Longleaf Partners Funds®

Quarterly Report

Partners Fund

Small-Cap Fund

International Fund

September 30, 2012

Longleaf
Partners Funds

Advised by
Southeastern
Asset Management, Inc.®

Cautionary Statement

One of Southeastern's "Governing Principles" is that "we will communicate with our investment partners as candidly as possible," because we believe Longleaf 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. Current performance may be lower or higher than the performance quoted herein. Past performance does not guarantee future results, fund prices fluctuate, and the value of an investment may be worth more or less than the purchase price. ***Call (800)445-9469 or go to southeasternasset.com for current performance information and southeasternasset.com/misc/prospectus.cfm for the Prospectus and Summary Prospectus, both of which should be read carefully before investing to learn about fund investment objectives, risks and expenses.***

The price-to-value ratio ("P/V") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisals 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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Letter To Our Shareholders

We are pleased to report that all three Longleaf Partners Funds posted strong absolute results for the third quarter and double-digit gains for the first nine months of 2012, well ahead of our inflation plus 10% goal. The International Fund also outperformed the EAFE Index for both periods. The Small-Cap Fund outperformed its Russell 2000 benchmark for the year-to-date (YTD). Returns for the large majority of the stocks we own have been strong this year. The Small-Cap Fund's relative underperformance in the quarter equated to the impact of one name, Quicksilver. Likewise, Dell's impact on the Partners Fund's return accounted for essentially all of the difference between the Fund and the S&P 500 Index for the quarter and YTD. Although global challenges are unchanged since the huge macro-driven market downdraft a year ago, we have seen substantial progress not only in stock prices but also within most of our portfolio companies. Our management partners have had a large hand in building value and closing some of the discounts in their stocks' prices. In the few names that have detracted from performance, we have engaged with management as needed to insure that our partners' primary focus is to protect and build value per share.

Cumulative Returns at September 30, 2012

	Since Inception[1]	Ten Year	Five Year	Three Year	One Year	YTD	3Q
Partners Fund (Inception 4/8/87)	**1259.03%**	**89.25%**	**-10.18%**	**35.69%**	**24.92%**	**13.02%**	**5.61%**
S&P 500 Index	782.45	116.15	5.37	45.07	30.20	16.44	6.35
Small-Cap Fund (Inception 2/21/89)	**989.79**	**208.68**	**12.62**	**58.84**	**29.61**	**18.79**	**4.97**
Russell 2000 Index	652.23	163.47	11.57	44.24	31.91	14.23	5.25
International Fund (Inception 10/26/98)	**182.42**	**89.88**	**-24.98**	**2.94**	**12.55**	**11.93**	**10.72**
EAFE Index	62.48	119.97	-23.60	6.48	13.75	10.08	6.92

(1) *During the inception year, the S&P 500 and the EAFE Index were available only at month-end; therefore the S&P 500 value at 3/31/87 and the EAFE value at 10/31/98 were used to calculate performance since inception.*

Average Annual Returns at September 30, 2012

	Since Inception[1]	Ten Year	Five Year	Three Year	One Year
Partners Fund (Inception 4/8/87)	**10.78%**	**6.59%**	**-2.12%**	**10.71%**	**24.92%**
S&P 500 Index	8.92	8.01	1.05	13.20	30.20
Small-Cap Fund (Inception 2/21/89)	**10.65**	**11.93**	**2.41**	**16.68**	**29.61**
Russell 2000 Index	8.92	10.17	2.21	12.99	31.91
International Fund (Inception 10/26/98)	**7.74**	**6.62**	**-5.58**	**0.97**	**12.55**
EAFE Index	3.55	8.20	-5.24	2.12	13.75

See pages 8, 16 and 24 for additional performance information.

Letter To Our Shareholders

...our management partners have the operational skills, capital allocation discipline, and proper incentives to drive value per share growth.

Our Process to Assess and Engage Management

Great corporate partners can mean the difference between a good investment return and a stellar one. Our investment criteria include having "Good People" at the helm. Our management assessment begins long before we own a company and continues once we are shareholders. If we see ways in which management could enhance value at our holdings, we consider increasing our engagement. Each stage of the process – deciding to invest, monitoring results, and engaging further with management – requires a great deal of time and careful evaluation, but the payback can be substantial.

Before we make an investment, we attempt to insure that the person running the company will meaningfully contribute to our successful outcome. We conduct our diligence in four primary ways. First, we see how aligned the CEO's interests are with shareholders. Significant stock ownership on the same terms as other shareholders is the optimal formula, but we also examine the overall compensation structure to fully understand management's economic incentives. Second, we review the CEO's operating and capital allocation record, at the current company and in previous roles. Third, we use our vast network of clients, corporate managers, industry experts, and friends to find out everything we can about the CEO, including personal as well as professional insights. Finally, armed with our research, we normally meet with the CEO and CFO not only to ask questions about the business, but also to determine whether management approaches decisions with the passion and orientation of an owner-operator focused on building value per share. The board can also impact our results, especially as it oversees capital allocation decisions. Before investing, we consider whether board members are significant stock owners, have relevant knowledge to assess the CEO's work, and have a record of strong governance and oversight. We weigh all of our research to determine whether management and the board are committed to improving the company's competitive position, growing intrinsic value per share prudently, and representing our interests as shareholders.

Once we buy a position, we monitor management through quarterly results, major announcements, yearly or more frequent meetings, and ongoing feedback from our contacts outside of the company, including its competitors and large customers. We evaluate operating progress relative to expected results and capital allocation decisions based on whether they optimize the prudent building of value per share. If shares sell at a large discount to intrinsic value for a persistent time, we assess the actions that management takes to close the gap.

When we believe that management could improve operating decisions, capital allocation, or governance and alignment, we decide whether and how to further engage our corporate partners. In most cases, our engagement takes the form of constructive conversations with management listening to our analysis and often incorporating our perspective into their actions. On occasion, management dismisses our views and continues down a path that is either suboptimal or detrimental to shareholders. At this point, we recognize that our original assessment of management was flawed, and we must determine whether engaging more actively has a likelihood of success using a reasonable amount of effort. If the answer is no, we typically sell the stock. If the answer is yes, we pursue whatever course we believe has the highest possibility of protecting and rewarding shareholders. Over our history, we have not needed to become "active" often, but when we have, our efforts have driven better investment outcomes with few exceptions.

Managements' Contributions and Southeastern's Engagement at Longleaf's Holdings

Faced with an anemic U.S. recovery, a European recession, and slowing growth in Asia and emerging markets, our management partners have had to build and gain value recognition without significant demand-driven top line growth over the last year. Because of the caliber of our management teams, most have taken constructive action with little-to-no engagement from Southeastern.

Operational Contributions: On the operating side, a number of our partners have implemented meaningful expense reductions including those at Dell, Disney, FedEx, and Quicksilver in the U.S., and Lafarge and Philips in Europe. HRT and Vulcan, where we have become more engaged, also have lowered costs. Additionally, managements have implemented price increases at the cement and aggregates businesses we own, our insurance holdings, other U.S. companies such as Abbott, Disney, Lamar, Scripps Networks, and Vail Resorts, and in our Asian names – Cheung Kong, Henderson, Melco, and Nitori. Spanish based Ferrovial's two primary assets, the ETR-407 toll road and airport owner BAA, have raised tariffs well above inflation rates. In a more unique action, Greg Case strengthened Aon's strategic proximity to international clients by moving headquarters from Chicago to London, which also significantly lowered the company's prospective tax rate and freed up excess capital.

Capital Allocation Contributions: Capital allocation decisions such as repurchasing shares and restructuring debt have been laudable. Collectively, of the 55 companies across the three Funds, roughly half have added value by buying back undervalued shares over the last year. Management teams at ACS in Europe, Cemex in Mexico, and Level(3) and Quicksilver in the U.S., have improved their balance sheets by successfully restructuring debt, extending maturities, and/or negotiating favorable covenants. Conversely, several companies with strong balance sheets such as Accor, DIRECTV, Disney, Cheung Kong, Ferrovial, and Henderson, locked in historically low interest rates by issuing cheap long-dated debt.

Value Recognition Contributions: Many management teams have taken steps to remove their stocks' discounts through spinning out divisions, selling all or portions of their companies, and initiating, reinstating, or meaningfully increasing dividends. Abbott is splitting into two companies, and Liberty Interactive has further simplified by spinning off Liberty Ventures. Cemex plans to IPO a portion of its Latin American business. Energy companies including Chesapeake, Consol Energy, and Quicksilver have sold reserves and other assets at attractive prices. A number of our European management partners have taken action. Ferrovial has sold part of its stake in BAA at a high price. Hochtief has sold its stake in a Chilean toll road at a premium to our appraisal and is selling its airports. Leighton, the Australian construction firm that Hochtief controls, has begun to dispose of its non-core assets. ACS has sold its stake in Abertis as well as numerous infrastructure assets, and has more on the block. Accor has executed on its "asset-right" plan by selling a number of hotels including its U.S.-based Motel 6 properties. Intercontinental Hotels is selling the Barclay in New York. In Asia, Cheung Kong and Henderson have been monetizing some of their low-cost China and Hong Kong real estate at attractive returns. In Small-Cap, DineEquity has sold the last of its owned Applebees restaurants to become 99% franchised; Potlatch has taken advantage of private funds' interest in timber by selling acreage at attractive prices; and management at Lamar Advertising is exploring converting its billboards into a REIT structure.

Since the outset of 2011, many of our corporate partners have returned capital to shareholders through higher dividends. Disney, Ingersoll-Rand, Nitori, Scripps Networks, and Vail Resorts have raised their dividends by 20% or more. Dell has initiated a meaningful dividend. Numerous companies have paid a special dividend or plan to by year-end including Accor, Ferrovial, Franklin Resources, Intercontinental Hotels, and Vodafone. While spins and dividends have not created additional value for shareholders, they have helped close some of the gap between price and corporate worth. In cases where management has sold assets for more than our appraisal, we have benefitted from value growth as well.

Southeastern Engagement: We have been actively engaged at several holdings, primarily to improve governance. With pressure from Southeastern as well as Carl Icahn, Chesapeake replaced six of nine directors, split the CEO and Chairman roles, and restructured board and CEO compensation. From the stock's low in May, the price has risen 39% following these changes. Going forward, the directors, who collectively own meaningful shares, will seek to insure financial discipline in capital expenditure and debt decisions. At HRT we have pushed the company to expand the board and replace directors to gain a

Letter To Our Shareholders

majority of independent members and enough industry expertise to impose prudent operating and capital decisions. With the acquisition of Global Crossing at Level(3), the board added three representatives from Temasek, which owns approximately 26% and is focused on shareholder value growth. Just after quarter-end, the company announced that Mike Glenn, whom we have known for many years as EVP of Market Development and Corporate Communications at FedEx, is joining the board. Mike brings not only an understanding of the value of an infrastructure network (whether logistics or data), but true expertise in the disciplines of pricing and sales that are critical to Level(3)'s future success. At Texas Industries, where we suggested three new board members, the company successfully has managed costs and capex through the cement industry depression, and is now growing in its primary Texas market. Our public engagement over Martin Marietta's offer to buy Vulcan has created pressure on Martin Marietta's management to exercise price discipline while focusing Vulcan on substantial cost cuts. In each case where we have become more actively engaged, we believe we have positively impacted shareholder interests.

We Are Well Positioned for the Long-term

We expect our investments to do well over the next five years without a tailwind from meaningful economic growth. Most of our companies are market leaders with competitive advantages that should enable some degree of pricing power as well as unit growth. Just as important, almost all of our management partners have the operational skills, capital allocation discipline, and proper incentives to drive value per share growth. Many have increased their shareholder alignment by buying shares personally over the last year. To the extent needed, we will push as hard as is feasible to insure that managements and boards remain focused on their obligation to act in the best interest of owners. We will move on to better opportunities if we believe our engagement will not produce positive change. We are using modest assumptions in our appraisals. To the extent that economic growth returns to a more normal level, natural resource supply and demand becomes more balanced, or modest inflation adds a few hundred basis points to interest rates, the values of our businesses should rise much faster than we are anticipating.

Sincerely,

O. Mason Hawkins, CFA
Chairman & Chief Executive Officer
Southeastern Asset Management, Inc.

G. Staley Cates, CFA
President & Chief Investment Officer
Southeastern Asset Management, Inc.

November 2, 2012

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Partners Fund Management Discussion

Longleaf Partners Fund gained 5.6% in the quarter and is up 13.0% year-to-date (YTD), ahead of our annual goal of inflation plus 10%. The S&P 500 Index grew 6.4% and 16.4% over the same periods. One holding accounted for essentially all of the difference between the benchmark and the Fund. Although the last five years have reflected a substantial bias against value oriented stocks (Russell 1000 Value Index down 4.4% versus Russell 1000 Growth Index up 17.3%), the Fund's long-term returns have far exceeded the S&P 500.

Cumulative Returns at September 30, 2012

	25 Year	20 Year	15 Year	Ten Year	Five Year	Three Year	One Year	YTD	3Q
Partners Fund	**1144.20%**	**643.71%**	**146.84%**	**89.25%**	**-10.18%**	**35.69%**	**24.92%**	**13.02%**	**5.61%**
S&P 500 Index	688.27	411.55	99.11	116.15	5.37	45.07	30.20	16.44	6.35

See page 8 for additional performance information.

Almost all of our holdings appreciated in the quarter and for the YTD. The strongest contributors were names we bought or added to in the broad market downdraft a year ago. Cemex, which was among the most undervalued names, has contributed the most to Fund performance, up 61% YTD and 24% in the recent quarter. Positive sentiment regarding U.S. housing, infrastructure spending, and global construction as well as upward worldwide pricing trends helped cement and aggregates stocks. Specific to Cemex, management successfully refinanced the company's bank debt, extending maturities and relaxing covenants, without diluting shareholders. Cemex also announced plans to IPO a portion of its Latin American business. With the stock's large gains, we trimmed our position by selling the remaining equity and some of the convertible bonds. Vulcan also benefitted from the same positive U.S. trends, and its price rose 19% in the quarter.

Philips Electronics gained 18% over the last three months. The company reported that organic revenues grew in all three segments (lighting, medical, consumer lifestyle), and margins moved closer to 2013 targets. Management announced an additional €300 million in cost savings by 2014 as well as share repurchases. Intercontinental Hotels' 12% rise in the quarter brought its YTD increase to 53%. We bought this global hotel company last August amid macroeconomic fears as the rebranding of Holiday Inn Express was coming to completion. Since then, REVPAR (revenue per available room) has risen across the company's geographies (primarily North America and China) and brands (Holiday Inn, Crowne Plaza, and Intercontinental). Management put the Barclay Hotel in New York for sale and plans to sell other trophy properties with its London hotel a likely 2013 candidate. The company will return capital to shareholders in October via a $500 million special dividend and $500 million share repurchase. We trimmed the position as its weight and P/V rose. Disney also contributed to the Fund's YTD return, rising 42%. Domestic theme parks had higher attendance and visitor spending; ESPN grew operating income strongly; and the studio released a big hit, The Avengers. We scaled back the stock given its appreciation.

Few stocks detracted from returns. Dell fell 21% over the last three months, and the stock's 33% decline in 2012 made it the primary detractor to the Fund's performance for both periods. The primary challenge over the last two quarters was a larger-than-expected decline in End User Computing (EUC) revenue due to several pressures. Tablets and other mobility devices displaced notebooks more rapidly than anticipated; demand in India and China shrunk, where Lenovo aggressively priced to take share in these geographies; and commercial purchases slowed because of general economic weakness and the anticipated release of Windows 8. In spite of the decline in notebooks and PCs, margins held up in EUC, a testament to the company's successful cost cutting and variable cost structure. Far more importantly, the growing, higher margin Enterprise Solutions and Services (ESS) business had strong networking and server growth with servers gaining market share. While ESS represents about one-third of revenues, it constitutes over half of profits and a far higher share of our appraisal. The company's transformation to a solutions-based company is well underway and leverages Dell's direct distribution advantage of over 20,000 employees responsible for customer relationships with small and mid-size businesses. Interestingly, IBM successfully refocused its business over a ten year period starting in the early 1990's from mainframe hardware to multifaceted technology solutions for large-scale customers. The head of IBM's mergers and acquisitions was Dave Johnson, who joined Dell in 2009 to lead its strategy to enhance solutions offerings and has purchased a number of companies and products that have grown through Dell's expansive distribution. If we assume that EUC continues its rapid decline and has no value, we appraise the remaining ESS business at over twice the current stock price. With adjusted cash earnings of $2.00/share and an enterprise value of less than $3.50/share (share price minus net cash and DFS), the stock trades at less than a 2X adjusted P/E for a growing business (ESS) with good margins and an owner/operator as CEO who is focused on growing value per share.

Chesapeake gained 2% in the quarter and rose 39% from its low point in May. The substantial governance changes we discussed in last quarter's report not only lifted the stock, but also improved the prospects for more conservative capital allocation going forward. The company announced $6.9 billion in asset sales during the quarter and anticipates approximately $2 billion more this year. In spite of the company's progress, the stock was down 14% YTD. Although the natural gas price moved up in the quarter, it remains below the marginal cost of production for most plays. Natural gas also impacted CONSOL, which was flat in the quarter but down 10% YTD. Continued switching to cheap gas has pressured coal prices, and CONSOL owns both natural resources. The supply/demand imbalance should self-correct as natural gas drilling has declined substantially in response to low price, and demand has increased at electricity plants. Longer term demand from industrial plants, LNG exports, and conversion of trucks to this clean and abundant energy source would support an increase in natural gas prices and a higher value for both Chesapeake and CONSOL.

In addition to the trims mentioned previously, we reduced our overall insurance exposure following price gains by scaling back Travelers and Aon and selling our small stake in Willis. When Liberty Interactive split off Liberty Ventures, we sold the new stock because it traded near our appraisal. We sold our small stake in Vivendi as price rose following the board's decision to sell segments and after the company's inability to sell its Activision games stake caused us to lower our appraisal based on this business' market price. We added two new holdings, Republic Services, the waste collection and disposal company, and Mondelez, the snack business that Kraft spun out. Our on-deck list of prospective investments has become somewhat skinny with the market rally. We have a number of businesses that qualify qualitatively but sell at 70%+ P/Vs. The portfolio's P/V is in the mid-60%s, near the long-term average.

P/V is in the mid-60%s, near the long-term average.

We believe the Fund will deliver solid long-term results given the market-leading positions of most of our companies and the capabilities and alignment of our corporate partners. Not only can our values rise in a slow growth economy, but following recent balance sheet improvements at several holdings, each of the companies we own has the financial strength needed for defense in the event of a dip. When economic recovery finally occurs, these businesses should benefit from both strong top line gains and operational efficiencies that our management partners have created through reduced cost structures.

Performance History

Comparison of Change in Value of $10,000 Investment Since Inception April 8, 1987

Average Annual Returns for the Periods Ended September 30, 2012

	Since Inception	20 Year	Ten Year	Five Year	One Year
Partners Fund	**10.78%**	**10.55%**	**6.59%**	**-2.12%**	**24.92%**
S&P 500 Index	8.92	8.50	8.01	1.05	30.20

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. Because the S&P 500 Index was available only at month-end in 1987, we used the 3/31/87 value for performance since inception. This index is unmanaged and is not hedged for foreign currency risk. Current performance may be lower or higher than the performance quoted. Please call (800)445-9469 or visit southeasternasset.com for more current performance information. The annualized expense ratio for the Longleaf Partners Fund is 0.91%. The risks associated with an investment in the Longleaf Partners Fund are detailed on page 6 of the Prospectus. These risks include stock market risk, investment selection risk, corporate ownership risk, non-diversification risk, non-US investment risk, and derivatives risk. Funds Distributed by: Rafferty Capital Markets, LLC.

Portfolio Summary

Portfolio Holdings at September 30, 2012

		Net Assets
Investments*		94.0%
Chesapeake Energy Corporation (Common, Preferred)	7.6	
Loews Corporation	7.0	
Aon plc	6.2	
DIRECTV	6.0	
Koninklijke Philips Electronics N.V.	5.9	
Vulcan Materials Company	5.9	
FedEx Corporation	5.1	
Cemex S.A.B. de C.V. (Bonds, Swaps)	5.0	
Dell Inc. (Common, Options)	5.0	
The Bank of New York Mellon Corporation	4.8	
The Travelers Companies, Inc.	4.8	
CONSOL Energy Inc.	4.7	
Level(3) Communications, Inc.	4.3	
The Walt Disney Company	4.2	
Abbott Laboratories	4.2	
Liberty Interactive Corporation	3.8	
Franklin Resources, Inc.	3.2	
Berkshire Hathaway Inc.	3.2	
InterContinental Hotels Group PLC	1.5	
Mondelez International, Inc. – When Issued	1.4	
Republic Services, Inc. (Options)	0.2	
Cash Reserves		7.3
Other Assets and Liabilities, net		(1.3)
		100.0%

* *Common Stock unless otherwise noted.*

Portfolio Changes January 1, 2012 through September 30, 2012

New Holdings	Quarter
Berkshire Hathaway Inc. – Class B	2Q
Chesapeake Energy Corporation Convertible Preferred Stock 5.75%	2Q
Chesapeake Energy Corporation Convertible Preferred Stock – Series A 5.75%	2Q
Cemex S.A.B. de C.V. 3.25% Convertible Subordinated Notes due 3/15/16	1Q
Cemex S.A.B. de C.V. 3.75% Convertible Subordinated Notes due 3/15/18	1Q
CONSOL Energy Inc.	1Q
Liberty Ventures Corporation (Liberty Interactive Corporation)[(a)]	3Q
Mondelez International, Inc. – When Issued	3Q
Republic Services, Inc. Options	3Q
Vivendi S.A.	2Q

Eliminations	
Cemex S.A.B. de C.V. ADS	3Q
Colgate-Palmolive Company Options	2Q
Level(3) Communications, Inc., 15% Convertible Senior Notes due 1/15/13[(b)]	1Q
Liberty Ventures Corporation	3Q
NKSJ Holdings, Inc.	1Q
Vivendi S.A.	3Q
Willis Group Holdings Public Limited Company	3Q
Yum! Brands, Inc.	1Q

(a) *Resulting from corporate action (associated holding)*
(b) *Exchanged for Level(3) common stock.*

Portfolio of Investments

Common Stock

	Share Quantity	Market Value	% of Net Assets
Air Freight & Logistics			
FedEx Corporation	4,922,106	$ 416,508,610	5.1%
Capital Markets			
The Bank of New York Mellon Corporation	17,371,000	392,932,020	4.8
Franklin Resources, Inc.	2,102,305	262,935,286	3.2
		655,867,306	8.0
Computers & Peripherals			
Dell Inc.(c)	30,878,000	304,457,080	3.8
Construction Materials			
Vulcan Materials Company(b)	10,120,000	478,676,000	5.9
Diversified Telecommunication Services			
Level(3) Communications, Inc.*(b)	15,026,565	345,160,198	4.3
Food Products			
Mondelez International, Inc. – When Issued*	4,168,600	110,676,330	1.4
Hotels, Restaurants & Leisure			
InterContinental Hotels Group PLC (Foreign)(b)	4,675,000	122,297,257	1.5
InterContinental Hotels Group PLC ADR (Foreign)(b)	44,737	1,174,346	–
		123,471,603	1.5
Industrial Conglomerates			
Koninklijke Philips Electronics N.V. (Foreign)	17,117,000	399,340,943	4.9
Koninklijke Philips Electronics N.V. ADR (Foreign)	3,426,019	80,340,146	1.0
		479,681,089	5.9
Insurance			
Aon plc (Foreign)(c)	9,631,800	503,646,822	6.2
Berkshire Hathaway Inc. – Class B*	2,926,000	258,073,200	3.2
Loews Corporation(c)	13,853,000	571,574,780	7.0
The Travelers Companies, Inc.(c)	5,645,852	385,385,857	4.8
		1,718,680,659	21.2
Internet & Catalog Retail			
Liberty Interactive Corporation – Series A*	16,873,000	312,150,500	3.8
Media			
DIRECTV*	9,211,800	483,251,028	6.0
The Walt Disney Company(c)	6,462,864	337,878,530	4.2
		821,129,558	10.2
Oil, Gas & Consumable Fuels			
Chesapeake Energy Corporation(c)	27,410,576	517,237,569	6.4
CONSOL Energy Inc.(b)	12,583,000	378,119,150	4.7
		895,356,719	11.1
Pharmaceuticals			
Abbott Laboratories	4,928,000	337,863,680	4.2
Total Common Stocks (Cost $6,305,331,759)		6,999,679,332	86.4

at September 30, 2012 (Unaudited)

Preferred Stock

	Share Quantity	Market Value	% of Net Assets
Oil, Gas & Consumable Fuels			
Chesapeake Energy Corporation Convertible Preferred Stock 5.75%	56,500	$ 52,982,875	0.7%
Chesapeake Energy Corporation Convertible Preferred Stock – Series A 5.75%	45,480	42,125,850	0.5
Total Preferred Stocks (Cost $83,894,895)		95,108,725	1.2

Corporate Bonds

	Principal Amount		
Construction Materials			
Cemex S.A.B. de C.V. 3.25% Convertible Subordinated Notes due 3/15/16 (Foreign)	200,201,000	198,574,367	2.4
Cemex S.A.B. de C.V. 3.75% Convertible Subordinated Notes due 3/15/18 (Foreign)	153,203,000	151,958,226	1.9
Total Corporate Bonds (Cost $317,355,626)		350,532,593	4.3

Options Purchased

	Share Equivalents		
Commercial Services & Supplies			
Republic Services, Inc. Call, 8/15/17, with J.P. Morgan, Strike Price $26.25	13,400,000	55,074,000	0.7
Computers & Peripherals			
Dell Inc. Call, 12/14/15, with Deutsche Bank, Strike Price $7	12,500,000	47,500,000	0.6
Dell Inc. Call, 12/14/15, with Morgan Stanley, Strike Price $7	12,500,000	52,125,000	0.6
Total Options Purchased (Cost $264,518,982)		154,699,000	1.9

Short-Term Obligations

	Principal Amount		
Repurchase Agreement with State Street Bank, 0.01% due 10/1/12, Repurchase price $296,081,247 (Collateral: $222,130,000 U.S. Treasury Bond, 2.67% due 8/15/39, Value $302,007,726)	296,081,000	296,081,000	3.6
U.S. Treasury Bill, 0.07% due 10/25/12	300,000,000	299,988,900	3.7
Total Short-Term Obligations (Cost $596,072,000)		596,069,900	7.3
Total Investments (Cost $7,567,173,262)[(a)]		**8,196,089,550**	**101.1**
Other Assets and Liabilities, Net		**(108,848,550)**	**(1.3)**
Swap Contracts		**56,097,701**	**0.7**
Options Written		**(41,406,000)**	**(0.5)**
Net Assets		**$8,101,932,701**	**100.0%**
Net asset value per share		**$ 30.12**	

* *Non-income producing security.*

(a) *Aggregate cost for federal income tax purposes is $8,048,830,441. Net unrealized appreciation of $628,916,288 consists of unrealized appreciation and depreciation of $1,449,876,076 and $(820,959,788), respectively.*

(b) *Affliated 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 during the period).*

(c) *A portion designated as collateral for swap contracts.*

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

Portfolio of Investments

Swap Contracts

	Unrealized Gain	Market Value	% of Net Assets
Construction Materials			
Cemex Note Swap Contracts with Deutsche Bank due 3/15/16	$ 58,560,536	$56,097,701	0.7%

Components of Cemex Note Swap Contracts	Cemex S.A.B. de C.V. 3.25% Convertible Subordinated Notes due 3/15/16 (Foreign)	Cemex S.A.B. de C.V. 3.75% Convertible Subordinated Notes due 3/15/18 (Foreign)	Total
Principal of underlying notes	99,000,000	70,000,000	
Unrealized appreciation	$ 35,219,083	$21,181,775	$56,400,858
Accrued interest	3,379,881	2,757,493	6,137,374
Financing Fee	(1,197,854)	(924,911)	(2,122,765)
Interest rate adjustment upon early termination	(1,046,718)	(808,213)	(1,854,931)
Unrealized gain	36,354,392	22,206,144	58,560,536
Purchased interest payable	(1,176,897)	(1,285,938)	(2,462,835)
Due from Deutsche Bank	$ 35,177,495	$20,920,206	$56,097,701

Options Written

	Share Equivalents	Market Value	Unrealized Gain	% of Net Assets
Commercial Services & Supplies				
Republic Services, Inc. Put, 8/15/17, with J.P. Morgan, Strike Price $20.62	(13,400,000)	$(41,406,000)	$ 5,329,451	(0.5)%

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Small-Cap Fund Management Discussion

Longleaf Partners Small-Cap Fund added 5.0% in the third quarter, bringing the Fund's year-to-date (YTD) return to a substantial 18.8%. Over the last three months, the Fund delivered a slightly lower gain than the Russell 2000 Index's 5.3%, but for the YTD, the Fund outperformed the benchmark's 14.2% rise by over 450 basis points. Over the last one and three years, Longleaf Small-Cap has compounded at higher than our absolute annual goal of inflation plus 10%. While the financial crisis of 2008 muted the Fund's longer term absolute results, the Fund has consistently outperformed the benchmark.

Cumulative Returns at September 30, 2012

	20 Year	15 Year	Ten Year	Five Year	Three Year	One Year	YTD	3Q
Small-Cap Fund	**981.69%**	**290.21%**	**208.68%**	**12.62%**	**58.84%**	**29.61%**	**18.79%**	**4.97%**
Russell 2000 Index	469.34	124.02	163.47	11.57	44.24	31.91	14.23	5.25

See page 16 for additional performance information.

During the quarter, most names appreciated. Lamar Advertising, up 30%, had the largest impact on Fund performance and was also among the top YTD contributors. Not only did billboard ad results come in slightly ahead of guidance, but our management partners announced their intent to explore a REIT structure as a way to return capital to owners and promote value recognition. We trimmed the position as the P/V rose. DineEquity added 25% in the quarter as the sale of 65 Applebee's completed management's move to a 99% franchise model for its Applebee's and IHOP restaurants. Eliminating its owned stores for sale enabled a restructuring plan to reduce expenses.

Various holdings gained over 30% YTD, driving the Fund's strong results. In addition to Lamar, cement producer Texas Industries (TXI) rebounded after being penalized in the macroeconomic market decline a year ago. In addition to an improved general outlook for U.S. housing and infrastructure spending, TXI's primary market, Texas, has experienced a faster economic rebound. Higher cement pricing and lower costs added to results. The company's new plant expansion should be fully operational by spring 2013 to absorb the growing demand. Given the stock's deep discount of a year ago, it remains significantly undervalued and is the Fund's largest holding. At Madison Square Garden, all three segments grew revenues. The media group enjoyed higher affiliate fees. In sports, the post-season success of the Knicks and Rangers plus the partially completed arena renovation enabled higher ticket prices. The entertainment division put on more events and announced the purchase of the LA Forum to provide another venue for its productions. Although we scaled back the stock, it remains among the Fund's top holdings. We also trimmed tw telecom, the fiber network company, which has gained 35% YTD. Margins and EBITDA continued to grow at a strong pace. Although we sold retailer Dillard's early in the year, the stock's appreciation was a primary contributor to the Fund's 2012 results.

Few names declined in the quarter or YTD. Only Quicksilver had a noteworthy negative impact on Fund returns, losing 25% over the last three months and 39% this year. Low natural gas prices have been the primary challenge. As cash flow from operations fell below capex, the company cut unprofitable drilling. Less drilling has negatively impacted near term production but is the right thing to do for the long term. Weak NGL and gas prices also delayed Quicksilver's MLP offering. Management renegotiated some of the company's debt covenants, announced an AMI with Shell in Colorado, and introduced the possibility of selling Barnett reserves at the right price. Quicksilver continues to work on closing joint ventures in West Texas and the Horn River basin in British Columbia. During the quarter we added to our position via the bonds, which were selling at a significant discount to value.

In addition to a number of trims, we sold Markel. We added a partial position in the senior bank debt of Tribune, which will emerge soon from four years in bankruptcy. The debt was trading at a large discount to the value of the assets that will make up the new company – television stations, the WGN cable network, equity stakes in several companies such as the Food Network and CareerBuilder.com, various newspapers including the LA Times and Chicago Tribune, real estate assets, and cash.

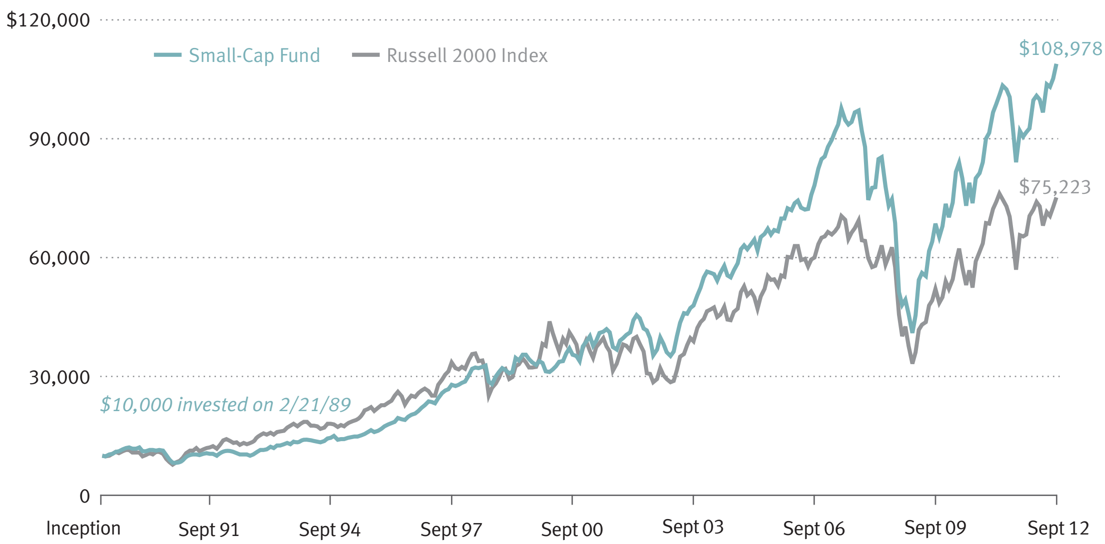
The primary debt holders are proven investors who will control the board and select a new CEO. We base our appraisal on each segment's cash flow, but many of the assets are worth even more to potential acquirers.

Given the market's strength, we are finding few opportunities. We will invest the Fund's 11% cash when we identify companies that meet our "Business, People, Price" criteria. The P/V is in the low-70%s, slightly above the long-term average. Our on-deck list of new investments is thinner than we would like. Our companies' solid operating results in a weak economy are a testament to the competitive strengths of our businesses and the skills of our management partners. We believe values can continue to build without an economic boost, but a stronger recovery would provide substantial upside.

We will invest the Fund's 11% cash when we identify companies that meet our "Business, People, Price" criteria.

Performance History

Comparison of Change in Value of $10,000 Investment Since Inception February 21, 1989



Average Annual Returns for the Periods Ended September 30, 2012

	Since Inception	20 Year	Ten Year	Five Year	One Year
Small-Cap Fund	**10.65%**	**12.64%**	**11.93%**	**2.41%**	**29.61%**
Russell 2000 Index	8.92	9.09	10.17	2.21	31.91

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. Current performance may be lower or higher than the performance quoted. Please call (800)445-9469 or visit southeasternasset.com for more current performance information. The annualized expense ratio for the Longleaf Partners Small-Cap Fund is 0.92%. The risks associated with an investment in the Longleaf Partners Small-Cap Fund are detailed on page 14 of the Prospectus. These risks include stock market risk, investment selection risk, corporate ownership risk, non-diversification risk, non-US investment risk, small-cap risk, and derivatives risk. Funds Distributed by: Rafferty Capital Markets, LLC.

Portfolio Summary

Portfolio Holdings at September 30, 2012

		Net Assets
Investments*		89.1%
Texas Industries, Inc.	8.8	
Service Corporation International	6.1	
The Madison Square Garden Company	6.0	
Vail Resorts, Inc.	5.5	
Lamar Advertising Company	5.0	
DineEquity, Inc.	4.8	
Martin Marietta Materials, Inc.	4.7	
The Washington Post Company	4.5	
Fairfax Financial Holdings Limited	4.5	
Saks Incorporated	4.2	
Level(3) Communications, Inc.	4.2	
tw telecom inc.	4.1	
Everest Re Group, Ltd.	4.1	
Scripps Networks Interactive, Inc.	4.0	
The Wendy's Company	3.6	
Willis Group Holdings Public Limited Company	3.6	
Quicksilver Resources Inc. (Common, Bonds)	3.3	
Leucadia National Corporation	3.2	
Potlatch Corporation	3.0	
Tribune Company (Bonds)	1.9	
Cash Reserves		11.4
Other Assets and Liabilities, net		(0.5)
		100.0%

* *Common Stock unless otherwise noted.*

Portfolio Changes January 1, 2012 through September 30, 2012

New Holdings	
Leucadia National Corporation	2Q
Quicksilver Resources Inc., 7.125% Senior Notes due 4/1/16	3Q
Tribune Company Senior Bank Debt B Loans	3Q
Tribune Company Senior Bank Debt Incremental Notes	3Q
Tribune Company Senior Bank Debt X Loans	3Q

Eliminations	
Dillards, Inc.	2Q
Markel Corporation	3Q
Olympus Corporation	2Q

Portfolio of Investments

Common Stock

	Share Quantity	Market Value	Net Assets
Construction Materials			
Martin Marietta Materials, Inc.	1,971,000	$ 163,336,770	4.7%
Texas Industries, Inc.*[b]	7,510,757	305,312,272	8.8
		468,649,042	13.5
Diversified Consumer Services			
Service Corporation International[b]	15,803,000	212,708,380	6.1
Diversified Financial Services			
Leucadia National Corporation	4,888,823	111,220,723	3.2
Diversified Telecommunication Services			
Level(3) Communications, Inc.*	6,358,000	146,043,260	4.2
tw telecom inc.*[b]	5,529,000	144,141,030	4.1
		290,184,290	8.3
Hotels, Restaurants & Leisure			
DineEquity, Inc.*[b]	2,978,100	166,773,600	4.8
Vail Resorts, Inc.[b]	3,317,000	191,225,050	5.5
The Wendy's Company[b]	27,857,000	126,749,350	3.6
		484,748,000	13.9
Insurance			
Everest Re Group, Ltd. (Foreign)	1,335,000	142,791,600	4.1
Fairfax Financial Holdings Limited (Foreign)	402,000	155,275,618	4.5
Willis Group Holdings Public Limited Company (Foreign)	3,398,000	125,454,160	3.6
		423,521,378	12.2
Media			
Lamar Advertising Company – Class A*	4,687,000	173,700,220	5.0
The Madison Square Garden Company – Class A*	5,171,423	208,253,204	6.0
Scripps Networks Interactive, Inc. – Class A	2,260,000	138,379,800	4.0
The Washington Post Company – Class B[b]	428,000	155,376,840	4.5
		675,710,064	19.5
Multiline Retail			
Saks Incorporated*[b]	14,313,000	147,567,030	4.2
Oil, Gas & Consumable Fuels			
Quicksilver Resources Inc.*[b]	24,587,000	100,560,830	2.9
Real Estate Investment Trusts			
Potlatch Corporation[b]	2,771,221	103,560,529	3.0
Total Common Stocks (Cost $2,587,730,122)		3,018,430,266	86.8

at September 30, 2012 (Unaudited)

Corporate Bonds

	Principal Amount	Market Value	Net Assets
Oil, Gas & Consumable Fuels			
Quicksilver Resources Inc., 7.125% Senior Notes due 4/1/16[b] (Cost $11,542,228)	14,562,000	$ 12,523,320	0.4%

Corporate Bonds in Reorganization

	Principal Amount	Market Value	Net Assets
Media			
Tribune Company Senior Bank Debt B Loans	55,500,000	42,147,533	1.2
Tribune Company Senior Bank Debt Incremental Notes	27,000,000	20,418,750	0.6
Tribune Company Senior Bank Debt X Loans	5,000,000	3,785,400	0.1
Total Corporate Bonds (Cost $61,446,617)		66,351,683	1.9

Short-Term Obligations

	Principal Amount	Market Value	Net Assets
Repurchase Agreement with State Street Bank, 0.01% due 10/1/12, Repurchase price $156,239,130 (Collateral: $117,215,000 U.S. Treasury Bond, 2.67% due 8/15/39, Value $159,365,397)	156,239,000	156,239,000	4.5
U.S. Treasury Bills, 0.00% – 0.07% due 10/4/12 to 10/25/12	240,000,000	239,996,865	6.9
Total Short-Term Obligations (Cost $396,234,456)		396,235,865	11.4
Total Investments (Cost $3,056,953,423)[a]		**3,493,541,134**	**100.5**
Other Assets and Liabilities, Net		**(15,718,477)**	**(0.5)**
Net Assets		**$3,477,822,657**	**100.0%**
Net asset value per share		**$ 29.97**	

* *Non-income producing security.*

(a) *Aggregate cost for federal income tax purposes is $3,058,872,124. Net unrealized appreciation of $436,587,711 consists of unrealized appreciation and depreciation of $758,882,154 and $(322,294,443), respectively.*

(b) *Affliated 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 during the period).*

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 12% of net assets.

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International Fund Management Discussion

Longleaf Partners International Fund returned 10.7% in the third quarter, taking year-to-date (YTD) returns to 11.9% and beating the EAFE Index, which returned 6.9% and 10.1% over the same periods. The Fund's results outpaced our absolute goal of inflation plus 10%. Although the last three years have reflected a substantial bias against value oriented stocks (EAFE Growth Index up 14.7% versus EAFE Value Index up 1.4%), the Fund's since inception returns have more than doubled EAFE returns.

Cumulative Returns at September 30, 2012

	Since Inception	Ten Year	Five Year	Three Year	One Year	YTD	3Q
International Fund	**182.42%**	**89.88%**	**-24.98%**	**2.94%**	**12.55%**	**11.93%**	**10.72%**
EAFE Index	62.48	119.97	-23.60	6.48	13.75	10.08	6.92

See page 24 for additional performance information.

Most holdings rose in the quarter, with many producing double-digit returns, as we saw substantial progress at our companies. Brazilian iron ore producer Manabi closed a second round of funding of $300 million at a price 70% higher than our carrying value. Marking this private company up to reflect the transaction lifted the price 61% in the quarter, making it the strongest performer in the period and YTD. Manabi's Tier One assets have a concentration of the highest quality iron ore, and the company is progressing on getting the infrastructure in place to get the assets to market. The Fund's cement and aggregates holdings—Lafarge and Cemex—were again among top performers. Positive sentiment regarding U.S. housing, infrastructure spending, and global construction, as well as upward worldwide pricing trends helped these stocks. Our management partners at both companies took steps to build value and close the discount in their stocks' prices. Lafarge opportunistically issued €675 million of long-dated debt at rates under 6%. The company also announced the sale of 1.6 million tons of U.S. cement capacity at a price of over $240 per ton, 20% above our carrying value of these assets. Management remains focused on cutting costs and improving margins. We trimmed our position, but even after the price rallied 22% in the quarter and 55% YTD, Lafarge trades at a significant discount to its growing value and offers attractive upside. Cemex gained 61% YTD and 24% in the recent quarter. Management successfully refinanced the company's bank debt, extending maturities and relaxing covenants, without diluting shareholders. Cemex also announced plans to IPO a portion of its Latin American business. With the stock's large gains, we trimmed our position by selling the remaining equity and some of the convertible bonds.

Henderson Land was another top contributor for the third quarter and for the first nine months this year. Henderson reported a strong half, with 14% rental income growth in Hong Kong and 33% growth in China. China residential sales rose 82% year-over-year. In September, Henderson launched Double Cove, the first of its large scale mass residential developments in Hong Kong, and received government approval to launch the second development, The Reach, in October. Chairman Lee Shau-Kee purchased over $10 million and took his ownership stake to over 62%. We trimmed the position after strong performance. Cheung Kong also contributed in the quarter after reporting solid results across all segments. The Chinese property development business had 51% margins and sold 2.5 million square feet at HK$2000 per square foot in the last half, highlighting Cheung Kong's premium brand and low land cost in China. The Chinese residential property sale business is growing rapidly, despite pessimism about China. Additionally, Hong Kong property met targeted sales for the half with operating margins above target. At Cheung Kong holding Hutchison Whampoa, revenues and EBITDA grew in every segment, including those in Europe. Retail had organic revenue and margin growth; ports grew EBITDA 8%, reflecting good operating leverage and cost controls; investment properties and hotels saw year-over-year gains; European telecom increased EBIT by 66% in the half with an improved mix of customers, larger share of smart-phones, and strict cost controls. Cheung Kong Infrastructure revenues and profits grew, primarily due to the Northumbrian acquisition last year. The primary takeaway about Cheung Kong is that in spite of good reports from its broad base of businesses, the stock remains discounted because most investors focus only on the macro concerns around its Chinese real estate. Ingersoll-Rand had another positive quarter and was among top performers for the year, up 50%. Management repurchased approximately 6% of shares YTD.

The price-to-value of the portfolio remains attractive in the high-50%s.

A handful of companies declined in the third quarter. Dell fell 21% over the last three months, and the stock's 33% retreat in 2012 made it the primary detractor to the Fund's performance for both periods. The primary challenge over the last two quarters was a larger-than-expected decline in End User Computing (EUC) revenue due to several pressures. Tablets and other mobility devices displaced notebooks more rapidly than anticipated; demand in India and China shrunk, and Lenovo aggressively priced to take share in these geographies; and commercial purchases slowed because of general economic weakness and the anticipated release of Windows 8. In spite of the decline in notebooks and PCs, margins held up in EUC, a testament to the company's successful cost cutting and variable cost structure. Far more importantly, the growing, higher margin Enterprise Solutions and Services (ESS) business had strong networking and server growth with servers gaining market share. While ESS represents about one-third of revenues, it constitutes over half of profits and a far higher share of our appraisal. The company's transformation to a solutions-based company is well underway and leverages Dell's direct distribution advantage of over 20,000 employees responsible for customer relationships with small and mid-size businesses. Interestingly, IBM successfully refocused its business over a ten year period starting in the early 1990's from mainframe hardware to multifaceted technology solutions for large-scale customers. The head of IBM's mergers and acquisitions was Dave Johnson, who joined Dell in 2009 to lead its strategy to enhance solutions offerings and has purchased a number of companies and products that have grown through Dell's expansive distribution. If we assume that EUC continues its rapid decline and has no value, we appraise the remaining ESS business at over twice the current stock price. With adjusted cash earnings of $2.00/share and an enterprise value of less than $3.50/share (share price minus net cash and DFS), the stock trades at less than a 2X adjusted P/E for a growing business (ESS) with good margins and an owner/operator as CEO who is focused on growing value per share.

Brazilian-based oil and gas exploration and production company HRT fell 29% in the third quarter and 64% in the year. As discussed in last quarter's report, HRT has faced a perfect storm of pressures – both macro and company specific. The primary reason for the decline this quarter was competitor Chariot's reported dry well in Namibia, which is geologically distinct from HRT's potential reserves. We became more active at HRT and worked with management to expand the board from nine to eleven members and add seven new directors. We believe the new majority independent board will take the necessary steps to improve operating costs, increase the probability of drilling success, and realize value of the leasehold positions in Namibia and Solimoes. Anglo American declined in the quarter with lower commodity prices. After management bought a bigger stake in iron ore miner Kumba at a large premium to our appraised value, we sold the position.

ACS declined 4% in the quarter and lost 13% for the year, making it one of the largest YTD detractors. ACS fell 26% in the month of July amid uncertainty around the Spanish government's plans to tax all power generating assets, calling into question ACS's ability to sell its thermal and solar wind parks. ACS also faced questions around its stake in Iberdrola (IBE), which we discussed in the second quarter report. The stock rebounded after management refinanced the loans on IBE shares, freeing the cash collateral and capping downside risk in the IBE share price. Additionally, the Spanish government quantified the energy production taxes at less onerous rates than feared, making near-term sales of ACS renewable assets more feasible.

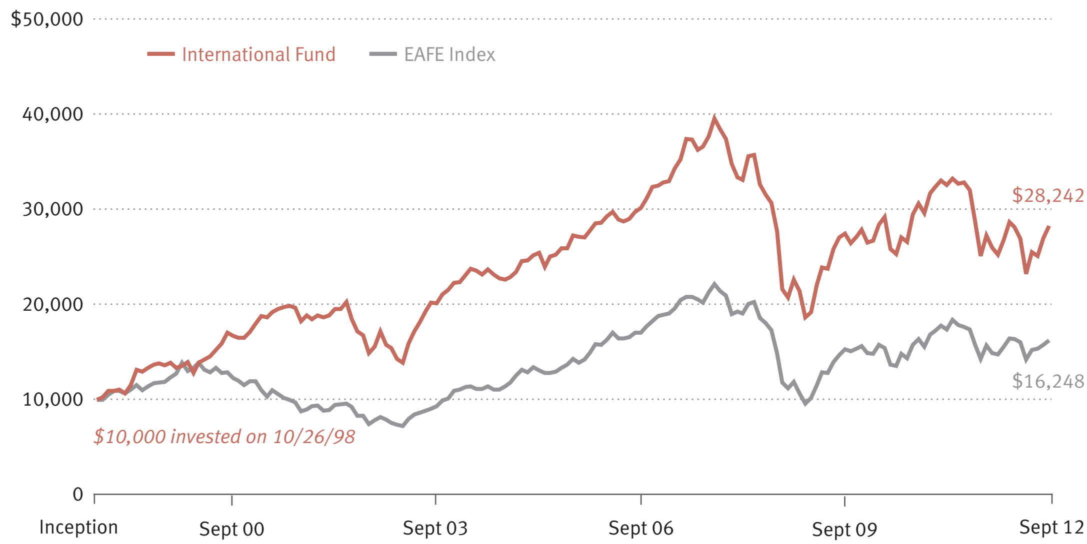
As discussed in last quarter's report, we sold Carrefour, among the top detractors for the year, after our case changed. We also sold our small stake in Vivendi as price rose following the board's decision to sell segments and after the company's inability to sell its Activision games stake caused us to lower our appraisal based on this business' market price. We trimmed six names to manage position sizes after positive price performance. We added to heavily discounted Asian gaming companies, Genting and Melco.

International Fund Management Discussion

Even after a period of strong performance, the price-to-value of the portfolio remains attractive in the high-50%s. We believe the companies we own are well positioned to outperform, even in a challenged economic environment. In many cases, prices do not reflect positive fundamental progress and smart decisions by management because macro worries overshadow the market's short-term outlook. We are confident that our capable management partners will build and highlight value to the market over time. We continue to find opportunities and have a number of vetted on-deck ideas. We will remain disciplined on price.

Performance History

Comparison of Change in Value of $10,000 Investment Since Inception October 26, 1998



Average Annual Returns for the Periods Ended September 30, 2012

	Since Inception	Ten Year	Five Year	One Year
International Fund	**7.74%**	**6.62%**	**-5.58%**	**12.55%**
EAFE Index	3.55	8.20	-5.24	13.75

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. Because the EAFE was available only at month-end in 1998, we used the 10/31/98 value for performance since inception. This index is unmanaged and is not hedged for foreign currency risk. Current performance may be lower or higher than the performance quoted. Please call (800)445-9469 or visit southeasternasset.com for more current performance information. The annualized expense ratio for the Longleaf Partners International Fund is 1.28%. The risks associated with an investment in the Longleaf Partners International Fund are detailed on page 20 of the Prospectus. These risks include stock market risk, investment selection risk, corporate ownership risk, non-diversification risk, non-US investment risk, focused geographic risk, and derivatives risk. Funds Distributed by: Rafferty Capital Markets, LLC.

Portfolio Summary

Portfolio Holdings at September 30, 2012

Investments*		Net Assets 87.8%
Manabi Holding S.A.	7.8	
Cemex S.A.B. de C.V. (Bonds)	7.3	
Cheung Kong Holdings Limited	7.3	
Ferrovial S.A.	7.2	
Lafarge S.A.	6.8	
Koninklijke Philips Electronics N.V.	6.3	
ACS, Actividades de Construccion Y Servicios, S.A.	6.3	
C&C Group plc	4.9	
Willis Group Holdings Public Limited Company	4.7	
Fairfax Financial Holdings Limited	4.6	
Melco International Development Limited	4.3	
Nitori Holdings Co., Ltd	4.2	
Hochtief AG	3.9	
Ingersoll-Rand plc	3.0	
Genting Berhad	2.9	
Henderson Stub Swap Contracts	2.7	
Accor S.A.	2.4	
Vodafone Group plc ADR	2.3	
HRT Participacoes em Petroleo S.A.	1.2	
Dell Inc. (Options)	(2.3)	
Cash Reserves		12.6
Other Assets and Liabilities, net		(0.4)
		100.0%

* *Common Stock unless otherwise noted.*

Portfolio Changes January 1, 2012 through September 30, 2012

New Holdings	Quarter
Anglo & Kumba Swap Contracts	2Q
Cemex S.A.B. de C.V. 3.25% Convertible Subordinated Notes due 3/15/16	1Q
Cemex S.A.B. de C.V. 3.75% Convertible Subordinated Notes due 3/15/18	1Q
Henderson Stub Swap Contracts	1Q
Vivendi	2Q

Eliminations	
Anglo & Kumba Swap Contracts	3Q
Carrefour S.A.	3Q
Cemex Finance LLC U.S., 9.5% Senior Secured Notes due 12/14/16	1Q
Cemex S.A.B. de C.V. ADS	3Q
Colgate–Palmolive Company Options	2Q
NKSJ Holdings, Inc.	1Q
Olympus Corporation	2Q
Vivendi	3Q

Portfolio of Investments

Common Stock

	Share Quantity	Market Value	Net Assets
Beverages			
C&C Group plc (Ireland)	15,358,652	$ 72,630,804	4.9%
Construction & Engineering			
ACS, Actividades de Construccion Y Servicios, S.A. (Spain)	4,484,527	92,378,329	6.3
Ferrovial S.A. (Spain)(d)	8,210,812	106,831,930	7.2
Hochtief AG (Germany)	1,243,107	58,243,184	3.9
		257,453,443	17.4
Construction Materials			
Lafarge S.A. (France)	1,866,579	100,527,289	6.8
Hotels, Restaurants & Leisure			
Accor S.A. (France)	1,040,673	34,710,051	2.4
Genting Berhad (Malaysia)(d)	14,902,000	42,465,703	2.9
Melco International Development Limited* (Hong Kong)(b)(d)	71,686,000	64,067,678	4.3
		141,243,432	9.6
Industrial Conglomerates			
Koninklijke Philips Electronics N.V. (Netherlands)	3,977,000	92,783,720	6.3
Insurance			
Fairfax Financial Holdings Limited (Canada)	175,000	67,595,107	4.6
Willis Group Holdings Public Limited Company (Ireland)(d)	1,877,000	69,298,840	4.7
		136,893,947	9.3
Machinery			
Ingersoll-Rand plc (Ireland)(d)	993,644	44,535,124	3.0
Metals & Mining			
Manabi Holding S.A.* (Brazil)(b)(c)	91,000	114,341,966	7.8
Oil, Gas & Consumable Fuels			
HRT Participacoes em Petroleo S.A.* (Brazil)	7,665,550	17,015,649	1.2
Real Estate Management & Development			
Cheung Kong Holdings Limited (Hong Kong)(d)	7,303,000	107,086,116	7.3
Specialty Retail			
Nitori Holdings Co., Ltd. (Japan)	671,500	62,383,073	4.2
Wireless Telecommunication Services			
Vodafone Group plc ADR (United Kingdom)	1,215,997	34,649,835	2.3
Total Common Stocks (Cost $1,196,388,088)		1,181,544,398	80.1

at September 30, 2012 (Unaudited)

Corporate Bonds

	Principal Amount	Market Value	Net Assets
Construction Materials			
Cemex S.A.B. de C.V. 3.25% Convertible Subordinated Notes due 3/15/16 (Mexico)	56,808,000	$ 56,346,435	3.8%
Cemex S.A.B. de C.V. 3.75% Convertible Subordinated Notes due 3/15/18 (Mexico)	52,084,000	51,660,818	3.5
Total Corporate Bonds (Cost $99,380,606)		108,007,253	7.3

Options Purchased[e]

	Share Equivalents		
Computers & Peripherals			
Dell Inc. Call, 8/15/16, with Bank of America Merrill Lynch, Strike Price $15.50 (United States) (Cost $35,298,560)	6,476,800	9,017,001	0.6

Short-Term Obligations

	Principal Amount		
Repurchase Agreement with State Street Bank, 0.01% due 10/1/12, Repurchase price $55,751,046 (Collateral: $41,830,000 U.S. Treasury Bond, 2.67% due 8/15/39, Value $56,872,026)	55,751,000	55,751,000	3.8
U.S. Treasury Bills, 0.00% – 0.07% due 10/4/12 to 10/25/12	130,000,000	129,997,005	8.8
Total Short-Term Obligations (Cost $185,748,360)		185,748,005	12.6
Total Investments (Cost $1,516,815,614)[a]		**1,484,316,657**	**100.6**
Swap Contracts		**40,503,877**	**2.7**
Options Written		**(43,660,756)**	**(2.9)**
Forward Currency Contracts		**(651,613)**	**–**
Other Assets and Liabilities, Net		**(5,261,846)**	**(0.4)**
Net Assets		**$1,475,246,319**	**100.0%**
Net asset value per share		**$ 13.32**	

* *Non-income producing security.*

(a) *Aggregate cost for federal income tax purposes is $1,616,526,562. Net unrealized depreciation of $(32,498,957) consists of unrealized appreciation and depreciation of $183,970,878 and $(216,469,835), respectively.*

(b) *Affliated 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 during the period).*

(c) *Illiquid. Board Valued.*

(d) *All or a portion designated as collateral for forward, option, and swap contracts.*

(e) *See next page for Options Written.*

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

Portfolio of Investments

Swap Contracts

	Market Value	% of Net Assets
Henderson Stub Swap Contracts with Deutsche Bank due 3/14/17	$ 40,503,877	2.7%

Components of Henderson Stub Swap Contracts	Real Estate Management & Development Henderson Land Development Company Limited (Hong Kong)	Oil, Gas & Consumable Fuels The Hong Kong and China Gas Company (Hong Kong)	Total
Shares of underlying security	30,364,000	(43,420,520)	
Unrealized appreciation(depreciation)	$ 49,848,194	$ (9,933,927)	$39,914,267
Accrued dividends	4,017,675	(2,750,061)	1,267,614
Financing Fee	(656,485)	(21,519)	(678,004)
Unrealized gain (loss)	$ 53,209,384	$ (12,705,507)	$40,503,877

Options Written

	Share Equivalents	Unrealized Loss	Market Value	% of Net Assets
Computers & Peripherals				
Dell Inc. Put, 8/15/16, with Bank of America Merrill Lynch, Strike Price $15.50 (United States)	(6,476,800)	$(14,644,692)	$(43,660,756)	(2.9)%

Forward Currency Contracts

	Currency Units Sold			
Japanese Yen Forward with State Street Bank due 12/21/12	(5,270,000,000)	(66,938,060)	(651,613)	–

at September 30, 2012 (Unaudited)

Country Weightings

	Common Stock & Bonds	Net Assets
Spain	15.4%	13.5%
Ireland	14.5	12.6
Hong Kong	13.3	11.6
France	10.5	9.2
Brazil	10.2	9.0
Mexico	8.4	7.3
Netherlands	7.2	6.3
Canada	5.2	4.6
Japan	4.8	4.2
Germany	4.5	3.9
Malaysia	3.3	2.9
United Kingdom	2.7	2.3
	100.0%	87.4
All other, net		12.6
		100.0%

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Fund Information

The following additional information may be obtained for free by calling (800)445-9469, Option 1, or visiting southeasternasset.com, or on the SEC's website at 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 (800) SEC-0330 for information on the operation of the Public Reference Room.

In addition to Form N-Q, Longleaf publishes reports for each calendar 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).

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Service Directory

Call (800)445-9469

Fund Information ▪ Option 1
To request a printed Prospectus, Summary Prospectus (southeasternasset.com/misc/prospectus.cfm), Statement of Additional Information (including Longleaf's Proxy Voting Policies and Procedures), financial report, application or other Fund information from 8:00 a.m. to 8:00 p.m. Eastern time, Monday through Friday.

Daily Fund Prices ▪ Option 2
For automated reporting 24 hours a day, seven days a week.

Account Information ▪ Option 3
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.

Shareholder Inquiries ▪ Option 0
To request action on your existing account from 9:00 a.m. to 6:00 p.m. Eastern time, Monday through Friday.

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 BNY Mellon
4400 Computer Drive
Westborough, MA 01581
(800)445-9469

Published Daily Price Quotations

Below are the common references for searching printed or electronic media to find daily NAVs of the Funds.

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

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Our Governing Principles

We will treat your investment as if it were our own.

We will remain significant investors in Longleaf Partners Funds.

We will invest for the long term, while striving to maximize returns and minimize business, financial, purchasing power, regulatory and market risks.

We will choose each equity investment based on its discount from our appraisal of corporate intrinsic value, its financial strength, its management, its competitive position, and our assessment of its future earnings potential.

We will focus our assets in our best ideas.

We will not impose loads or 12b-1 charges on mutual fund shareholders.

We will consider closing to new investors if closing would benefit existing clients.

We will discourage short-term speculators and market timers.

We will continue our efforts to enhance shareholder services.

We will communicate with our investment partners as candidly as possible.

Longleaf Partners Funds

Advised by Southeastern Asset Management, Inc.®