Small-Cap Strategy Commentary

4Q20

Southeastern Asset Management

For Institutional Investors Only

	4Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
				Annualized Total Return		
Small-Cap Strategy (Gross)	15.76	11.32	7.47	9.88	12.24	13.47
Small-Cap Strategy (Net)	15.48	10.31	6.47	8.83	11.14	12.35
Russell 2000	31.37	19.96	10.25	13.26	11.20	9.82
Russell 2000 Value	33.36	4.63	3.72	9.65	8.66	5.82

*Since Inception 12/31/2006

The Small-Cap Strategy added 15.48% in the fourth quarter relative to the Russell 2000, which returned 31.37%. This quarter's absolute results took year to date performance into positive territory, yet the Strategy's 10.31% return underperformed the Index's 19.96% for the year. 2020 performance was a tale of two halves, with the Strategy underperforming in the first half, overwhelmingly driven by COVID-19 fear and stock price volatility, and outperforming in the second half (even taking into account 4Q's relative shortfall), as many top first half detractors rebounded significantly. In the first six months of the year, we sold four companies where both long-term business quality and management's ability to go on offense were meaningfully impaired by COVID. The losses in these companies that we sold accounted for the majority of the relative performance gap for the year, but the six new, high-quality businesses that we bought have already been meaningful positive contributors in aggregate. We did not hold the biotech companies that dominated the index's returns in 4Q and 2020 at 31% & 49%, and cash plus one of our largest holdings, Lumen, weighed further on relative performance. Almost every company in the portfolio was positive in 4Q, with three-quarters of our holdings

Portfolio Characteristics

Price-to-Value	low-70s%
# of Holdings	13
% of Cash	20.4%
Portfolio Yield	2.0%

producing double-digit returns. The quick rally in the second half resulted in elevated cash, as we trimmed or sold top performers and had fewer new opportunities that qualified from a price perspective. Underperforming due to what we do not own is frustrating, but we are confident that not looking like the index can drive strong, differentiated outperformance over the long run.

2020: A Year in Review

2020 has been a hard year that humanity would like to forget for a lot of reasons. From a stock market perspective, the first two months of the year felt like a continuation of the last decade+ of momentum-driven index returns in most global markets (with the notable exception of Asia, which was hit by COVID-19 at the start of the year). The historically-sudden market panic that unfolded across global markets in March happened so quickly, and the Fed and Treasury stepped in so fast, that reality never really sank in for a lot of investors in the stock and bond markets. This initial freeze might be best measured by a surprising lack of large exchange-traded fund (ETF) outflows in March and April, when there were actually billions of inflows that didn't look all that different than the average month over the last several years. After the initial market panic subsided and most people found themselves working from home with a lot more time on their hands, the rest of the year saw momentum-chasing reach a whole new level, with what had been going up pre-March soaring to new heights. November 2020 saw the most US equity ETF inflows for any month over the last 10 years.

In our first quarter letter in April, we sounded a note of relative optimism with our view that the 1Q extremes would not last forever and that we could expect the market to begin discounting a more "normal" world by year-end. Yet markets turned much more quickly than we would have anticipated. As the year has gone on, we have witnessed and written extensively about the speculative Info Tech and Healthcare sectors, the market's lust for quality at any price, SPACs (special purpose acquisition corporations), IPOs (initial public offerings) and even bitcoin (you know things are rolling when bitcoin gets into the conversation!). They are all materially higher now than when we first mentioned them in our 2Q and 3Q letters. This news might be discouraging in the short term, but we believe it is great for our prospective returns, especially on a relative basis, as we wrote in our "Why We Believe Value Will Work Again" piece in December. While "WWB" focused on US large cap, we include below an update on the most important table in the piece (with comparable US small cap data), which highlights that we could see meaningful outperformance if we simply adjust 2022 P/E (price to earnings) multiples to slightly more normal levels:

Implied Returns Based on Various P/E Assumptions

	2022 P/E		P/E Change	Performance from P/E Change
	Current	Assumption		
Russell 2000	17.1	16.7	-0.4	-2%
Russell 2000 Growth	22.4	20.0	-3.4	-14%
Russell 2000 Value	13.7	14.3	+0.6	+4%
US Small-Cap Strategy*	11.4	14.3	+2.9	+25%

Actual investment results and performance are not guaranteed
*US Small-Cap strategy is based on the largest US Small-cap account and used Price to Adjusted Funds from Operations, a financial measure that adjusts Funds From Operations (FFO) to deduct normalized recurring expenditures and to use straight-lining of rents

One thing that we would like to stress in anticipation of questions about this piece and the implied returns table in particular is that paying a low multiple does not automatically mean that you are buying something "low quality." Nor is paying a low multiple a relic of the time before computers, and now all the advantage from this "strategy" has been competed away. There was plenty of computer-driven stock screening and trading in 2000 and even in 1987. We believe that paying a low multiple can actually be a great thing both qualitatively and quantitatively, as it means that you are getting a free shot at a brighter future than the market expects. Said another way, it lowers the bar for upside surprises that are hard to put into a spreadsheet. Look back to the 2010s, when we were able to buy at a discount great businesses like Dreamworks, Texas Industries and GCI Liberty that are now once again consensus great. We have to try hard to remember how existential the market hate for those companies felt back then.

The key when paying a low multiple is to pick a business with improving cash production over the long run and great partners allocating large amounts of free cash flow (FCF) from a position of balance sheet strength. We don't need the FCF to be clearly reported today, either, as we are more than willing to invest in IT or Healthcare companies that are investing today through the income and cash flow statements to drive growth for tomorrow. We are also glad to own cyclical companies at the right time in the cycle if their value is growing over the long-term. But price matters greatly, and the revenue multiples for many IT and Healthcare favorites today are off the charts vs. the past. We have also seen many small cap cyclicals bounce back too far in the fourth quarter, even if they still aren't producing much FCF. Conversely, we don't care about a big, readily-apparent FCF coupon today if it will be materially lower in the years to come. In the rare instances in the portfolio where there is "melting ice cube" risk like this, our management partners (helped along by our engagement) are making the right moves to allocate capital intelligently to lead to higher consolidated FCF/share in the years to come. Interestingly, approximately one-third of the stocks in the Russell 2000 have negative estimated earnings per share (EPS) for the next two years, and the extremely hard-to-value biotech companies that have appreciated 50%+ this year make up a large part of this group. While we also own some companies with negative projected 2021 and 2022 earnings, we think it's highly likely they will be FCF positive in the years that follow post-COVID and therefore trade at some of the lowest longer-term P/FCF multiples in our portfolio. Our group of high-quality near-term non-earners also have definable moats that have produced ample FCF previously (unlike the Russell 2000 high-flying non-earners) and management teams that are taking the necessary steps to bring forward value realization.

COVID taught us all many lessons. 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 our Non-US strategy), Bird Flu (which we studied extensively when we owned Yum Brands in US Large Cap and Non-US Strategies, and Yum China, owned in Non-US strategy and Global Strategy) and Ebola (which impacted Vivendi's African operations, held in US Large Cap, Non-US and Global Strategies) 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 upgrade the portfolio accordingly.

In the first three quarters, we sold most of our worst performers, whose long-term appraisal values were permanently impaired in the face of COVID: Dillard's, Neiman Marcus, Park Hotels, Enerpac and ViaSat. We improved the portfolio with new positions in Hyatt Hotels, Univar Solutions and Liberty Braves Group, which went on to be strong contributors for the year. These companies all rebounded meaningfully from our initial purchase and (with the exception of Univar, which we sold) offer significant further upside from here. More recently, we initiated new positions in Summit Materials and Everest Re, both of which we have owned successfully before and know well. 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 Kodak, Mattel and Realogy among top performers for the year after returning close to 80% each in the second half, compared to Lumen, which had muted second half returns and remains a top detractor for the year. The very encouraging news is that Lumen's management team is making moves that are within their control to get us paid sooner rather than later, and we discuss both in more detail below. 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.

New Risks

There are at least three areas like pandemic risk where the market has gotten more complacent, but hopefully we have not: inflation, regulation and taxes. The first order answer to inflation is what you would remember from Berkshire's annual letters in the '70s & '80s – own great businesses with pricing power. We own a lot of those, but many investors riding "compounders" into the 25x+ P/E zone own great businesses too. The problem for those overvalued compounders is that a higher nominal discount rate can drive down multiples much more dramatically for these highflyers than for our investments that were already out of favor - e.g. the mid-high single-digit market P/E of 1982 as an extreme case that was hard for any company to escape. We already own a lot of single-digit and low double-digit P/Es that will grow their earnings in this world, but it's a long way down to a more reasonable 20x (or lower) multiple for the market darlings. On the flip side, for the value investors who own banks (which have been strong performers in 4Q 2020 on hopes for higher interest rates increasing near term EPS), there could be pain to come. Inflation is historically much kinder to borrowers than lenders, and most banks are largely a bunch of illiquid loans set against more liquid (and less differentiated than ever, thanks to technology) deposits.

Regulation is also like inflation in that a lot of market participants today weren't around when it mattered more. There's always the comeback – "look at how well Standard Oil & AT&T's descendants performed after their forced breakups." We don't dispute their subsequent performance, but both benefitted from more focus at their descendants leading to cost cuts and capital efficiency, plus they both rode respective waves of cars leading to increased oil demand and the still-growing demand for information helping all things telecom. It's also important that the descendants of these two megas weren't actually hit with major new regulations themselves post-breakup. So we would caution big tech, big healthcare and big bank bulls that if actual global bipartisan guns are turned on them as they continue to be broadly unpopular while also already being highly profitable, their next 10+ years could look more like those of IBM's after the '70s, Microsoft's after the '90s or, taking it further back, utilities' after the '20s and railroads' until deregulation in the 1980s. Additionally, emboldened regulators might still have some unfinished business from the Global Financial Crisis to make sure that big financial entities don't get too big to fail again. This can't be good for the profits of certain large companies, or maybe even for the whole concept of indexing, which comprises over 50% of most global markets when measured to include ETF's and "closet indexers," or so-called active managers with an active share of <75%.

Tax rates have been declining in most countries for decades. While we missed owning many of the biggest winners from the Trump era tax cuts, corporate tax rates are not a lock to go higher this year or next. However, the US political landscape does look different in the wake of the election, and there is a lot more government revenue needed in the long run to pay the bill for the war on COVID. It increasingly feels like some investors view ETFs as a magical, no-tax alternative to mutual fund annual tax distributions. But there is no such thing as a (tax)-free lunch. A great article in Tax

Notes last year titled the phenomenon well: "ETFs as Tax Dialysis Machines". You can't successfully only hold your winners and only sell your losers forever, even if watering the flowers instead of the weeds is a sound strategy if you trim the flowers when the time is right. With passive becoming a bigger part of the market, loopholes (does anyone really think that "creation and redemption baskets" are safe from the IRS forever?) that have benefitted ETFs will not stand forever, and if investors do ever rush for the ETF exits (again, March 2020 was too shockingly quick to really make this happen in a big way), things could get ugly on this front.

Contribution to Return

4Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
Mattel	49	2.65
Empire State Realty	52	2.11
Realogy	39	1.81
Lazard	31	1.69
Hyatt	40	1.65

4Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Summit Materials	24	0.07
Eastman Kodak	4	0.33
Univar Solutions	10	0.33
Lumen	0	0.49
Formula One Group	14	0.52

2020 Top Five

Company Name	Total Return (%)	Contribution to Return (%)
Eastman Kodak	84	18.45
CNX Resources	22	3.28
Hyatt	50	2.34
Mattel	31	2.21
Formula One Group	-9	1.85

2020 Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Neiman Marcus	-70	-5.67
Park Hotels & Resorts	-66	-4.39
Dillard's	-48	-2.98
Enerpac Tools (Actuant)	-46	-2.90
Lumen	-18	-2.01

Eastman Kodak, the global technology company focused on chemicals and print, was by far the largest contributor for the year. Despite the damage from COVID disruptions to its sales pipeline, the company maintained breakeven EBITDA (earnings before interest, tax, depreciation and amortization) and positive FCF in the last quarter with excellent cost control. Revenues improved sequentially with a gradual rebound. CEO Jim Continenza has done incredible work this year to improve the product offerings and return the business towards sustainable profitability. The stock price was extremely volatile this summer in the wake of July's announcement of a potential $765 million US government loan to produce ingredients for a variety of generic drugs. While this government deal may have subsequently gone away, the physical assets, chemistry know-how, history of making ingredients and national need are still in place. As discussed in more detail in our 3Q letter, we exited our small common stock position the day the deal was announced and then worked with the company to convert our convertible bonds to common shares over the course of the next several days, which we subsequently sold to take advantage of the price appreciation and reduce an outsized position. The conversion price on the bonds was $3.10, and the average realized exit price of those common shares was (roughly) $11. Today the company has very little net debt and untapped revolver capacity. The Strategy's remaining exposure is from preferred shares, which represented 10% of the portfolio as of year-end, and Kodak possesses the balance sheet strength to pay them off immediately.

Mattel, the global toy and media company, was a strong performer for the year and the top contributor in the quarter. The company's third quarter was excellent across the board. Barbie's resurgence continued with 30% growth, leading consolidated Mattel revenues up 10%. Gross margins expanded by 400 basis points, and the quarter's EBITDA came in remarkably high at $470 million (for an $8.6 billion EV company), partially due to shifting advertising spending back towards the end of the year. Mattel typically earns all its annual profit during the fourth quarter holiday rush, and we expect another excellent sequential performance to result in over $100 million FCF for the year. CEO Ynon Kreiz has delivered extraordinary improvements to revenues, expenses and culture since he took over in 2018. This year the company reacted to store closures in March with a successful quick pivot towards e-commerce sales. Mattel has also continued to build out its intellectual property assets with 10 feature films under development, as well as over 25 TV projects and video games. These high-margin projects have not yet begun to boost the company's financial results and should prove transformative over the next several years. In the COVID environment, Mattel worked to manufacture PPE for donation to medical professionals and launched a "Thank You Heroes" collection with all net proceeds being donated to First Responders First. The company gave grants to Feed the Children and Save the Children and donated art supplies, games and toys to students in need.

CNX, the natural gas company, was a strong contributor for the year, after having been noted in our 2019 year-end letter as a "problem child." The company reported strong free-cash flow and EBITDA growth in the first half. In addition to its positive absolute performance, CNX has been a strong relative contributor versus the S&P 500 for which Energy was by far the worst performing sector in the year. In October, Bloomberg reported that Appalachian neighbor EQT approached CNX with a merger offer. CEO Nick DeIuliis and Chairman Will Thorndike are focused on their company's value per share and will do the right thing for shareholders. CNX has the potential to both pay down debt with its hedged FCF and resume repurchases to grow FCF/share during an extreme energy bear market.

Hyatt Hotels, the global hotel company, was another top performer for the year and in the quarter, even as system-wide revenue per available room (REVPAR) was down 70% year-over-year in the face of COVID. The company is well positioned to weather the storm, with over three years of liquidity at the current rate of intra-pandemic cash burn. We expect the business to return to profitability in the next year or two as vaccines help drive a recovery in global travel. Hyatt's global number of rooms increased by a net 4% this year, and 2021 and '22 should see continued growth that outpaces their largest peers. When the transaction market for hotels recovers, Hyatt plans to resume selling over $1 billion of its owned properties. The company's value primarily comes from its franchise fee revenues, a less cyclical and high-margin annuity on the long-term growth in global luxury travel. CEO Mark Hoplamazian and the management team performed admirably this year to navigate the industry's extraordinary challenges.

Empire State Realty Trust (ESRT), the New York City property owner, was another top contributor in the quarter. The stock nearly doubled within a month in 4Q following the announcement of Pfizer's COVID vaccine efficacy. COVID has presented new challenges to the NYC office market, but we believe they are more than reflected in the stock's still heavily discounted price. Empire State Building office space is 88% occupied, the company repurchased some shares when they were very cheap earlier this year, and a strong balance sheet will allow owner-operator CEO Tony Malkin to go on offense opportunistically should his peers run into financial distress. Visitors to the Empire State Building's Observatory, an excellent money-maker in normal times, are minimal but are likely to begin a strong recovery in 2021.

Realogy Holdings, the residential real-estate brokerage franchisor, was a top contributor in the quarter and a strong performer for the year, after starting the year as a top detractor in 1Q. The company generated over $3 of FCF in the last quarter (against a $14 share price). Realogy fee revenues have benefitted from recent national surges in home sales and home prices. Realogy outperformed the industry's 23% year-over-year volume growth with an excellent 28% quarter after previously lagging. The bear case has argued that iBuyers and other new digital models will quickly disrupt Realogy's human brokers and their traditional fee take-rates, but there are no signs of near-term obsolescence. CEO Ryan Schneider has navigated the company well through a challenging year and most recently used the company's strong FCF to pay down net debt towards a more sustainable 4.0x net debt/EBITDA level.

Neiman Marcus, the luxury retailer, was the top detractor for the year, and we exited our position in the company's bonds in the second quarter. When we initially purchased the position, we had expected Neiman's revenues to rebound positively and believed that a potential merger with Saks would be beneficial to both retailers. After entering the COVID lockdown with too much debt from its private equity sponsor, Neiman filed for bankruptcy in May. The bonds retained value, in part due to Neiman's owned e-commerce subsidiary MyTheresa, but we exited the position to reallocate to opportunities with a larger margin of safety and greater potential upside.

Park Hotels and Resorts, an owner of large convention and resort properties, was another top detractor for the year. Park saw its occupancy levels hit unprecedented lows in 1Q due to travel reduction and conference cancellations as a result of COVID. We sold the company in late 1Q, early 2Q, as our long-term appraisal for the business was permanently impaired. Park Hotels' 100%-owned model, as well as its focus on conferences and group meetings and trophy assets in hard-hit Hawaii, which we had viewed to be key competitive advantages within our original case, became extra-difficult places to be in the current environment. We sold the company and effectively swapped into Hyatt's better mix of fees and trophy owned assets. The majority of Hyatt's value comes from capital-light franchise fees, which require fewer expenses to maintain, particularly during this year of industry crisis. We preferred the stability and balance sheet strength of Hyatt to Park at the height of the COVID uncertainty.

Dillard's, the department store, detracted for the year. We had successfully owned the company during a downturn before and felt that we were paying a low mid-single-digit multiple on stable FCF with a great management team in charge when we first initiated the position in 2019. Our case was supported by the potential for management to monetize part of the company's valuable owned retail real estate footprint for higher and better uses. COVID lockdowns, however, permanently impaired these values, as well as the company's ability to go on offense with share buybacks, despite great efforts during the crisis by CEO Bill Dillard. We sold our position in the second quarter as the price-to-value gap closed and our case had changed materially.

Lumen, the fiber telecom company formerly named CenturyLink, was a top detractor for the year. During the last quarter, Enterprise fiber revenues grew 0.8% year-over-year, International and Global declined 2.6% and Small and Medium Business (SMB) shrunk 5.8% due to COVID repercussions. Yet margins slightly increased due to the strong cost controls of CEO Jeff Storey and CFO Neel Dev. Despite significant deleveraging over the last two years and multiple debt issuances this year at low to mid-single digit interest rates, the stock trades at an incredibly low multiple of <5x FCF. We believe Lumen can grow by continuing to invest into fiber, which should outweigh its declining legacy copper landline business. Numerous recent large transactions for fiber peers at double-digit EBITDA multiples and landline peers at mid-single digit EBITDA multiples also suggest that Lumen could monetize several of its segments at good prices well beyond its total market capitalization today. We have stepped up our engagement with the company and signed a non-disclosure agreement (NDA) last month, so unfortunately we cannot say more other than "stay tuned."

Enerpac, the industrial tools company formerly called Actuant, detracted from performance in the year. While the company finally completed its transition to a pure-play tool business late in 2019, it faced COVID challenges in certain verticals like oil and gas in 2020. We also concluded that management was unlikely to monetize assets (or sell the full business) at an accretive price, so we sold our position to move onto better opportunities.

Portfolio Activity

Summary of Trade Activity in 4Q

New Purchases	Full Exits
No New Purchases	Summit Materials
	Univar Solutions

Our on-deck list peaked (and cash troughed) this year at the end of 1Q, when we were finding more new investment opportunities than cash available in the portfolio. While the research team has been busy poring over multiple new ideas this year, the on-deck list of qualifying investments shrunk as stock prices rallied across the board. As we wrote in our 3Q letter, we were uniquely close on multiple new investments (six were fully vetted on our on-deck list going into 4Q) and expected to be putting that cash to work. While we were able to initiate two new partial positions - in Summit Materials and Everest RE - prices rallied too quickly for us to put enough to work to mute the cash dampening of relative returns. Additionally, we were working to increase our position in ESRT when the great vaccine news hit in 4Q and caused the stock to almost double before we received a waiver to buy more shares. We have owned both cement and aggregates business Summit and reinsurance underwriter Everest Re before and were excited to have the opportunity to partner with the world class management teams at these high quality businesses once again. However, after only getting a small partial position in Summit, we decided to sell it as the stock appreciated in a short period. We continue to monitor the company closely and hope that we will have another opportunity to own the business. We also sold our position in Univar in the fourth quarter. We made a profit on this investment, but we became increasingly disappointed in its qualitative aspects as the year progressed and decided to move on.

We ended the year with 20% cash, which we view as dry powder that will allow us to be a liquidity provider when new opportunities qualify. We believe that cash position will look very different in the near term. As the last quarter showed, things can change quickly in small-cap world. It was always unlikely that we would be able to initiate all six on-deck companies and increase ESRT within a single quarter, but there is an unusually large gap between our expectations of being able to initiate say, half the positions, putting 15-20% of the cash to work, vs. ending the quarter with one sub-5% position in Everest RE. We point to other recent, non-COVID bursts when we have bought multiple great businesses we'd been watching for years, like our second half 2018 period that brought in Lazard, Potlatch, GCI Liberty and Summit, all of which were positive additions to the portfolio. We believe we could see a similar opportunity in 2021.

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 are specifically engaging with GE through CA100 and have had several productive discussions with the company, as well as our fellow CA100 signatories, and we were pleased to see GE's recent commitment to carbon neutrality by 2030. 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

What a year. We're all tired of the same clichés by now so will wrap it up. We believe we own great individual investments that combine to create a portfolio that looks dramatically different than the index. It's time for that to work, not because we are owed anything, but because of simple math and an increasing lack of competition doing sensible things that have worked for most decades of recorded history, but have never felt harder to do after a year like this on top of a rough 10+ years before. We will continue to stick to our time-tested investment discipline, even when it feels difficult to do so and are looking forward to 2021.

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. 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 U.S. SMALL-CAP EQUITY COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

					Annual Performance Results Composite				
Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	Russell 2000 (with dividends)	Gross	Net	Composite Dispersion	Composite 3-Yr Annualized EX-Post Standard Deviation	Benchmark 3-Yr Annualized EX-Post Standard Deviation
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%
2010	34,639	40	<5	26.9%	27.7%	26.4%	na1	29.6%	27.7%

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 are a by-product of bottom-up investment decisions, and market capitalization ranges from over $1 billion up to sizes found within small-cap indices. 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. ("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.

The verification reports are available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

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 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.