

The Significance of Longleaf Pine

Southeastern Asset Management shares many of the same unique characteristics as the longleaf pine, a tree native to the southeastern United States, the birthplace of our firm and founders. Our lobby features longleaf wood, and we named our co-mingled funds “Longleaf Partners” to symbolically underscore our values and approach to investing.

Creating value over a long time horizon

The longleaf pine takes up to 15 years to establish, 80 years to mature, and may live for more than 500 years. Ideal for building ships, walls and floors, the strong but flexible wood commands a premium over time. At Southeastern, we exercise a patient discipline with average holding periods much longer than most investors. We invest in companies with strong fundamentals and financial flexibility that we believe will compound their values.

Increasing return through compounding

As a longleaf tree ages, its wood becomes increasingly valuable while most trees start to decline. Southeastern engages with management teams to enhance value per share over time. A growing corporate intrinsic worth can increase the return on investment by a much larger amount than simply buying an undervalued security at the outset.

Resisting threats with upside value

Longleaf pines have safeguards in the thickness of their bark and the composition of their roots that help the trees withstand fire, hurricanes, insects and disease. These protections lead to the trees’ strength and longevity. Southeastern believes that strong long-term returns require a margin of safety to protect capital from unanticipated threats. We seek the buffers of high quality businesses that have strong competitive positioning and corporate leaders who are capable and aligned, as well as a discounted price relative to intrinsic value.

Supporting a broader system

The longleaf pine’s impact goes well beyond the value of its timber. The trees support a vast ecosystem of hundreds of plant and animal species. Southeastern’s global “ecosystem” of contacts, knowledge, and experience accumulated over four decades is core to our investment success. We use our collective insights and network to uncover the best opportunities, make high conviction investments, and bring resources to corporate management teams where helpful. Additionally, we have a broad ecosystem tied to our successful results. Not only do our clients benefit, but our employees contribute significantly to multiple non-profit organizations committed to improving our community.

Southeastern supports efforts to re-forest longleaf pines, which have been endangered due to overcutting. The wood in our lobby, hundreds of years old, was reclaimed from river beds where the logs sank while being transported to mills decades ago.

To Learn More About Longleaf Conservation
The Longleaf Alliance at www.longleafalliance.org
Tall Timbers at www.talltimbers.org