased as the quarter went on (although annoyingly-timed, negative sellside reports hit the stock on September 30), but there is still an enormous gap between price and our (growing) value.

Empire State Realty Trust (ESRT) and CNX Resources also detracted for various reasons in the quarter that are out of whack vs. their positive value development this year and likely future actions. ESRT's stock price traded down and back up in the quarter as the delta variant waxed and waned. We had neither banked on a speedy return to the office nor an immediate resumption of international tourists filling the Empire State Building Observatory, so our value was not impacted. We would point to how the company has a demonstrated history of repurchasing shares below net asset value. We recorded a new episode of the Price-to-Value Podcast with Small-Cap portfolio manager, CEO and Head of Research Ross Glotzbach interviewing ESRT CEO Tony Malkin in the quarter, and we would encourage you to listen to the episode.

If you had told us two years ago that CNX would 1) accretively buy in its pipeline assets to be the low cost player in the basin; 2) further lock-in FCF with hedges; 3) buyback a material amount of company shares to grow FCF/share power above $2; 4) finally see more E&P industry consolidation, we would not have expected a sub-$12 stock price. But now that gas prices are up, hedges are viewed by the market as a negative, and sellsiders struggle for a short-term "catalyst". We expect CNX to create more catalysts and continue to take advantage of its dramatically undervalued stock price.

Contribution to Return

3Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
MSG Sports	7	0.44
Hyatt	0	0.10
Lazard	2	0.10
Everest Re	1	0.08
Liberty Braves Group	-4	-0.11

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Empire State Realty	-16	-1.01
Lumen	-7	-0.90
Mattel	-8	-0.50
CNX Resources	-8	-0.45
RenaissanceRe	-8	-0.39

MSG Sports, the Knicks and Rangers holding company, was the top contributor in the quarter. The Knicks raised season ticket prices for the first time in seven years, and both teams maintained excellent 94% renewal rates. The National Hockey League's (NHL) new media rights deal should also more than double the Rangers' national broadcasting revenues. Recently transacted minority stakes in the Lakers and Warriors have attributed over $5 billion enterprise values to both of those teams, while all of MSG Sports trades for $5.1 billion. The stock attributes zero value to a controlling stake in the Knicks being worth materially more than those teams and/or for the Rangers against a widely accepted private-market value above our $1.5 billion appraisal. MSG management also confirmed in the quarter that MSG Sports will not be recombining with other MSG entities, further allaying fears on capital allocation.

Hyatt Hotels, the global hotel company, was a positive contributor. In a dramatic rebound, Hyatt's resorts are earning RevPAR (revenue per available room night) 11% above 2019 comparable numbers. However, Hyatt's hotels in Europe, Asia and the Middle East are earning less than half of their 2019 levels. We believe it is clear the overseas properties will fully recover, but the timing remains unknown in the extended COVID environment. Beyond pricing, Hyatt's value increases when its franchisees build more fee-paying hotels and when the company sells owned hotels for great prices. CEO Mark Hoplamazian succeeded on both fronts during the quarter, with units growing 7% and two more hotel properties sold for $500 million. The company has made fantastic progress and ended the quarter near FCF breakeven.

Empire State Realty Trust, the iconic New York City commercial real estate and tourism company, was the top detractor, as discussed above. A retail tenant filing for bankruptcy hurt the stock, but we expect its Empire State Building office space to be quickly re-leased at a higher rent due to Manhattan's post-COVID reopening and rebounding office market. Observatory tickets are up to 30% of the 2019 level and should continue rebounding over the next year plus. We also believe the company remains on offense when it comes to capital allocation.

Lumen, the global fiber company, was also a top detractor, even as our value grew meaningfully in the period, as discussed in detail above.

Mattel, the global toy and intellectual property franchisor, detracted despite strong quarterly performance that increased our appraisal of the value by 5%. Sales grew 40% above weak 2020 comps, with particularly encouraging results in American Girl, the doll brand that had been struggling for years before CEO Ynon Kreiz initiated a successful turnaround. Despite some cost inflation, the consolidated gross margin increased nearly 4%. We think Mattel will earn $1.50/share next year and the multiple remains too low despite two years of price appreciation. The company has recently announced 13 feature films, 18 TV shows, and 24 other projects in development. The intellectual property (IP) efforts create substantial earnings power but haven't contributed much yet. These are some of the best non-earning assets in the portfolio and we expect many of them to be realized within the next few years.

Portfolio Activity

Summary of Trade Activity in 3Q

New Purchases	Full Exits
RenaissanceRe	Everest Re

We made a swap in the insurance world – buying a position in RenaissanceRe (RenRe) and selling our position in Everest Re at a gain. We believe this was an upgrade on Business, People and Price. We prefer how RenRe has built a growing fee business that will continue to improve return on equity (ROE) and reduce volatility going forward. We also prefer RenRe management's capital allocation, which is much more focused on discounted buybacks at the moment. All this is for a better price-to-value than Everest Re, which has been a solid performer since we purchased it for a second time in 2020. We believe the next several years will be bright for RenRe, even if fears about near-term losses due to floods and hurricane moved the stock this quarter. While we moved our new holdings off the on-deck list in the quarter, we found more replacements for overall on-deck growth. Current highlights include names in distribution, media (both traditional and digital), durable goods and real estate.

Outlook

The portfolio in aggregate is more attractive than it was last quarter and also more attractive than it has been post-"Pfizer day" almost 11 months ago. The price-to-value (P/V) is in the low-60s%, and we believe the portfolio is more attractively valued relative to the index which is trading close to 20x FCF. While we remain focused on the bottom-up fundamental value of the portfolio holdings, the team has spent a lot of time this year analyzing the much-debated topic of inflation and interest rates, and we will include a more detailed review in our year-end letter.

We are beginning our search for our next North American junior analyst, as Luke Willert has been making strong progress behind the scenes and will be moving up to analyst status next year. We always value input from our shareholders and client partners, who are one of the most important groups within our extensive global network, and we welcome references for this position. We have already gotten some strong applicants and look forward to adding to our talented team.

See following pages 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 U.S. SMALL-CAP EQUITY COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	Russell 2000 (with 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	38	<5	20.0%	11.3%	10.3%	na1	38.0%	25.3%
2019	12,481	34	<5	25.5%	19.0%	17.9%	na1	12.9%	15.7%
2018	13,881	29	<5	-11.0%	-6.3%	-7.2%	na1	11.4%	15.8%
2017	18,203	31	<5	14.7%	3.3%	2.2%	na1	10.7%	13.9%
2016	19,302	55	<5	21.3%	25.0%	23.7%	na1	10.8%	15.8%
2015	20,315	44	<5	-4.4%	-2.8%	-3.8%	na1	10.3%	14.0%
2014	30,542	46	<5	4.9%	13.7%	12.5%	na1	9.4%	13.1%
2013	34,914	50	<5	38.8%	32.9%	31.6%	na1	14.6%	16.5%
2012	31,752	38	<5	16.4%	27.5%	26.2%	na1	19.0%	20.2%
2011	31,485	35	<5	-4.2%	5.8%	4.8%	na1	25.6%	25.0%

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

Institutional U.S. Small-Cap Equity Composite - Portfolios included in this composite normally contain 18-22 securities. Sector and industry weightings and market cap size are a by-product of bottom-up investment decisions. Assets held in non-U.S. investments generally do not exceed 30% of portfolios. Cash is a by-product of a lack of investment opportunities that meet Southeastern's criteria. The benchmark used for comparison is the Russell 2000 with 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 verification 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 is 1% on the first $25 million and then 0.75% on the balance. Actual investment advisory fees incurred by clients may vary.

The Institutional U.S. Small-Cap Equity Composite was created July 1, 2011. The inception date for this composite is December 31, 2006.