

July 2026

Longleaf Partners Fund 2Q26 Commentary

Longleaf/Partners
Funds

Fund Characteristics

P/V Ratio	High-50s%
Cash	11.6%
# of Holdings	17

All data as of June 30, 2026

	Annualized Total Return						
	2Q (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Partners Fund	3.87	-0.77	2.22	5.62	1.23	5.98	9.06
S&P 500	15.20	10.21	22.32	20.61	13.41	15.51	10.94
Russell 1000 Value	13.87	16.26	27.12	17.79	11.17	11.52	10.19

The 90 days since our first quarter letter distilled the last four quarters into an even more speculative period. We are grateful for patient clients like you who have stuck with us through the past year. Our investments are now more attractive on both P/V and P/FCF metrics, while the market winners have gone still higher beyond their fair values. We believe that our absolute and relative returns have been deferred, not foregone, with considerably less risk going forward. We will focus most of this letter on what we own, but we first need to talk about the overall market. It has gotten to the point where we are having to weather irrational, short-term impacts on the stock prices of some of our current holdings. As we said [recently](#), now is not the time to chase what has worked, but rather it is the time to go on record that things have gotten crazy.

Inception date 4/8/1987. 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 0.97%. The Partners Fund's expense ratio is subject to a contractual fee waiver to the extent the Fund's normal operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses) exceed 0.79% of average net assets per year. This agreement is in effect through at least April 30, 2027, and may not be terminated before that date without Board approval.

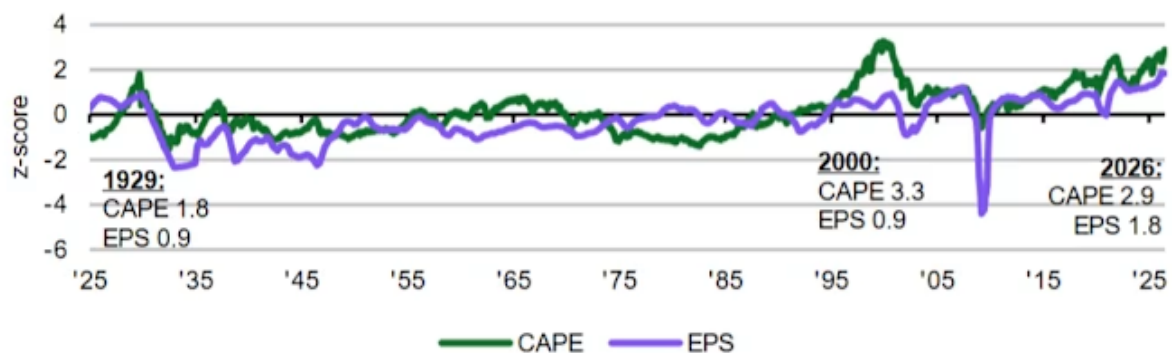
Almost 90% of our relative underperformance in the quarter came from our underweight in Information Technology (IT). While harder to define, there were overvalued stocks in Industrials and other sectors that are perceived AI-winners that also pushed the S&P 500 higher. As we wrote in our most recent [Research Perspectives](#), even the value index has become increasingly driven by these trends. In short, multiples keep moving up while real earnings power struggles to keep up. “Hyperscaler” (also known as the Mag7+Oracle without the semiconductor companies) FCF is below 2019 levels on a next twelve months’ basis. This year has seen some money flow out of these formerly unstoppable stocks into semiconductor and other “AI-enabler” stocks, but the whole, extended group remains unattractive to us. The market still believes in a perpetual motion machine with hyperscaler, venture capital and increasingly equity- and debt-raised money going in a loop and therefore “growing” revenue and highly-adjusted EBITDA. Here we should add that, since many have asked, we feel the same way about the SpaceX IPO and the potential Anthropic and OpenAI IPOs as we felt about the Fermi IPO when we felt the need to [call it out last year](#). The focus will eventually shift back to actual FCF per share, as it always does over the long-term. Our stocks at the lowest multiples of real FCF, such as Albertsons and Exor, were punished the most in a relative way in the toughest parts of the quarter. This is another sign of the times that makes us feel good as contrarians in a “darkest before the dawn” way.

A big picture question we have also been asked, as a version of the active/passive debate, is if mean reversion will no longer exist in both business and the stock market. Our answer remains no, but this has been a very long period that has tested us. Brief shocks in 2020 (COVID), 2022 (interest rates) and 2025/26 (Liberation Day/Iran War) have been overcome by free money in the early 2020s, then ChatGPT in late 2022 kicking off an AI boom, then Trump changes more recently. Thus, the market has climbed multiple walls of worry like it did before previous speculative peaks. Importantly, we have noticed more signs that recent market winners have entered a new phase when they are both looking for ways to get off this runaway train while implicitly acknowledging that they are running low on places to conquer. For example, Microsoft is showing signs of regret (also driven by self-interest) that it legitimized OpenAI when it had the chance to do the opposite, as this extraordinary outreach to the Wall St. Journal (WSJ) [showed](#). Other mega caps and investors are choosing the Citigroup-in-2007 “as long as the music is playing, you’ve got to get up and dance” route to blasting money into AI, but this is only delaying the rush to a more crowded exit. For markets themselves, we saw another telling moment when secretive and highly profitable quant firm Jane Street decided to also proactively reach out to the

[WSJ](#), which suggests to us that it is running out of places to keep growing profits. These factors and others combine for dangerous market structure dynamics. [We](#) and [others](#) have been early pointing out the bubbling instability that is lurking, which likely means that the pressure is building up further before something dramatic happens. Politicians and regulators will be late to this party as usual, but when they join it, government influence will be more restrictive going forward than the current laissez faire approach in the USA.

We have shared a version of the chart below [before](#) and do not like repeating ourselves, but it is worth presenting the data in a different and longer-term form to highlight again [how dangerous markets have become](#):

This time, both earnings and prices are in a bubble



Source: Panmure Liberum, Shiller Data, Bloomberg

The Cyclically Adjusted Price / Earnings (CAPE) multiple above is not perfect, and we acknowledge that earnings and prices are not necessarily normally distributed. However, this is the first time in history that both earnings and the multiple on them have gotten so far disconnected from their long run averages. For market participants who own broad indices and/or thematic ETFs and care most about market-weighted multiples, this has been a good thing. But they now have multiple ways to lose on both multiples and earnings going back to more sensible levels (much less long run averages). At Southeastern, we concentrate our portfolios and therefore care more about the median, unweighted multiples of broader parts of the market (which are more compelling than the above). This means that we can win from 1) FCF per share growth even if the broader economy turns down; 2) multiples that actually have room to increase; 3) strategic actions that realize our values.

In our last quarterly note, we talked about an unusually large gap between quarterly price and value performance for certain names that we own. It was good to see progress on that front this quarter. We also alluded to more engagement in our last letter and have seen results there as well. The main example we were able to call out then was Small Cap Fund holding Tripadvisor, where the new focus brought by the improved board led to an announced asset sale that puts the company on offense and +29% stock price performance since we last wrote to you. While we did not lead the charge on the recent positive changes at Fortune Brands (thank you Ed and Arkin at Garden Investments), we did engage behind the scenes in a way that was helpful to all involved as the company worked to get back on track and ended the quarter with a great new CEO hire. We also released a public letter to Mattel in the quarter after our initial engagement efforts did not yield enough results. Things have gone well with our engagement since then even if it has not shown up yet in the stock price. There remain ongoing efforts at other investees as well. Another positive trend is that our partners have been getting frustrated with their own low valuations and taking matters into their own hands (positive moves at People Inc./MGM and Small Cap Fund holding Empire State Realty Trust, among others) or having something done to them to realize value (the bidding war that burst out for Global Fund holding Delivery Hero). All to say that we have multiple ways to win throughout the portfolio, and we are working alongside our management partners to accelerate these wins.

Notable Contributors & Detractors

Fortune Brands (FBIN) – Building products company Fortune Brands contributed for the quarter. While the company reported relatively underwhelming results, these were ultimately overshadowed by two factors. First, the company announced it was exploring strategic alternatives for its Fiberon business, which we think is a wise move. Second and later in the quarter, the company, led by new board member Ed Garden and Chair Susan Kilsby, successfully recruited Jesse Singh, former AZEK CEO, to lead Fortune Brands. Singh's tenure at AZEK resulted in strong organic growth, improved margins, share repurchases and ultimately a sale to James Hardie at 20x EBITDA. Fortune Brands has also retained Dave Berry (interim CEO) as COO. Dave has served as both CFO and in operational roles at FBIN, and his continuity and partnership with Jesse should produce a very capable team.

Magnum – Global ice cream company Magnum was a contributor in the quarter. The company had struggled to find its footing as a public company after its spinout from Unilever late last year and an overlong, confusing first quarterly call as a public company in February that also included annual guidance that was not taken well by the

market. Magnum reported better results in May, and the market began to wake up to the fact that this unique company can achieve its goals of strong 3-5% revenue growth and improving margins along the way to over €1.50 per share of FCF power in two years. There was also reporting in the quarter that private equity could be interested in acquiring Magnum, which makes sense as Froneri, the #2 player in the industry, has already been a successful PE investment.

People Inc. (formerly IAC Inc.) and MGM Resorts – The related group of digital and print publisher People Inc. and hospitality and entertainment company MGM Resorts both contributed positively during the quarter. The main piece of news was the announcement of People Inc.'s bid for control of MGM. We believe that this can be a good way to grow and realize value per share at both companies, but of course the details will matter. MGM appreciated to the offer price and has fluctuated as the board evaluates the bid. Earlier in the quarter, People Inc. announced their decision to streamline the holding company to only focus on the People Inc. digital publishing business and MGM. This will lead to a decrease in corporate costs and ultimately a monetization of their other assets. MGM reported a good quarter where Las Vegas revenues grew for the first time in almost two years due to a strong convention calendar. Inferior peer Caesars announced it was going private, which can be another positive for MGM on multiple levels.

Avantor – Life-sciences company Avantor contributed in the quarter. We are beginning to see stabilization, and new CEO Emmanuel Ligner is guiding to revenue growth and strong FCF generation in 2H26. Book to bill was above one, which is a solid leading indicator, and the new management team is making progress in operational initiatives including a new website design at VWR and improved ship to order patterns in the Bioprocessing business. Merck KGaA's recent purchase of Bio-Techne for a solid teens EBITDA multiple also highlights the ongoing attractiveness of the space despite slower than normal near-term revenue growth.

FedEx – Global logistics company FedEx was a contributor for the quarter. Results continued to support our view that FedEx is becoming a more focused, higher-return business, with prior network investments, cost reductions, and mix improvement showing up in stronger earnings and cash generation. In the fiscal fourth quarter, the core Federal Express (FEC) segment grew revenue 14% and adjusted operating income 13%, helped by strong pricing, better mix, and continued growth in higher-value B2B end markets. Network 2.0 and related transformation initiatives are improving density and lowering the cost to serve, while capital discipline is driving better FCF conversion.

Full-year capital spending was only 4% of revenue, the lowest level in FedEx's history, underscoring the opportunity for the company to convert more of its earnings into cash. During the quarter, FedEx completed the spin-off of FedEx Freight, which simplifies the remaining business while allowing Freight to pursue its own focused less-than-truckload strategy. Despite the stock's appreciation, we still believe the market is not fully recognizing the FCF potential of the core parcel network, the benefits still to come from the ongoing transformation, or the value of FedEx's retained Freight stake. We did however sell our small holding in FedEx Freight after it traded above our appraisal shortly after it was spun off.

Albertsons – Supermarket operator Albertsons was a detractor in the quarter. While current comparable store sales are a percentage point or so below where they should and could be, the company still has more levers to pull to improve FCF per share at this very defensive business. The market focused more on how close peer Kroger reported mildly disappointing results, and the competitive environment remains intense with Walmart executing well and Aldi committing to more growth. We also recognize that a boring company like Albertsons is the opposite of what the stock market wants at a time like this. After quarter-end, Kroger bought inferior peer Giant Eagle in a transaction that more than affirmed our Albertsons appraisal.

Regeneron – Healthcare company Regeneron was a detractor in the quarter after disappointing trial results for one of its pipeline drugs. When we first invested in the company last year, the keys to the case were continued strength at Dupixent, Eylea stabilization, pipeline success and intelligent capital allocation. Dupixent (over 50% of the value) has outgrown our expectations and Eylea (less than 15% of the value) has stabilized after some initial hiccups. There were three key pipeline readouts coming over the next 18 months when we invested, and Regeneron has now basically gone one out of three, when we thought two out of three was more likely. We trimmed some of our holding when the market was running hotter on Regeneron's pipeline prospects earlier this year. The market is now focused on that weaker near-term batting average and ignoring the company's strong long-term record. We have been encouraged to see the company lean into share repurchase when it has been most undervalued and continue to avoid large, value-destructive M&A.

CNX Resources – After contributing in the first quarter, natural gas company CNX Resources detracted in the second quarter. The company reported another solid quarter and continues to focus on steadily growing FCF per share and value per share. While it was mildly disappointing that CNX did not get a fuller runup earlier in the year

like some of its less conservatively financed energy stock peers yet still traded off this quarter, we take comfort knowing that the company has been one of our best share repurchasers over the last several years. This means that stock pullbacks are buying opportunities for the company and for us. We had trimmed our position when energy stocks were riding highest in the wake of the Iran War, but we added back to CNX at better prices recently.

Portfolio Activity

During the quarter, we purchased one new position in the portfolio. The new position is a healthcare company we know well and have made money owning previously. We look forward to discussing our case in more detail later. We exited our position in Bio-Rad after another disappointing operational quarter led us to conclude that our money would be better invested in the new holding. We also sold the small position in FedEx Freight that we received, as its price was above our appraisal.

Outlook

We hope you can sense how our level of disappointment with our trailing 12-month relative performance is outweighed by our conviction in our portfolio going forward. We remain consistent with our disciplined Business, People, Price approach rather than chasing overpriced speculation. We thank you again for your partnership through both favorable and challenging environments.

See following page for important disclosures.

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

RISKS

The Lingleaf 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. S&P 500 Value Index constituents are drawn from the S&P 500 and are based on three factors: the ratios of book value, earnings, and sales to price. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Value index is drawn from the constituents of the Russell 1000 based on book-to-price (B/P) ratio. An index is unmanaged, does not reflect the deduction of fees or expenses, and cannot be invested in directly.

P/V ("price to value") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. The ratio represents a single data point about a Fund and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

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

Free Cash Flow (FCF) is a measure of a company's ability to generate the cash flow necessary to maintain operations. Generally, it is calculated as operating cash flow minus capital expenditures.

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

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

A Basis Point is one hundredth of one percent.

EBITDA is a company's earnings before interest, taxes depreciation and amortization.

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

As of June 30, 2026, the top ten holdings for the Lingleaf Partners Fund: Rayonier, Inc. 7.7%; People, Inc. 7.4%; Magnum Ice Cream Company N.V. (The) 7.4%; EXOR N.V. 7.1%; Mattel, Inc. 6.7%; Albertsons Companies, Inc. 6.7%; CNX Resources Corporation 6.0%; Fortune Brands Innovations, Inc. 4.9%; Kraft Heinz Company (The) 4.7%; and Regeneron Pharmaceuticals, Inc. 4.7%. Fund holdings are subject to change and holdings discussions are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

Funds distributed by ALPS Distributors, Inc.
LLP001641 expires 10/15/2026