US Large Cap Strategy Commentary

1Q21

Southeastern Asset Management

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			Annualized Total Return			
	1Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
US Large Cap Strategy (Gross)	17.10	82.24	10.61	11.77	9.13	13.68
US Large Cap Strategy (Net)	16.93	81.21	10.03	11.19	8.54	12.87
S&P 500	6.17	56.35	16.78	16.29	13.91	12.06
Russell 1000 Value	11.26	56.09	10.96	11.74	10.99	11.78

*Since Inception 12/31/1979

The US Large Cap Strategy added 16.93% in the first quarter, nearly tripling the S&P 500's 6.17% return. Every company was positive in the quarter, with last year's largest COVID laggards rebounding to help drive strong absolute and relative results. The Strategy's cash position was the only meaningful relative drag on returns, with stock selection (and strong stock-specific performance) within the Communications Services, Consumer Discretionary and Financials sectors driving outperformance. We did not own the banks and lower-quality companies that largely drove the large-cap value performance rally.

Since we are bottom-up business appraisers and long-term business owners, the most important driver of our long-term returns will always be stock selection. In a first quarter that saw a lot of macro focus on interest rates and retail stock mania, we saw strong stock-specific returns across the Strategy with no significant detractors. Lumen outperformed telecom peers as fears about its near-term cash flow recede with its steady business mix improvement, yet it still trades at less than half of its private market value. CNX performed well on

Portfolio Characteristics

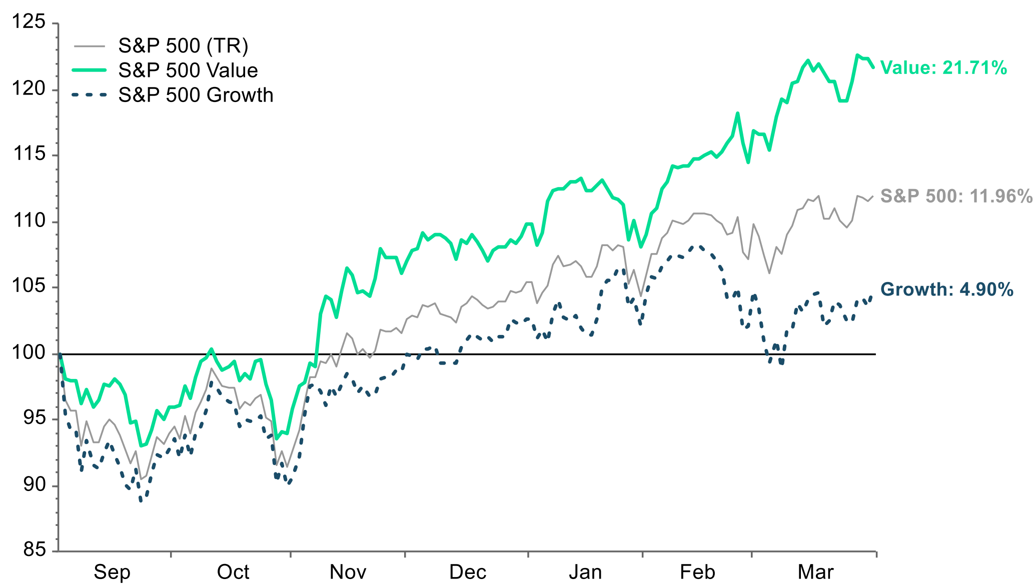
Price-to-Value	mid-70s%
# of Holdings	16
% of Cash	22.7%
Portfolio Yield	1.7%

its way to $2/share of relatively low risk free cash flow (FCF), and the market has still yet to recognize how much more of its earnings before interest, taxes, depreciation and amortization (EBITDA) turns into FCF than peers. Mattel has a path to $1.50/share of FCF in less than three years, before finally monetizing its trove of intellectual property (IP). CK Hutchison is turning into a more focused, higher-quality company and started repurchasing shares this quarter after the sale of their cell towers business began to close in stages. Newer holdings like MGM Resorts and Douglas Emmett have been quick contributors and we believe are set up well for future value growth.

We have written about value being out of favor and underperforming relative to growth extensively over the last decade. Last year, the relative gap between the two strategies reached historic levels, with value suffering its worst performance run in at least two centuries, as we wrote about last December in a paper titled [Why We Believe Value Will Work Again (WWB)]. We wrote then that it was early days but that "the market might already be turning towards value." The chart below shows that value's relative strong outperformance has continued in the first quarter.

Performance Since Value vs Growth Bottom

9/2/2020 to 3/31/2021 (in USD)



Source: FactSet

While we believe that we are just at the beginning of a long-term rebound of fundamentals mattering again, we understand if some might ask 1) if the "shift to value" has already played out or is yet another head fake; and 2) if our higher-than-average cash is evidence that the easy money has been made or we are not participating enough in this market rally. On 1), the relative multiple math for the Strategy vs. the market from the WWB piece still holds, as shown in the chart below, even after this quarter's strong performance.

Implied Returns Based on Various P/E Assumptions

	2022 P/E		P/E	Performance from
	Current	Assumption	Change	P/E Change
S&P 500	20.4	16.7	-3.6	-18%
S&P 500 Growth	26.4	20.0	-6.4	-24%
S&P 500 Value	16.4	14.3	-2.1	-13%
US Equity Account	12.5	14.3	+1.7	+14%

Actual investment results and performance are not guaranteed.
The US Equity Account is Southeastern's largest US Equity account.

Our values and free cash flow per share estimates have grown. Despite this, there are days when various parts of the market move in lockstep so that it feels like all the ETF money sloshing from theme to theme is all that matters. We disagree. There is a big difference between the Strategy's actual valuation floor supported by both reasonable discounted cash flow models (DCFs) and strategic/financial buyers willing to pay at or above our appraisals vs. the higher-flying stocks in the market where that real-life bid for the full company doesn't exist. The depths of COVID took away that bidder safety net for a while given the lack of on-the-ground due diligence. As things get back to normal, there have been plenty of deal announcements in the market over the last few months. This bodes well for the Strategy, which has historically benefitted from buyouts.

On the other hand, the wild IPO and SPAC speculation that we discussed in our 2Q and 4Q 2020 letters has only intensified. Joining the party, we now have NFTs bringing the 1990s Beanie Baby energy, where falsely perceived scarcity creates thousands and then millions of dollars out of thin air, thus eventually also creating too much supply and sowing the seeds of a downfall. We take comfort knowing this short-term frenzy is a necessary step towards more rationality coming our way sooner rather than later, and we began to see cracks emerge in the SPAC world as the quarter drew to a close. Usually at a market turn, you see the weakest parts of the previous run-up get shaken out first, and that might already be happening for some SPAC participants. While short-term SPAC valuations are in silly territory, there is a great long-term benefit to so many companies and management teams coming back into the public realm, as it ultimately increases the investable universe of opportunities for long-term investors like us.

On 2), our cash is never a top-down market call, but rather the residual of the bottom-up opportunity set. We would of course prefer to be fully or close-to-fully invested at all times as a result of finding compelling bottom-up investment opportunities, but we remain disciplined in an overvalued market and have proven (with quarters like this one), that we can deliver solid absolute returns with less risk when we have a cash buffer. Our history has shown that our cash can turn into investments quickly. Simply adding to the portfolio holdings that are currently less than 5% would use an additional 5 to 10 percentage points of cash.

Contribution to Return

1Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
Lumen	39	2.95
Affiliated Managers Group	46	2.49
CNX Resources	36	1.77
General Electric	22	1.41
MGM Resorts	20	1.40

1Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Comcast	4	0.15
FedEx	9	0.31
DuPont	9	0.33
Biogen	15	0.36
Douglas Emmett	9	0.40

Lumen, the global fiber company, was the top contributor. While COVID fallout still weighed on fourth quarter results, the company benefitted from positive business mix improvements. Early in the quarter, Lumen appreciated 38% in a few short days amidst the “Game Stop / Reddit” short cover phenomenon. After this short-term bounce, Lumen’s stock price appreciated more steadily over the last six weeks of the quarter with improved results. Many of last year’s worst-case fears have not materialized and the outlook is improving for the core business. We continue to believe that the company has multiple ways within its control to both grow and realize value per share, and we have a 13D filed to allow us to discuss these options with the company. Lumen’s board, which includes Southeastern-nominated Chairman Mike Glenn from FedEx and Director Hal Jones from Graham Holdings, is doing good work to realize Lumen’s hidden value and return the business to FCF/share growth. Despite its appreciation, the stock trades at less than half of our appraisal.

Affiliated Managers Group (AMG), the diversified asset management holding company, was also a top contributor. Our appraised value increased nicely, driven by a 10% growth in AUM to $716 billion and a massive share repurchase (22% of shares outstanding annualized) to take advantage of the stock’s depressed FCF multiple. The market fixated on AMG’s net outflows last year, but 95% of flows came from quantitative strategies that only contribute around 3% of AMG’s proportionate EBITDA due to their lower average fees and ownership interest. The other 97% of AMG is performing very well, particularly the company’s private market strategies, wealth management and specialty fixed income. AMG also added two new opportunistic acquisitions with Boston Common Asset Management and Jackson Square Partners.

CNX Resources, the Appalachian natural gas company, was another top contributor. The company earned $85 million FCF in the fourth quarter and used the profits to pay down debt and repurchase shares at a 7% annualized pace. 2021 and 2022 production is hedged at solid prices, and the company has guided to a growing $1.90 per share FCF coupon in the near term. The stock trades under 8x FCF before adjusting for farther off undeveloped acreage and the company’s pipeline infrastructure. CNX is the lowest-cost producer in the region and its PDP decline rate continues to improve, meaning it can maintain or grow future production without spending heavily. Encouragingly, CNX announced meaningful progress in its ESG initiatives in the quarter, including its commitment to transparent reporting through its adoption of Climate-Related Financial Disclosure (TCFD) and the Sustainability

Accounting Standards Board (SASB) disclosure standards. We have engaged with CNX leadership on this topic over the last several years and have encouraged them to commit to these leading industry standard disclosure frameworks. Additionally, the company formed a dedicated working group focused on future emissions reduction and approved a performance measure program that ties executive compensation to meeting targeted methane emissions reduction thresholds over a three-year period.

General Electric (GE), the revitalized Aviation, Healthcare and Power conglomerate, was a top contributor following on its strong 4Q 2020 performance. Fourth-quarter Healthcare results were excellent, with revenues up 6% year-over-year (YoY), operating margins up 3% to 20% and strong FCF conversion. The Power and Renewables segment improved margins due to strength from gas plant services. With flight traffic increasing, Aviation appears likely to begin a multi-year recovery in the second half of this year. GE also swapped its aircraft leasing operations to AerCap for a 46% stake in the combined company, intelligently wrapping up its previously troubled GE Capital financing operations and further decreasing overall leverage. We continue to be impressed by the turnaround work of CEO Larry Culp, and the stock remains discounted against the quality of the three core business segments.

MGM Resorts, the casino and online gaming company, also contributed to the strong returns. MGM's Las Vegas properties performed particularly well during the fourth quarter, with October marking the best month since pre-COVID February, positive quarterly EBITDA and strong 2021 bookings. MGM's online gaming and sports-betting app, BetMGM, is one of the leaders in US online gaming, with a better market share in the more profitable iGaming than in the higher profile but lower margin sports gaming. MGM has demonstrated high conversion rates of its hotel guests and we believe that, with Barry Diller's help, they will build a competitive long-term advantage with lower customer acquisition costs. MGM's Macau subsidiary, MGM China, also appreciated as the Macau market partially reopened. We believe there is significant additional upside for the Macau business over the medium-to-long term.

Portfolio Activity

Summary of Trade Activity in 1Q

New Purchases	Full Exits
Undisclosed	DuPont

In the quarter, we sold DuPont, as its share price went to our appraised value. We have owned DuPont successfully three times now in the last decade and have great respect for CEO Ed Breen, who has delivered on creating value and focusing the company on its core businesses. We continue to view the business and leadership highly and hope to have the opportunity to partner with them again. We trimmed an additional six holdings, taking advantage of price strength to manage position sizes at companies trading at a higher price-to-value.

We initiated a position in a currently undisclosed biotech company during the quarter. The company represents a relatively rare opportunity to own a compelling, cash generative healthcare company whose value has the right mix of downside protection from established franchises and hard to quantify upside from a misunderstood pipeline, all at a price that meets our discount criteria. The stock trades at a low earnings multiple due to the uncertainty of an upcoming Alzheimer's trial obscuring the company's leading positions in neurology and biosimilars. The market also ignores a promising research and development pipeline, and the company has intelligently allocated capital under the current board and management team, including significant share repurchase at great prices.

Our team has been hard at work evaluating new businesses across multiple sectors, including healthcare, consumer products and infrastructure. Our on-deck list remains better than we would expect for a market at this aggregate level, as new companies have moved on, while others have moved off. There are not broad "themes" that are driving our new additions, but rather unique one-offs that come our way as we go down the list day by day. We can see multiple ways to have a similarly productive second quarter and rest of the year on new name generation. We also have several existing holdings closer to buys than sales at today's portfolio weights.

Outlook

We are excited about the specific company opportunities in the Strategy and on our on-deck list, but we would also highlight a few additional potential sources for tomorrow's "value stocks," which we are watching closely. While more money into index funds or thematic ETFs can lift all of those boats in the good times, there will inevitably be bad times when all these move down together, leading to some high-quality companies within this group becoming misunderstood, and then we will get a chance to own them. That statement might apply more to some of the higher-flying parts of the market, so we would also point to some of the more boring, consumer product parts of the market with hope. The thirst for perceived safety via low-volatility grew over the last several years in conjunction with lower interest rates / higher multiples, amplified by a one-time COVID bump that helped that group further. We have owned many high-quality consumer goods companies before, but we expect a tougher near-term outlook for these "places to hide." We expect this will eventually translate into more opportunities for long-term value investors like us at better multiples.

We are glad to start the year off as we have and do not believe this is a blip. Value has outperformed growth for 75%+ of rolling 10-year periods through recorded history. The data would support that we are more likely than not just getting started after a longer than usual rough period. We also like how our unique portfolio is positioned vs. an average active value manager or ETF. We do not own either extreme of 1) opaque, undifferentiated bank stocks or 2) "compounders" that are great qualitatively but just are not undervalued and therefore have minimal or no margin of safety. Our carefully selected portfolio has much more room to grow, and our cash holdings will provide a buffer vs. overvalued markets and then turn into our next great qualifiers.

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 March 31, 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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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.