Longleaf Partners Fund

Quarterly Summary Report

For the Quarter Ended
December 31, 2018

Longleaf Partners Funds

January 8, 2019

Longleaf Partners Shareholder Letter

4Q18

Longleaf Partners Funds

Widespread market declines hurt investors in public equities in 2018. As the year progressed, trade wars, U.S. interest rate increases, geopolitical unrest, fears of economic slowdowns in multiple countries, including China, and falling oil prices were among the primary headlines pressuring equity prices around the world. The U.S. significantly outperformed other regions in the first nine months of the year, particularly with the strengthening dollar, but the worldwide downturn in the fourth quarter most impacted the U.S. market. By the end of the year, broad indices around the world were in negative territory, but U.S. large caps outperformed once again, further increasing the value disparity in which the S&P 500 has almost tripled the EAFE Index over the last decade.[1] Even so, 2018 was a big deviation from the 16 percent average annual returns for the S&P 500 that U.S. large cap investors had become accustomed to over the prior five years.

	1 Year	4Q
Partners Fund	-17.98%	-20.67%
S&P 500 Index	-4.38	-13.52
Small-Cap Fund	-6.52	-15.55
Russell 2000 Index	-11.01	-20.20
International Fund	-7.08	-9.90
MSCI EAFE Index	-13.79	-12.54
Global Fund	-16.16	-17.22
MSCI World Index	-8.71	-13.42

Past performance does not guarantee future results.

[1] 10-Year cumulative return for S&P 500 was 243% and for MSCI EAFE was 85%. The S&P 500 outperformed the MSCI EAFE Index on an annual basis in seven out the past ten years.

Average Annual Total Returns (12/31/18) Partners Fund: Since Inception (4/8/87): 9.54%, Ten Year: 10.19%, Five Year: -0.52%, One Year: -17.98%. Small-Cap Fund: Since Inception (2/21/89): 10.38%, Ten Year: 14.49%, Five Year: 5.34%, One Year: -6.52%. International Fund: Since Inception (10/26/98): 7.09%, Ten Year: 5.83%, Five Year: 0.33%, One Year: -7.08%. Global Fund: Since Inception (12/27/12): 4.83%, Ten Year: na, Five Year: 0.68%, One Year: -16.16%. *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 longleafpartners.com. The total expense ratio for the Partners Fund is 0.95% and 0.92% for the Small-Cap Fund. These expense ratios are subject to fee waiver to the extent a fund's normal annual operating expenses exceed 1.50% of average annual net assets. The total expense ratio for the International Fund is 1.19% (gross) and 1.15% (net). This expense ratio is subject to fee waiver to the extent the fund's normal annual operating expenses exceed the 1.15%. The total expense ratio for the Global Fund is 1.48% (gross) and 1.20% (net). This expense ratio is subject to fee waiver to the extent normal annual operating expenses exceed 1.20%.*

The Longleaf Funds were not immune to the broad price declines. Strong stock performance at several portfolio companies was not enough to offset negative pressures, and all four Funds were down for the year. The International Fund and Small Cap Fund performed significantly better than their respective indices' double-digit retreats, partially due to portfolio companies being acquired. The Partners and Global Funds underperformed the single-digit declines of their benchmarks, in part because of more exposure to stocks outside the U.S. The Funds continued to battle the longstanding challenges of passive inflows at the expense of active managers, growth outperforming value and U.S. stocks overshadowing those offshore. The biggest performance detractors were those companies that missed expectations and/or lowered guidance, which the market punished particularly severely in the fourth quarter. Among the causes for disappointments were revenues associated with emerging markets, particularly China, companies undergoing some type of corporate or industry structural change and industrial businesses. The commentary for each Fund provides a more robust discussion of specific performance drivers.

2018 results did not reflect the progress within our portfolios, where we put cash to work and repositioned into more heavily discounted and/or qualitatively attractive opportunities over the course of the year. Early in the year, we locked in gains at several investments that successfully reached our appraisals - Wynn, CONSOL Energy, Sonic and Forest City in the U.S. and Yum China overseas. In the second half, we sold additional non-U.S. winners, including Hikma, Ferrovial, Vocus and Televisa. We deployed cash on hand and proceeds from sales into new investment opportunities that emerged as world uncertainty increased and into existing holdings that became more discounted. We purchased five new companies in the Partners Fund, all of which are "recycled" businesses that we previously owned, five in Small-Cap (two recycles), four in Global (two recycles) and an unusually high thirteen in International (two recycles). We believe these new investments across the Funds add to the foundation for future compounding. Cash ended the year below 5% in Partners, International and Global, and down from 23% to under 9% in Small-Cap. Additionally, portfolio repositioning and value growth amid stock price declines helped the price-to-value (P/V) ratio move into the low-60s% for the International Fund and the 50s% for Partners, Small-Cap and Global, a somewhat rare level that has historically preceded strong returns.

Just as performance did not reflect portfolio enhancements, we believe the stock prices of most companies in the Funds did not indicate the positive progress that our companies and management partners made throughout the year. Stronger CEOs were secured at CenturyLink, GE, CNH and Mattel. Several businesses sold assets for attractive prices, including Allergan, Park Hotels, Kodak, Fairfax, CK Asset, CK Hutchison, EXOR, LafargeHolcim, United Technologies, Baidu and GE. United Technologies, Belmond, thyssenkrupp, Bharti Infratel and GE announced company breakup/simplification plans, while Forest City, Sonic and Belmond were acquired near our appraisal values. Importantly, the primary business segments at most of our core holdings

grew – Enterprise at CenturyLink, Cable at Comcast, Search and YouTube at Alphabet, Retail at CK Hutchison, Barbie and Hot Wheels at Mattel, Broadcasting and Kaplan International at Graham Holdings, Botox at Allergan, Ground at FedEx, Core Search at Baidu, Agriculture at CNH, Bearings at MinebeaMitsumi, North American Cement at LafargeHolcim, Aviation and Healthcare at GE, Partner Re at EXOR, North American Fertilizer at OCI and Mass Gaming at Melco. As their stock prices became more discounted, numerous companies we own repurchased shares, thereby increasing the remaining value per share. We believe growing free cash flow and earnings per share eventually should translate into stock prices that properly reflect value, whether by investor re-rating, much higher earnings than currently being delivered or corporate partners taking action to gain value recognition.

Choppy markets and the economic uncertainty that feeds them could last for a while. While many CEOs we talk to are optimistic about revenue growth, they are cautious about rising labor and materials costs on a local level and general increases in barriers to trade and geopolitical friction potentially impacting revenue and margins. We believe the best way to manage against investment risk is to know what we own very well and incorporate conservative-to-skeptical assumptions about the future. Investing in a limited number of companies, having a broad and deep research network and engaging with managements are critical advantages in providing the knowledge that may prevent permanent losses over the long term. In our process we always consider external challenges that could deteriorate competitive positions, such as technology, government regulation, higher tariffs and general geopolitical tensions. Most importantly, we have partnered with management teams who, in our view, can control their own destiny in terms of value realization, and we are working with boards and leaders at certain holdings to accelerate this realization.

We are neither pleased nor complacent about 2018 returns. As your largest co-investors in the Longleaf Funds, it is our view that the momentum style and passive investing that have dominated for the past decade are overdue for a reversal. We believe that the attractive P/V of our portfolios, combined with the underlying strength of the businesses we own and the management teams leading them, can generate strong absolute and relative results going forward and the payoff for 2018 company-level and portfolio-level progress is deferred but not lost.

Enhancing Communications with Clients

Our Governing Principles state that we will “continue our efforts to enhance client and shareholder services” and “communicate with our investment partners as candidly as possible.” To that end, we are adjusting our communications to provide the most relevant information in a timely and convenient manner. Going forward, we will continue to provide a quarterly commentary with detailed discussion of each Fund’s strategy, individual positions and performance each period. We will move our more general quarterly shareholder letter to a year-

end review, providing an overview of the year that includes broader market, strategy and portfolio-wide observations.

In addition, we have launched The Price-to-Value Podcast, which is available on our website or wherever you download podcasts. We will produce monthly podcasts to discuss current topics that are top of mind for our clients. Please send any suggestions for topics to podcast@SEasset.com. For those who prefer to read, rather than listen, transcripts are available on our website.

Succession Planning

We have thought a great deal about and discussed Southeastern's management succession and the firm's future leadership for almost a decade. As part of our planning, we are pleased to announce that Ross Glotzbach transitioned from President to CEO of Southeastern, effective January 1, 2019. We have made this important decision now because we believe Ross is the right person to lead our company and because we have developed effective department leaders and officers in COO Steve Fracchia, CFO Jessica Pressgrove, CCO Mike Wittke, General Counsel Andy McCarroll, Head of Risk Management Jim Barton, Jr., Head of Client Relations Gwin Myerberg and Head of Trading Doug Schrank. This experienced team will allow Ross to focus on investing and continue leading our global research efforts.

Ross has been an important contributor to our investment process over the past fifteen years in his roles as an analyst, Co-PM on the Small-Cap Fund (since 2014) and Partners Fund (since 2017) and Head of Research (since 2016). Effective January 1, he also became a Co-PM on the Global Fund. Ross is greatly respected by all our associates, is a humble team builder, leads by asking wise questions and is quick to give credit to others, while immediately taking responsibility for challenges. Most importantly, we are confident that Ross will protect our partnership culture and improve the execution of our long-term, concentrated, engaged value investing disciplines.

We also believe it is important for Southeastern to remain independent, so we can continue to work for our clients without distraction and provide career opportunities for our team members. Ross is assuring the firm's independence by buying a more significant stake in the company from Mason Hawkins, who remains the Chairman and largest shareholder. Vice-Chairman Staley Cates will remain the second largest owner of Southeastern.

These changes and the competency of our department heads will give Mason and Staley more time to do what they love for many years to come - read, think, discuss investment opportunities and engage with our corporate partners. Both continue to serve as Co-PMs on all four Longleaf Partners Funds and sit on Southeastern's Executive Committee, along with Ross, Steve Fracchia and Josh Shores.

We encourage you to listen to the Price-to-Value Podcast Episode 5: Three Generations of Leadership (available on our website or wherever you listen to podcasts) for a more robust discussion with Mason, Staley and Ross about Southeastern's leadership succession and outlook.

It is rare for an investment firm to have three experienced generations of investment leaders actively engaged. Mason, Staley and Ross are committed to ensuring the next four-plus decades at Southeastern are as fruitful as our first 43 years. Our ownership and responsibility transitions enable Southeastern to remain independent. As the largest investors in the Longleaf Funds, it is our belief that the firm's continuity and stability will enable us to deliver superior results, both in the near term and over decades.

See following pages 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 longleafpartners.com. Please read the prospectus and summary prospectus carefully before investing.

RISKS
The Longleaf Partners Funds are subject to stock market risk, meaning stocks in the Funds may fluctuate in response to developments at individual companies or due to general market and economic conditions. Also, because the Funds generally invest in 15 to 25 companies, share value could fluctuate more than if a greater number of securities were held. Mid-cap stocks held may be more volatile than those of larger companies. With respect to the Small-Cap Fund, smaller company stocks may be more volatile with less financial resources than those of larger companies. With respect to the International and Global Funds, 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.

Information in this letter regarding market or economic trends, or the factors influencing historical or future performance, reflects the opinions of management as of the date of this report. These statements should not be relied upon for any other purpose. Past performance is no guarantee of future results, and there is no guarantee that the market forecasts discussed will be realized. There is no assurance the investment process discussed will consistently lead to successful investing. There is no assurance the Fund objectives will be met.

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. An index cannot be invested in directly.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3,000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. An index cannot be invested in directly.

MSCI EAFE Index (Europe, Australasia, 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. An index cannot be invested in directly.

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. An index 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. For example, a ratio of 60% would indicate a stock price at 60% of Southeastern's appraisal. 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.

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.

Earnings per share (EPS) is the portion of a company's net income allocated to each share of common stock.

As of December 31, 2018, the top ten holdings for the Longleaf Partners Fund: CenturyLink, 10.8%; CK Hutchinson, 7.6%; GE, 6.9%; CNX Resources, 6.1%; LafargeHolcim, 5.9%; FedEx, 5.7%; Mattel, 5.7%; Affiliated Managers Group, 4.8%; Alphabet, 4.8%; Fairfax, 4.8%. Longleaf Partners Small-Cap Fund: Graham Holdings, 8.8%; Hopewell, 7.5%; CenturyLink, 7.2%; Liberty Media, 6.7%; OCI, 6.4%; Kodak, 5.1%; Summit, 5.1%; Lazard, 4.9%; Mattel, 4.8%; ViaSat, 4.7%. Longleaf Partners International Fund: EXOR, 7.8%; Melco, 7.2%; CK Hutchison, 6.9%; LafargeHolcim, 6.2%; MinebeaMitsumi, 6.1%; Millicom, 5.8%; Vestas, 5.7%; Belmond, 4.9%; Bollore, 4.8%%; CK Asset Holdings, 4.8%. Longleaf Partners Global Fund: CenturyLink, 8.6%; EXOR, 7.9%; Melco, 7.3%; Vestas, 6.9%; CK Hutchison, 6.9%; GE, 5.8%; FedEx, 5.4%; Fairfax, 4.9%; Alphabet, 4.8%; LafargeHolcim, 4.8%. Fund holdings are subject to change and holding discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by ALPS Distributors, Inc.

LLP000844
Expires 4/30/2019

Summary - December 31, 2018

Longleaf Partners Funds

4Q18 Longleaf Partners Fund

(Closed to New Investors)

(800) 445-9469 / longleafpartners.com

Long-Term / Concentrated / Engaged / Value

Founded in 1975, Southeastern Asset Management is an independent, global investment firm managing $14.1 billion. Partnership is core to all that we do, and Southeastern's employees and related entities are the largest investors across the Longleaf Partners Funds. Our team of 14 research analysts are generalists, tasked with finding the best bottom-up opportunities across the globe.

The Fund seeks to own a concentrated portfolio of our best 18-22 ideas that meet our Business, People, Price investment criteria. We invest with a 3-5 year investment horizon and take advantage of short-term volatility to own high quality businesses, run by capable management teams, whose stock prices are trading temporarily at a discount. Our extensive, global network allows us to engage with our management partners to help drive long-term value creation.

Fund Profile

Investment Style	US mid-large cap value
Ticker	LLPFX
Inception Date	April 8, 1987
Net Assets	$2.0 billion
Expense Ratio	0.95%
Turnover (5 yr avg)	32%
Weighted Average Market Cap.	$68.6 billion

Holdings (18)

	Activity*	Weight
CenturyLink		10.8%
CK Hutchison		7.6
General Electric	+	6.9
CNX Resources		6.1
LafargeHolcim		5.9
FedEx	+	5.7
Mattel	+	5.7
Affiliated Managers Group	+	4.8
Alphabet		4.8
Fairfax Financial		4.8
CNH Industrial		4.8
Allergan		4.7
CK Asset Holdings		4.7
United Technologies		4.6
Wynn Resorts	NEW	4.4
Park Hotels & Resorts		4.3
Comcast		3.7
DowDuPont	NEW	3.4
Cash		2.3
Total		100.0%

*Full eliminations include the following positions: None.

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Sector Composition

Industrials	29.6 %
Communication Services	19.3
Consumer Discretionary	10.1
Financials	9.6
Materials	9.3
Real Estate	9.0
Energy	6.1
Health Care	4.7
Cash	2.3

Performance Contribution

Top Contributors	Return	Portfolio contribution
DowDuPont	1%	0.01%
Comcast	-3	0.01

Top Detractors	Return	Portfolio contribution
CenturyLink	-26%	-3.25%
Mattel	-36	-2.42
FedEx	-33	-2.17

Performance at 12/31/18

	Total Return		Average Annual Return					
	Qtr	YTD	One Year	Five Year	Ten Year	15 Year	20 Year	Since Inception
Partners Fund	-20.67%	-17.98%	-17.98%	-0.52%	10.19%	3.81%	5.55%	9.54%
S&P 500 Index	-13.52%	-4.38%	-4.38%	8.49%	13.12%	7.77%	5.62%	9.43%

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 may be worth more or less than their original cost. Current performance of the fund may be lower orhigher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting longleafpartners.com.

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 longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS - The 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 may be more volatile than those of larger companies.

S&P 500 Index – An index of 500 stocks are chosen for market size, liquidity and industry grouping, among other factors. The S&P is designed to be a leading indicating of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. An index cannot be invested in directly.

LLP000867 expires April 30, 2019

January 21, 2019

Longleaf Partners Fund Commentary

4Q18

Longleaf Partners Fund declined -20.67% in the fourth quarter, taking its 2018 return to -17.98%. The S&P 500 Index fell -13.52% in the final three months and ended the year down -4.38%. Four primary challenges impacted the Fund's absolute and relative returns in 2018. First, our investment in companies based outside of the U.S. hurt performance, even though many of them have significant U.S. segments. The strong dollar was a headwind, and U.S. stocks outperformed those based elsewhere, despite the large fourth quarter U.S. decline. Second, we were too early investing in several of the Fund's more recent purchases. While we averaged into General Electric (GE), Mattel and Affiliated Managers Group (AMG), these stocks are currently trading well below our average costs. Third, we owned five companies externally categorized in the Industrials sector. These are diverse businesses with very different factors driving results, but they collectively impacted the Fund's return as the Industrials sector was among the worst performing areas of the market. Fourth, the strong investor preference for momentum-driven growth stocks, where we have limited exposure, continued to negatively impact undervalued businesses' prices.

We periodically experience a year where either our geographic or sector exposure penalizes returns, our newer investments hit bottom after initial purchase or our

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Average Annual Total Returns for the Longleaf Partners Fund (12/31/18): Since Inception (4/8/87): 9.54%, Ten Year: 10.19%, Five Year: -0.52%, One Year: -17.98%. Average Annual Total Returns for the S&P 500 (12/31/18): Since Inception (4/8/87): 9.43%, Ten Year: 13.12%, Five Year: 8.49%, One Year: -4.38%.

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 longleafpartners.com. ***As reported in the Prospectus dated May 1, 2018, the total expense ratio for the Longleaf Partners Fund is 0.95%.***

approach is out of favor. In 2018, the Fund suffered from all of these. Companies that missed short-term expectations generated the largest declines, with the market severely punishing those that disappointed in the fourth quarter. On the other hand, stock prices largely ignored the progress that our companies and management partners made. CEOs whom we view as stronger were secured at CenturyLink, GE, CNHI and Mattel. Businesses sold assets for attractive prices, including Allergan, Fairfax, CK Asset, LafargeHolcim, United Technologies and GE. United Technologies and GE announced company breakup/simplification plans. Importantly, the primary business segments at most of our core holdings grew – Enterprise at Centuryink, Cable at Comcast, Search and YouTube at Alphabet, Aesthetics (Botox) at Allergan, Ground at FedEx, Agriculture at CNHI, North American Cement at LafargeHolcim, Aviation and Healthcare at GE, and Barbie and Hot Wheels at Mattel.

During the year, we sold three investments, added five new qualifiers and increased the Fund's stake in three others. Cash started the year at 23% but was below 5% by the end of December. Portfolio repositioning and value growth amid stock price declines helped the price-to-value (P/V) ratio move into the mid-50s%, a somewhat rare level that has historically preceded strong absolute and relative returns*.

Taking a longer term view, 2018 marked the end point of a ten-year period when the Fund earned over 10% annual returns but did not meet inflation plus 10% or outperform the Index. The Fund was challenged as momentum stocks dominated and were pushed to greater heights with massive inflows into cap-weighted passive indices at the expense of active managers. In the last few years, larger technology-related stocks were the driving force. The Value/Growth disparity, tech-driven market and Index outperformance in the five years ended December 1999 were similar. Importantly, following 1999, the Fund delivered four years of outperformance – a cumulative 8000 basis points – that far exceeded the previous five years' shortfall.

We are highly confident that the Fund may outperform the Index and deliver even better absolute results than the last decade for four main reasons:

1. As holdings reached full value in the extended bull market of the last decade, qualifying replacements for those sales were elusive. The consequential high cash levels over extended periods created the single largest driver of the Fund's underperformance. Today, however, the Fund is fully invested after increased price volatility in 2018 created new, compelling investment opportunities.

2. The second largest performance challenge over the last decade, including in 2018, was the Fund's collective investment in companies based outside of the U.S., which averaged approximately 20% of the portfolio. U.S. stocks in the Partners Fund actually outperformed the S&P for the ten years. But, the S&P 500's cumulative return (+243%) dominated the international MSCI EAFE Index's (+85%), making international companies more compelling investments today but also a relative headwind looking backward. Today, 28% of the portfolio is in stocks domiciled outside of the U.S. Not only does each company have compelling prospects, but international stocks are much more attractive overall with the price/earnings (P/E) multiple for EAFE at 12.5X versus 15.6X for the S&P. While U.S. and international stocks have performed at a similar annual rate of 8.4% (EAFE) to 9.3% (S&P) over almost sixty years, we believe the recent ten-year huge disparity (EAFE at 6.3% v. S&P at 13.1%) and large divergence from each index's own average bode well for the Fund's stocks based outside of the U.S.

3. Individual investments where our assessments of the people or the companies were wrong also hurt the Fund's ten-year relative results. Each case was unique, but our analysis showed that holding mistakes for too long and increasing their weighting at the wrong time turned normal errors into performance killers. We have made adjustments accordingly. We build positions in new companies more slowly while getting to know the company and management more deeply. We limit exposure to businesses with less control of their own outcomes, either because they are closely tied to a commodity price or they have financial obligations that restrict flexibility. We also limit ownership of businesses closely linked in the same industry to less than 15% of the portfolio. We overweight few positions and only where the qualitative and quantitative characteristics are equally compelling, with the maximum investment at purchase generally being 10%. We also sell and move on more quickly if the qualitative case changes meaningfully, even if the stock remains statistically cheap. We focus more on declines in intrinsic value as a sign that we mis-assessed the company and take a deeper dive before adding to the holding. We systematically conduct an 18-month review of any new investment that is underperforming, as our data shows this to be a key time to decide whether to maintain an investment. Understanding our errors and making related adjustments in our execution will

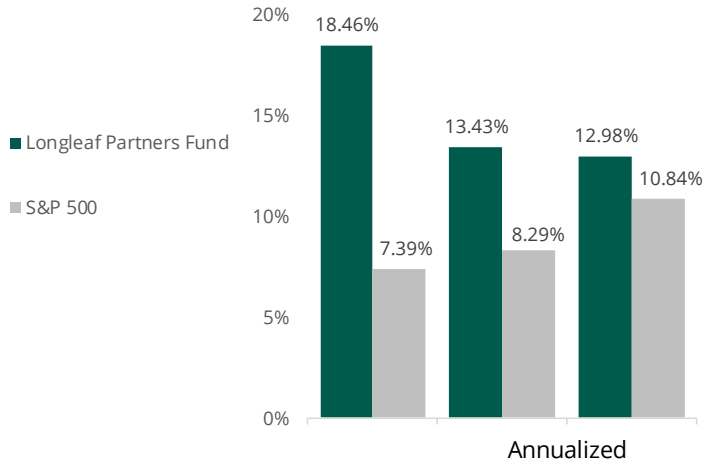
not eliminate company-specific mistakes, but we believe they are less likely to compound as they should be shorter-lived and lower impact going forward.

4. Although the Fund posted double-digit annualized gains, the last 10 years were an abnormally long period of relative underperformance for our investment approach. Momentum, rather than fundamentals, fed the long-running bull market where many stocks sold for multiples far higher than we could justify, particularly biotech and technology-related areas whose long-term competitive advantages we find difficult to assess with confidence. More discounted stocks that did meet our criteria remained out-of-favor with their payoffs delayed. The S&P 500 Growth Index outperformed the S&P 500 Value by approximately 3.5% per year over the last ten years. We believe this disparity awaits a meaningful reversal, given the 30+ years prior, where Value outperformed Growth by approximately 2% annually. We were encouraged by early signs of Value making up ground in late 2018/early 2019.

The current positioning of the Partners Fund, along with improvements in our execution, make us confident in future return potential The Fund is fully invested in businesses that meet our qualitative criteria and are selling at a rarely seen deep discount that can yield far greater-than-average upside. The chart shows that following other periods when the P/V was below 60%, the Fund averaged substantially higher returns than the Index at real rates in excess of 10%.*

Partners Fund

Average Annual Total Return Following P/V less than 60%*



	1 Year	3 Year	5 Year
+/- Index	**11.07%**	**5.14%**	**2.14%**
# of Quarterly Observations	19	19	19

Contributors/Detractors

(2018 Investment return; 2018 Fund contribution; Q4 Investment return; Q4 Fund contribution)

Park Hotels (10%, 0.43%, -18%, -0.78%), the owner of Hawaiian Village and other Hilton properties, was the primary positive contributor in 2018 after our first quarter purchase of the stock. The business delivered mid-single-digit comparable revenue per available room (RevPAR) growth despite hurricanes near its Florida and Hawaiian hotels. Early in the year, CEO Tom Baltimore sold multiple properties above our appraisal, and the company has additional opportunity to realize more value out of the portfolio's assets. Recent transactions for top-tier luxury properties support significantly larger multiples than the stock price implies for Park's trophy properties like the Hawaiian Village. Despite good results in its second year as a stand-alone company, Park still trades at a meaningful discount to peers with what we view as inferior properties.

General Electric (-54%, -3.14%, -32%, -1.93%), the aviation, healthcare and power company, fell throughout the year, making it the Fund's largest detractor. GE's former leadership and business model are dramatically different from what is in place today. The management team is new, plus the board has been reduced in size and upgraded in quality. The "business" and "price" parts of our investment case boil down to three main assumptions:

1) The best-in-class Aviation and Healthcare businesses continue to deliver strong profit growth, could be severed from the rest of GE and, we believe, are worth a combined $16+/share.

2) GE's holdings in transportation and industrial services businesses Wabtec and Baker Hughes GE are solid, liquid and have self-help ability to grow earnings. Other smaller businesses like Renewables have demonstrably positive value. This group of assets is worth more than the net industrial debt/share of GE.

3) We believe the currently struggling Power business should recover over several years as the company and the industry rightsize capacity and headwinds abate. GE Capital's issues will continue to be addressed aggressively and will be smaller in the years to come. Even a negative value for GE Capital gets to an appraisal for the company that is over 2X the current stock price.

We slowly initiated our position in GE in late 2017 and bought most shares in the first seven months of 2018, after the unexpected increase in reserves for long-term care insurance at GE Capital. Nonetheless, we were too early, with an average cost basis in the low teens. Our adjusted appraisal approaches three times the current stock price, leaving ample margin of safety for a solid return even if some of our investment case assumptions above are wrong. Larry Culp, a legend given his record at Danaher, took the GE CEO job in September after doing deep diligence into the company's challenges and prospects as a new board member earlier in 2018. GE stock must return to the high teens within four years for half of Culp's long-term incentive shares to vest and generate the kind of CEO-level pay he could have easily secured elsewhere, and he receives additional shares only if the stock reaches $31 in that period. This degree of out-of-the-money alignment is both extremely rare and highly encouraging.

Mattel (-35%, -2.32%, -36%, -2.42%), the classic toy company, fell in the fourth quarter, making it a detractor for the year after the company lowered full-year revenue guidance by 3%. The primary challenge was sorting through the retail disruption caused by the Toys "R" Us bankruptcy, combined with self-inflicted Chinese inventory problems. The weaker revenue number ignores CEO Ynon Kreiz's solid progress towards cutting $650m in operating costs. For the first nine months of 2018, the company's two most important brands, Barbie and Hot Wheels, grew gross sales 15% and 6%, respectively. Fisher-Price, Thomas and American Girl all declined, but each brand has strong, unique drivers for future growth. To invest in high-return growth projects, Kreiz is creating new businesses using Mattel's deep well of brands and intellectual property. The stock ended the year trading at less than half the 2017 rumored acquisition offer and has already rebounded strongly in the first two weeks of 2019.

FedEx (-35%, -2.22%, -33%, -2.17%), the transportation and logistics company, fell in the fourth quarter and for the year. Express revenues missed expectations after weakness in all the major Euro economies and what CEO Fred Smith called "bad political choices" weighed down international trade. These headwinds caused the company to lower earnings per share guidance by 8%. The stock's sharp decline ignored that the Ground segment, the largest part of our appraisal, reported strong high-teens earnings growth. FedEx's Freight segment also performed very well with

EBITDA (earnings before interest, taxes, depreciation, and amortization) up over 20% in 2018. If the weakness in international trade persists, Ground should still grow revenues and margins. Because Amazon, another perceived risk to FedEx, constitutes less than 5% of company revenue, Amazon's internal delivery development will have minimal effect on results. The company has a solid balance sheet and the potential to go on offense with share repurchase at these prices.

CK Hutchison (-21%, -1.53%, -17, -1.16%), a Hong Kong based conglomerate of telecommunications, health & beauty, infrastructure, global ports and energy, fell during the final quarter and the year. While a trade war between China and the U.S. will pressure less than 5% of its Ports business, concerns of this trade tension generated broad negative sentiment around Asian stocks. In Italy, the company's Telecommunications business struggled as a tough macro environment and increased competition from a new entrant pressured prices. In the second half of the year, declining oil prices impacted Husky Energy, the Canadian energy associate of CK Hutchison. These short-term headwinds negatively impacted sentiment, but the overall company's cash flow, as well as management's capital allocation decisions, helped our appraisal grow in the mid-single digits for the year. Chairman Victor Li sold CK Hutchison's interests in several infrastructure projects at 12X EBITDA and redeployed the proceeds to acquire the Italian telecom joint venture at 5x EBITDA. The company also repurchased its discounted shares for the first time in almost two years.

LafargeHolcim (-25%, -1.49%, -17%, -0.95), the largest global cement, aggregates and ready-mix concrete producer, was a 2018 detractor after a notable decline in the fourth quarter. Weaker cement demand in Latin America, the Middle East and Africa, as well as higher energy and transportation costs, globally impacted profits. With two thirds of consolidated revenues (but a smaller % of the net value) tied to emerging markets, broader EM concerns heavily contributed to the stock price weakness. CEO Jan Jenisch believes efficiency gains and pricing will offset cost inflation. The cost savings program is ahead of target, and Aggregates and Ready-Mix margins are improving. The company's North American business, which represents over one quarter of our appraisal, grew profits during the year. The company announced the sale of its Indonesian assets at an attractive price, and management plans for additional divestments over the next two years, providing meaningful cash proceeds to reinvest.

Affiliated Managers Group (-32%, -1.37%, -28%, -1.16%), the owner of diverse investment firms, declined following our third quarter purchase and was among the

Fund's notable 2018 detractors. We purchased AMG, which we previously owned, in the third quarter. Asset-manager stocks fell as indices went down in the fourth quarter. AMG's intrinsic value is not tied to index performance, but instead to the differentiated outcomes at concentrated value managers (like ValueAct and Yacktman), quantitative strategies (AQR and Winton), international stock pickers (Tweedy Browne and Harding Loevner) and several other strong funds not directly correlated with public equities or fixed income. The various managers within AMG have long-term records of outperforming the S&P 500 that should drive asset growth, as should expanded international distribution. We have solid partners in CEO Nate Dalton and CFO Jay Horgen, a business that can grow with minimal capital and a deeply discounted stock.

CNX (-22%, -1.35%, -20%, -1.30%), the Appalachian natural gas company, detracted for the year. The stock declined after reporting an 8.5% increase in capital expenditure guidance during the second quarter. Additionally, nearly all energy stocks had a sharp selloff following the fourth quarter's commodity price volatility. CEO Nick DeIuliis took advantage of the dislocation by repurchasing over 16% of CNX's outstanding shares in the 12 months ended in October. Our appraisal increased with the company's growth in cash flow. In June, CNX sold its Ohio Utica acreage for a good price. The company has other non-core assets to monetize in coming years. Most production is hedged several years out, helping to insulate the business's value from declines in the gas strip. The stock trades at below half of our appraisal.

CNHI (-31%, -1.32%, -25%, -1.12%), the maker of Case and New Holland agriculture equipment (AG) and Iveco trucks (CV), was a detractor in the quarter and for the year. The U.S.-China trade tension threatened tariffs that would impact AG purchases by U.S. farmers. Tariffs remain uncertain and if imposed, may have less impact than anticipated because of offsetting subsidies and current equipment demand from less discretionary replacement needs after a several year downturn. CNHI is in a solid position to withstand the potential challenge with an investment grade balance sheet, balanced channel inventory and positive pricing and product mix trends. New CEO Hubertus M. Mühlhäuser sees opportunities to improve margins. The company returned excess capital to shareholders in the form of dividends and buybacks. The company also has upside from streamlining its disparate non-AG assets via either sales or spin-offs.

CenturyLink (2%, -0.65%, -26%, -3.25%), the telecommunications company, was a fourth quarter detractor, but ended slightly up for the year after substantial gains

earlier in 2018. The stock declined after third-quarter revenues came in below expectations, but our appraisal rose with 7% yearly EBITDA growth as higher margin revenue within the Enterprise segment increased and consolidated free cash flow (FCF) nearly doubled year-over-year. CenturyLink's FCF is more than $3.00 per share and growing, yet the stock trades around $15. Revenues declined in part because the company wisely exited unprofitable business lines, prioritizing capital efficiency and deleveraging over top line growth. The dividend moved back up to a mid-teens yield with minimal chance of any cut. (Update at 19 Feb 2019: CTL did cut the dividend to use the cash instead to strengthen the balance sheet. We believe a better way to address the balance sheet is to explore asset sales given the multiples being paid in fiber transactions, and/or to issue tracking stocks for the separate Fiber and Consumer segments to highlight their values and offer the potential to raise capital. Southeastern filed a 13-D to talk to interested buyers and nominate appropriately experienced directors to the board. The dividend cut did not alter our appraisal of the company or its earnings power.) We expect consolidated EBITDA to grow by a low-single digits percentage next year, but within that number we believe high-value Enterprise fiber revenues and cash flows will grow above that, making up for the low-quality legacy landline run off. CenturyLink remains an overweight position given its deep discount and the quality of both its management team, led by CEO Jeff Storey, and its fiber assets, which we believe are of high strategic value to numerous infrastructure investors

Portfolio Activity

Swings in stock prices generated portfolio activity in 2018, ultimately driving cash from 23% to 2%. We sold three investments – Wynn and Chesapeake in the first quarter and CONSOL Energy in the third – and trimmed seven other holdings that performed well during the first nine months. We bought Park and Comcast in the first quarter, AMG in the third, and two undisclosed companies in the fourth. All five new holdings are "recycles" that we successfully invested in previously. Recycles tend to have fewer surprises since we have closely followed the business as owners and have already deeply engaged with our management partners.

Outlook

As co-investors in the Fund, we are neither pleased nor complacent about the 2018 return, but we firmly believe that the portfolio is positioned well for future absolute and relative results. First, a P/V at this level is rare, and we think portends an exceptional next few years. Second, the Fund's cash position is below 5%, and our on-deck list of prospective qualifiers has more than a dozen possible opportunities. Third, numerous companies in the portfolio either have corporate transactions in process or are good candidates for prospective activity over the next few years, with capable management partners who can control their own destiny in terms of value realization. We are working with boards and leaders at certain holdings to accelerate this realization.

The Partners Fund is a compelling opportunity, with more prospective investments than cash. Consequently, we re-opened the Fund to new investors effective January 30, 2019. We believe that partners who invest now could be greatly rewarded, as the best time to hire a manager with a good long-term record often is when their record looks the worst.

See following page for important disclosures.

**Quarter-ends since 1993 were identified where the Partners Fund's "price-to-value ratio" (P/V) was less than 60%. From each quarter end identified, the 1, 3, and 5 year cumulative returns for the Fund and the S&P 500 were calculated. Those returns were then averaged and the 3 and 5 year returns were annualized. Current circumstances may not be comparable.*

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 longleafpartners.com. Please read the Prospectus and Summary Prospectus carefully before investing.

RISKS

The Longleaf 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. An index cannot be invested in directly.

The S&P 500 Growth Index represents the companies of the S&P 500 Index that are considered to have growth characteristics (e.g., using earnings per share growth rate and sales per share growth rate).

The S&P 500 Value Index represents the companies of the S&P 500 Index that are considered to have value characteristics (e.g., using book value to price and earnings to price).

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.

Capital Expenditure (capex) is the amount spent to acquire or upgrade productive assets in order to increase the capacity or efficiency of a company for more than one accounting period.

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.

As of December 31, 2018, the top ten holdings for the Longleaf Partners Fund: CenturyLink, 10.8%; CK Hutchinson, 7.6%; GE, 6.9%; CNX Resources, 6.1%; LafargeHolcim, 5.9%; FedEx, 5.7%; Mattel, 5.7%; Affiliated Managers Group, 4.8%; Alphabet, 4.8%; Fairfax, 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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