

## ***Data and discussion as of June 30, 2022***

*Average annual total returns for the Fund and its benchmark for the one, five year and since inception (12/27/12) periods ended June 30, 2022 are as follows: Global Fund: -24.14%, -0.79% and 3.91%; MSCI World: -14.34%, 7.67% and 9.02%.*

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 1.31%. The Global 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 1.15% 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 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 June 30, 2022, the top ten holdings for the Longleaf Partners Global Fund are: Lumen, 12.8%; EXOR, 8.2%; FedEx, 7%; Prosus, 5.2%; IAC, 5.1%; Millicom, 4.9%; Mattel, 4.5%; Warner Bros Discovery, 4.5%; CNX Resources, 4.5% and Affiliated Managers Group, 4.4%. 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 Q2 2022 review with the portfolio managers of the Longleaf 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 also our CEO and Head of Research, and Staley Cates, who joined in 1986 and is our Vice-Chairman. Ross, could you start us off with your view on value investing? As the market pivots towards this style, what's your outlook for the strategy today, and how does this differ to prior periods in our 47-year history? |
| Question:       |       | As the market pivots towards value, what is your outlook for the strategy? How does this differ from prior periods in our 47-year history?  |
| Ross Glotzbach: | 00:52 | So, one thing that we've been seeing broader in the market would be this bifurcation, or whatever you want to call it, in value world that does explain some of the absolute and relative numbers over the last few months and maybe even a little bit longer, last year or so. So to one extreme of value world, you've had folks who did  |

what would be called paying up for quality, and that worked very well for a long time, but it is definitely not working this year. And, there has been some pretty extreme permanent capital loss, we would argue, in that world.

Ross Glotzbach: 01:33

Now, it's also led to some potential opportunities for us that we're looking at and we're checking out in great detail. We'll talk about some of those later. But, just growth at all costs or stability and high ROCs at all costs, we don't think that's necessarily the way to go, especially in a more normal interest rate environment. Now, what has been working more over the last several months and parts of last year too is the flavor of value that we would call more value ETF, where you just want low multiples on current earnings and/or reasonable stability or dividend yield, or book value multiples, whatever you want to call it.

Ross Glotzbach: 02:21

There are a few places where folks have been doing that to success recently. We would question success long term. One would be some of the larger and less differentiated banks out there. Those can be hard ones for us to get there qualitatively on both business and people often. But, when rates were going up and maybe rates will still go up, that was a good place to be. But longer term, the yield curve is going to govern your spreads often and therefore your ROEs, and the yield curve is not looking as good as it once was at times, earlier this year, last year.

Ross Glotzbach: 03:03

Big oil and gas, and this is more Exxons of the world than the CNX and Williamses of the world. They've just had their earnings go up a lot because of Russia and Ukraine. And, they're historically low multiple stocks. They should be low multiple stocks. They still look low because now we're capitalizing \$100-something oil instead of \$60 oil. But again, a lot of that is already in those prices. And, they're very hard to understand black boxes again, often not great owners on the case. We like more targeted looks in those industries. Then consumer staples, which we do think that is often a very good business, often some good partners as well, but

it's a different dynamic than it was in '99, 2000 when we got to own companies like this.

Ross Glotzbach: 03:53 Or, 10 years ago, we were doing more of that as well. These companies have just become more bond proxies where they trade at a high multiple because of this perceived stability or perceived dividend growth. And, we would grant that they are often more stable and their dividends probably should go up from here, but, on a DCF, that doesn't make them worth high teens or 20 times what could be some peakish earnings as this industry doesn't grow as much as it used to. So, we'll get to own more of these in the future. And, we can find places where we get unique shots at them, but that's been something that's done better in the market and we haven't owned much of it.

Ross Glotzbach: 04:35 Where we have found value instead, so far, unsatisfyingly, in certain cases, from an absolute return basis is in complexity and companies that are misunderstood, but extremely high quality on both the business, the industry dynamics and the people running them and what we were originally getting to pay 10 times free cash flow power for, often has gone down to 8 to 6 to 7 times. That only makes it more attractive. And we just went through this few month period where people kind of got punched in the face by the stock market. And now, as our partners who are in positions to be on offense are shifting even more into offense mode because they're not happy with their stock prices either, that's when you start seeing idiosyncratic winners coming down the pipe for reasons that are within their control.

Ross Glotzbach: 05:33 And, that's what we see more of happening as this year goes on. And as the next few years goes on and it becomes more of an environment where money isn't free and you have to make your own moves to get paid. And we've got the right people, the right businesses to thrive in that world.

Question:		What drove returns in the quarter, and why do we own so many economically sensitive businesses heading into a recession?
Staley Cates:	05:55	Well, we can certainly understand on the surface why the common thread in our detractors looks like just an overexposure to economic sensitivity, but as normal, if you drill down into this, it's really about the feature of each company that really overcomes that general theme. And, that's probably best shown if we go through these detractors name by name. Starting with MGM, which is interesting because you could also say from the macro snapshot that everything's going wrong on three pieces. So their core strength of Las Vegas dominance, that suffers from discretionary travel cutbacks and recession, so, that's obviously bad and you see that in other hospitality companies.
Staley Cates:	06:38	Their regional casinos would be hit the most. That's where we'd expect the most earnings damage coming up because those are like gas, auto travel destinations where the gasoline price increase is meaningful on top of just the normal people cutting back on travel. Now, that's one that we've been waiting for anyway, and have baked in and we're not that worried about, but that's not directionally good in the short term.
Staley Cates:	07:03	And then, the third thing is, the Mr. Market's fallen out of love recently with the whole online gaming group, as evidenced by the pure plays like DraftKings. And that's affected how MGM's version of that BetMGM is viewed, but all is going well there, the growth is huge. Online gaming is going to continue to grow regardless of the environment and MGM's position within it is extremely good. So there's a sports betting part, which is the most competitive and you see those ads on TV every minute. But, then there's iGaming, which is just basically general gaming going online. And in that really important category, because it's the highest margin, MGM is number one in that.
Staley Cates:	07:47	So the whole online gaming long-term huge value builder that brought Diller and company into this in the

first place, that is intact. And, that transcends any short-term recession. Then, also just as a sidebar, not about the economic sensitivity, but about insider votes on this, it's really important when we're making the case of yes, there are these short-term problems, but the long term is fine, that we see confirming votes from the people who know best, the insiders. And we're seeing that to a huge degree at MGM on both.

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| Staley Cates:   | 08:21 | So in terms of insider transactions, both the company and IAC teamed to do about a \$400 million purchase back from Corvex who still maintains a really large position, but they did that deal in the mid-40s. That's an insider purchase way above today's stock price. And then separately, they have done huge insider share repurchase all the way through for the last couple of years, to really large numbers at higher prices than this. But the share repurchase program is still additive to value and is an extremely meaningful vote. |
| Ross Glotzbach: | 08:57 | I think Warner Bros. Discovery, in a normal type downturn, people worry about advertising revenues, they worry about subscribers going away. We think those will be valid concerns depending on how severe this downturn is. But, then we look at this unique situation at Warner Bros. where they have so many levers within their control to grow their free cash flow per share in the wake of this transaction that we still think it's really smart to put together Warner Bros. and Discovery.  |
| Ross Glotzbach: | 09:30 | We also just continued to be blown away that Netflix, which had been the thorn in this industry's side for so long, had this very dramatic quarter where the stock went down a lot and they said they were going to do spending discipline and get more to advertising and free cash flow. That's very good for Warner Bros. Discovery after for so long, Netflix's business model have been paying 20 to 30% more for the same content that HBO Max and others were making.  |
| Ross Glotzbach: | 10:05 | So that's good, but it made all the stocks in this whole industry trade down together. And this gets to what are  |

the people doing about it? We saw eight different insiders buy shares personally in this quarter, which is an extremely strong vote of confidence from people who have gotten under the covers already at Warner Bros. after these assets were purchased. So they know if there were any skeletons in there. Of course, in the very short term on any merger like this, there will be messy things, there will be headlines, media likes to write about the media.

Ross Glotzbach: 10:41 But longer term, this path to \$3 plus per share of free cash flow seems very intact and the stock should not be less than \$15 like it ended the quarter. Another one that would fall under the economic sensitivity pain would be GE. You just look at a stock chart: GE in 2000, down a lot, GE in 2008, down a lot. What the market is missing is how different this company is today for a lot of different reasons. First, the GE capital enormous balance sheet scary part is basically gone. So, that's wonderful. This balance sheet is stronger than it has been in a very long time at this company.

Ross Glotzbach: 11:25 And then, each of the three remaining segments have their own paths to increasing earnings through a down economic environment. You've got Aviation, which normally does have some economic sensitivity with it, but it's still coming back from COVID and that's just going to be a tailwind for a bit after it was a very painful moment that they had to live through there.

Ross Glotzbach: 11:48 Then, you've got the Healthcare business, which historically has not been cyclical. We do not think it will be all that cyclical this time either. And then, Power, which could have some slight ups and downs, depending on what power markets do, what natural gas markets do. But servicing a third of the world's electricity is still a pretty valuable, steady business to be in.

Ross Glotzbach: 12:11 Finally, the leadership at this company is also the best it's been in an extremely long time with Larry Culp, taking a firmer grip on the reins, insider purchases here as well. Repurchases, stock repurchase, much sooner

than people thought would happen. And then, still on a path to break into three parts. And, that will start becoming more apparent to the market as well.

- Josh Shores: 12:34 EXOR, we've touched on the euro dollar exposure and how that mismatch is causing some problems. There could be some concern as well from the market on how they're going to allocate the now €9bn that's coming in with... it was in dollars and so it keeps going up in euros. The €9bn that's coming in for the sale of PartnerRe which we're confident is going to close imminently. And that is an impediment of value growth in a continued low interest rate environment in Europe, where having a bunch of currency on your balance sheet is not clearly going to grow. And so, there are lots of questions on how John Elkann and his team are going to reallocate that capital.
- Josh Shores: 13:18 This is where we probably have an advantage on our, one, long-term time horizon and, two, familiarity and decade long relationship with EXOR and having observed John and team on what they're going to be focusing on and are confident that they're going to be able to put this capital to work in an accretive fashion. And, it's a great time to be receiving billions of cash and be a liquidity provider in a distressed world where there is a kind of massive liquidity tightening going on.
- Josh Shores: 13:46 So, from a 5 to 10-year point of view, EXOR is in a premium plum spot. And the most discounted that it's been over the decade that we have owned it with still John Elkann as capital allocator in charge in making the decisions. And we're confident that's going to be a positive outcome over time. In the near term, the share price is suffering from the euro, from being listed in Italy. It is not lost on management of the company. And I think there's good potential that EXOR will further distance itself from Italy over the balance of this year, which we already believe is very much the case and it's underlying exposures, but clearly equity markets are not giving them credit from a headline share price point of view



Question:		After being a top detractor in the last few quarters, Prosus was the top contributor in 2Q. What drove the turnaround in the quarter?
Staley Cates:	14:35	Prosus has been an incredibly dramatic turnaround in both the market's perception and in our own. And so to start with, as we've talked about before, when we went into the name to begin with, the NAV is very simple. It's over 80% comprised of their holding in Tencent, which goes back decades, their investment there. Plus, a lot of VC investments they made led by classifieds and food delivery.
Staley Cates:	15:06	So when we originally bought in, we had these vested partners, they're huge owners at the Naspers and Prosus level. And obviously their history with Tencent is very deep. And Tencent is a great company, statistically, getting away from current internet China drama, this has been an incredibly great growth company. So we had these high quality assets at a very big discount, even larger than both the historical discount and what we would think is normal for such a holding company.
Staley Cates:	15:39	Well recently, and well, as we talked about this as a detractor, even recently, everything kind of went wrong on that case. Tencent itself went down. So not surprisingly that brought down Prosus because of the whole Chinese discussion. But then, particular to their other investments, as VC stuff and IPO type hot categories as all that stuff has gotten crushed, so did their versions of that. Thirdly, they had about a €6bn exposure to Russia, and that's basically going to be a zero.
Staley Cates:	16:15	So, everything within their control was going bad while the Tencent did also. Then, to top all that off, even on the people part of Business, People Price, we had been a little bit annoyed at their compensation program because it didn't seem to address these things going on — the VC stuff and the closing of the discount, which was blowing out widely in the midst of all these things going on.

Staley Cates:	16:40	Well, this has basically turned on a dime because after the company tried some complex things, including some share swap, and some other things to lower the discount, they just came out in the last couple of weeks with the most direct way to solve this possible, which is just to say, we are going to sell Tencent to repurchase our own shares as long as necessary to get that discount to a reasonable amount. And, they're retooling the compensation program to lower that discount and to be tethered to the discount.
Staley Cates:	17:14	And again, remember that they own tons of this stock to begin with anyway. So, this has put the people back from maybe a questionable box into best possible case, this is the best go forward on how to close the discount. You still have the great assets, you can still grow NAV via Tencent. And there's a lot of room to go to close that discount, but that ignores if there is any benefit from Tencent. If we're talking about this with Tencent at market, but that's been crushed. So, if China has a recovery, if Tencent is cheap, if any of that goes well, that's a bonus. So, the stock remains really cheap, we have great assets, we have great people and they're demonstrating that right now.
Question:		What new investment opportunities are the team finding in the current environment?
Ross Glotzbach:	18:00	So where we're finding new opportunities would be a few places. Number one, which is often our most obvious way to find things are just things that are left behind for unique reasons, and we've got some of those in the pipe and some of those that we could be close on. But, the two broader categories would be fallen growth favorites. Now, there were a lot of things in that world that were 300 cent dollars, and other 100 cent dollars, but there were certainly some good companies, and we've been spending a lot of time on sorting through all of those, from big to small and from well-known to very off the radar. So, it's been a lot of work there and stay tuned, what we've been finding.

Ross Glotzbach:	18:49	Then, over on the other side of things, I'd say building products related, from housing starts with mortgage rates going up, other things in that world, where again, we've been surfing through a lot of them, meeting, talking with a lot of these companies, their competitors, their suppliers, others in their industry, and finding some interesting ones.
Ross Glotzbach:	19:13	Now, we've got to make sure we're capitalizing the right trend line earnings and coming on in at the right time. But, we think we've found some interesting things to do there as well. So, our on deck list is really quite nice, when you look at it compared to relative historical times and just in good absolute terms. We feel like there will continue to be some new ones coming on into the portfolio and other things that we look forward to talking more about.
Gwin Myerberg:	19:44	Thanks, Ross and Staley, for the discussion and many thanks for joining us. We look forward to discussing more next quarter. Please feel free to email us at <a href="mailto:info@SEasset.com">info@SEasset.com</a> if there are any questions you would like to see us cover on the next quarter.

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Southeastern Asset  
Management 6410 Poplar  
Avenue, Suite 900 Memphis, TN  
38119  
+1 (901) 761-2474

[southeasternasset.com](http://southeasternasset.com)