

## **Data and discussion as of March 31, 2022**

*Average annual total returns for the Fund and its benchmark for the one, five year and since inception (12/27/12) periods ended March 31, 2022 are as follows: Global Fund: -10%, 4.36% and 5.81%; MSCI World: 10.12%, 12.42% and 11.38%.*

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](https://southeasternasset.com). The prospectus expense ratio before waivers is 1.33%. The Global 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 1.15% of average net assets per year.

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

## RISKS

The Longleaf Partners Global 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 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.

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 Global Fund are: Lumen, 11.5%; EXOR, 8.7%; CNX Resources, 7.3%; Discovery, 6.4%; Millicom, 6.2%; FedEx, 6.2%; Fairfax Financial, 4.9%; CK Hutchison, 4.8%; MGM Resorts, 4.6% and Affiliated Managers Group, 4.5%. 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:	00:00	Hello, and thank you for joining us for Q1 2022 Review with the portfolio managers of the Lingleaf Partners Global 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 Global Fund. Ross Glotzbach, who joined Southeastern in 2004 and is our CEO and Head of Research and Staley Cates, who joined Southeastern in 1986, and is also Vice-Chairman. Ross, could you start us out with a high-level overview of the various factors that you saw at work in the quarter? The impact on our portfolio and our outlook from here?
Question:		What were the top factors impacting the portfolio in the quarter, and what is our outlook?
Ross Glotzbach:	00:49	Well, it was a very volatile quarter. A lot going on around the world. If we had to draw a few circles to highlight where that volatility was most felt in the Fund on an absolute and relative basis, we'd start with Europe. The Ukraine conflict has definitely brought pain to stock prices in that region, somewhat indiscriminately we would say, where the price impact has far outweighed the value per share impact for

European holdings. We'll have Josh talk about those in detail later. Then the next circle would be Asia, specifically, China, where you have Prosus and Melco. Prosus double hit with both a Europe listing, a slight amount of Russian exposure, and then its Tencent holding also didn't perform in the quarter. And then on top of that, you have complexity discounts blowing out in a time of market volatility and we have that at multiple holdings. Now, because we've got great partners at some of our most complex companies, that's often a gift with share repurchase or other value-creating things they can do. But those are the ones that we do own. Then, on what we don't own, people would note that we might have - pick-your-day - underperformed versus value in the quarter. A big part of the value index has been, probably always will be, banks. That's a tough one for us to get comfortable with, especially the farther afield you go, the larger the banks become without big internal owners driving value per share. Those get harder for us to do. We would add though that as the yield curve has begun potentially to invert more, that could be quite negative for banks. Not that we're not looking at them and there are ones that could be on the on-deck list, but that could rebias things back towards our focus that's been more on insurance companies when it comes to interest rate beneficiaries. So, we'll be interested to see how that goes.

Question:

What is the portfolio's exposure to the war in Ukraine? Has the conflict and resulting volatility impacted company appraisals, and have you made any adjustments to the portfolio?

Josh Shores:

03:17

Well, starting from a high level, we have long avoided Russia and its immediate sphere because it's failed our investability test on rule of law, a minority shareholder protection and various factors that meant that we have no direct exposure to Russia or Ukraine, and never have. And broadly, of course, there's been some volatility knock-on effect in Europe on prices over the last few months. But as far as our value impacts, there's been very little impact to our assessment of what the intrinsic value of our companies are. We have almost no

direct exposure, a very small piece of Prosus has some direct investments around the edges that we'll circle back and discuss later. And then in Lanxess, which is our German specialty chemicals company, about 30% of our assessment of value is indirectly exposed to natural gas coming from Russia. And about 50% of Germany's natural gas supplies tend to come from Russia. And of that roughly 50/50 of that is split between industry and consumer use. And there are concerns around what would happen if there were a cutoff of gas supplies from either side and clearly the government would tend to favor individual users over industrial users at the margin. And there are concerns about what impact that might have on short-term results. It doesn't seem, in our view that, that will be permanent impacts to our assessment of what these values are, but it certainly could have, if it were to go to that extreme, some 2022 impact on earnings power and EBITDA, if you have to idle some of those facilities. But relative to the discount of the current share prices, it's not a material factor. So overall, the portfolio has low single-digits, at best direct and indirect exposure, and as of now, even lower than that impact to our assessment of value.

Question:

How has the market volatility in China impacted the Fund portfolio? What is the team's outlook for the region?

Ken Siazon:

05:23

So, the first quarter in China has been extremely volatile, we've had a number of events that have compounded this volatility. One, I think you know there's been some real fear that Western Ukraine related sanctions would be placed on China in addition to Russia, for China potentially helping Russia in its war effort. Second, COVID is the worst it's been since Wuhan and today, major cities are locked down in China. Shanghai is under lockdown; Shenzhen was locked down. And as a result, retail sales are down significantly, travel has plummeted, real estate sales are down big. And so the macro effects are quite significant. And then during the quarter, we've also had some geopolitics going on. ADR (American Depositary Receipt) de-listing fear spiked as the US put a handful of Chinese

companies on their HFCAA non-compliance list, so the Holding Foreign Companies Accountable Act. So, my view is that any kind of sanctions on Chinese companies today are quite low. I think that China has too much to lose. Half of China's exports basically go to the US and Europe today. They are also the largest importer of semiconductor chips, and that all comes from the West. We have \$3.2 trillion of foreign exchange reserves, which could potentially be taken away and so I think that the chances of China breaking any kind of rules and supporting Russia in its Ukraine efforts are low. In terms of the zero-COVID strategy, I think that the Hong Kong experience where the death rate per capita is actually among the highest in the world, primarily due to the low vaccination rate of elderly people in Hong Kong, has reinforced China's policy of zero-COVID strategy because China has a similar problem where only about 80% of people aged 60 years old and over are fully vaccinated. So, until they get their elderly fully vaccinated and have the proper medication in the country, I think that they're going to maintain their zero-COVID strategy for a while. But I do think that eventually they will relax and that should be good for a number of our COVID-unlock investments.

Question:

How have our China holdings performed in the quarter?

Ken Siazon:

So how has our portfolio done in Asia or in China during the quarter? I think it's been varied. Our worst performer obviously has been Melco, which has been affected by the lockdowns, especially in Guangdong Province and across the border in Shenzhen. As you may know, most of Melco's traffic comes from neighboring Guangdong Province, and that traffic has been essentially locked down over the last couple of weeks. But we fully expect it to rebound once COVID reopening happens. When we look at the experience in Vegas, that rebound has been quite strong. On the positive side, we've had actually double-digit gains in Hong Kong listing Cheung Kong (CK Hutchison) and primarily because most of the cash flows of Cheung Kong are actually outside of Hong Kong and China. I think only about 7% of EBITDA actually comes from

China and about 60% of EBITDA actually comes from Europe. Gree, which is one of the dominant air conditioner makers in China, has been affected both by the lockdowns, the property sales slowdown and increased input prices.

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

Ross Glotzbach: 11:00 Yeah, CNX was a very solid one with some energy exposure there. 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 own share repurchase program, they're getting a further kick. And we still see this stock, CNX, trending towards probably over \$3 a share of free cashflow. It's trading in the low \$20s. It's still undervalued, and our value is growing. We've got great partners there. Chairman Will Thorndike, the full team is doing a good job there.

Question: International Fund PM Ken Siazon discusses what has driven the positive absolute and relative performance at CK Hutchison.

Ken Siazon: 12:31 I think this is your typical value play, half book, seven P/E, 5% dividend yield kind of thing. And it wasn't tainted by this whole China regulatory thing, so excluding the kind of regulatory volatility that we're

seeing around ADRs and regulation and so forth and so on, this is just a Hong Kong listed company, but most of the businesses are ex-Hong Kong, ex-China, probably about 60% of it is in Europe. And in addition to the 5% dividend yield, you've got buybacks coming in starting last year. You've had growth in ports. This Russia-Ukraine conflict has impacted significantly the rail traffic between China and Europe. So now I think a lot more volume is coming through ships, shipping and ports. Its energy holdings in Cenovus, which has been a pretty tough market in Canadian oil sands is all of a sudden doing a lot better with oil prices much higher. And so, a lot of things are going well for CK Hutch, operationally. And then in terms of asset monetization, they just got approval this quarter for their sale of their UK tower assets to Cellnex and that deal should close probably the second half. They've indicated that they're going to use a bunch of the asset sales to de-leverage as well as increase their buyback. That 16% stake in Cenovus, which is the Canadian integrated oil company, I think it's up about 37% year to date. And that 16% is worth about 19% of CK Hutch today, in terms of market cap. That lockup over their shares in Cenovus should expire in July, so I expect that they're not stupid and they realize that their shares in Cenovus are an all-time high. So, I expect some of those assets to be monetized and used for repurchases.

Question:

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

Staley Cates:

15:17

Prosus was not only the largest detractor, but it actually suffered some fundamental value damage, whereas most of our European stuff might have performed poorly but we had very little actual appraisal markdown. So, there were several things going on with Prosus. The biggest, as our shareholders know, is we think this is a great way to own Tencent. So, this starts with Tencent being over 80% of their value. We've talked about the Chinese internet stuff and in general, plus Tencent specifically, but as that stock price has gone down, part of Prosus will just go down with that. And that is what it is on the price move and less of a value move. But

number two, some real value diminution was in their non-Prosus assets. They have several different areas of what started out as venture capital and are now somewhat mature, and the biggest of those is food delivery. They own a big stake in Delivery Hero, which is traded in Germany, and they own some other ones that are unlisted. But Delivery Hero has just been smashed. It's down over 50%. We kind of use that as a proxy for their other food delivery. So that is just a hit we've taken, and that's a significant hit to the food delivery value. Although for overall Prosus that's still single-digit. Thirdly, as Josh mentioned at the outset, they had some straight-up Russian exposure through some classified business, and we just see no choice but to mark that to a zero, and that's a few percent hit to the NAV but nonetheless, that hurts in a quarter. And then finally, and this one's more ephemeral, the discount has blown out. So, if you look at the discount since Prosus existed against its Tencent, with all these moving parts and scary stuff going on in Europe, that discount has blown out extremely wide. So, that's not something we take as a value markdown. That could actually be turned to opportunity if they get back to buying stock, which they're not going to do immediately, but we would hope they'd be back at some point. And there's no fundamental reason that discount should be way over 50% right now.

Josh Shores:

17:30

Exor, we've been invested in that company for 10 years. It was a positive contributor in 2021 and perhaps in the first quarter there was a little bit of give back on that, we don't know. But more importantly, over our 10-year period, the value growth at Exor per year has been 15% and we're confident that John Elkann (CEO) and his team will continue to put up some pretty impressive numbers. They have seen historically, as Staley alluded to with Prosus, a little bit of holding company movement, which is procyclical. In really good times it tightens and closes and in times of stress it seems to widen out, particularly with their Italy listing, which makes them, I think even a little more vulnerable despite the bulk of the company being, well, 95% of the company is outside of Italy as far as its value. And it

actually is headquartered in the Netherlands at this point, but it still has that legacy Italian listing that perhaps trickles through to some of this volatility. So, this has mostly been holding company discount expansion, which we've seen many times in the past. Exor also is buying back stock, so accreting value to us as continuing shareholders. There's a lot of positivity taking shape at Exor. They're getting ready to receive a check for \$9.3 billion in the next several months for the sale of PartnerRe to Covéa, which at this point we are confident is going to close. And we know that John Elkann and team are busily figuring out how to accretively put that capital to work. One potential benefit of the volatility in Europe is that there could be some really good opportunities to put that capital to work and continue to grow that value and carry on the 15+ percent track record.

Ross Glotzbach: 19:13

IAC was one that 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 a 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 than 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.

Gwin Myerberg: 22:28

Thank you, Ross and Staley, for the discussion and thank you for listening in. We hope that you found the discussion useful, and we look forward to speaking again soon.



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