April 2026

Longleaf Partners Small-Cap Fund 1Q26 Commentary

All data as of March 31, 2026

Fund Characteristics

P/V Ratio	High-50s%
Cash	13.1%
# of Holdings	16

			Annualized Total Return (%)			
	1Q	1 Year	3 Year	5 Year	10 Year	Since Inception
Small-Cap Fund	-2.72	3.10	9.78	2.07	6.11	9.54
Russell 3000	-3.96	18.09	17.86	10.87	13.72	10.85
Russell 2000	0.89	25.72	13.05	3.77	9.88	9.28
Russell 2000 Value	4.96	28.09	13.80	5.79	9.61	10.05

Effective May 1, 2024, the Fund changed its broad-based securities market index to the Russell 3000 Index due to regulatory requirements. The Fund retained the Russell 2000 Index and the Russell 2000 Value Index as performance benchmarks because they more closely align with the Fund's investment strategies and restrictions.

The year started off much like the second half of 2025, with most stocks going up and caution being penalized. February brought a market that was best described as "weird" with multiple, large sector wide moves driven by themes like perceived AI winners and losers. Then the Iran War and growing systemic private credit risk complicated matters more. We lagged the market to start the quarter but performed better relatively as "weird" turned to "bad." We continue to look very different than and often at odds with the Russell 2000 index, as has been the case for much of the last two plus years. That will not always be bad for relative returns like it has been over the last twelve months during what has continued to be a lower quality rally as we have written about before.

Inception date 2/21/1989. 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 1.04%. The Small-Cap Fund's expense ratio is subject to a contractual fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 0.95% of average net assets per year. This agreement is in effect through at least April 30, 2026, and may not be terminated before that date without Board approval.

We ended the quarter with a P/V in the high-50s%, which bodes well for absolute returns moving forward.

A theme so far this year is that it has not been a good time to report a complicated quarter as a public company. Our investees that needed more explanation were overly punished by the market. To quantify this effect, stocks in the portfolio that each detracted more than 50 basis points individually combined for a negative impact of over 650 basis points. However, the value per share decline for these stocks was less than 50 basis points in aggregate. While we will always have winners and losers in any given quarter, this was an abnormally large mismatch between price and value change. Many of these companies had results that could be read as disappointing to short-term earnings per share, but there was little to no impact to the free cash flow (FCF) per share that we believe will materialize and/or is the consensus estimate for 2027+.

While this dynamic gives us comfort that we remain on the right track, we are not waiting for the market to be a weighing machine instead of a voting machine. We have stepped up our engagement and already have a win at Tripadvisor where Andy Cates, who was recommended by us and became an excellent board member during (and after) our ownership of Pioneer Natural Resources, joined the board. We are optimistic that additional behind the scenes work (that could go public) will show results as the year goes on. At investments such as Graham Holdings, Empire State Realty Trust, Atlanta Braves and Becle where minority shareholders have less say (in theory), we have solid relationships and constructive dialogue with management teams. In fact, we have made money over the long-term or in previous ownership periods with all of these partners. Newer holdings like GCI Liberty, Dole, Clearwater Paper and Alexander's are off to a good start on the People angle.

This was a relatively good quarter for the value index. It was especially good for the energy part of the index as leveraged, unhedged oil-focused companies were the biggest driver of the index. While the short-term earnings power of these companies went up materially in the quarter, we do not think their long-term value per share – as defined by the futures curve and common sense – went up 40%. Another thing to consider is that those value investors who made the decision to pay higher multiples for growth over the last 10+ years generally had rougher first quarters, whereas those who have been more broadly diversified and focused on paying low multiples of current earnings did better in the quarter. We have a more eclectic approach than either extreme and delivered returns in between over this limited period. The average, non-energy "value stock" that trades at a low multiple of current earnings and did not do anything notable this quarter remained flattish, which beat the Russell 3000 and was in line with the Russell 2000. As we have said before, just because something trades at a low multiple on readily determined earnings, that does not mean it is undervalued, nor does it qualify on Business and People, which come before Price for us.

Our better relative performance in the later, more intense selloff part of the quarter rhymed a lot with what happened almost exactly one year ago around "Liberation Day" when we outperformed. Much like how the tariff issue went down the list of investor concerns as '25 went on, it is possible that we have peace in the Middle East and everything works out well with private credit over the next year or two. It is also possible (or likely) that these two issues (and potentially others) are not as "correctable" as tariffs were. We are not positioned overly defensively via a top-down call, but rather because the market is paying us to own under-recognized quality companies on offense. Along those lines, it is worth calling out some companies that did not rise to contributor status as we define it below but did have solid quarters. For example, CNX, with its more hedged earnings stream vs. other, lower-quality energy companies, only saw its stock price increase 5% in the quarter, but we think the long-term value of safe, USA natural gas went up more than that. Relatedly, we were surprised that the market has not yet connected the dots on how positive the Iran War can be for Alaska and by extension our investment in GCI Liberty. We also think it unlikely that valuation gaps such as the public market multiple disparity between Dole and Fresh Del Monte and/or the public/private market valuation disparity between the Braves and the current bidding for the (likely less valuable) Padres will persist long-term.

Notable Contributors & Detractors

Boston Beer – Alcoholic beverage company Boston Beer was a contributor for the quarter as industry data improved compared to last year. Sentiment around the industry appears to be leveling off after two years of headwinds from changes in consumption habits. The company reported solid first quarter results that were highlighted by continued improvement in gross margins. Recent innovation Sun Cruiser is growing volumes rapidly as the brand expands nationwide to take advantage of the sizable runway remaining in the ready-to-drink tea space. The company also continues to make progress in fixing problems at Twisted Tea, their largest brand. Boston Beer remains both an active share repurchaser and attractive acquisition target as alcohol industry consolidation looks to be on the horizon.

Shenandoah Telecommunications – Telecom company Shenandoah was a contributor for the quarter. The company reported a solid set of results that helped the market wake up to these off-the-radar assets that we started buying last year. While parts of this unique company are technically “legacy” telecom, Shenandoah made the wise call to focus on building out its fiber business years ago. This led to decreased short-term earnings power and a higher leverage ratio on reported EBITDA, but the company built a substantial amount of value with this capital allocation decision. Now a strong majority of its value comes from this great, growing business. Shenandoah also wisely securitized most of its fiber assets in the 4th quarter to improve the balance sheet. The company is now getting closer to FCF positive in 2027, and earnings growth should continue to be strong thereafter.

Empire State Realty (ESRT) and Alexander’s – We wrote about these two New York real estate companies together in a previous note and will now do so again. Their stock prices moved in different directions this quarter. To the positive, Alexander’s announced a great sale of a non-core, non-income-generating asset in Queens that puts the company further on offense. While ESRT is also actively looking to sell assets, they did not have any news on that front in the quarter and therefore declined with other real estate companies as fears about AI-driven job losses hit the sector. International travel trends also continued to impact their Observatory business. To the positive, ESRT reported solid leasing results and should be able to grow cash flow this year. Both companies still have irreplaceable assets driven by aligned partners. Their divergent stock price moves led to us trimming Alexander’s and adding to ESRT as the quarter went on.

Rayonier and PotlatchDeltic – Timberland companies Rayonier and PotlatchDeltic completed their merger in the quarter to become our largest single position in the Fund. While the combination of the pre-merger-close price move up in PotlatchDeltic and the post-merger-close price move down in Rayonier did not combine to make this a large detractor, it is worth noting the post-merger weakness we believe did not line up with the solid value creation opportunity at a company like this. While some of the sell-off was likely short-term/technical (index rebalancing), timberland remains a great and long-term store of value. Interest rate moves and housing market sentiment can impact perception in the short term, but this asset class has historically been an inflation hedge that has performed well in a variety of environments. Post-merger, Rayonier has a strong balance sheet and the ability to go on offense. We believe that targeted asset sales and share repurchase can drive value per share growth from here. We also wrote about the company in our most recent Research Perspectives note.

Becle – Spirits company Becle detracted after the company reported a quarter that the stock market did not like. This short-term earnings volatility (on a business that is 200+ years old) was driven by a shift in distribution that is the right thing to do for the long-term. While this means that reported revenues will be down a few percent in 2026, this sets the company up for growth in 2027 and beyond. As mentioned above on Boston Beer, industry trends did not get worse, but there remains debate about spirits consumption going forward. The biggest industry news came late in the quarter when it was confirmed that Pernod Ricard and Brown-Forman were discussing a merger. The industry is ripe for consolidation, and now this could be kicking off. Becle will be poised to act from a position of financial strength while being focused on the still fastest growing part of the spirits industry, tequila. We added to our position in the quarter after the stock declined.

Mattel – Children's toy, media, and consumer products creator Mattel was a detractor in the quarter. The stock fell due to an unexpected $150 million (15% of EBITDA) in incremental spending on initiatives including mobile gaming, Brick Shop (Mattel's competitor to LEGO), and direct to consumer marketing. CEO Ynon Kreiz cited a one-year payback on this spend, but the market remains in show-me mode and the price declined proportionate to the 2026 earnings per share guidance reduction. This was compounded by 4Q results that missed expectations, especially in the US. To the positive, the company committed to $1.5 billion in share repurchase over the next 3 years, which equates to 33% of shares outstanding at today's price. 2026 should have demonstrated the true FCF power of Mattel given traction on IP initiatives including two new movies (Masters of the Universe and Matchbox), two new mobile game launches, and licensing momentum with Toy Story 5 and KPop Demon Hunters. Unfortunately, this was delayed, and we are focused on what we can do to improve this situation.

Tripadvisor – Digital experiences, dining and travel company Tripadvisor was a detractor for the quarter. As previously mentioned, we were pleased to see board improvement at the company. Unfortunately, this came after a disappointing quarter and a lack of board urgency up to this point. The legacy Tripadvisor business has been worse than we first thought a year ago. However, it has gone from only ~20% of our value then to now closer to 10%, while Viator and TheFork have grown. Macro travel trends got worse in the quarter as well. To the positive, we believe that the company is now acting on what is important to realize value per share. There are a variety of strategic options available to this company, and we look forward to how this year develops.

Portfolio Activity

During the quarter we had no new purchases or exits. We remain disciplined in our search for businesses that meet our Business, People, and Price criteria and are close to buying multiple new investments that you could hear about next quarter.

Outlook

Looking ahead, the war in Iran remains a source of uncertainty for a few holdings, but we do not own businesses that depend on a single outcome for success. More broadly, we believe the portfolio is positioned to benefit as potential private credit stress exposes weaker balance sheets and excess leverage, which our portfolio has little direct exposure to either. We continue to see several unique opportunities, including some Southeastern driven, and the portfolio remains attractively priced with the price-to-value ratio in the high-50s%.

Thank you for your partnership.

See following page for important disclosures.

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 https://regdocs.blugiant.com/longleaf/#. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS
The Longleaf Small-Cap 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. Smaller company stocks may be more volatile with less financial resources than those of larger companies.

The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index. The Russell 3000 represents approximately 97% of the American public equity market and the Russell 2000 represents 10% of the Russell 3000. An index is unmanaged, does not reflect the deduction of fees or expenses, and 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.

"Margin of Safety" is a reference to the difference between a stock's market price and Southeastern's calculated appraisal value. It is not a guarantee of investment performance or returns.

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.

Price / Earnings (P/E) is the ratio of a company's share price compared to its earnings per share.

Enterprise value (EV) is a company's market capitalization plus debt, minority interest and preferred shares, and less total cash and cash equivalents.

PE multiple is a financial metric that frames a company's current stock price in terms of the company's earnings per share.

REIT is a Real Estate Investment Trust which is a company that owns, operates, or finances income-producing real estate.

A Basis Point is one hundredth of one percent.

Mergers and Acquisitions (M&A) are business transactions in which the ownership of a company, business organization, or one of their operating units is transferred to or consolidated with another entity.

As of March 31, 2026, the top ten holdings for the Longleaf Partners Small-Cap Fund: Rayonier, Inc. 8.1%; Becle S.A.B. de C.V. 7.6%; GCI Liberty, Inc. 7.5%; Tripadvisor, Inc. 7.0%; Mattel, Inc. 6.8%; Shenandoah Telecommunications Company 6.5%; CNX Resources Corporation 5.6%; Empire State Realty Trust, Inc. 4.8%; White Mountains Insurance Group Ltd. 4.8% and Graham Holdings Company 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.

Funds distributed by ALPS Distributors, Inc.
LLP001631 expires 7/15/2026