US Large Cap Strategy Commentary

4Q20

Southeastern Asset Management

For Institutional Investors Only

					Annualized Total Return	
	4Q (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
US Large Cap Strategy (Gross)	22.64	16.18	3.96	9.55	8.43	13.33
US Large Cap Strategy (Net)	22.46	15.55	3.43	8.99	7.84	12.53
S&P 500	12.15	18.40	14.18	15.22	13.88	11.97
Russell 1000 Value	16.25	2.80	6.07	9.74	10.50	11.57

*Since Inception 12/31/1979

The US Large Cap Strategy added 22.46% in the fourth quarter, almost doubling the S&P 500's impressive 12.15% return. While this quarter's strong performance took the Strategy into positive territory in the year and went a long way towards narrowing the relative return gap, the Strategy's 15.55% return for the year fell short of the Index's 18.40%. 2020 performance was a tale of two halves, with the first half overwhelmingly driven by COVID-19 fear and stock price volatility. The Strategy's relative underperformance in the first half was driven by a lack of Information Technology holdings, along with negative returns at a handful of Industrials and Consumer Discretionary businesses we owned that were adversely impacted by COVID. The Strategy's strong outperformance in the second half was driven by a meaningful rebound in these same two sectors, particularly from outstanding performance at FedEx, General Electric (GE), Mattel, CNH Industrial and Hyatt Hotels. Almost every company in the Strategy was positive in 4Q, with three-quarters producing double-digit returns. For the full year, the lack of Info Tech and average cash weighting more than accounted for the Strategy's relative underperformance. The quick rally in the second half resulted in elevated cash, as we trimmed or sold top performers and had fewer new

Portfolio Characteristics

Price-to-Value	low-70s%
# of Holdings	16
% of Cash	19.7%
Portfolio Yield	2.1%

opportunities that qualified from a price perspective. Underperforming for 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 top-heavy S&P 500, the market's lust for quality at any price driven by the "20/20 Club" of market favorites with 20%+ return on equity (ROE) and 20x+ price-to-earnings (P/E) ratios, 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. Here's an update on the most important table in the piece, which highlights that we could see meaningful outperformance if we simply adjust 2022 P/E multiples to slightly more normal levels:

Implied Returns Based on Various P/E Assumptions

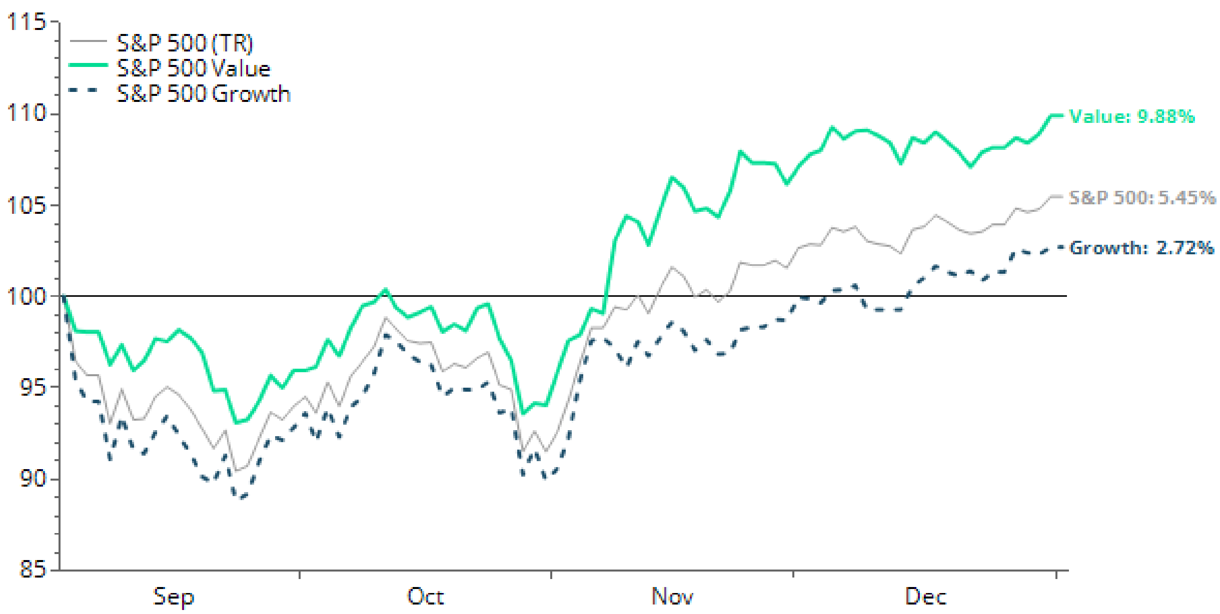
	2022 P/E Current	2022 P/E Assumption	P/E Change	Performance from P/E Change
S&P 500	19.7	16.7	-3.0	-15%
S&P 500 Top 5 + Tesla	30.9	20.0	-10.9	-35%
20/20 Club	28.1	20.0	-8.1	-29%
US Equity Account	11.7	14.3	+2.6	+22%

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

The market might already be turning towards value, as we noted in the piece and as shown in the chart below:

Performance Since Market Peak

9/2/2020 to 12/31/2020



Source: FactSet

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 Colgate, Abbott Laboratories and McDonalds 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 companies that are investing today through the income and cash flow statements to drive growth for tomorrow, as we did when we bought Alphabet when it traded temporarily at a deep enough discount in 2015. But price matters greatly, and the revenue multiples for many IT favorites today are off the charts vs. the past. 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.

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 and Yum China, held in the Non-US Strategy and the Global Strategy) and Ebola (which impacted Vivendi's African operations) gave us false confidence that pandemic fears were overblown. But this time really was different, and once we recognized COVID as the once-in-a-century event that it is, we acted quickly and prudently to re-underwrite our holdings and adjust the portfolio accordingly.

In the first half, we sold our worst performer, Park Hotels, whose long-term appraisal value was permanently impaired in the face of COVID. We upgraded the portfolio with new positions in Hyatt Hotels and DuPont, which both went on to be top contributors for the year, and added to several existing companies whose share prices were negatively impacted in the short term. These companies all rebounded meaningfully in the second half and offer significant further upside from here. We also held on to some first half detractors that took a near-term negative COVID-related value hit, but where we see meaningful potential upside. These have had mixed share price success thus far. 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 20/20 Club. 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 earnings per share (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 (%)
General Electric	74	3.62
CNH Industrial	64	3.20
Mattel	49	2.88
MGM Resorts	47	2.35
Affiliated Managers Group	49	2.19

4Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Lumen	-1	-0.11
Williams	4	0.17
FedEx	4	0.38
CNX Resources	14	0.58
Comcast	14	0.63

2020 Top Five

Company Name	Total Return (%)	Contribution to Return (%)
FedEx	80	5.28
CNX Resources	20	4.91
Carrier	104	4.27
DuPont	59	3.50
Hyatt	39	3.43

2020 Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Park Hotels & Resorts	-69	-4.57
Lumen	-19	-2.72
Fairfax Financial	-25	-2.52
CK Hutchison	-24	-2.13
Raytheon	-28	-1.86

FedEx, the global logistics company, was one of the top contributors in 2020 after an outstanding year for the business that wasn't simply the result of COVID, though the company has been a strong beneficiary of the rapid societal changes driven by it. The share price returned over 90% in the last six months. Over the last quarter, Ground revenues increased 38%, while operating income grew 61%, despite another round of heavy investments weighing down margins temporarily into the single-digits. The company is indispensable for the United States' e-commerce deliveries and is reaping the rewards of its investments in previous years to gear up for 7-day delivery. The Express segment is still benefitting from fewer passenger flights diminishing competing underbelly capacity. Despite the sharp appreciation, the stock trades at a reasonable mid-teens P/E multiple on forward earnings, and we expect the value to grow double-digits annually from here. FedEx has done its part to give back this year in the face of COVID. Since the onset of the pandemic, FedEx has delivered more than 55 kilotons of personal protective equipment, including more than two billion face masks, and more than 9,600 humanitarian aid shipments around the globe. More recently, FedEx was tapped to deliver the first wave of Pfizer-BioNTech vaccines across the US, and its infrastructure will be critical to successfully disseminating the vaccines.

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.

Carrier, the heating, ventilation and air conditioning (HVAC) and security company, was also a top performer for the year. We received shares at the end of March with Carrier's spinoff from our long-time United Technologies holding, and bought more in April as it traded at less than half of our appraisal and a 7x trailing P/E against similar competitors that were trading at 13-17x. After the business rebounded faster than expected, we exited the position in July.

General Electric (GE), the Aviation, Healthcare and Power conglomerate, was the top contributor in the fourth quarter. The company's crown jewel Aviation business sells and maintains commercial and military jet engines. With air travel frozen, this year's second quarter was its worst in over a century of operating history with a $680 million operating loss. 3Q revenues improved sequentially as some flights resumed but still declined 39% year-over-year. Yet GE Aviation earned a remarkable $356 million in the third quarter due to extreme cost discipline. With fewer expenses, the same world-class competitive position and favorable long-term air-travel growth prospects, Aviation should keep improving incrementally with the potential to emerge stronger than ever within several years. GE Healthcare revenues, excluding non-recurring ventilator sales for COVID treatment, also improved 3% year-over-year in an encouraging performance. GE also took steps to give back in 2020 by working to help develop thousands of ventilators to aid coronavirus patients. The stock has roughly doubled from its March low as business results improved, in large part due to CEO Larry Culp's excellent management. Please stay tuned for the next episode of the Price-to-Value Podcast in which Vice-Chairman Staley Cates interviews Larry Culp on Lean manufacturing, GE's culture, navigating COVID and his outlook for the business. The episode will air in January and will be available on our website at https://southeasternasset.com/podcasts/, as well as all major podcast streaming platforms.

CNH Industrial (CNH), one of the world's largest agriculture machinery manufacturers, was another top contributor for the quarter. CNH started off the year with the worse-than-expected first quarter results caused by COVID-related demand disruption and production shutdowns starting in March. Margins across all segments were down primarily due to operating deleverage and cash flows deteriorating as sales and EBITDA collapsed, exacerbating the working capital drain. However, CNH showed strong sequential improvements, posting strong 2Q and 3Q results which far exceeded market consensus and management's initial conservative outlook. During the last quarter, industrial sales grew 4% year-over-year, compared to the market expectation of a 15% decline. The Agricultural Equipment business, which represents the majority of our appraisal value, showed its resiliency by posting a constant currency growth of 14% year-over-year. Despite the initial concerns on inventory buildup, CNH made significant progress by lowering its channel inventory by 35% in the quarter. Additionally, the order book grew double-digits, ending the year in a position of strength. Free cash flow has improved significantly from US$-1.5 billion in 1Q to US$1 billion in 3Q, driven by end market demand recovery, working capital reduction and prudent cash preservation measures. The company recently issued notes at very favorable rates, ensuring it has ample liquidity. We welcome the appointment of Scott Wine as CEO. He joins from Polaris, where he had a strong track record of compounding shareholder returns and encouraging employee ownership. CNH publicly reiterated Wine's commitment to delivering on the previously-announced split of the business into a pureplay Ag/Construction company and a commercial vehicle/powertrain company.

Mattel, the global toy and media company, was also a top performer. 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.

Park Hotels and Resorts, an owner of large convention and resort properties, was one of the main detractors 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 the first half, 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. Both Hyatt's business and stock price have performed well since we made this swap.

Lumen, the fiber telecom company formerly named CenturyLink, was a top detractor for the year and the only (slight) detractor in the fourth quarter. 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."

Fairfax Financial, the insurance company, detracted for the year. Insurance pricing has been improving this year and grew high single-digits in reinsurance to double-digit increases in primary lines during the third quarter. Fairfax's underwriting has also been excellent at a sub-100% combined ratio, despite losses from one-time catastrophes and moderate COVID-related business and travel cancellations. Fairfax has suffered from poor equity returns from its investment portfolio in recent years and also in 2020 as certain investments like restaurants in Canada and an airport in India were particular impacted, as well as money-losing market hedges that CEO Prem Watsa has since closed. We expect the underwriting and insurance pricing to remain strong, the investment portfolio to improve, and were especially excited to see Watsa purchase over $100 million of stock earlier this year in one of our largest investee insider purchases ever.

Portfolio Activity

Summary of Trade Activity in 4Q

New Purchases	Full Exits
Douglas Emmett	No Complete Exits

Our on-deck list peaked 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. We were fortunate to buy two companies in the second half of the year that we had followed for a long time and were really the only two close things on our wish list. We began buying MGM Resorts in 3Q and continued to build the position in the fourth quarter. We had followed the company for a long time as a general company of interest and as a competitor to Wynn Resorts, much like how we followed McDonald's when we owned YUM! Brands. We saw multiple positive changes on the people front at MGM this year after a CEO change and Barry Diller joining the board. Online gaming is now a large, hidden but growing asset for the company, and management is making additional moves to unlock value and improve the balance sheet, including monetizing the company's real estate. However, this progress is obscured by a double whammy of COVID and confusing accounting, giving us an opportunity to buy shares at a large discount to our estimate of value. Our other new holding is Douglas Emmett (DEI). We first heard about the company in 2011 when, on a visit to a different prospective investee, we asked one of our favorite questions about what they'd invest in other than their own company if price didn't matter. The executive lit up talking about DEI's unique dominance in the advantaged West Los Angeles real estate market. As we followed the company over the subsequent years, we developed an increased appreciation for CEO Jordan Kaplan's focus on value creation and DEI's assets that successfully made it through various cycles. When COVID spawned many hot takes on the death of the office pre-vaccine, we were able to buy a position in the fourth quarter at a price that would have been impossible to pay in the private markets. We ended the year with 19.7% cash, which we view as dry powder that will allow us to act quickly as new investments qualify.

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 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			
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%
2010	34,639	8,085	88	15.1%	15.8%	15.1%	2.8%	29.8%	21.9%

<u>Institutional U.S. Equity Composite</u> - 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. ("Southeastern") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Southeastern has been independently verified for the periods January 1, 2001 through December 31, 2019

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards with the GIPS standards. The Institutional U.S. Equity Composite has been examined for the periods January 1, 2001 through December 31, 2019. The verification and performance examination reports are available upon request. Southeastern is an independent investment management firm that is not affiliated with any parent organization. Southeastern invests primarily in equities.

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 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 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.