US Large 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 (%)
US Large Cap Strategy (Gross)	-5.34	16.08	42.35	7.99	9.61	11.33	13.48
US Large Cap Strategy (Net)	-5.47	15.59	41.55	7.41	9.04	10.73	12.68
S&P 500	0.58	15.92	30.00	15.99	16.90	16.63	12.14
Russell 1000 Value	-0.78	16.14	35.01	10.07	10.94	13.51	11.75

*Since Inception 12/31/1979

The US Large Cap Strategy returned -5.47% in the third quarter, while the S&P 500 Index returned 0.58%. The Strategy trails behind the index year-to-date (YTD), up 15.59% vs. the S&P 500's 15.92%. In the quarter, a handful of our stocks declined double-digits - each for different reasons, which we discuss in more detail below. The majority of our investments reported flat to low-single digit + or - returns. Although our stocks' performance was disappointing in the period, most of the Strategy'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 corporate management partners are acting on this disconnect. We have also acted on the disconnect in the US large cap market, as declining interest rates, a cooling of COVID reopening excitement in the face of the delta variant and top-down China fear caused many 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

Portfolio Characteristics

Price-to Value	mid-60s%
# of Holdings	18
% of Cash	11.2%
Portfolio Yield	1.8%

have bought four new companies in the portfolio this year, three of which we initiated in the third quarter.

These purchases improved the qualitative and quantitative positioning of the Strategy. The top-heavy S&P 500, by contrast, looks even more overvalued when one considers seven of the 10 largest companies in the index (Apple, Microsoft, Alphabet, Facebook, PayPal and Nvidia) are posting all-time high after-tax margins on hoped-for 2022 earnings that we believe are at risk. In comparison, we expect significant margin growth at our high quality and highly discounted businesses, like General Electric, Mattel, Hyatt, FedEx and others.

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 last December, the company announced that it was selling two assets – the slowest growth part of its legacy copper landline business in 21 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 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 two annoyingly-timed, negative sellside reports hit the stock on September 30), but there is still an enormous gap between price and (growing) value.

Holcim, FedEx and CNX Resources detracted for various reasons in the quarter that are out of whack versus their positive value development this year and likely future actions. At Holcim, old headlines about (now closed) operations in certain Middle Eastern countries rose up again. The fact is that this problem is much more behind the company than in front of it, given the issues arose under former management, none of whom are still in place today. Holcim is now in the capable hands of CEO Jan Jenisch, who bought shares personally, alongside other executives at Holcim, after the stock dropped due to these headlines. The company also announced yet another divestiture at a solid price when Holcim exited its non-core position in Brazil. Management will continue to focus on the markets where Holcim is strongest (sustainable products in Americas, Europe and India), while tilting its business mix away from less sustainable emerging market cement. FedEx reported a slightly disappointing quarter, as margins decreased due to cost inflation. We wonder if this could be a preview of what happens with other S&P 500 companies in the months to come (FedEx reports late in the quarter). What those companies don't have is the incredible pricing power of FedEx to eventually pass through those costs, and we also still see a path to improved FCF conversion both in absolute terms and vs. core competitor UPS, leading to various ways that the multiple gap between these two companies can close. Finally, had you 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) buy back a material amount of 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 (%)
MGM Resorts	1	0.10
Hyatt	-1	0.06
IAC	5	0.03
Comcast	-1	0.00
Williams	-1	-0.01

3Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
FedEx	-26	-1.42
Holcim	-20	-0.87
CK Hutchison	-14	-0.68
Discovery	-10	-0.51
Mattel	-8	-0.48

MGM, the casino and iGaming company, was the top contributor. With Vegas and regional casinos open, results in the quarter were strong and above 2019 cash flow levels at many properties. Revenues remain around 70% of 2019 levels and should reach new highs when large conventions return in a year. BetMGM is now the #2 mobile app in its category nationally and has exceeded all our expectations. CEO Bill Hornbuckle also grew MGM's value by selling the real estate of several casinos at great prices and repurchasing shares at a 7% annualized pace. His excellent work over the last two years pulled the company through lockdowns and positioned it to be stronger than ever in 2022 and the years to come.

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.

FedEx, the B2B and e-commerce global logistics company, was our largest detractor for the quarter. Revenues continued to grow very well across all three segments, with Freight standing out at +23% year-over-year. Yet Ground margins declined by 1.6 percentage points due to the labor shortage and associated wage cost inflation, as FedEx is hiring over 80,000 employees this year. The company therefore cut its full-year earnings guidance by 5% and now trades around 11x earnings per share (EPS). UPS with less growth and much more dangerous Amazon dependence trades at 17x, implying a FedEx value similar to our appraisal. Despite the stock's significant appreciation over the last year, we believe it remains very cheap. We also expect to see

capital allocation contribute going forward as the gap between EPS and FCF closes while the company has an outstanding repurchase authorization.

Holcim, the global cement and aggregates company, detracted despite strong first half results, as discussed above.

CK Hutchison, a conglomerate of telecommunications, health & beauty, infrastructure and global ports, was a detractor. The stock was impacted by market fear in reaction to various events in China in the last six months, sending Chinese and Hong Kong markets tumbling. CK Hutchison's reported results in the first half demonstrated an overall steady recovery from the pandemic last year and the fact that this is not really a "100% China" company. The retail division achieved +35% EBITDA growth. All regions have shown a good rebound year-over-year, but the segment hasn't recovered back to the pre-COVID level yet. The telecom division's muted results were driven by intensified competition in Italy as well as the decline of wholesale revenue from Iliad Italia. The merger between Husky Energy and Cenovus was completed in January 2021, and this combined company is now benefitting from commodity price strength. In September, CK Hutchison reached an agreement for another value accretive transaction. Merging the Indonesia telecom business with Indosat elevates the company's local business from a sub-scale player to now the second-largest player in the market with better competitive advantages. The massively value accretive tower sale to Cellnex, first announced in November 2020, is progressing. CK Hutchison has completed five out of the six tower asset disposals and received aggregate proceeds of €6.3 billion so far, nearly 30% of CK Hutchison's market cap. We are encouraged that the board has been deploying a portion of the proceeds for share buyback to take advantage of the current mispricing opportunity, but we think they could do even more.

Portfolio Activity

Summary of Trade Activity in 3Q

New Purchases	Full Exits
Discovery	No Complete Exits
IAC	
Graham Holdings	

We added three new holdings in the quarter. We have followed Discovery closely for the last few years and waited to see how the company's high-quality assets would fit into an increasingly confusing video marketplace. We immediately got more interested in the second quarter of this year when Discovery announced its merger with AT&T's Warner Media. Warner has top-notch, highly differentiated media assets including the Warner Bros. library, HBO and CNN. When joined together with Discovery's more niche yet more global assets like Discovery, HGTV and Food, the new company will be a powerful participant in "traditional" media with a much stronger streaming option to compete with Disney and Netflix. We have great confidence that CEO David Zaslav and long-time owner/board member John Malone will navigate this new company to a great position in the years ahead. John Malone is giving up his supervotes to accommodate the merger, a decision benefitting other shareholders and indicating his belief in the deal. Our other addition in the quarter is media and internet holding company IAC. We have followed IAC for years with growing admiration for the capital allocation abilities of the Joey Levin and Barry Diller team. After the spinoffs of Vimeo and Match over the last year plus, we find that the remaining assets of Angi, Dotdash, Care.com, Turo, MGM and other smaller investments are a compelling mix of high quality, understandable and underpriced businesses. We are still building our position and look forward to talking about this one more in the future. Our on-deck list grew with companies in branded industrials, technology, health care, distribution and consumer products.

Outlook

The Strategy 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 mid-60s%, and we believe the Strategy is more attractively valued relative to the S&P 500, which is trading close to 20x free cash flow. 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 US EQUITY COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	S&P 500 (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	619	12	18.4%	16.2%	15.6%	5.5%	22.8%	18.5%
2019	12,481	902	16	31.5%	15.2%	14.6%	1.8%	14.6%	11.9%
2018	13,881	1,778	24	-4.4%	-16.0%	-16.4%	1.3%	12.4%	10.8%
2017	18,203	3,235	27	21.8%	16.9%	16.4%	2.2%	12.6%	9.9%
2016	19,302	3,951	35	12.0%	20.1%	19.5%	4.9%	13.2%	10.6%
2015	20,315	4,251	47	1.4%	-11.9%	-12.4%	2.1%	13.0%	10.5%
2014	30,542	7,339	72	13.7%	6.2%	5.6%	1.0%	11.1%	9.0%
2013	34,914	7,524	74	32.4%	32.5%	31.7%	1.8%	15.8%	11.9%
2012	31,752	7,665	83	16.0%	16.7%	16.0%	2.0%	17.4%	15.1%
2011	31,485	7,347	82	2.1%	-1.5%	-2.1%	2.1%	22.5%	18.7%

Institutional U.S. Equity Composite - Portfolios included in this composite normally contain 15-25 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 S&P 500 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 Institutional U.S. Equity Composite has had a performance examination for the periods January 1, 2001 through December 31, 2020. The verification and performance examination reports are available upon request.

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Southeastern is an independent investment management firm that is not affiliated with any parent organization. Southeastern invests primarily in equities.

Prior to 2012, results were based on fully discretionary portfolios under management with a minimum ending market value of $10 million at the end of each quarter, including portfolios with market values below $10 million if the decline below this threshold was due solely to unrealized losses. Portfolios that fell below this threshold due to market volatility remained in the composite for a period of up to one year. If the market value of the portfolio had not corrected and increased above the minimum within one year, then it would be excluded from the composite going forward until the minimum value was once again satisfied. Beginning in January 2012, there is no longer a minimum market value threshold considered for composite inclusion. Portfolios are managed without regard to tax considerations and have a base currency of U.S. dollars. Effective July 1, 2008, portfolios hold only cash (or equivalents) and securities traded in the United States. Prior to July 1, 2008, portfolios held only cash (or equivalents) and equity securities traded on a U.S. exchange. 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 a flat rate of 0.75%. Actual investment advisory fees incurred by clients may vary.

The Institutional U.S. Equity Composite was created July 1, 2011. The inception date for this composite is December 31, 1979.