

Longleaf Partners
International Fund
*Quarterly
Summary
Report*



For the Quarter Ended
December 31, 2018

January 8, 2019

Longleaf Partners Shareholder Letter

4Q18

Longleaf/
Partners
Funds

Widespread market declines hurt investors in public equities in 2018. As the year progressed, trade wars, U.S. interest rate increases, geopolitical unrest, fears of economic slowdowns in multiple countries, including China, and falling oil prices were among the primary headlines pressuring equity prices around the world. The U.S. significantly outperformed other regions in the first nine months of the year, particularly with the strengthening dollar, but the worldwide downturn in the fourth quarter most impacted the U.S. market. By the end of the year, broad indices around the world were in negative territory, but U.S. large caps outperformed once again, further increasing the value disparity in which the S&P 500 has almost tripled the EAFE Index over the last decade.¹ Even so, 2018 was a big deviation from the 16 percent average annual returns for the S&P 500 that U.S. large cap investors had become accustomed to over the prior five years.

	1 Year	4Q
Partners Fund	-17.98%	-20.67%
S&P 500 Index	-4.38	-13.52
Small-Cap Fund	-6.52	-15.55
Russell 2000 Index	-11.01	-20.20
International Fund	-7.08	-9.90
MSCI EAFE Index	-13.79	-12.54
Global Fund	-16.16	-17.22
MSCI World Index	-8.71	-13.42

Past performance does not guarantee future results.

¹ 10-Year cumulative return for S&P 500 was 243% and for MSCI EAFE was 85%. The S&P 500 outperformed the MSCI EAFE Index on an annual basis in seven out of the past ten years.

Average Annual Total Returns (12/31/18) Partners Fund: Since Inception (4/8/87): 9.54%, Ten Year: 10.19%, Five Year: -0.52%, One Year: -17.98%. Small-Cap Fund: Since Inception (2/21/89): 10.38%, Ten Year: 14.49%, Five Year: 5.34%, One Year: -6.52%. International Fund: Since Inception (10/26/98): 7.09%, Ten Year: 5.83%, Five Year: 0.33%, One Year: -7.08%. Global Fund: Since Inception (12/27/12): 4.83%, Ten Year: na, Five Year: 0.68%, One Year: -16.16%. Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.com. The total expense ratio for the Partners Fund is 0.95% and 0.92% for the Small-Cap Fund. These expense ratios are subject to fee waiver to the extent a fund's normal annual operating expenses exceed 1.50% of average annual net assets. The total expense ratio for the International Fund is 1.19% (gross) and 1.15% (net). This expense ratio is subject to fee waiver to the extent the fund's normal annual operating expenses exceed the 1.15%. The total expense ratio for the Global Fund is 1.48% (gross) and 1.20% (net). This expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.20%.

The Longleaf Funds were not immune to the broad price declines. Strong stock performance at several portfolio companies was not enough to offset negative pressures, and all four Funds were down for the year. The International Fund and Small Cap Fund performed significantly better than their respective indices' double-digit retreats, partially due to portfolio companies being acquired. The Partners and Global Funds underperformed the single-digit declines of their benchmarks, in part because of more exposure to stocks outside the U.S. The Funds continued to battle the longstanding challenges of passive inflows at the expense of active managers, growth outperforming value and U.S. stocks overshadowing those offshore. The biggest performance detractors were those companies that missed expectations and/or lowered guidance, which the market punished particularly severely in the fourth quarter. Among the causes for disappointments were revenues associated with emerging markets, particularly China, companies undergoing some type of corporate or industry structural change and industrial businesses. The commentary for each Fund provides a more robust discussion of specific performance drivers.

2018 results did not reflect the progress within our portfolios, where we put cash to work and repositioned into more heavily discounted and/or qualitatively attractive opportunities over the course of the year. Early in the year, we locked in gains at several investments that successfully reached our appraisals - Wynn, CONSOL Energy, Sonic and Forest City in the U.S. and Yum China overseas. In the second half, we sold additional non-U.S. winners, including Hikma, Ferrovia, Vocus and Televisa. We deployed cash on hand and proceeds from sales into new investment opportunities that emerged as world uncertainty increased and into existing holdings that became more discounted. We purchased five new companies in the Partners Fund, all of which are "recycled" businesses that we previously owned, five in Small-Cap (two recycles), four in Global (two recycles) and an unusually high thirteen in International (two recycles). We believe these new investments across the Funds add to the foundation for future compounding. Cash ended the year below 5% in Partners, International and Global, and down from 23% to under 9% in Small-Cap. Additionally, portfolio repositioning and value growth amid stock price declines helped the price-to-value (P/V) ratio move into the low-60s% for the International Fund and the 50s% for Partners, Small-Cap and Global, a somewhat rare level that has historically preceded strong returns.

Just as performance did not reflect portfolio enhancements, we believe the stock prices of most companies in the Funds did not indicate the positive progress that our companies and management partners made throughout the year. Stronger CEOs were secured at CenturyLink, GE, CNH and Mattel. Several businesses sold assets for attractive prices, including Allergan, Park Hotels, Kodak, Fairfax, CK Asset, CK Hutchison, EXOR, LafargeHolcim, United Technologies, Baidu and GE. United Technologies, Belmond, thyssenkrupp, Bharti Infratel and GE announced company breakup/simplification plans, while Forest City, Sonic and Belmond were acquired near our appraisal values. Importantly, the primary business segments at most of our core holdings

grew – Enterprise at CenturyLink, Cable at Comcast, Search and YouTube at Alphabet, Retail at CK Hutchison, Barbie and Hot Wheels at Mattel, Broadcasting and Kaplan International at Graham Holdings, Botox at Allergan, Ground at FedEx, Core Search at Baidu, Agriculture at CNH, Bearings at MinebeaMitsumi, North American Cement at LafargeHolcim, Aviation and Healthcare at GE, Partner Re at EXOR, North American Fertilizer at OCI and Mass Gaming at Melco. As their stock prices became more discounted, numerous companies we own repurchased shares, thereby increasing the remaining value per share. We believe growing free cash flow and earnings per share eventually should translate into stock prices that properly reflect value, whether by investor re-rating, much higher earnings than currently being delivered or corporate partners taking action to gain value recognition.

Choppy markets and the economic uncertainty that feeds them could last for a while. While many CEOs we talk to are optimistic about revenue growth, they are cautious about rising labor and materials costs on a local level and general increases in barriers to trade and geopolitical friction potentially impacting revenue and margins. We believe the best way to manage against investment risk is to know what we own very well and incorporate conservative-to-skeptical assumptions about the future. Investing in a limited number of companies, having a broad and deep research network and engaging with managements are critical advantages in providing the knowledge that may prevent permanent losses over the long term. In our process we always consider external challenges that could deteriorate competitive positions, such as technology, government regulation, higher tariffs and general geopolitical tensions. Most importantly, we have partnered with management teams who, in our view, can control their own destiny in terms of value realization, and we are working with boards and leaders at certain holdings to accelerate this realization.

We are neither pleased nor complacent about 2018 returns. As your largest co-investors in the Longleaf Funds, it is our view that the momentum style and passive investing that have dominated for the past decade are overdue for a reversal. We believe that the attractive P/V of our portfolios, combined with the underlying strength of the businesses we own and the management teams leading them, can generate strong absolute and relative results going forward and the payoff for 2018 company-level and portfolio-level progress is deferred but not lost.

Enhancing Communications with Clients

Our Governing Principles state that we will “continue our efforts to enhance client and shareholder services” and “communicate with our investment partners as candidly as possible.” To that end, we are adjusting our communications to provide the most relevant information in a timely and convenient manner. Going forward, we will continue to provide a quarterly commentary with detailed discussion of each Fund’s strategy, individual positions and performance each period. We will move our more general quarterly shareholder letter to a year-

end review, providing an overview of the year that includes broader market, strategy and portfolio-wide observations.

In addition, we have launched [The Price-to-Value Podcast](#), which is available on our website or wherever you download podcasts. We will produce monthly podcasts to discuss current topics that are top of mind for our clients. Please send any suggestions for topics to podcast@SEasset.com. For those who prefer to read, rather than listen, transcripts are available on our [website](#).

Succession Planning

We have thought a great deal about and discussed Southeastern's management succession and the firm's future leadership for almost a decade. As part of our planning, we are pleased to announce that Ross Glotzbach transitioned from President to CEO of Southeastern, effective January 1, 2019. We have made this important decision now because we believe Ross is the right person to lead our company and because we have developed effective department leaders and officers in COO Steve Fracchia, CFO Jessica Pressgrove, CCO Mike Wittke, General Counsel Andy McCarroll, Head of Risk Management Jim Barton, Jr., Head of Client Relations Gwin Myerberg and Head of Trading Doug Schrank. This experienced team will allow Ross to focus on investing and continue leading our global research efforts.

Ross has been an important contributor to our investment process over the past fifteen years in his roles as an analyst, Co-PM on the Small-Cap Fund (since 2014) and Partners Fund (since 2017) and Head of Research (since 2016). Effective January 1, he also became a Co-PM on the Global Fund. Ross is greatly respected by all our associates, is a humble team builder, leads by asking wise questions and is quick to give credit to others, while immediately taking responsibility for challenges. Most importantly, we are confident that Ross will protect our partnership culture and improve the execution of our long-term, concentrated, engaged value investing disciplines.

We also believe it is important for Southeastern to remain independent, so we can continue to work for our clients without distraction and provide career opportunities for our team members. Ross is assuring the firm's independence by buying a more significant stake in the company from Mason Hawkins, who remains the Chairman and largest shareholder. Vice-Chairman Staley Cates will remain the second largest owner of Southeastern.

These changes and the competency of our department heads will give Mason and Staley more time to do what they love for many years to come - read, think, discuss investment opportunities and engage with our corporate partners. Both continue to serve as Co-PMs on all four Longleaf Partners Funds and sit on Southeastern's Executive Committee, along with Ross, Steve Fracchia and Josh Shores.

We encourage you to listen to the Price-to-Value Podcast Episode 5: Three Generations of Leadership (available on our [website](#) or wherever you listen to podcasts) for a more robust discussion with Mason, Staley and Ross about Southeastern's leadership succession and outlook.

It is rare for an investment firm to have three experienced generations of investment leaders actively engaged. Mason, Staley and Ross are committed to ensuring the next four-plus decades at Southeastern are as fruitful as our first 43 years. Our ownership and responsibility transitions enable Southeastern to remain independent. As the largest investors in the Longleaf Funds, it is our belief that the firm's continuity and stability will enable us to deliver superior results, both in the near term and over decades.

See following pages for important disclosures.

Before investing in any Lingleaf Partners fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current Prospectus and Summary Prospectus, which contain this and other important information, visit lingleafpartners.com. Please read the prospectus and summary prospectus carefully before investing.

RISKS

The Lingleaf Partners Funds are subject to stock market risk, meaning stocks in the Funds may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Funds generally invest in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Mid-cap stocks held may be more volatile than those of larger companies. With respect to the Small-Cap Fund, smaller company stocks may be more volatile with less financial resources than those of larger companies. With respect to the International and Global Funds, investing in non-U.S. securities may entail risk due to non-US economic and political developments, exposure to non-US currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

Information in this letter regarding market or economic trends, or the factors influencing historical or future performance, reflects the opinions of management as of the date of this report. These statements should not be relied upon for any other purpose. Past performance is no guarantee of future results, and there is no guarantee that the market forecasts discussed will be realized. There is no assurance the investment process discussed will consistently lead to successful investing. There is no assurance the Fund objectives will be met.

The S&P 500 Index is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. An index cannot be invested in directly.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3,000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. An index cannot be invested in directly.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index cannot be invested in directly.

MSCI World Index is a broad-based, unmanaged equity market index designed to measure the equity market performance of 24 developed markets, including the United States. An index cannot be invested in directly.

P/V ("price to value") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. For example, a ratio of 60% would indicate a stock price at 60% of Southeastern's appraisal. The ratio represents a single data point about a Fund and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

Earnings per share (EPS) is the portion of a company's net income allocated to each share of common stock.

As of December 31, 2018, the top ten holdings for the Longleaf Partners Fund: CenturyLink, 10.8%; CK Hutchinson, 7.6%; GE, 6.9%; CNX Resources, 6.1%; LafargeHolcim, 5.9%; FedEx, 5.7%; Mattel, 5.7%; Affiliated Managers Group, 4.8%; Alphabet, 4.8%; Fairfax, 4.8%. Longleaf Partners Small-Cap Fund: Graham Holdings, 8.8%; Hopewell, 7.5%; CenturyLink, 7.2%; Liberty Media, 6.7%; OCI, 6.4%; Kodak, 5.1%; Summit, 5.1%; Lazard, 4.9%; Mattel, 4.8%; ViaSat, 4.7%. Longleaf Partners International Fund: EXOR, 7.8%; Melco, 7.2%; CK Hutchison, 6.9%; LafargeHolcim, 6.2%; MinebeaMitsumi, 6.1%; Millicom, 5.8%; Vestas, 5.7%; Belmond, 4.9%; Bollore, 4.8%; CK Asset Holdings, 4.8%. Longleaf Partners Global Fund: CenturyLink, 8.6%; EXOR, 7.9%; Melco, 7.3%; Vestas, 6.9%; CK Hutchison, 6.9%; GE, 5.8%; FedEx, 5.4%; Fairfax, 4.9%; Alphabet, 4.8%; LafargeHolcim, 4.8%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by ALPS Distributors, Inc.

LLP000844

Expires 4/30/2019

4Q18

Longleaf Partners International Fund

(800) 445-9469 / longleafpartners.com

Fund Profile

Investment Style	International value
Ticker	LLINX
Inception Date	October 26, 1998
Net Assets	\$1.0 billion
Expense Ratio (Gross/Net)	1.19% / 1.15%
Turnover (5 yr avg)	40%
Weighted Average Market Cap.	\$13.9 billion

Holdings (21)

	Activity*	Weight
EXOR	+	7.8 %
Melco International	+	7.2
CK Hutchison		6.9
LafargeHolcim		6.2
MinebeaMitsumi	+	6.1
Millicom		5.8
Vestas Wind Systems		5.7
Belmond	-	4.9
Bolloré	+	4.8
CK Asset Holdings		4.8
Great Eagle		4.5
Fairfax Financial		4.2
OCI	-	4.1
C&C		4.0
Baidu		3.8
Yum China	NEW	3.7
Beclé	+	3.7
Bharti Infratel		2.9
Richemont	NEW	2.0
thyssenkrupp	-	2.0
Lanxess	NEW	0.2
Cash		4.7
Total		100.0%

*Full eliminations include the following positions: AIN Holdings, Inc. and Ferrovial

Holdings are subject to change and discussion of holdings are not a recommendation to buy or sell any security. Holdings are subject to risk. Funds distributed by ALPS Distributors, Inc.

The total expense ratio for the Longleaf Partners International Fund is 1.19% (gross) and 1.15% (net). The International Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal annual operating expenses exceed 1.15% of average annual net assets.

LLP000869 expires April 30, 2019

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing \$14.1 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our team of 14 research analysts are generalists, tasked with finding the best bottom-up opportunities across the globe.

The Fund seeks to own a concentrated portfolio of our best 18-22 ideas that meet our Business, People, Price investment criteria. We invest with a 3-5 year investment horizon and take advantage of short-term volatility to own high quality businesses, run by capable management teams, whose stock prices are trading temporarily at a discount. Our extensive, global network allows us to engage with our management partners to help drive long-term value creation.

Sector Composition

Industrials	23.5 %
Consumer Discretionary	17.8
Communication Services	12.5
Materials	12.5
Financials	12.0
Real Estate	9.3
Consumer Staples	7.7
Cash	4.7

Regional Composition

Europe ex-UK	42.6 %
Asia ex-Japan	33.8
North America	7.9
Japan	6.1
UK	4.9
Cash	4.7

Performance Contribution

Top Contributors	Return	Portfolio contribution	Top Detractors	Return	Portfolio contribution
Belmond	37%	2.22%	OCI	-36%	-2.41%
Millicom	12	0.63	thyssenkrupp	-32	-1.62
Vestas Wind Systems	12	0.62	EXOR	-19	-1.60

Performance at 12/31/18

	Total Return		Average Annual Return					
	Qtr	YTD	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
International Fund	-9.90%	-7.08%	-7.08%	0.33%	5.83%	3.95%	6.69%	7.09%
MSCI EAFE Index	-12.54%	-13.79%	-13.79%	0.53%	6.32%	4.74%	3.52%	3.95%

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.com.

Before investing in any Longleaf Partners fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current [Prospectus](#) and [Summary Prospectus](#), which contain this and other important information, visit longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS - The Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Investing in non-U.S. securities may entail risk due to non-U.S. economic and political developments, exposure to non-U.S. currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index cannot be invested in directly.

January 21, 2019

Longleaf Partners International Fund Commentary 4Q18

Longleaf / Partners
Funds

Longleaf Partners International Fund declined -9.90% in the fourth quarter, pushing the 2018 return to -7.08%. The Fund significantly outperformed the MSCI EAFE Index for both periods. The Index fell -12.54% in the quarter and -13.79% for the year. Pressure on stocks built with headlines of trade wars, higher U.S. interest rates, geopolitical unrest, economic slowdowns in multiple countries, including China, and falling oil prices.

Several factors contributed to the Fund's outperformance over the Index. The primary driver was strong individual stock returns at various successful companies, including four that we sold after a relatively short holding period to fund more discounted qualifiers. The Fund also held less exposure to Financials, the worst performing and most detracting sector in the Index. The International Fund owned EXOR and Fairfax, a combination of re-insurance and industrial businesses that held up much better than the more heavily levered institutions in the sector. Additionally, the 20% cash in the Fund at the outset of 2018 helped the relative return, while also providing dry powder for new opportunities over the course of the year.

Average Annual Total Returns (12/31/18): Longleaf International Fund: Since Inception (10/26/98): 7.09%, Ten Year: 5.83%, Five Year: 0.33%, One Year: -7.08%. MSCI EAFE Index: Since 10/26/98: 3.95%, Ten Year: 6.32%, Five Year: 0.53%, One Year: -13.79%.

Returns reflect reinvested capital gains and dividends but not the deduction of taxes an investor would pay on distributions or share redemptions. Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.com.

The total expense ratio for the Longleaf Partners International Fund is 1.19% (gross) and 1.15% (net). The expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.15% of average annual net assets.

Although the International Fund outperformed the Index and most of its peers, the Fund declined during the year. The strong U.S. dollar negatively impacted both the Index and the Fund's results by approximately 3%. Businesses that had meaningful economic exposure in emerging markets (EMs), including China, collectively impacted results. Emerging markets declined as the Federal Reserve began increasing interest rates and later as fear of a U.S.-China trade war developed. The EM sell-off, however, also provided opportunities to add to EM-exposed telco Millicom and to Macau gaming company Melco. In addition, we established new positions in Bolloré, which is Africa exposed, Bece of Mexico, Bharti Infratel of India and three undisclosed holdings in the fourth quarter, including two with sizable EM customer bases.

In our view, returns for the year did not reflect the progress within the portfolio. We not only invested the cash but also had much higher turnover than normal as the opportunity set expanded throughout the year. We sold one company, Yum China, early in 2018, and seven others in the second half. We deployed the proceeds into over half a dozen material new investments, while opportunistically adding to existing holdings. In addition to EM-related qualifiers, German industrials became more appealing, as political and economic uncertainty made Germany among the worst performing European countries within EAFE. In aggregate, portfolio repositioning, value growth and stock price declines moved the price-to-value (P/V) ratio near 60%, a level that has historically preceded strong returns*.

Just as performance did not reflect portfolio enhancements, many stock prices did not indicate the positive progress that our companies and management partners made throughout the year. Several businesses sold assets for attractive prices, including Fairfax, CK Asset, LafargeHolcim, CK Hutchison, EXOR and Baidu. Belmond agreed to be bought by LVMH. Importantly, the primary business segments at most of our core holdings grew, for instance North American Cement at LafargeHolcim, Partner Re at EXOR, Retail at CK Hutchison, North American Fertilizer at OCI, Core Search at Baidu, Bearings at MinebeaMitsumi and Mass Gaming at Melco. Numerous companies in the Fund repurchased shares, thereby increasing the remaining value per share.

Choppy markets and the economic uncertainty that feeds them could last for a while. While many CEOs we talk to are optimistic about revenue growth, they are cautious about rising labor and materials costs on a local level and increases in trade barriers and geopolitical friction potentially impacting revenues and margins. To manage investment risk, we incorporate conservative-to-skeptical assumptions about the

future, invest in a limited number of companies, have a broad and deep research network and engage with managements.

Even though the Fund outperformed the Index, we are neither pleased nor complacent about 2018 absolute returns. As your largest co-investors in the Fund, we believe it is a compelling time to add to Longleaf International. We believe the EAFE is overdue for a relative tailwind after being almost tripled by the U.S. market over the last ten years¹. The Fund's attractive P/V, and the underlying strength of the businesses we own lead us to believe that the Fund may generate strong absolute and relative results going forward. Most importantly, we have partnered with management teams who, in our view, can control their own destiny in terms of value realization, and we are working with boards and leaders at certain holdings to accelerate this realization.

Contributors/Detractors

(2018 Investment return; 2018 Fund contribution; Q4 Investment return; Q4 Fund contribution)

Belmond (105%, 4.49%, 37%, 2.22%), a collection of iconic luxury hotels located mostly in Europe, was the largest contributor in the fourth quarter and for the year. Owned hotels are over 85% of the asset value, with management fees and other leisure businesses the remainder. In August, the company announced a strategic review and ran a competitive sales process. In December, LVMH, the Paris-based luxury-goods company, whose brands include Fendi, Louis Vuitton and Dom Pérignon, agreed to pay \$25 per share in cash, valuing Belmond's equity at around \$2.6 billion. This share price premium of more than 80% since the August announcement reflected a fair value for those assets. The sale is expected to close by June of 2019.

Hikma Pharmaceuticals (54%, 2.04%, -, -), a multinational injectables and generic pharmaceuticals company based in the U.K., was the Fund's other primary contributor in 2018. We bought Hikma in October 2017, knowing we had an owner in Chairman and CEO Said Darwazah and two quality segments in the flagship Injectables segment

¹ 10-Year cumulative return for S&P 500 was 243% and for MSCI EAFE was 85%.

and the Branded MENA business that were being temporarily overshadowed by a more competitive environment in the smaller U.S. oral generic drug segment. Darwazah proved himself an excellent partner when he brought in well-respected industry veteran Siggí Olafsson to take over as CEO. In a short period, the company made considerable progress in its Injectables operations, the Generics environment improved and the stock exceeded our appraisal leading to a complete exit of the position by August.

LafargeHolcim (-25%, -1.77%, -17%, -1.11%), the largest global cement, aggregates and ready-mix concrete producer, was the biggest 2018 detractor in the Fund after a notable decline in the fourth quarter. Weaker cement demand in Latin America, the Middle East and Africa, as well as higher energy and transportation costs globally impacted profits. With two thirds of revenues tied to emerging markets, broader EM concerns heavily contributed to the stock price weakness. CEO Jan Jenisch believes efficiency gains and pricing will offset cost inflation. The cost savings program is ahead of target, and Aggregates and Ready-Mix margins are improving. The company's North American business, which represents over one quarter of our appraisal, grew profits during the year. The company announced the sale of its Indonesian assets at an attractive price, and management plans to accelerate divestments over the next two years, providing meaningful cash proceeds to reinvest.

thyssenkrupp (-36%, -1.58%, -32%, -1.62%), the German steel conglomerate, declined in the fourth quarter, making it among the Fund's 2018 detractors following our second quarter purchase of the stock. In July, the CEO and Chairman each resigned under pressure from activist investors. In September, the company named Guido Kerkhoff, who had been CFO and interim CEO, as permanent CEO and announced the decision to split thyssenkrupp into an Industrials business and a Materials business. We identified the strategic potential early in the year but underestimated the time and expense required to effect the split. If approved by shareholders in March of 2020, the split can help each division more properly reflect our appraisal of its parts. Industrials will consist of three units: Elevators (the largest part of our appraisal), Automotive Supplies and Core Plant Construction. Materials will contain Materials Services, Slewing Bearings, Forging, Marine and a 50 percent interest in the joint venture of thyssenkrupp's and Tata's European steel businesses. While being early has led to a

painful experience in the short term, we are confident in our assessment of the eventual asset value once the transformation completes in approximately 18 months.

CK Hutchison (-21%, -1.53%, -17%, -1.25%), a Hong Kong based conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, fell during the final quarter and the year. While a trade war between China and the U.S. will pressure less than 5% of its Ports business, concerns of this trade tension generated broad negative sentiment around Asian stocks. In Italy, the company's Telecommunications business struggled as increased competition from a new entrant pressured prices. In the second half of the year, declining oil prices impacted Husky Energy, the Canadian energy associate of CK Hutchison. These short-term headwinds negatively impacted sentiment, but the company's cash flow, as well as management's capital allocation decisions, helped our appraisal grow in the mid-single digits for the year. Chairman Victor Li sold CK Hutchison's interests in several infrastructure projects at 12X EBITDA (earnings before interest, taxes, depreciation, and amortization) and redeployed the proceeds to acquire the Italian telecom joint venture at 5x EBITDA. The company also repurchased its discounted shares for the first time in almost two years.

Baidu (-32%, -1.53%, -31%, -1.52%), the dominant online search business in China, declined in the fourth quarter and hurt results for the year. Lower growth guidance for the fourth quarter reflected macro uncertainties in China, and U.S.-China trade discussions distorted U.S. listed share prices of Chinese companies such as Baidu. The recent stock decline did not reflect the future earnings power of the company or the progress made during 2018, when our appraisal grew over 20%. During the year, Baidu completed non-core divestments of Financial Services and Global DU and IPO'd video business iQiyi. Baidu Core grew with news feed and AI-related business contributing over 20% of revenue. In July, Baidu launched the first fully autonomous Level 4 minibus with King Long Motor. CEO Robin Li announced a US\$1 billion share buyback program to take advantage of the discounted share price.

MinebeaMitsumi (-35%, -1.47%, -21%, -0.98%), the Japanese manufacturer of high precision equipment and components, negatively impacted performance for the year. Most of the stock's decline was related to worries that Apple iPhone screens will entirely shift from LED to OLED technology and that iPhone sales will slow. MinebeaMitsumi supplies Apple with LED backlight and camera actuators, but this

division represents less than 5% of the company's intrinsic value. The core miniature ball bearings business with over 60% global market share increased pricing in October, while units continued to grow at the historic mid-single digits rate. In November, MinebeaMitsumi offered to acquire U-Shin, a Japanese auto parts manufacturer specializing in locks, at below 4X EBITDA. This value-accretive acquisition will double the size of the auto-related business and improve automotive distribution, and further demonstrates management's capabilities in acquiring and fixing undervalued Japanese opportunities. CEO Yoshihisa Kainuma personally bought 1.5% of outstanding stock, and the company is repurchasing discounted shares.

Melco (-30%, -1.41%, 2%, 0.29%), the Macau-based gaming company, declined for the year over concerns about decelerating growth with ongoing U.S.-China trade war issues, a slower Chinese economy and weakening Renminbi. The decline in China's A-share markets and slow-down in neighboring province Guangdong (export hub of China) are likely to impact gross gaming revenues, but we believe most of the impact will be on the lower-margin VIP business. Increased profits from growing, higher-margin Mass visitors should compensate for any VIP decline over time, as infrastructure improvements (HK-Zhuhai-Macau bridge, high speed rail, etc.) and additional hotel room supply make Macau more accessible. Despite the stock's decline, during 2018, our appraisal grew as reported earnings doubled. CEO Lawrence Ho created value for shareholders via buying out minorities at Melco Resorts Philippines at attractive multiples, IPOing Studio City to create opportunity for an ownership increase in 2019 and repurchasing discounted shares.

OCI (-19%, -0.86%, -36%, -2.41%), a global producer of nitrogen fertilizers and natural gas-based chemicals, was the primary detractor in the fourth quarter, primarily due to the decline in the methanol spot price, which is linked to oil. To the positive, non-methanol-related assets, which represent three quarters of the value, did well. African facilities resolved gas supply issues and achieved 95%+ utilization rates. The company sells for less than the replacement cost of its assets and our conservative estimate of the discounted cash flow value. CEO Nassef Sawiris is an owner-operator focused on optimising the capital structure and generating significant free cash flow.

Portfolio Activity

In a particularly active year, we exited nine holdings, including Ferrovial in the fourth quarter. The Fund had previously held this Spanish transport infrastructure company that owns toll roads in Europe and North America, airports in Europe, including London Heathrow, and infrastructure construction and servicing businesses. The company's Spanish and British businesses faced increasing headwinds, including Catalonia and Brexit uncertainty. Given less certain prospective value growth and the rising interest rate environment, we sold the position. During our two-year investment, the Fund earned over 15% as traffic and pricing increased on the company's toll roads and at Heathrow, even as European headwinds mounted.

As markets declined in 2018, we invested in thirteen new qualifiers, some of which quickly did well and we sold for even more compelling opportunities. The three new positions purchased in the fourth quarter included one-and-a-half "recycled" names that we previously owned. The half includes assets from a company that was once held in Longleaf Partners Small-Cap Fund and was acquired by the foreign business we recently bought. It serves as a good example of how operating as a single research team, without silos based on geography or strategy, leverages our knowledge and opportunity across Southeastern. The three new positions, which are in disparate industries, remain undisclosed. Two are European based but with global markets, and one is Asian based.

Outlook

The Fund has more prospective investments than cash. We view EM and EM-related opportunities as the most discounted, with Asia Pacific the most undervalued region. More recently, Europe moved to the cheap bucket. The U.K., Germany and Italy face concerns over Brexit, China trade and Italy's budget fights with the European Union. The equal-weighted P/V on the broad international universe we track moved from overvalued at the start of the year to high-80s% at the end of December. The Fund's P/V moved to the low-60s%, with the prospect of dropping into the 50s% as one company is approaching full value and likely to be replaced with one of several very undervalued on-deck qualifiers.

In 2018 the Fund reached its twentieth anniversary. Southeastern has come a long way since moving one American from Memphis to Tokyo in 1998 and a second Memphis

team member to London three years later. Since inception, the Fund has produced 300 basis points per year of excess return versus the EAFE Index. Returns in concentrated value investing can be lumpy, as the Fund's track record demonstrates, with strong outperformance interspersed between more difficult periods. We view the firm's unique global structure and decision-making process today as a long-term research advantage that can continue to deliver what we believe will be superior results for our clients over the coming decades.

- We have four researchers in Singapore and a junior analyst starting in 2019. There are four researchers in London, with a search currently underway to add a junior analyst. We continue to broaden and deepen our global research capabilities. A critical mass in each office makes our research more comprehensive, allowing people to brainstorm and get instant feedback in person and involving multiple people in management engagement or other research meetings.
- Southeastern seeded Asian and European regional strategies four years ago to create more ways for the international research team members to own the opportunities within their territories. Idea generation has increased, feeding more prospective investments to the International Fund, and more people on the team have developed a broader portfolio management perspective.
- Seven of the overseas analysts are from countries other than the U.S. (the eighth has dual U.K. citizenship). We believe locals committed to staying in their regions bring diverse views with more understanding of cultural nuances and opportunities and provide a unique network of research contacts that expands over time.
- The Fund has held meaningful stakes in over 170 companies during our successful 20-year history. Southeastern's cumulative research and results have enhanced our reputation and increased our relationships globally, increasing access to corporate managements and boards for productive engagement and research insights.

- We operate as a single, integrated research team with the eight offshore analysts and seven Memphis-based analysts reviewing and challenging one another's work. We bring to bear all the team's collective investing experience, industry knowledge and network of helpful contacts across three continents before committing our clients' and our own capital.
- Southeastern has developed from a U.S. firm with overseas offices into a global investment company, with nine of our fifteen analysts, including Josh Shores, who lives in Memphis after spending most of the last decade in our London office, focused primarily on investments outside of the U.S. As Co-PM of the International Fund and a member of Southeastern's Executive Committee, Josh helps insure a global perspective, as our Memphis-based firm provides the resources needed to deliver successful results around the world.

In our view, the Fund's strong returns over the last three years reflect the progress that we have made in fully developing our global team. We believe that the next twenty years can be even more successful, not only because of the set of businesses and corporate partners in the portfolio today, but because we are armed with our deepest-ever international research following a decade when both our style of investing and owning companies outside of the U.S. have been dramatically out of favor. This is a time when we think investors adding to Longleaf International may be particularly rewarded.

See following page for important disclosures.

**Quarter-ends since 1998 were identified where the International Fund's "price-to-value ratio" (P/V) was less than 60%. From each quarter end identified, the 1, 3, and 5 year cumulative returns for the Fund and the MSCI EAFE were calculated. Those returns were then averaged and the 3 and 5 year returns were annualized. The results were: 17.00% for 1 year, 10.49% for 3 year, and 11.28% for 5 year for the International Fund and 6.95%, 6.25% and 9.08% for the EAFE Current circumstances may not be comparable.*

Before investing in any Longleaf Partners Fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. For a current Prospectus and Summary Prospectus, which contain this and other important information, visit longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf Partners International Fund is subject to stock market risk, meaning stocks in the Fund may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Fund generally invests in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Investing in non-U.S. securities may entail risk due to non-US economic and political developments, exposure to non-US currencies, and different accounting and financial standards. These risks may be higher when investing in emerging markets.

MSCI EAFE Index (Europe, Australia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 22 developed markets, excluding the US & Canada. An index cannot be invested in directly.

P/V ("price to value") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. The ratio represents a single data point about a Fund and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

Brexit ("British exit") refers to the June 23, 2016 referendum by British voters to leave the European Union.

IPO is an initial public offer.

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

As of December 31, 2018, the top ten holdings for the Longleaf Partners International Fund: EXOR, 7.8%; Melco, 7.2%; CK Hutchison, 6.9%; LafargeHolcim, 6.2%; MinebeaMitsumi, 6.1%; Millicom, 5.8%; Vestas, 5.7%; Belmond, 4.9%; Bollore, 4.8%; CK Asset Holdings, 4.8%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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