



LONGLEAF PARTNERS FUNDS®

QUARTERLY REPORT

at March 31, 2007

PARTNERS FUND

SMALL-CAP FUND

INTERNATIONAL FUND

MANAGED BY:
SOUTHEASTERN ASSET MANAGEMENT, INC.™
Memphis, TN

Cautionary Statement

One of Longleaf's "Governing Principles" is that "we will communicate with our investment partners as candidly as possible," because we believe our shareholders benefit from understanding our investment philosophy and approach. Our views and opinions regarding the investment prospects of our portfolio holdings and Funds are "forward looking statements" which may or may not be accurate over the long term. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. Information provided in this report should not be considered a recommendation to purchase or sell any particular security.

You can identify forward looking statements by words like "believe," "expect," "anticipate," or similar expressions when discussing prospects for particular portfolio holdings and/or one of the Funds. We cannot assure future results and achievements. You should not place undue reliance on forward looking statements, which speak only as of the date of this report. We disclaim any obligation to update or alter any forward looking statements, whether as a result of new information, future events, or otherwise. This material must be preceded or accompanied by a Prospectus. Please read the Prospectus carefully for a discussion of fees, expenses, and risks. Current performance may be lower or higher than the performance quoted herein. You may obtain a current copy of the Prospectus or more current performance information by calling 1-800-445-9469 or at Longleaf's website (www.longleafpartners.com).

The price-to-value ratio ("P/V") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. P/V represents a single data point about a Fund, and should not be construed as something more. We caution our shareholders not to give this calculation undue weight. P/V alone tells nothing about:

- The quality of the businesses we own or the managements that run them;
- The cash held in the portfolio and when that cash will be invested;
- The range or distribution of individual P/V's that comprise the average; and
- The sources of and changes in the P/V.

When all of the above information is considered, the P/V is a useful tool to gauge the attractiveness of a Fund's potential opportunity. It does not, however, tell when that opportunity will be realized, nor does it guarantee that any particular company's price will ever reach its value. We remind our shareholders who want to find a single silver bullet of information that investments are rarely that simple. To the extent an investor considers P/V in assessing a Fund's return opportunity, the limits of this tool should be considered along with other factors relevant to each investor.

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Longleaf Partners Funds

LETTER TO SHAREHOLDERS

TO OUR SHAREHOLDERS:

We are pleased to report the results of the first quarter in which all three Longleaf Funds outpaced their respective indices, and Small-Cap and International also significantly outperformed our inflation plus 10% absolute annual return goal. More importantly, the long-term results since each of the three Funds opened are at or above both the absolute and relative benchmarks as shown in the cumulative returns below. The Small-Cap Fund's 24.4% one year performance was highlighted in the *Wall Street Journal's* "Winner's Circle" as being among the top three U.S. diversified stock funds, larger than \$50 million and at least three years old.¹

	Cumulative Total Returns			
	Inception	10 Year	1 Year	1st Quarter
Partners Fund	1320.5%	232.7%	12.7%	2.2%
Inflation plus 10%.....	1071.4	225.5	12.8	3.7
S&P 500 Index	654.8	119.7	11.8	0.6
Small-Cap Fund	818.8	289.3	24.4	7.4
Inflation plus 10%.....	816.0	225.5	12.8	3.7
Russell 2000 Index	566.3	164.9	5.9	2.0
International Fund	243.0	NA	17.3	5.7
Inflation plus 10%.....	177.3	NA	12.8	3.7
EAFE Index	95.6*	NA	20.2	4.1

* In 1998, the EAFE was available at month-end only; therefore, the EAFE value at 10/31/98 was used to calculate performance since inception. Additional performance information for each Fund can be found on pages 8, 14, and 20.

During the quarter we purchased two new qualifying ideas in the Small-Cap Fund and one in International. We were hopeful that the worldwide market declines in late February might linger and signal increasing volatility. The so-called "correction" was brief and somewhat slight, however, and yielded relatively little opportunity. Positive performance combined with few 60-cent dollar additions resulted in the price-to-value ratio of each Fund rising slightly during the quarter. The Partners Fund and International Fund have one new position's worth of cash. While Small-Cap's cash level is higher, several buy orders are waiting for prices to cooperate. An important characteristic of the three Funds is that most portfolio holdings embody growing, competitively entrenched businesses led by high quality management teams who are building value by operating

Longleaf Partners Funds LETTER TO SHAREHOLDERS

these companies well and allocating capital in a wise manner. While few names sell at a 40% discount to appraisal, the superior caliber of the Funds' underlying businesses and management partners provides comfort that intrinsic values should build nicely for years to come.

In February, after seventeen years of dedicated service at Southeastern, C.T. Fitzpatrick decided to retire and move to Birmingham, AL to spend more time with his family and help manage their personal affairs. Many of you recall C.T. from his early days of being a generalist on the research team and working with clients. He then served as the lead manager on Longleaf Partners Realty Fund, which we liquidated in 2001. Since that time, C.T.'s primary role has been building and servicing client relationships. We are grateful to C.T. for the contribution he made to both our clients' and our firm's success.

Longleaf's returns over the next thirty years have nothing to do with the returns of the past and everything to do with having an investment team of dedicated, bright minds capable of appraising businesses, assessing managements and adhering to the disciplines that have served Southeastern's clients and Longleaf's shareholders well for over three decades. To help ensure the sustainability of Southeastern's and Longleaf's successful history, we have spent much of the last several years building a third generation of investment analysts. The first step in this process actually began a decade ago when we hired Jason Dunn as a college intern. Though he is among our most senior analysts in tenure, his youth makes him a leader of this third generation.

To a person, our younger analytical partners are honorable, intelligent, passionate, team players who are in this business for all of the right reasons. Also, and most important from an investment standpoint, they are independent thinkers willing to make major investment commitments when their cases are adequately supported by the necessary qualitative and quantitative factors. Each possesses proven investment acumen.

At the Annual Shareholder Presentation in Memphis on May 14th we will introduce each of these important associates. We hope that many shareholders will attend to meet those who will help shape Longleaf's future. For those who cannot attend, here are the highlights.

Jason Dunn, CFA, joined Southeastern in 1997 as a college intern. He graduated from Rhodes College in 1999. Jason's contributions have been material to the Funds' success and have included names such as ADP, Amdocs, Gulf Canada and Anderson Exploration. He currently covers some of the Funds' major existing holdings and is an important new idea generator.

Longleaf Partners Funds LETTER TO SHAREHOLDERS

Ross Glotzbach, CFA, joined Southeastern in 2004. He previously worked as a corporate finance analyst at Stephens in Little Rock after interning in investment banking at Merrill Lynch. He graduated from Princeton University in 2003. We have never had a researcher make as much of an immediate impact as Ross has. Not only is he responsible for a couple of new names we have bought, but he also covers some existing holdings and has generated ideas that are currently “on deck.”

Lowry Howell, CFA, joined Southeastern at the outset of 2006. Lowry had been an analyst and principal at Flippin, Bruce & Porter in Lynchburg, VA from 2000-2005, and for the five previous years was an analyst in Memphis. He graduated from Rhodes College in 1995 and received a Masters in Accounting from Rhodes in 1996. In his first year at Southeastern, Lowry was our most productive analyst in terms of identifying big-cap “on deck” names. He has exceptional contrarian instincts including, prior to joining Southeastern, being one of the few analysts to recommend General Motors under \$20. He has been very helpful in following that name as well as in generating new ones.

Ken Sizax joined Southeastern in mid-2006 and lives in Asia. He previously was an investment banker at Lehman Brothers from 1997-2006 and at J. P. Morgan from 1994-1997. Ken graduated from the University of Virginia in 1989 and received his Masters in Business Administration from Harvard in 1994. Upon his arrival at Southeastern, he successfully presented Cheung Kong to our investment committee, an investment that we are excited about in the International Fund. Ken works closely with Andrew McDermott following our Asian-based holdings and seeking new qualifying investments. In Ken’s previous job at Lehman in Asia he interacted with many management teams, thus adding a valuable background for our research in the region.

Scott Cobb joined Southeastern in October of 2006 and is based in our London office. Over the previous decade he managed a pool of family and friends’ money before forming a hedge fund to invest his personal assets. Scott graduated from the University of Memphis in 1997 and received a Masters in Theological Studies from Covenant Theological Seminary in 1999. Since Scott ran his own successful hedge fund before joining Southeastern, we were lucky to get him. He viewed the benefits of being part of our research team and having access to corporate managements as worth giving up portfolio management autonomy. Because we mandate that all employees limit equity ownership to only the Longleaf Funds, the conversion of Scott’s hedge fund holdings into Longleaf means that we have an accomplished researcher with “skin in the game” on day one. Scott is responsible for one of our newest international investments, EnCana.

Longleaf Partners Funds LETTER TO SHAREHOLDERS

Josh Shores joined Southeastern in April of 2007 after working for an investment firm in North Carolina. He graduated from the University of North Carolina in 2002. Interestingly, we knew about Josh before ever actually meeting him. Last summer he had written a piece that we circulated internally because it was so well done about Chesapeake Energy, a current Partners Fund holding. Only later did we discover that Scott had worked with Josh in North Carolina and could complete the picture of him as a potential hire. Josh is based in Memphis, but is focused primarily on international ideas.

Today we have the strongest collection of investment talent since Southeastern's founding. We are convinced that this energized and committed team will deliver above average long-term returns.

Sincerely,



O. Mason Hawkins, CFA
Chairman & CEO
Southeastern Asset Management, Inc.



G. Staley Cates, CFA
President
Southeastern Asset Management, Inc.

¹ The Small-Cap Fund's one year performance for the period ended March 31, 2007 was number one out of 1,430 U.S. diversified stock funds categorized by Morningstar, Inc. as small cap funds larger than \$50 million and at least three years old.



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Partners Fund - MANAGEMENT DISCUSSION

Longleaf Partners Fund gained 2.2%, outpacing the S&P 500 Index's return of 0.6% in the first quarter, but falling short of the annualized rate of inflation plus 10%. The Fund's longer term results over 10 and 15 years have markedly outpaced the benchmark and exceeded the absolute return goal. Recently Lipper ranked Longleaf Partners Fund the number one multi-cap value fund for the 15 year period ending 12/31/06¹. A difference in average annual returns of several hundred basis points may not sound dramatic, and in the short run, is not terribly meaningful. However, the cumulative effect over multiple years is huge and worth pointing out in the table below.

	<u>Partners Fund</u>	<u>Inflation Plus 10%</u>	<u>S&P 500 Index</u>
Value of \$100,000 invested 3/31/92 . . .	\$788,876	\$594,712	\$469,698
15 year cumulative return	688.9%	494.7%	369.7%
15 year average annual return	14.8%	12.6%	10.9%

Please see page 8 for additional performance information.

Level 3 was the largest contributor to the quarter's results. The company's competitive strength continued to grow as did its stock price. During the quarter we converted the 2011 notes into equity, receiving the full face value of all remaining interest payments as well as a premium for early conversion. Adept balance sheet management by the company has played an important role in the success of this investment.

Liberty Capital rose almost 13% in the first three months of 2007. The company's exchange of News Corp shares for DIRECTV shares provided another example of John Malone's prowess at growing shareholder value through both capital allocation and minimization of tax liabilities. DIRECTV represents the large majority of our appraisal of Liberty Capital. Early in the quarter DIRECTV shares were much more discounted via Liberty Capital than through direct ownership, and consequently, we sold some shares of DIRECTV, replacing them with Liberty Capital. All-in, DIRECTV is the Fund's second largest commitment. Liberty Interactive also had a strong quarter, gaining 10%. QVC, which comprises most of the value within Liberty Interactive, grew its business as we expected, and its U.S. margins were particularly strong.

The Fund's largest position, Dell, declined during the quarter. Kevin Rollins resigned and Michael Dell has taken the reins as CEO. Dell has brought in several new senior managers, is improving customer support, and is focused on restoring margins and sales growth to previous levels. While the outcome of the SEC's investigation of Dell's accounting is uncertain, we believe that the

Partners Fund - MANAGEMENT DISCUSSION

company's competitive advantages remain in place, i.e. being the low cost provider via the direct sale model and having an entrenched distribution network with unique access to small and mid-sized customers. Even in what was arguably a bleak year, the company earned \$3.7 billion in free cash flow and had margins, albeit depressed, that were higher than its competitors (in the case of HP, this excludes the printer cartridge business.) Our appraisal is significantly higher than the current price, and as the business improves and the company repurchases shares, Dell's intrinsic value should grow meaningfully.

DIRECTV, one of the Fund's best performers in 2006, gave back some gains in the first quarter. DIRECTV continued to add high-quality subscribers and realize excellent pricing. Our appraisal of the company grew, and we watched Chase Carey exhibit his commitment to building value by repurchasing a large number of shares as they became cheaper.

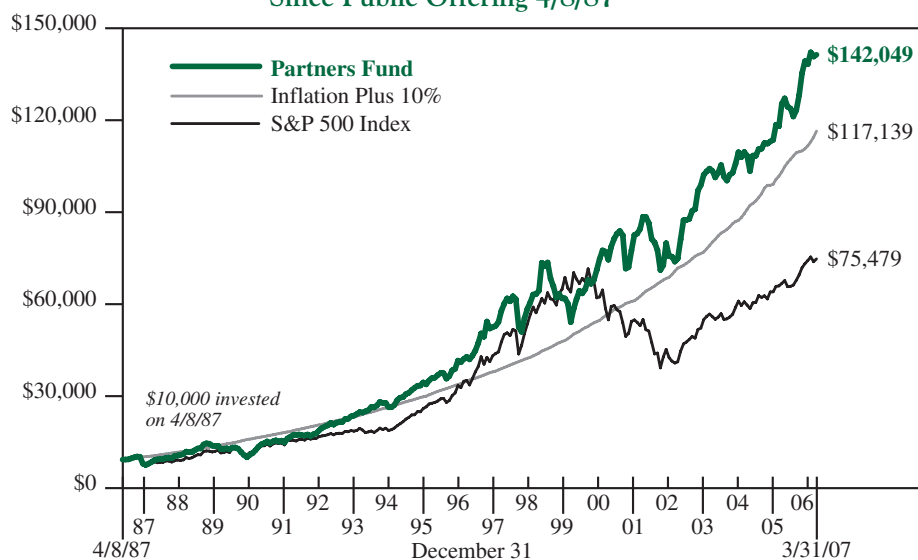
Relatively little activity occurred in the portfolio over the last three months – no names were added and none were deleted. We scaled back a few holdings that were approaching appraisal, and as a result, cash grew to 7.6%. The list of “on deck” names that are close to our required discount is small. We are not unhappy, however, to have some liquidity in the event that we see more volatility as we did briefly in February or find a qualifying anomaly. The Fund is reasonably priced with a price-to-value ratio (P/V) in the low-70%s, and owns a collection of companies with growing values. We are happy with the outlook for long-term compounding.

¹ Longleaf Partners Fund's 15 year total return for the period ended 12/31/06 was number one out of 40 multicap value funds selected by Lipper, Inc. ©2007 REUTERS. All rights reserved. Any copying, republication or redistribution of Lipper Content is expressly prohibited without the prior written consent of Lipper.

Partners Fund - PERFORMANCE HISTORY

LONGLEAF PARTNERS FUND

Comparison of Change in Value of \$10,000 Investment
Since Public Offering 4/8/87



AVERAGE ANNUAL RETURNS for the periods ended March 31, 2007

	Partners Fund	Inflation Plus 10%	S&P 500 Index
Year-to-Date	2.21%	3.66%	0.64%
One Year	12.65	12.78	11.83
Five Years	9.75	12.81	6.26
Ten Years	12.77	12.53	8.20
Since Public Offering 4/8/87	14.19	13.08	10.64

Past performance does not predict future performance, Fund prices fluctuate, and the value of an investment at redemption may be worth more or less than the purchase price. The Fund's performance results in the table shown above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The S&P 500 Index is shown with all dividends and distributions reinvested. This index is unmanaged and is not hedged for foreign currency risk. Longleaf often hedges its exposure to foreign currencies. The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation. Seasonally adjusted inflation data is presented for periods less than one year. Current performance may be lower or higher than the performance quoted. Please call 1-800-445-9469 or view Longleaf's website (www.longleafpartners.com) for more current performance information.

Partners Fund – PORTFOLIO SUMMARY

TABLE OF PORTFOLIO HOLDINGS at March 31, 2007

		<u>Net Assets</u>
Common Stock		92.3%
Dell Inc.	8.8	
Level 3 Communications, Inc.	8.3	
Aon Corporation	4.9	
Chesapeake Energy Corporation	4.9	
The NipponKoa Insurance Company, Ltd.	4.8	
Yum! Brands, Inc.	4.8	
Liberty Media Holding Corporation – Interactive ...	4.8	
The Walt Disney Corporation	4.7	
The DIRECTV Group, Inc.	4.7	
Koninklijke Philips Electronics N.V.	4.6	
Sprint Nextel Corporation	4.5	
Cemex S.A.B. de C.V.	4.5	
Liberty Media Holding Corporation – Capital	4.1	
Vivendi Universal, S.A.	3.9	
General Motors Corporation	3.9	
FedEx Corporation	3.8	
Telephone and Data Systems, Inc.	3.6	
Pioneer Natural Resources Company	3.4	
Comcast Corporation	2.2	
eBay, Inc.	1.4	
Symantec Corporation	1.0	
Discovery Holding Company	0.7	
Cash Reserves		7.6
Other Assets and Liabilities, net		<u>0.1</u>
		<u>100.0%</u>

PORTFOLIO CHANGES January 1, 2007 through March 31, 2007

New Holdings

None

Eliminations

* Level 3 Communications, Inc. 10%
Convertible Senior Notes due 5-1-11

* Exchanged for Level 3 Common Stock

Partners Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

<u>Shares</u>		<u>Value</u>
<i>Common Stock 92.3%</i>		
<i>Automobiles 3.9%</i>		
14,240,000	General Motors Corporation	\$ 436,313,600
<i>Broadcasting and Cable 6.9%</i>		
9,691,531	*Comcast Corporation – Class A Special.....	246,843,295
22,810,900	*The DIRECTV Group, Inc.	<u>526,247,463</u>
		<u>773,090,758</u>
<i>Construction Materials 4.5%</i>		
157,540	Cemex S.A.B. de C.V. (Foreign)	517,222
15,412,872	Cemex S.A.B. de C.V. ADS (Foreign).....	<u>504,771,558</u>
		<u>505,288,780</u>
<i>Entertainment 9.5%</i>		
4,335,344	*Discovery Holding Company – Class A.....	82,935,131
4,217,676	*Liberty Media Holding Corporation – Capital Series A	466,432,789
15,489,800	The Walt Disney Corporation	<u>533,313,814</u>
		<u>1,082,681,734</u>
<i>Insurance Brokerage 4.9%</i>		
14,627,000	Aon Corporation	555,240,920
<i>Internet and Catalog Retail 4.8%</i>		
22,584,666	*Liberty Media Holding Corporation – Interactive Series A	537,966,744
<i>Internet Services 1.4%</i>		
4,915,100	*eBay, Inc.	162,935,565
<i>Multi-Industry 3.9%</i>		
10,787,570	Vivendi Universal, S.A. (Foreign) ^(c)	438,362,115
<i>Natural Resources 8.3%</i>		
17,856,200	Chesapeake Energy Corporation	551,399,456
8,784,400	Pioneer Natural Resources Company ^(b)	<u>378,695,484</u>
		<u>930,094,940</u>
<i>Property & Casualty Insurance 4.8%</i>		
63,701,000	The NipponKoa Insurance Company, Ltd. (Foreign) ^{(b)(c)}	545,977,681
<i>Restaurants 4.8%</i>		
9,369,100	Yum! Brands, Inc.	541,159,216
<i>Software 1.0%</i>		
6,314,800	*Symantec Corporation	109,246,040

Partners Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

Shares		Value
	<i>Technology 13.4%</i>	
42,797,779	*Dell Inc.	\$ 993,336,451
11,806,035	Koninklijke (Royal) Philips Electronics N.V. (Foreign)	450,887,711
1,787,165	Koninklijke (Royal) Philips Electronics N.V. ADR (Foreign)	68,090,986
		<u>1,512,315,148</u>
	<i>Telecommunications 16.4%</i>	
153,597,754	*Level 3 Communications, Inc. ^(b)	936,946,299
26,817,900	Sprint Nextel Corporation	508,467,384
1,530,800	Telephone and Data Systems, Inc.	91,266,296
5,666,200	Telephone and Data Systems, Inc. – Special	316,740,580
		<u>1,853,420,559</u>
	<i>Transportation 3.8%</i>	
3,998,600	FedEx Corporation ^(c)	429,569,598
	Total Common Stocks (Cost \$7,083,415,404) ...	<u>10,413,663,398</u>
Principal Amount		
	<i>Short-Term Obligations 7.6%</i>	
307,764,000	Repurchase Agreement with State Street Bank, 4.65% due 4/2/07, Repurchase price \$307,883,259 (Collateralized by U.S. government securities)	307,764,000
550,000,000	U.S. Treasury Bills, 5.02% – 5.20% due 4-5-07 to 6-7-07	547,258,639
	Total Short-Term Obligations	<u>855,022,639</u>
Total Investments (Cost \$7,938,438,043)^(a)	99.9%	11,268,686,037
Other Assets and Liabilities, Net	0.1	13,506,788
Net Assets	<u>100.0%</u>	<u>\$11,282,192,825</u>
Net asset value per share		<u>\$35.63</u>

* Non-income producing security.

^(a) Aggregate cost for federal income tax purposes is \$7,959,398,580. Net unrealized appreciation of \$3,330,247,994 consists of unrealized appreciation and depreciation of \$3,855,565,842 and \$(525,317,848), respectively.

^(b) Affiliated issuer, as defined under Section 2(a)(3) of the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of the issuer).

^(c) All or a portion designated as collateral for forward currency contracts.

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 18% of net assets.

Partners Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

OPEN FORWARD CURRENCY CONTRACTS

<u>Currency Units Sold</u>	<u>Currency Sold and Settlement Date</u>	<u>Currency Market Value</u>	<u>Unrealized Gain (Loss)</u>
245,471,000	Euro 6-27-07	\$329,041,364	\$ (559,436)
26,498,598,000	Japanese Yen 6-22-07	227,308,655	205,709
35,355,073,000	Japanese Yen 9-7-07	306,253,486	924,130
		<u>\$862,603,505</u>	<u>\$ 570,403</u>

Small-Cap Fund - MANAGEMENT DISCUSSION

Longleaf Partners Small-Cap Fund had an outstanding quarter. The Fund's 7.4% return significantly outpaced the Russell 2000 Index's 2.0% gain as well as the annual absolute return goal of inflation plus 10%. Although every quarter in the Small-Cap Fund's history has not been as robust as the first three months of 2007, the Fund has consistently outperformed the benchmark as well as the absolute bogey over longer term periods.

<u>Cumulative Returns</u>	<u>Inception</u>	<u>15 Year</u>	<u>10 Year</u>	<u>5 Year</u>	<u>3 Year</u>	<u>1 Year</u>
Small-Cap Fund	818.8%	719.6%	289.3%	108.0%	64.5%	24.4%
Inflation plus 10%	816.0	494.7	225.5	82.7	44.7	12.8
Russell 2000 Index	566.3	383.3	164.9	68.1	40.5	5.9

Please see page 14 for additional performance information.

Most portfolio holdings contributed to the quarter's results with a number of stocks rising over 10%. The top two performers were Discovery and Texas Industries. Discovery Holding Company bought Cox's 25% ownership in Discovery Communications in exchange for cash and the Travel Channel, leaving only one remaining private holder of the Discovery-owned channels. The improved structure enhanced Wall Street's view of the company. More importantly, viewership ratings have been strong in the first quarter. Texas Industries' stock rose due in part to rock solid results, but also due to buy-outs at several cement and aggregates companies that traded at significantly higher multiples than those reflected in Texas Industries' stock price.

IDT detracted from the Fund's return, declining 13%. Fierce pricing competition among long distance calling card companies hurt margins. The company announced that it will use a large portion of its cash to pay a one-time special dividend.

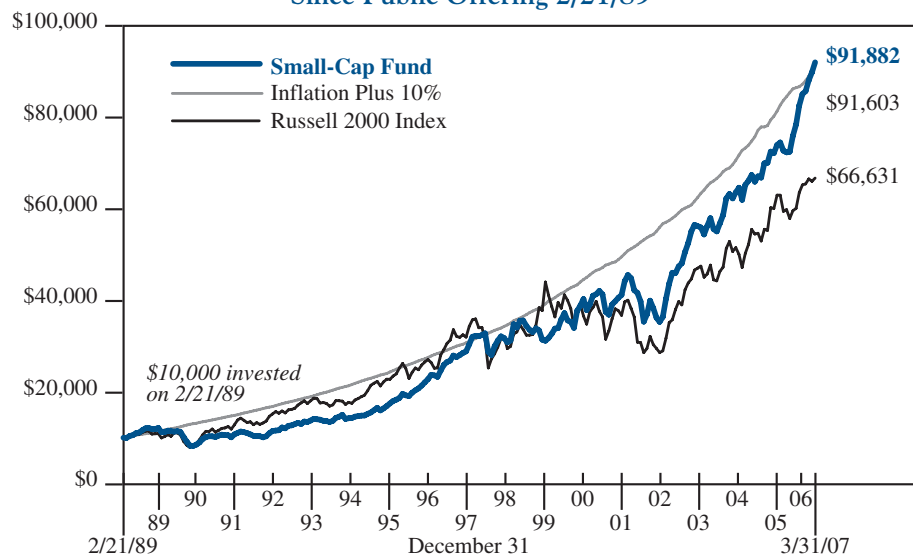
During the quarter we sold two positions and began buying two, although thus far, prices have not enabled us to accumulate meaningful positions. In spite of our opposition to the sales price, Jacuzzi was bought by a private equity group. We sold Vail Resorts when the stock approached our appraisal.

The strong performance moved the price-to-value ratio (P/V) into the high-70%^s. While we have several names that are close to our buy price, a couple of holdings are approaching 90% of appraisal. Cash levels rose slightly to 16% of the portfolio. We like the businesses that the Fund owns and believe that most of their values will appreciate at double-digit rates. We would, however, welcome more volatility, particularly among smaller size companies so that we could fill out several positions and find a few new ones. We would also caution Small-Cap shareholders that the returns of the next three years are unlikely to be as high as the previous three, based on the higher prices of companies in this universe.

Small-Cap Fund - PERFORMANCE HISTORY

LONGLEAF PARTNERS SMALL-CAP FUND

Comparison of Change in Value of \$10,000 Investment
Since Public Offering 2/21/89



AVERAGE ANNUAL RETURNS for the periods ended March 31, 2007

	Small-Cap Fund	Inflation Plus 10%	Russell 2000 Index
Year-to-Date	7.37%	3.66%	1.95%
One Year	24.44	12.78	5.91
Five Years	15.77	12.81	10.95
Ten Years	14.56	12.53	10.23
Since Public Offering 2/21/89	13.02	12.96	11.04

Past performance does not predict future performance, Fund prices fluctuate, and the value of an investment at redemption may be worth more or less than the purchase price. The Fund's performance results in the table shown above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The Russell 2000 Index is shown with all dividends and distributions reinvested. This index is unmanaged and is not hedged for foreign currency risk. Longleaf often hedges its exposure to foreign currencies. The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation. Seasonally adjusted inflation data is presented for periods less than one year. Current performance may be lower or higher than the performance quoted. Please call 1-800-445-9469 or view Longleaf's website (www.longleafpartners.com) for more current performance information.

Small-Cap Fund - PORTFOLIO SUMMARY

TABLE OF PORTFOLIO HOLDINGS

at March 31, 2007

	<u>Net Assets</u>
Common Stock	84.0%
Level 3 Communications, Inc.	7.8
Texas Industries, Inc.	6.5
Discovery Holding Company	6.3
Olympus Corporation	5.6
Fairfax Financial Holdings Limited	5.3
Service Corporation International	5.3
IHOP Corp.	4.6
Hilb, Rogal & Hobbs Company	4.6
Pioneer Natural Resources Company	4.6
Potlatch Corporation	4.5
Del Monte Foods Company	4.0
Ruddick Corporation	3.8
Everest Re Group, Ltd.	3.6
IDT Corporation	3.2
PepsiAmericas, Inc.	3.1
Wendy's International, Inc.	3.0
Willis Group Holdings Limited	2.6
Fair Isaac Corporation	1.9
Worthington Industries, Inc.	1.5
Trend Micro Incorporated	1.3
Odyssey Re Holdings Corp.	0.9
Cash Reserves	15.9
Other Assets and Liabilities, net	<u>0.1</u>
	<u>100.0%</u>

PORTFOLIO CHANGES

January 1, 2007 through March 31, 2007

New Holdings

Trend Micro Incorporated
Worthington Industries, Inc.

Eliminations

Jacuzzi Brands, Inc.
Vail Resorts, Inc.

Small-Cap Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

<u>Shares</u>	<u>Value</u>
<i>Common Stock 84.0%</i>	
	<i>Beverages 3.1%</i>
5,262,900	PepsiAmericas, Inc. \$ 117,467,928
	<i>Construction Materials 6.5%</i>
3,244,800	Texas Industries, Inc. ^(b) 245,079,744
	<i>Entertainment 6.3%</i>
12,422,000	*Discovery Holding Company – Class A 237,632,860
	<i>Food 4.0%</i>
13,173,806	Del Monte Foods Company ^(b) 151,235,293
	<i>Funeral Services 5.3%</i>
16,719,400	Service Corporation International ^(b) 198,292,084
	<i>Grocery – Retail 3.8%</i>
4,823,500	Ruddick Corporation ^(b) 145,090,880
	<i>Information Technology 1.9%</i>
1,902,400	Fair Isaac Corporation 73,584,832
	<i>Insurance Brokerage 7.2%</i>
3,526,400	Hilb Rogal & Hobbs Company ^(b) 172,969,920
2,513,000	Willis Group Holdings Limited (Foreign) 99,464,540
	272,434,460
	<i>Manufacturing 1.5%</i>
2,658,700	Worthington Industries, Inc. 54,716,046
	<i>Medical and Photo Equipment 5.6%</i>
6,149,000	Olympus Corporation (Foreign) 210,289,121
	<i>Natural Resources 9.1%</i>
4,004,300	Pioneer Natural Resources Company 172,625,373
3,702,022	Potlatch Corporation ^(b) 169,478,567
	342,103,940
	<i>Property & Casualty Insurance 9.8%</i>
1,421,800	Everest Re Group, Ltd. (Foreign) 136,734,506
886,000	Fairfax Financial Holdings Limited (Foreign) 199,532,265
843,800	Odyssey Re Holdings Corp. 33,169,778
	369,436,549
	<i>Restaurants 7.6%</i>
2,978,100	IHOP Corp. ^(b) 174,665,565
3,663,800	Wendy's International, Inc. 114,676,940
	289,342,505
	<i>Software 1.3%</i>
1,723,000	Trend Micro Incorporated (Foreign) 47,081,297

Small-Cap Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

<u>Shares</u>		<u>Value</u>
	<i>Telecommunications 11.0%</i>	
459,400	IDT Corporation	\$ 5,182,032
10,133,310	IDT Corporation – Class B	115,013,068
48,076,002	*Level 3 Communications, Inc.	293,263,612
		<u>413,458,712</u>
	Total Common Stocks (Cost \$2,250,618,515)	<u>3,167,246,251</u>
<u>Principal Amount</u>		
<i>Short-Term Obligations 15.9%</i>		
102,779,000	Repurchase Agreement with State Street Bank, 4.65% due 4-2-07, Repurchase price \$102,818,827 (Collateralized by U.S. government securities)	102,779,000
500,000,000	U.S. Treasury Bills, 5.02% - 5.19% due 4-5-07 to 6-7-07	498,094,458
	Total Short-Term Obligations	<u>600,873,458</u>
Total Investments (Cost \$2,851,491,973) ^(a)	99.9%	3,768,119,709
Other Assets and Liabilities, Net	0.1%	4,858,285
Net Assets	<u>100.0%</u>	<u>\$3,772,977,994</u>
Net asset value per share		<u>\$32.34</u>

* Non-income producing security.

^(a) Aggregate cost for federal tax purposes is \$2,851,811,942. Net unrealized appreciation of \$916,627,736 consists of unrealized appreciation and depreciation of \$933,588,211 and \$(16,960,475), respectively.

^(b) Affiliated issuer as defined under Section 2(a)(3) of the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of the issuer).

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 18% of net assets.

International Fund - MANAGEMENT DISCUSSION

Longleaf Partners International Fund gained 5.7% in the first quarter outperforming both the 4.1% gain for the MSCI EAFE Index and 3.7% for annualized inflation plus 10%. Since the Fund's inception almost nine years ago, returns have bested both the absolute and relative benchmarks.

	<u>International Fund</u>	<u>Inflation Plus 10%</u>	<u>EAFE Index</u>
Value of \$100,000 invested at inception	\$342,956	\$ 277,327	\$ 195,627
Cumulative return since inception	243.0%	177.3%	95.6%
Average annual return since inception . .	15.7%	12.7%	8.3%

Please see page 20 for additional performance information.

Nikko Cordial, Japan's third largest brokerage firm, contributed most to the quarter's performance. The market's overreaction to penalties imposed by the Japanese regulator, the FSA, upon Nikko Cordial in the fourth quarter of last year allowed us to rapidly accumulate a sizeable position in a company with a tarnished reputation, but with a pristine balance sheet and a valuable franchise. In March Citigroup made a bid for all of Nikko Cordial's outstanding shares, and raised the bid after the announcement that the company's shares would not be delisted. The revised offer of 1,700 yen per share remains below our appraisal, but represents a substantial premium to the Fund's cost. Citigroup's bid was outstanding at the end of the quarter.

The Nikko Cordial experience validates components that underpin all of our Japanese investments. First, the tide of large-scale, cross-border mergers and acquisitions that has swept most of the developed world has touched Japan's shores. The tide may not move as fast as we would like, but we believe it is irreversible. Second, courts and regulators increasingly uphold and protect shareholder rights. Third, despite a multi-year malaise, the Japanese financial markets provide substantial opportunities to managements who provide innovative solutions to Japan's savers, as Nikko Asset Management's success has proven. Fourth, despite recent increased attention from investors, the Japanese market remains surprisingly inefficient given its size and maturity. Finally, executives of undervalued companies increasingly are being held accountable, and in some cases, are being replaced by managers, whether inside or outside of Japan, who think they can do a better job.

In addition to Nikko Cordial, Fairfax and KDDI were significant contributors to performance, and most other positions advanced. Fairfax continued to benefit from the market's increased confidence in both its balance sheet and its operating

International Fund - MANAGEMENT DISCUSSION

performance. KDDI has emerged as the clear winner in Japan's introduction of mobile number portability, but, perhaps as important, has done so in a way that did not destroy the industry's profitability.

Dell, the Fund's largest holding, was the only name that meaningfully detracted from the Fund's results. Kevin Rollins resigned and Michael Dell has taken the reins as CEO. Dell has brought in several new senior managers, is improving customer support, and is focused on restoring margins and sales growth to previous levels. While the outcome of the SEC's investigation of Dell's accounting is uncertain, we believe that the company's competitive advantages remain in place, i.e. being the low cost provider via the direct sale model and having an entrenched distribution network with unique access to small and mid-sized customers. Even in what was arguably a bleak year, the company earned \$3.7 billion in free cash flow and had margins, albeit depressed, that were higher than its competitors (in the case of HP, this excludes the printer cartridge business.) Our appraisal is significantly higher than the current price, and as the business improves, overseas sales continue to grow, and the company repurchases shares, Dell's intrinsic value should grow meaningfully.

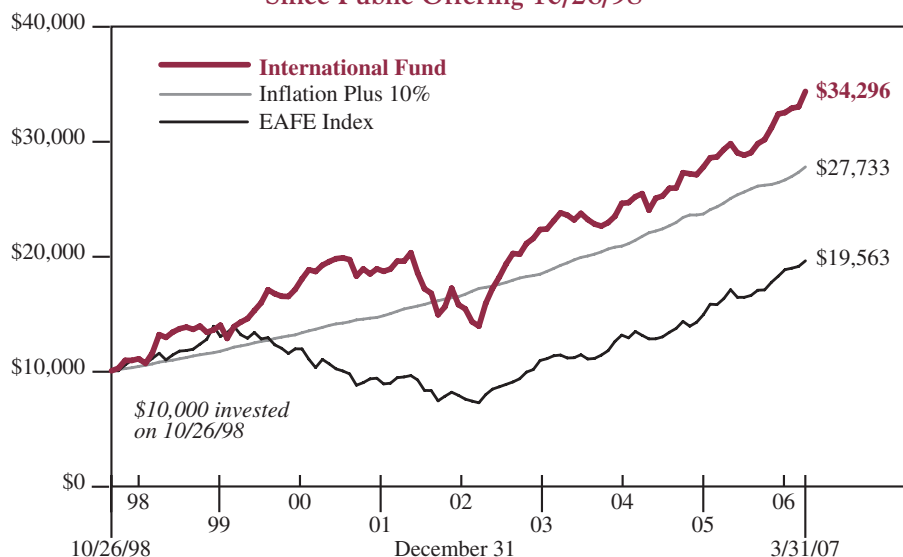
During the quarter dramatic short-term moves in natural gas prices provided an opportunity to purchase the Fund's newest position, EnCana. We have known EnCana's predecessor companies and management for nearly a decade. It owns substantial natural gas reserves as well as Canada's most competitive oil sands project. A warm December and a weak natural gas spot price contributed to a dramatic decline in EnCana's price despite limited impact on our appraisal. We are delighted to own this high-quality collection of long-lived assets at such an attractive price.

We completed the sale of News Corp and trimmed Renault, NTT DoCoMo, Vivendi, and Nestle as they became more fully valued. The International Fund's price-to-value ratio (P/V) remains in the mid-70%.

International Fund - PERFORMANCE HISTORY

LONGLEAF PARTNERS INTERNATIONAL FUND

Comparison of Change in Value of \$10,000 Investment
Since Public Offering 10/26/98



AVERAGE ANNUAL RETURNS for the periods ended March 31, 2007

	International Fund	Inflation Plus 10%	EAFE Index
Year-to-Date	5.66%	3.66%	4.08%
One Year	17.28	12.78	20.20
Five Years	11.91	12.81	15.78
Since Public Offering 10/26/98	15.74	12.74	8.28

Past performance does not predict future performance, Fund prices fluctuate, and the value of an investment at redemption may be worth more or less than the purchase price. The Fund's performance results in the table shown above do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The EAFE Index is shown with all dividends and distributions reinvested. In 1998, the EAFE was available at month-end only; therefore, the EAFE value at October 31, 1998 was used to calculate performance since public offering. This index is unmanaged and is not hedged for foreign currency risk. Longleaf often hedges its exposure to foreign currencies. The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation. Seasonally adjusted inflation data is presented for periods less than one year. Current performance may be lower or higher than the performance quoted. Please call 1-800-445-9469 or view Longleaf's website (www.longleafpartners.com) for more current performance information.

International Fund - PORTFOLIO SUMMARY

TABLE OF PORTFOLIO HOLDINGS at March 31, 2007

		<u>Net Assets</u>
Common Stock		94.2%
Dell Inc.	7.6	
The NipponKoa Insurance Company, Ltd.	7.1	
Olympus Corporation	6.3	
Nikko Cordial Corporation	6.2	
Fairfax Financial Holdings Limited	5.9	
Cheung Kong Holdings Limited	5.0	
Ingersoll-Rand Company Limited	4.9	
Cemex S.A.B. de C.V. ADS	4.9	
Renault S.A.	4.9	
Nestle S.A.	4.9	
EnCana Corporation	4.8	
Koninklijke Philips Electronics N.V.	4.7	
Millea Holdings, Inc.	4.5	
British Sky Broadcasting Group plc	4.4	
Yum! Brands, Inc.	4.3	
Willis Group Holdings Limited	4.1	
KDDI Corporation	4.0	
Vivendi Universal, S.A.	3.8	
NTT DoCoMo, Inc.	1.7	
Sankyo Co., Ltd.	0.2	
Cash Reserves		4.9
Other Assets and Liabilities, net		<u>0.9</u>
		<u>100.0%</u>

PORTFOLIO CHANGES January 1, 2007 through March 31, 2007

<u>New Holdings</u>	<u>Eliminations</u>
EnCana Corporation	The News Corporation

International Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

<u>Shares</u>		<u>Value</u>
Common Stock 94.2%		
	<i>Automobiles 4.9%</i>	
1,452,000	Renault S.A. (France) ^(b)	\$ 169,813,786
	<i>Broadcasting and Cable 4.4%</i>	
13,762,000	British Sky Broadcasting Group plc (United Kingdom) ^(b)	152,730,578
	<i>Construction Materials 4.9%</i>	
5,186,000	Cemex S.A.B. de C.V. ADS (Mexico)	169,841,500
	<i>Financial Services 6.2%</i>	
15,129,000	Nikko Cordial Corporation (Japan) ^(b)	216,073,549
	<i>Food 4.9%</i>	
435,000	Nestle S.A. (Switzerland)	169,407,299
	<i>Gaming Machines 0.2%</i>	
152,000	Sankyo Co., Ltd. (Japan)	6,681,602
	<i>Industrial Machinery 4.9%</i>	
3,931,000	Ingersoll-Rand Company Limited (Bermuda)	170,487,470
	<i>Insurance Brokerage 4.1%</i>	
3,586,000	Willis Group Holdings Limited (United Kingdom)	141,933,880
	<i>Medical and Photo Equipment 6.3%</i>	
6,405,000	Olympus Corporation (Japan) ^(b)	219,044,043
	<i>Multi-Industry 8.8%</i>	
13,723,000	Cheung Kong Holdings Limited (Hong Kong)	173,699,968
3,192,000	Vivendi Universal, S.A. (France) ^(b)	129,709,645
		<u>303,409,613</u>
	<i>Natural Resources 4.8%</i>	
3,265,000	EnCana Corporation (Canada)	165,306,950
	<i>Property & Casualty Insurance 17.5%</i>	
910,000	Fairfax Financial Holdings Limited (Canada)	204,937,202
4,198,000	Millea Holdings, Inc. (Japan)	155,323,150
28,556,000	The NipponKoa Insurance Company, Ltd. (Japan) ^(b)	244,751,867
		<u>605,012,219</u>
	<i>Restaurants 4.3%</i>	
2,558,000	Yum! Brands, Inc. (United States)	147,750,080

International Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

<u>Shares</u>		<u>Value</u>
	<i>Technology 12.3%</i>	
11,382,751	*Dell Inc. (United States)	\$ 264,193,651
1,365,931	Koninklijke (Royal) Philips Electronics N.V. (Netherlands)	52,166,667
2,889,269	Koninklijke (Royal) Philips Electronics N.V. ADR (Netherlands)	110,081,149
		<u>426,441,467</u>
	<i>Telecommunications 5.7%</i>	
17,163	KDDI Corporation (Japan)	137,053,488
31,629	NTT DoCoMo, Inc. (Japan) ^(b)	58,512,576
		<u>195,566,064</u>
	Total Common Stocks (Cost \$2,143,909,218)	<u>3,259,500,100</u>
<u>Principal Amount</u>		
	<i>Short-Term Obligations 4.9%</i>	
121,347,000	Repurchase Agreement with State Street Bank, 4.65% due 4/2/07, Repurchase price \$121,394,022 (Collateralized by U.S. government securities)	121,347,000
50,000,000	U.S. Treasury Bill, 5.04% due 4-12-07	49,924,986
	Total Short-Term Obligations	<u>171,271,986</u>
Total Investments (Cost \$2,315,181,204)^(a)	99.1%	3,430,772,086
Other Assets and Liabilities, Net	0.9	29,633,242
Net Assets	<u>100.0%</u>	<u>\$3,460,405,328</u>
Net asset value per share		<u>\$19.98</u>

* Non-income producing security.

^(a) Also represents aggregate cost for federal income tax purposes. Net unrealized appreciation of \$1,115,590,882 consists of unrealized appreciation and depreciation of \$1,162,115,616 and \$(46,524,734), respectively.

^(b) All or a portion designated as collateral for forward currency contracts.

Note: Country listed in parenthesis after each company indicates location of headquarters.

International Fund - PORTFOLIO OF INVESTMENTS
at March 31, 2007 (Unaudited)

OPEN FORWARD CURRENCY CONTRACTS

<u>Currency Units Sold</u>	<u>Currency Sold and Settlement Date</u>	<u>Currency Market Value</u>	<u>Unrealized Gain (Loss)</u>
5,710,000	British Pound 7-27-07	\$ 11,224,440	\$ (15,882)
71,770,000	British Pound 9-20-07	141,015,909	(704,124)
72,587,000	Euro 6-27-07	97,299,174	(165,428)
23,318,901,000	Japanese Yen 5-23-07	199,288,124	5,140,156
38,233,032,000	Japanese Yen 6-22-07	327,968,260	(38,006)
6,956,133,000	Japanese Yen 7-27-07	59,929,044	(1,223,069)
28,262,763,000	Japanese Yen 9-7-07	244,818,323	(404,099)
		<u>\$1,081,543,274</u>	<u>\$2,589,548</u>

COUNTRY WEIGHTINGS

	<u>Equity Only</u>	<u>Net Assets</u>
Japan	31.8%	30.0%
United States	12.6	11.9
Canada	11.4	10.7
France	9.2	8.7
United Kingdom	9.1	8.5
Hong Kong	5.3	5.0
Bermuda	5.2	4.9
Mexico	5.2	4.9
Switzerland	5.2	4.9
Netherlands	5.0	4.7
	<u>100.0%</u>	<u>94.2</u>
Cash, other assets and liabilities, net		<u>5.8</u>
		<u>100.0%</u>



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Longleaf Partners Funds FUND INFORMATION

The following additional information may be obtained without charge, upon request, by calling 1-800-445-9469, Option 1, or on the Funds' website at www.longleafpartners.com, or on the SEC's website at www.sec.gov.

Proxy Voting Policies and Procedures

A description of Longleaf's Proxy Voting Policies and Procedures is included in the Statement of Additional Information (SAI).

Proxy Voting Record

Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is contained in Form N-PX.

Quarterly Portfolio Holdings

Longleaf files a complete schedule of portfolio holdings for the first and third quarters of each fiscal year on Form N-Q, which is available on the SEC's website, and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (please call 1-800-SEC-0330 for information on the operation of the Public Reference Room).

In addition to Form N-Q, Longleaf publishes reports for each fiscal quarter. These reports include complete schedules of portfolio holdings, as well as performance updates and management discussion. We furnish Longleaf's Quarterly Reports in lieu of Form N-Q to shareholders who request information about our first and third quarter portfolio holdings, and Semi-Annual and Annual Reports for requests related to the second and fourth quarters, respectively.

Fund Trustees

Additional information about Fund Trustees is included in the Statement of Additional Information (SAI).

Longleaf Partners Funds SERVICE DIRECTORY

Contact us at www.longleafpartners.com or
(800) 445-9469

FUND INFORMATION

To request a Prospectus, Statement of Additional Information (including Longleaf's Proxy Voting Policies and Procedures), financial report, application or other Fund information from 7:00 a.m. to 7:00 p.m. Eastern time, Monday through Friday.

OPTION 1

DAILY FUND PRICES

For automated reporting 24 hours a day, seven days a week.

OPTION 2

ACCOUNT INFORMATION

For account balance and transaction activity, 24 hours a day, seven days a week. Please have your Fund number (see below) and account number ready to access your investment information.

OPTION 3

SHAREHOLDER INQUIRIES

To request action on your existing account from 9:00 a.m. to 6:00 p.m. Eastern time, Monday through Friday.

OPTION 0

CORRESPONDENCE

By regular mail:

Longleaf Partners Funds
P.O. Box 9694
Providence, RI 02940-9694

By express mail or overnight courier:

Longleaf Partners Funds
c/o PFPC
101 Sabin Street
Pawtucket, RI 02860
(508) 871-8800

PUBLISHED DAILY PRICE QUOTATIONS

Daily net asset value per share of each Fund is reported in mutual fund quotations tables of major newspapers in alphabetical order under the bold heading **Longleaf Partners** as follows:

<u>Abbreviation</u>	<u>Symbol</u>	<u>Cusip</u>	<u>Transfer Agent Fund Number</u>	<u>Status to New Investors</u>
Partners	LLPFX	543069108	133	Closed 7-16-04
Sm-Cap	LLSCX	543069207	134	Closed 7-31-97
Intl	LLINX	543069405	136	Open

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