

Data and discussion as of March 31, 2022

Average annual total returns for the Lingleaf Partners Fund and its benchmark for the one, five, ten year and since inception (4/8/1987) periods ended 3/31/22 are as follows: Partners Fund: 3.98%, 7.3%, 7.56% and 10.01%; S&P 500: 15.65%, 15.99%, 14.64% and 10.55%.

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 southeasternasset.com. The prospectus expense ratio before waivers is 1.03%. The Partners Fund's expense ratio is subject to a fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 0.79% of average net assets per year.

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 <https://southeasternasset.com/account-resources>. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Lingleaf Partners 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. Mid-cap stocks held by the Fund may be more volatile than those of larger companies.

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.

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.

ESG considerations may affect the Fund's exposure to certain companies or industries and the Fund may forego certain investment opportunities. While we view ESG considerations

as having the potential to contribute to the Fund's long-term performance, there is no guarantee that such results will be achieved.

Please [click here](#) for definitions of certain terms used.

As of March 31, 2022, the top ten holdings for the Lingleaf Partners Fund: Lumen, 10.1%; CNX Resources, 6.9%; FedEx, 6.1%; Mattel, 5.5%; MGM Resorts, 5.5%; Discovery, 5.4%; IAC, 5.3%; Affiliated Managers Group, 5%; General Electric, 4.9% and CK Hutchison, 4.8%. Fund holdings are subject to change and holdings discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

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Gwin Myerberg:	00:09	Hello, and thank you for joining us for a Q1 2022 review with the portfolio managers of the Lingleaf Partners Fund. I'm Gwin Myerberg, Global Head of Client Relations and Communications for Southeastern Asset Management. Today, you'll be hearing from the portfolio managers of the Partners Fund, Staley Cates, who joined Southeastern in 1986 and is Vice-Chairman, and Ross Glotzbach, who joined in 2004 and is our CEO and Head of Research. Ross, could you kick us off with a higher-level question discussing inflation? It's one of the top issues facing the US markets today, and as the Fed begins raising interest rates, what's your outlook and how are you positioning the portfolio as a result?
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Question:	What is your outlook for inflation and how are you positioning the portfolio as a result?
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Ross Glotzbach:	00:52	We have been wary of inflation becoming a factor again, like it has been through most times in history, but not for a lot of the last 10 to 15 years, probably to our relative detriment. But as we started to see the forces building for it in 2020, it was something we thought about even more, especially as we talked with each of our individual portfolio companies. And we would ask
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them, "How are your wage rates and wage increases looking next year?" And top-down Fed consensus was more like low-single digits. They were saying mid-single digits plus, and now that has become much more consensus. But we do think that just overall, this is where we benefit from being bottom-up stock pickers and not top-down macro forecasters, because this impact could be very different for each of our companies and each of the prospective holdings we're looking at, and we'll get into some of those later. But what we're looking for overall is pricing power, companies that can price through these cost increases and grow their profitability as a result of that. We think we've got it up and down the portfolio. And then there's some more direct interest rate holdings, like for example, things in the insurance world. Those will benefit from increased rates in their investment portfolios. Banks are an interesting one where we've historically been overweight. I mean, underweight. The value index is very overweight in banks. That's why I messed that one up. But that's a tougher industry for us. That doesn't mean we're not looking at it, but there could also be some interesting factors at play if the yield curve continues to invert, as it has, that could bias our insurance ones over bank ones. And we think that could be a help for us as well.

Question:

How is our portfolio positioned for a potential recessionary environment?

Staley Cates:

02:46

It's the fair question, but the unsatisfactory answer is that it totally depends on each industry and company. There's not a macro-overlay with which we begin and then apply that across the board. It's just different by every industry to model that and to see which industry has which recessionary risk. And it's not just recession, as we come out of COVID, there can be weird year-over-year comparisons on COVID results and post-COVID. There are always these moving parts and it's not just yield curve talking recession. It's also industry groups like housing doing one thing, and transport's doing another. So, the market will send you these different signals that you have to take seriously and potentially

embed in your appraisals, but you just have to dig on each company, talk to the management teams to evaluate the risk name by name. So that one will just never have a formulaic answer at any given time.

Question:

What holdings have contributed positively to the Fund's performance and what drove returns?

Ross Glotzbach: 03:51

In large cap world for us, the most important have been CNX and Williams, our two energy holdings. This was never some kind of top-down energy macro bet. It was bottom-up security selection that we thought could win in a world where people eventually realize the importance of natural gas and natural gas infrastructure. And we certainly got a big jolt of that in the first quarter with the conflict in Ukraine and Europe really regretting some of the decisions they've made on energy security. And it does on a business quality standpoint highlight the critical infrastructure and nature of natural gas and the US' ability to export a lot of it around the world and hopefully to our allies in Europe and other places. And you're seeing that start to get priced through in the futures curve where CNX saw strong value growth in the quarter as a result of that. And because they've been buying so many of their own shares in their share repurchase program, they're getting a further kick, and we still see the stock CNX trending towards probably over \$3 a share of free cash flow. It's trading in the low 20s. Still undervalued, and our value is growing. We've got great partners there - Chairman Will Thorndike, the whole team, is doing a good job there. Whereas at Williams, it's been more value recognition than dramatic value growth because parts of their business are regulated. Parts of their future expansion projects will take time to come online. But Alan Armstrong and his team did a good job navigating through the lean times in the natural gas world. And now they're in even more of a position of offense. So, we were glad that we didn't give up on both of those when it felt easiest to. We're getting to get some rewards now as a result.

Question: Southeastern recently began carbon footprint reporting for the portfolios. How do you balance ESG considerations with investment outlook and geopolitical factors in our energy holdings?

Ross Glotzbach: We've never taken a box-checking approach to ESG and the fossil fuel world. We think not all fossil fuels are created equally, first of all. Natural gas is a very good bridge, and it's not just a few years bridge. It's a multi-decade bridge to a more renewable energy mix. And on most people's hierarchy of needs, they need energy and food, and natural gas helps with that. And it's just not the kind of thing that you can do away with.

Two other real important things on each individually, CNX and Williams, for us as stock pickers. On the CNX front, they have dramatically improved their board with our help on the 'G' and they have dramatically reduced their overall emissions footprint over the last 10 years by getting out of their coal business and continuing to produce relatively clean natural gas in the areas where they do so. On engagement specifically, CNX is one where we have added multiple new board members, including the chairman, Will Thorndike. We have also encouraged them to continue to diversify their board - there's a good outcome on that this quarter -and also to look to ways that they can work in their local communities to not just produce a cleaner product, but also to give back. And they've been doing that as well. On Williams, because they have this large, hard-to-replace infrastructure throughout the USA, there are certain areas where they'll be able to be a part of the renewables transition as well. For example, in Wyoming, they've signed a deal with Ørsted, the big Danish renewables energy group, about potentially some wind and other projects there. So, both of these companies get it. They're part of the solution and we've been glad to be associated with them.

Question: What have been the top detractors over the last quarter and why?

Ross Glotzbach:

IAC was one that in our brief ownership has already gone from contributor to detractor, and we will see where the future goes. The good news is that our value per share has increased materially since we initially invested last summer, it was. Business, People, Price on this one - the business, it is still a somewhat confusing conglomerate of relatively digital businesses. Those were two bad places to be in general in the stock market in the first quarter. Digital businesses coming down overall. We think that's something we've seen for a while happening, but we think IAC's are unique and already underpriced. And then confusing conglomerate. Whenever there's market turmoil/volatility, conglomerate discounts sometimes blow out. That gets to the unique factors going on here at IAC, where probably one of the things that swings the stock around a lot in the short-term is their ownership of Angie's List. We think that's 25 or so percent of the value, but it's likely a larger part of the perception. Angie's List had a somewhat disappointing quarter. We think that individual security is worth more than its trading in the stock market, but its stock market price is also somewhat limited in its usefulness because it's got such a limited amount of float and it just swings around a lot. What we think is more important to the value is their other assets, such as Dotdash Meredith, where that deal has finally closed. It's going to be messy reporting on that deal for probably at least another quarter or so, but we still think the rationale behind that company creating a digital publishing leader is very sound. We also have yet to see them take public their investment in Turo, which is this unique Airbnb of cars type business. The market's not giving them near enough credit for that. And then MGM, which we own separately in the Partners Fund and the Global Fund, we think is also not getting its due this quarter because it's viewed as somewhat of a cyclical, pick your term, stock on that one. This gets to the people. Joey Levin (CEO) and Barry Diller (Chairman) are good at creating their own catalysts. We are not sure what exactly the next one will be. It could be a large repurchase. It could be monetization of part of their business. They bought a little bit more of MGM at what we thought was a good

price in the quarter. This is what you get when you partner with people who care deeply about value per share. We can't tell you what's going to happen, but we think it's good and we think they've got a position of financial strength, and we're paying, at this price, less than half of our appraised value and probably less than 10x our estimate of free cash flow per share power, which is very different from your still average internet company out there that might have gone down a big number in the quarter and last quarter too. But a lot of those we're still having a hard time getting there on those being undervalued. We think IAC is quite different because it's just hard to understand and is a diverse collection of assets.

Another one that held us back so far was Liberty Broadband, a somewhat similar theme to IAC, where we still believe our value is up since we initiated this purchase. We did think of it somewhat as a swap from Comcast, where we think our combination of Liberty Broadband plus Discovery is superior on Business, People, Price to Comcast, but Liberty Broadband in particular on the business and the collection of assets there, because it is, again, one of these holding company situations where Liberty Broadband owns a large stake in Charter, and also GCI, the Alaskan cable company. That's a lot of complexity. Complexity discounts hurt you in a market where there's some volatility. And then there's also been some concerns on just cable in general. As broadband additions are slowing down, we fully expected this to happen. We think this is one of those good businesses over the long run with inflation. I mean, it has a decades-long history of pricing power. But in any quarter-to-quarter time, you can see, "Oh, did this one wireless competitor reduce its price?" Or, "What about this over builder in state X, Y, Z?" We still have high degree of respect for John Malone (Chairman) and his team at Liberty Media. Greg Maffei (CEO) on the case. These people get it. They're focused on growing value per share, closing value per share gaps. And for now, the growing gap at Liberty Broadband is our friend because they're doing a significant amount of stock repurchase. They're one of

our biggest repurchases, and that's growing our value per share every day at this one. So, it's a newer one. It was a disappointing stock price performance. We still feel good on the value per share on this one.

Staley Cates: 13:34

AMG is maybe the biggest disconnect between the stock price performance and what was going on with our value this quarter. The stock price was down almost like a typical correlation with the S&P generic money manager. And the economic truth of that is way better and also more complicated in that they're not just tied to the S&P and not even just to plain equities. They have a lot of private equity managers. They have some fund-of-funds. They have some wealth management, and they have a lot that's tied to global, not US, in the form of the S&P. So, the specific great thing that happened in the quarter in economic terms is one of their affiliates, Baring Private Equity Asia, sold for a huge multiple of EBITDA, over 20 times this year, 15 times expected 2023. So, this is a multiple that was way more than twice of what AMG sells for. And it's a meaningful amount of cash. And EQT, who's the buyer, of their shares coming into AMG. So, this was a meaningful bump in the value per share. And that's coming after 2021 when the value per share grew extremely rapidly as did the free cash flow per share. Jay Horgen and his team have done a great job since Jay stepped in as CEO. So, this is one where value went up, price went down.

Lumen had two negative things going on. One, which is a true economic question. The other is a short-term price movement. And what I mean is the economic question for them, the big one remains, "What's the organic revenue growth going to look like?" And they reported a fourth quarter that was weak in terms of organic revenue, and they guided to more weakness in 2022. The thing to remember though, is the free cash flow coupon here is so large, some of which we get in a dividend, some of which is both bought in shares and expanded their CapEx in laying more fiber. But the free cash flow coupon has grown our value overall over the past few years such that it's not only about this organic revenue question, but that does have to kick in at some

point, or we have a bigger long-term problem. And we do think that'll start to kick in later in the year.

The other thing I mentioned that was a short-term non-economic value issue is that Temasek has been the largest shareholder since they sold Global Crossing for shares to Level 3 way back when. And they owned around 10%. They sold about a fourth of their position. So, that creates the dreaded "overhang" that the minute they do that, the market is expecting their remaining stake to come out in some form. And that is, in our experience, a very regular occurrence of suppressing a stock price until questions about the overhang are cleared up. So, we have a 13D that we filed in the past urging share repurchase. So, not a mystery that we would continue to urge the company to do something about that, but we'll see what happens.

Gwin Myerberg: 16:54

Thank you, Ross and Staley, for the discussion, and thank you all for joining. We hope that you found the discussion interesting, and we look forward to speaking again soon.



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