Southeastern Asset Management

Data and discussion as of March 31, 2022

Average annual total returns for the Fund and its benchmark for the one, five, ten year and since 10/26/98 inception periods ended March 31, 2022 are as follows: International Fund: -18.32%, 1.86%, 3.88% and 6.23%; MSCI EAFE: 1.16%, 6.72%, 6.27% and 4.81%.

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 1.20%. The International 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 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.

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 Longleaf Partners International Fund: EXOR, 7.3%; CK Hutchison, 5.3%; Glanbia, 5.3%; GRUMA, 4.9%; Accor, 4.9%; Applus Services, 4.8%; Millicom, 4.7%; Fairfax Financial, 4.5%; Domino's Pizza Group (UK), 4.5% and Lazard, 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:	00:10	Hello, and thank you for joining us for a Q1 2022 review with the portfolio managers of the Longleaf Partners International Fund. I'm Gwin Myerberg, Global Head of Client Relations and Communications for Southeastern Asset Aanagement. Today, you'll be hearing from the portfolio managers of the International Fund. Ken Siazon, who joined Southeastern in 2006 and heads our Asia Pacific research. Josh Shores, who joined in 2007 and oversees our European research. And Staley Cates, who joined in 1986 and is also Vice-Chairman. Josh, could you start us out by discussing the fund's direct and indirect exposure to the war in Ukraine and how has the conflict and resulting volatility impacted our company appraisals? And have you made any adjustments to the portfolio as a result?
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:	00:59	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: 03:03 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 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, and 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) delisting fears spiked as the US put a handful of Chinese companies on their HFCAA non-compliance list. 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 semi-conductor chips and that all comes from the West. We have 3.2 trillion dollars 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 and how have we positioned the portfolio as a result?

Ken Siazon: So, how has our portfolio done in Asia or in China during the quarter? I think it has 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 expected 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 essentially 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. So, I think the way we've positioned the portfolio during the quarter is we've reduced some Gree as input costs go up, macro slowdowns happen, COVID lockdowns are happening, and the property sector is weakening, we reduced our position there in Gree. On the other hand, we've re-initiated a position in Alibaba. Those prices declined and Melco remains our biggest reopening play in the portfolio as we believe that it should recover strongly when COVID begins to unlock in China.

Question: What is driving the portfolio to underperform in a period when value is beating growth?

Staley Cates: 09:24 There's underperformance of commission and of omission. I think the biggest area of commission as far as underperformance would've been our ownership of consumer names which took the biggest hit as a group in which we were somewhat overweight. It's interesting how some of those correlated with the rest of Europe and have zero actual exposure to Europe like a Millicom or very little like an Exor. But in the short term, that's how they all moved. And then as far as omission, we did not have any energy which, for obvious reasons, was the biggest outperformer.

Question: What has driven the positive absolute and relative performance of top contributor CK Hutchison?

Ken Siazon:	10:08	I think this is your typical value play, half book, seven PE, 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 on, this is just kind of 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 Hutchison 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 in 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 a 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:		Which businesses have been detractors and why?
Staley Cates:	12:53	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 the 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-pro 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.

Question: What European companies were detractors?

Josh Shores: 15:09 The overarching issue in Europe, obviously, in the first quarter was the Ukraine-Russia impact to markets in general. Specifically, for us, we had Lanxess and Exor and Glanbia and Domino's Pizza Group all were down in the quarter. A few of those, like a Domino's, was a top contributor from last year. And this first quarter was probably just a little bit of letting out of the air on the fourth quarter big positive move on the announcement of agreement between the franchisees and the PLC and the upstairs company to move forward together. We did trim a little bit of our position into that good news and there's been no change to the underlying value of Domino's. And in fact, we think this is just opportunity for this company and its extraordinarily well positioned going forward. Exor is kind of a similar story. 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 kind of 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 at 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 at the top level and taking advantage of this blown out discount, 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. Lanxess is the one that we touched on earlier that actually is a little bit more of an indirect impact to Russia and Ukraine. And it is in the middle of a gigantic transformation, this company, that we think the market really does not appreciate. When we first invested in Lanxess in 2018, it still had some legacy commodity chemical aspects to it that had come from old Bayer that had been spun out years ago. And this management team led by Matthias Zachert (CEO) has been in a five-year process of transforming this business by selling over $4 billion of assets and then reallocating over $4 billion of assets of those proceeds into much higher value, much more niche, much higher ROIC and high margin specialty chemical assets. There was a big deal closed last year for Emerald Kalama. The next one for the bioscience business of IFF should close in the next several months. And the transformation of the group, which I don't think the market really understands, will be 80% complete. And as this Ukraine-Russia crisis over time, hopefully its impact on gas markets and German exposure to Russian gas is mitigated and other sources come into play, you're going to see the value of that business, which is up to 2x what the current share price today is giving credit for, come to the fore and we remain confident that this management team understands that, and will get after it. So, while frustrating for the last year or so, Lanxess, because of the gas worries about Russia's exposure to Germany, even before the invasion, I think the market was sniffing out some of this exposure. We remain confident from where it is at today and the price is extraordinarily attractive at 9x free cash flow power.

Gwin Myerberg: 19:42 Thank you to Staley, Ken, and Josh for joining us for the interesting discussion. And thank you so much for listening in. We hope that you found it to be interesting, and we look forward to speaking again soon.