Southeastern Asset Management

Small-Cap Strategy Commentary
2Q22

Portfolio Characteristics

Price-to-Value	low-50s%
# of Holdings	18.0
% of Cash	13.9%
Portfolio Yield	1.8%

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				Annualized Total Return			
	2Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Small-Cap Strategy (Gross)	-14.76	-14.50	-14.07	6.11	4.25	9.53	8.46
Small-Cap Strategy (Net)	-14.96	-14.92	-14.92	5.15	3.28	8.46	7.40
Russell 2000	-17.20	-23.43	-25.20	4.21	5.17	9.35	6.55
Russell 2000 Value	-15.28	-17.31	-16.28	6.18	4.89	9.05	5.65

*Since Inception 12/31/2006

The Small-Cap Strategy declined 14.96% in the second quarter, ahead of the Russell 2000, which fell 17.20%, and the Russell 2000 Value, which declined 15.28%. We saw two primary categories of companies that negatively impacted absolute returns – Real Estate businesses that are temporarily being hit with rising interest rates and a more challenging economy, and tech-adjacent companies that we bought (with hindsight, too early) within the last year as venture capital-superstar growth companies fell from grace. While newer positions Vimeo and Oscar were two of the portfolio's top detractors in the quarter, the portfolio's underweight to Information Technology and better stock performance within the Consumer Discretionary and Communication Services sectors more than drove the portfolio's relative outperformance in the period.

We have seen a bifurcation of value investing approaches – with investors "paying up for quality" on one side of the spectrum and on the other extreme, what we would call a "Value ETF" that pays low multiples without regard to quality. The former worked very well over the last decade, and we missed out on opportunities by not lowering our discount rates or "paying up" in the past, but this has been a painful place to be year to date in 2022. The portfolio's relative performance benefitted by having limited exposure to growthier Information Technology – though we are finding some interesting new opportunities in fallen growth darlings this year. The latter approach has driven value's relative outperformance this year, led by energy, big pharma and consumer packaged goods (CPG) companies – great places to be in the near term, as commodity prices rallied, the Federal Reserve raised interest rates and anything that had perceived stability hung in well. We view this as the first wave of a value rebound with the simplest, statistically cheapest and least volatile outperforming first. However, we question whether big pharma and integrated oil companies can sustain relative outperformance over the longer term. We believe the second, longer-term wave of value outperformance will come from our style of value investing, which falls somewhere in between these two extremes. We remain focused on business and people quality but also recognize that price matters, especially in an environment like today. We are finding opportunity (though we have so far proven to be early) in high quality businesses with favorable industry dynamics that have innate complexity and/or are misunderstood in the near term.

We encourage you to watch our video with Portfolio Managers Ross Glotzbach and Staley Cates for a more detailed review of the quarter.

Contribution to Return

2Q Top Five

Company Name	Total Return (%)	Contribution to Return (%)
White Mountain	10	0.57
Lumen	-1	-0.01
Mattel	1	-0.03
RenaissanceRe	-1	-0.05
Lazard	-5	-0.18

2Q Bottom Five

Company Name	Total Return (%)	Contribution to Return (%)
Oscar Health	-57	-3.52
Vimeo	-49	-2.14
Anywhere (Formerly Realogy)	-37	-2.04
Empire State Realty	-28	-1.33
CNX Resources	-21	-1.16

Performance Commentary

- White Mountain: Newly purchased in 4Q21 insurance conglomerate White Mountains was the top contributor in the quarter. We have known this company for decades, and they proved their ability to deliver value in the quarter by selling NSM Insurance Group for a great price ($1.775 billion) to private equity company Carlyle. This move gives White Mountains a lot of financial firepower to go on offense at a great time and makes the leverage-adjusted price-to-value even more attractive than when we first bought shares, meaning the company still has significant upside from here.

- Oscar Health: US health insurance and software platform Oscar Health, a new position purchased in 4Q 2021, declined alongside most tech-related businesses in the quarter. The market is not recognizing the meaningful value of its managed care plan members and is instead focusing on near-term EBITDA declines driven by the company rapidly growing its health insurance and software businesses. Our management partners are aligned and have a track record of adding value for shareholders.

- Vimeo: Digital software company Vimeo is another newer tech-related holding that declined in the quarter. The company continues to be misunderstood as a consumer company, when actually a large portion of the value and the growth comes from its shift to being more of an enterprise company doing business with larger customers. However, this transition has taken longer than expected, and the COVID boost of the last year created difficult comps. While we believe having Joey Levin of IAC and other aligned shareholders on the board is a benefit, our value has declined since our initial purchase, and we did not add in the quarter.

- Anywhere (Formerly Realogy): Real estate brokerage franchisor Anywhere declined amid concerns over the housing market amid spiking mortgage rates, in a sharp reversal from the last year. However, Anywhere is better positioned as a franchisor with franchised fees tied to home price appreciation, which should continue over the long-term. Multi-year demand fundamentals for the industry are strong with millennial home buying set to increase over the next decade. We also expect capital allocation to be another tailwind as the company is in a position to be on offense.

- Empire State Realty: New York commercial real estate and tourism company Empire State Realty Trust (ESRT) also declined with real estate broadly, even though it is not a direct pure play on commercial real estate, given its Observatory business, whose economics are more similar to a Disney World-type theme park. The Observatory will continue to come back as post-COVID travel resumes. CEO Tony Malkin and team are focused on driving value realization by monetizing assets and continuing the share repurchase program.

Portfolio Activity

Summary of Trade Activity in 2Q

New Purchases	Full Exits
RVAC	No Complete Exits

We have taken advantage of the market volatility this year to purchase a SPAC called Riverview Acquisition Corp (RVAC), which will ultimately be Westrock Coffee. While we have written extensively about the craziness of the SPAC world, this is a unique opportunity to partner with fantastic people and own a high-quality business trading at a discount. We have successfully partnered previously with chairman Brad Martin (former CEO of Saks Fifth Avenue) and Founder and CEO Scott Ford (former CEO of Alltel), both of whom have fantastic track records of value creation. Westrock is "the brand behind the brand", distributing coffee to larger entities while building its extract and flavoring business that is highly valuable and growing.

Outlook

The portfolio has 13.9% cash, and our on-deck list is growing longer amid market volatility. New investments have a high hurdle to qualify given our conviction in our current holdings and the steep discount of the portfolio, which trades at a rare and attractively discounted price-to-value (P/V) in the low-50s%. We expect to see continued progress in our individual holdings, as our management partners pursue catalysts that could drive significant near-term payoffs. We own companies that have pricing power, strong balance sheets and clear paths to organic growth, and we are partnered with aligned management teams that are proactively taking steps to add value in ways they can control and close the (near historically wide) value gap. We believe that our largest macro headwinds over the last decade could soon become tailwinds.

See following pages for important disclosures.

More information about 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 June 30, 2022. 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 GIPS REPORT

Year End	Total Firm Assets (USD) (millions)	Composite Assets (USD) (millions)	Number of Accounts	Russell 2000 (with dividends)	Annual Performance Results Composite		Composite Dispersion	Composite 3-Yr Annualized EX-Post Standard Deviation	Benchmark 3-Yr Annualized EX-Post Standard Deviation
					Gross	Net			
2021	10,816	1	<5	14.8%	11.9%	10.9%	na1	37.3%	23.4%
2020	10,270	38	<5	20.0%	11.3%	10.3%	na1	38.0%	25.3%
2019	12,481	34	<5	25.5%	19.0%	17.9%	na1	12.9%	15.7%
2018	13,881	29	<5	-11.0%	-6.3%	-7.2%	na1	11.4%	15.8%
2017	18,203	31	<5	14.7%	3.3%	2.2%	na1	10.7%	13.9%
2016	19,302	55	<5	21.3%	25.0%	23.7%	na1	10.8%	15.8%
2015	20,315	44	<5	-4.4%	-2.8%	-3.8%	na1	10.3%	14.0%
2014	30,542	46	<5	4.9%	13.7%	12.5%	na1	9.4%	13.1%
2013	34,914	50	<5	38.8%	32.9%	31.6%	na1	14.6%	16.5%
2012	31,752	38	<5	16.4%	27.5%	26.2%	na1	19.0%	20.2%

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. 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, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The verification reports are available upon request.

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Results are based on fully discretionary portfolios under management that are managed without regard to tax considerations. Past performance is not indicative of future results.

A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

The U.S. dollar is the currency used to express performance. Returns are presented gross and net of management and performance fees and include the reinvestment of income. Dividends are recorded either gross or net of foreign withholding taxes based on the treatment of these taxes by the accounts' custodian. Net of fee performance is calculated using actual management and performance fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the portfolios in the composite the entire year. Composite dispersion and 3 year annualized ex-post standard deviation are reported using gross returns. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The investment management fee schedule is 1% on the first $25 million and then 0.75% on the balance. Actual investment advisory fees incurred by clients may vary.

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