

LONGLEAF PARTNERS FUNDS®
STATEMENT OF ADDITIONAL INFORMATION
May 1, 2009

LONGLEAF PARTNERS FUND
LONGLEAF PARTNERS SMALL-CAP FUND
LONGLEAF PARTNERS INTERNATIONAL FUND

Series of
LONGLEAF PARTNERS FUNDS TRUST
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LONGLEAF PARTNERS FUNDS TRUST
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FUND HISTORY

Organization. Longleaf Partners Funds Trust was organized on November 26, 1986 as a Massachusetts business trust under the name Southeastern Asset Management Value Trust. Its name was changed to Longleaf Partners Funds Trust on August 2, 1994. Its existing series or Funds and the dates of their initial public offerings are as follows:

Longleaf Partners Fund (known as Southeastern Asset Management Value Trust prior to August 2, 1994) — Initial public offering — April 8, 1987.

Longleaf Partners Small-Cap Fund (known as Southeastern Asset Management Small-Cap Fund prior to August 2, 1994) — Initial public offering — February 21, 1989; closed to new investors, effective July 31, 1997.

Longleaf Partners International Fund — Initial public offering — October 26, 1998.

Significance of Fund Names. The name “Longleaf,” derived from the longleaf pine, a majestic, sturdy tree indigenous to the southeastern United States, represents the qualities of strength and endurance. A second element of the name is the word “Partners.” In selecting portfolio investments, Southeastern Asset Management, Inc. (“Southeastern”), the Funds’ Investment Counsel, seeks corporate managers who would make exemplary long-term business partners. They should be properly incented, ownership vested, honest, shareholder oriented, operationally competent individuals who are capable of allocating corporate resources intelligently. The Funds endeavor to be supportive long-term “partners” with management of the companies in the portfolios. Correspondingly, Southeastern’s own partners, other personnel, and relatives, are major investors in the Funds. Management considers itself a “partner” with Fund shareholders in seeking long-term capital growth. The Funds desire loyal, long-term investors as shareholders who view themselves as “partners” with Fund management.

INVESTMENT OBJECTIVES AND POLICIES

Longleaf Partners Funds Trust is an open-end, management investment company with three series or Funds. Each series is operated as a separate mutual fund with its own particular investment objective. The investment objectives and general investment policies of each Fund are as follows:

Longleaf Partners Fund

Investment Objective — Long-term capital growth.

Investment Policy — Invests primarily in equity securities of mid and large-cap companies.

Longleaf Partners Small-Cap Fund

Investment Objective — Long-term capital growth.

Investment Policy — The Small-Cap Fund normally invests at least 80% of net assets plus any borrowings for investment purposes in the equity securities, including convertible securities, of a limited number of companies whose market capitalizations at the time of purchase are considered small cap.

Longleaf Partners International Fund

Investment Objective — Long-term capital growth through investment primarily in equity securities of international or foreign issuers.

Investment Policy — Invests at least 65% of total assets in the equity securities of international or foreign issuers domiciled or operating primarily in at least three countries other than the United States.

CLASSIFICATION OF INVESTMENT OBJECTIVES AND RESTRICTIONS

The Funds have adopted certain investment objectives and restrictions as “fundamental.” Those investment objectives and restrictions cannot be changed without approval of a majority of the outstanding voting securities. Under the Investment Company Act of 1940, “approval of a majority of the outstanding voting securities” means the affirmative vote of the lesser of (1) more than 50% of the outstanding shares of the particular Fund or (2) 67% or more of the shares present at a shareholders’ meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy.

The investment objectives of the Partners and Small-Cap Funds are fundamental. The investment objective of the International Fund is non-fundamental. The investment policies of all of the Funds, shown in the prior section, are not fundamental. In addition, as described in more detail in the following sections, certain investment restrictions are not fundamental. Non-fundamental investment objectives, policies, and restrictions may be changed by the respective Boards of Trustees without shareholder approval.

Shareholders of the Small-Cap Fund will be provided with at least 60 days prior written notice of any change to the Investment Policy set forth above. The Board of Trustees may, however, change the definition of small cap without prior notice if it concludes such a change is appropriate. Currently, a company will be considered small cap if its market capitalization at the time of purchase is within the range of companies in the Russell 2000 Index, the S&P Small-Cap 600 Index, or the Dow Jones Wilshire US Small-Cap Index during the most recent 12-month period (based on month-end data). This capitalization range will change over time.

FUNDAMENTAL INVESTMENT RESTRICTIONS

Non-Diversification. The Funds are all classified as “non-diversified” under the federal securities laws. As a result, there are no diversification requirements under the Investment Company Act of 1940 or any other securities laws.

Internal Revenue Code Diversification Standards. The Partners Fund and the Small-Cap Fund have adopted as fundamental policy the diversification standards of the Internal Revenue Code which apply to regulated investment companies. The International Fund expects to apply these diversification standards but has not adopted them as fundamental policy.

Under the diversification standards of the Internal Revenue Code, a mutual fund has two “baskets” or groups of holdings — a diversified basket, which must comprise at least 50% of its total assets and a non-diversified basket,

which includes the remainder of its assets. Within the diversified basket, consisting of at least 50% of a Fund's total assets, a Fund may not purchase more than 10% of the outstanding voting securities of any one issuer or invest more than 5% of the value of its total assets in the securities of any one issuer, except for securities issued by the U.S. Government, and its agencies or instrumentalities. With respect to the remainder of its assets, a Fund may not invest more than 25% of the value of its total assets in the securities of any one issuer (other than U.S. Government securities or the securities of other registered investment companies), or invest more than 25 percent of the value of its total assets in the securities of two or more issuers which the Fund controls (as defined by the Internal Revenue Code) and which are engaged in the same or similar trades or businesses or related trades or businesses.

Industry Concentration. The Partners Fund and Small-Cap Fund may not invest 25% or more of the value of their total assets in securities of issuers in any one industry. This restriction does not apply to obligations issued or guaranteed by the United States Government and its agencies or instrumentalities or to cash equivalents. Corporate commercial paper will not be used to concentrate investments in a single industry.

For purposes of defining what constitutes a single industry for purposes of the restriction applying to these Funds, each Fund will use the definitions for industries as set forth in the latest edition of the North American Industry Classification System ("NAICS") or other publicly available information. Industry category groupings shown in the Funds' printed financial reports sent to shareholders may contain more than one Industry Code, and these broader industry groupings are intended to be functionally descriptive presentations rather than being limited to a single NAICS industry category.

Other Investment Restrictions. The Funds have adopted other investment restrictions designated as fundamental, which cannot be changed without shareholder approval. The fundamental investment restrictions of the Partners and Small-Cap Funds are identical; the fundamental restrictions of the International Fund, formed in 1998, are phrased differently, and its fundamental restrictions are shown separately.

FUNDAMENTAL INVESTMENT RESTRICTIONS FOR PARTNERS AND SMALL-CAP FUNDS

Except as specifically authorized, the Partners Fund and the Small-Cap Fund each may not:

- Borrow money, except that it may borrow from banks to increase its holdings of portfolio securities in an amount not to exceed 30% of the value of its total assets and may borrow for temporary or emergency purposes from banks and entities other than banks in an amount not to exceed 5% of the value of its total assets; provided that aggregate borrowing at any time may not exceed 30% of the Fund's total assets less all liabilities and indebtedness not represented by senior securities.
- Issue any senior securities, except that collateral arrangements with respect to transactions such as forward contracts, futures contracts, short sales or options, including deposits of initial and variation margin, shall not be considered to be the issuance of a senior security for purposes of this restriction;
- Act as an underwriter of securities issued by other persons, except insofar as the Fund may be deemed an underwriter in connection with the disposition of securities;
- Purchase or sell real estate, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including real estate investment trusts, and securities secured by real estate or interests therein and the Fund may hold and sell real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities;

- Purchase or sell commodities or commodity futures contracts, except that the Fund may invest in financial futures contracts, options thereon and similar instruments;
- Make loans to other persons except through the lending of securities held by it (but not to exceed a value of one-third of total assets), through the use of repurchase agreements, and by the purchase of debt securities, all in accordance with its investment policies.

FUNDAMENTAL INVESTMENT RESTRICTIONS FOR THE INTERNATIONAL FUND

The International Fund has adopted the following investment restrictions as fundamental. The text of the fundamental restriction is set forth in bold type; any comments following these fundamental restrictions are explanatory only and are not fundamental.

- **Industry Concentration.** The Fund will not purchase any security which would cause the Fund to concentrate its investments in the securities of issuers primarily engaged in any one industry except as permitted by the Securities and Exchange Commission.

Comment. The present position of the staff of the Division of Investment Management of the Securities and Exchange Commission is that a mutual fund will be deemed to have concentrated its investments in a particular industry if it invests 25% or more of its total assets in securities of companies in any single industry. This restriction does not apply to obligations issued or guaranteed by the United States Government and its agencies or instrumentalities or to cash equivalents. The Fund will comply with this position but will be able to use a different percentage of assets without seeking shareholder approval if the SEC should subsequently allow investment of a larger percentage of assets in a single industry. Such a change will not be made without providing prior notice to shareholders.

- **Senior Securities.** The Fund may not issue senior securities, except as permitted under the Investment Company Act of 1940 or any rule, order or interpretation under the Act.

Comment. Generally, a senior security is an obligation of a Fund which takes precedence over the claims of fund shareholders. The Investment Company Act generally prohibits a fund from issuing senior securities, with limited exceptions. Under SEC staff interpretations, funds may incur certain obligations (for example, to deliver a foreign currency at a future date under a forward foreign currency contract) which otherwise might be deemed to create a senior security, provided the fund maintains a segregated account containing liquid securities having a value at least equal to the future obligations.

- **Borrowing.** The Fund may not borrow money, except as permitted by applicable law.

Comment. In general, a fund may not borrow money, except that (i) a fund may borrow from banks (as defined in the Investment Company Act) in amounts up to 33⅓% of its total assets (including the amount borrowed) less liabilities (other than borrowings), (ii) a fund may borrow up to 5% of its total assets for temporary or emergency purposes, (iii) a fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities, and (iv) a fund may not pledge its assets other than to secure such borrowings (and then only up to 33⅓% of its assets, as described above) or, to the extent permitted by the Fund's investment policies as set forth in its current prospectus and statement of additional information, in connection with hedging transactions, short sales, when-issued and forward commitment transactions and similar investment strategies.

- **Underwriting.** The Fund may not act as an underwriter of securities issued by others, except insofar as the Fund may be deemed an underwriter in connection with the disposition of portfolio securities.

Comment. Generally, a mutual fund may not be an underwriter of securities issued by others. However, an exception to this restriction enables the Fund to sell securities held in its portfolio, usually securities which were acquired in unregistered or “restricted” form, even though it otherwise might technically be classified as an underwriter under the federal securities laws in making such sales.

- **Commodities.** The Fund may not purchase or sell commodities or commodity contracts unless acquired as a result of ownership of securities or other instruments issued by persons that purchase or sell commodities or commodities contracts, but this restriction shall not prevent the Fund from purchasing, selling and entering into financial futures contracts (including futures contracts on indices of securities, interest rates and currencies), options on financial futures contracts, warrants, swaps, forward contracts, foreign currency spot and forward contracts, or other derivative instruments that are not related to physical commodities.

Comment. The Fund has the ability to purchase and sell (write) put and call options and to enter into futures contracts and options on futures contracts for hedging and risk management and for other non-hedging purposes. Examples of non-hedging risk management strategies include increasing a Fund’s exposure to the equity markets of particular countries by purchasing futures contracts on the stock indices of those countries and effectively increasing the duration of a bond portfolio by purchasing futures contracts on fixed income securities. Hedging and risk management techniques, unlike other non-hedging derivative strategies, are not intended to be speculative but, like all leveraged transactions, involve the possibility of gains as well as losses that could be greater than the purchase and sale of the underlying securities.

- **Lending.** The Fund may not make loans to other persons except through the lending of securities held by it as permitted by applicable law, through the use of repurchase agreements, and by the purchase of debt securities, all in accordance with its investment policies.
- **Real Estate.** The Fund may not purchase or sell real estate, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including real estate investment trusts, and securities secured by real estate or interests therein and the Fund may hold and sell real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund’s ownership of such securities.

NON-FUNDAMENTAL INVESTMENT RESTRICTIONS

All of the funds have also adopted the following non-fundamental investment restrictions which may be changed in the discretion of the Board of Trustees, without prior shareholder approval. Except as specifically authorized, the Funds may not:

- Hold restricted (non-registered) or “illiquid” securities, including repurchase agreements maturing in more than seven days, in excess of 15% of the Fund’s net assets (excluding securities which are eligible for resale pursuant to Rule 144A under the Securities Act of 1933).
- Acquire or retain securities of any investment company, except that the Fund may (a) acquire securities of investment companies up to the limits permitted by Sec. 12(d)(1) of the Investment Company Act of 1940 (for each holding, 5% of the Fund’s total assets, 3% of the company’s voting stock, with not more than 10% of the Fund’s total assets invested in all such investment companies) provided such acquisitions are made in the open market and there is no commission or profit to a dealer or sponsor other than the customary broker’s commission, and (b) may acquire securities of any investment company as part of a merger, consolidation or similar transaction.

- Make short sales of equity portfolio securities whereby the dollar amount of short sales at any one time would exceed 25% of the net assets of the Fund, and the value of securities of any one issuer in which the Fund is short would exceed, at the time an order is placed, the lesser of 5% of the value of the Fund's net assets or 5% of the securities of any class of any issuer; provided that the Fund maintains collateral in a segregated account consisting of cash or liquid securities with a value equal to the current market value of the shorted securities, which is marked to market daily. If the Fund owns an equal amount of such securities or securities convertible into or exchangeable for, without payment of any further consideration, securities of the same issuer as, and equal in amount to, the securities sold short (which sales are commonly referred to as "short sales against the box"), such restrictions shall not apply.
- Invest in puts, calls, straddles, spreads or any combination thereof, except that the Fund may (a) purchase and sell put and call options on securities and securities indexes, and (b) write covered put and call options on securities and securities indexes and combinations thereof; provided that the securities underlying such options are within the investment policies of the Fund and the value of the underlying securities on which options may be written at any one time does not exceed 25% of total assets.
- Invest in oil, gas or other mineral exploration programs, development programs or leases, except that the Fund may purchase securities of companies engaging in whole or in part in such activities.
- Pledge, mortgage or hypothecate its assets except in connection with borrowings which are otherwise permissible, and then only up to 33⅓% of its assets, consistent with applicable law.
- Purchase securities on margin, except short-term credits as are necessary for the purchase and sale of securities, provided that the deposit or payment of initial or variation margin in connection with futures contracts or related options will not be deemed to be a purchase on margin.

ADDITIONAL INFORMATION ABOUT TYPES OF INVESTMENTS AND INVESTMENT TECHNIQUES

Repurchase Agreements. An acceptable investment for cash reserves, a repurchase agreement is an instrument under which a Fund purchases securities issued by the U.S. Government or its agencies or other securities from a vendor or counterparty with an agreement by the counterparty to repurchase the security at the same price, plus interest, at a specified rate. The security is held by the Fund as collateral for the repurchase obligation. Repurchase agreements for Treasury securities may be entered into with member banks of the Federal Reserve System or "primary dealers" (as designated by the Federal Reserve Bank of New York) in U.S. Government or agency securities. Repurchase agreements usually have a short duration, often less than one week. In entering into the repurchase agreement for the Fund, Southeastern Asset Management, Inc. ("Southeastern") as Investment Counsel will evaluate and monitor the credit worthiness of the counterparty. In the event that a counterparty should default on its repurchase obligation, the Fund might suffer a loss to the extent that the proceeds from the sale of the collateral were less than the repurchase price. If the counterparty becomes bankrupt, the Fund might be delayed, or may incur costs or possible losses of principal and income, in selling the collateral.

Warrants. Each of the Funds may invest in warrants for the purchase of equity securities at a specific price for a stated period of time. Warrants may be considered more speculative than other types of investments in that they do not entitle a holder to dividends or voting rights for the securities which may be purchased nor do they represent any rights in the assets of the issuing company. The value of a warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to the expiration date.

Real Estate Investment Trusts. REITs are sometimes described as equity REITs, mortgage REITs and hybrid REITs. An equity REIT invests primarily in the fee ownership or leasehold ownership of land and buildings and derives its income primarily from rental income. An equity REIT may also realize capital gains (or losses) by selling real estate properties in its portfolio that have appreciated (or depreciated) in value. A mortgage REIT invests primarily in mortgages on real estate, which may secure construction, development or long-term loans. A mortgage REIT generally derives its income primarily from interest payments on the credit it has extended. A hybrid REIT combines the characteristics of equity REITs and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate.

Equity REITs may be further characterized as operating companies or financing companies. To the extent that an equity REIT provides operational and management expertise to the properties held in its portfolio, the REIT generally exercises some degree of control over the number and identity of tenants, the terms of their tenancies, the acquisition, construction, repair and maintenance of properties and other operational issues. A mortgage REIT or an equity REIT that provides financing rather than operational and management expertise to the properties in its portfolio will generally not have control over the operations that are conducted on the real estate in which the REIT has an interest.

Futures Contracts. Primarily for hedging purposes, the Funds may purchase and sell financial futures contracts. Although some financial futures contracts call for making or taking delivery of the underlying securities, in most cases these obligations are closed out before the settlement date. The closing of a contractual obligation is accomplished by purchasing or selling an identical offsetting futures contract. Other financial futures contracts by their terms call for cash settlements.

The Funds may also buy and sell index futures contracts with respect to any stock or bond index traded on a recognized stock exchange or board of trade. An index futures contract is a contract to buy or sell units of an index at a specified future date at a price agreed upon when the contract is made. The stock index futures contract specifies that no delivery of the actual stocks making up the index will take place. Instead, settlement in cash must occur upon the termination of the contract, with the settlement being the difference between the contract price and the actual level of the stock index at the expiration of the contract.

At the time one of the Funds purchases a futures contract, an amount of cash, U.S. Government securities, or other liquid securities equal to the market value of the futures contract will be deposited in a segregated account with the Fund's Custodian. When writing a futures contract, the Fund will maintain with the Custodian similar liquid assets that, when added to the amounts deposited with a futures commission merchant or broker as margin, are equal to the market value of the instruments underlying the contract. Alternatively, the Fund may "cover" the position by owning the instruments underlying the contract (or, in the case of an index futures contract, a portfolio with a volatility substantially similar to that of the index on which the futures contract is based), or holding a call option permitting the Fund to purchase the same futures contract at a price no higher than the price of the contract written by the Fund (or at a higher price if the difference is maintained in liquid assets with the Custodian).

Options on Securities and Stock Indices. The Funds may write covered put and call options and purchase put and call options on securities or stock indices. An option on a security is a contract that gives the purchaser of the option, in return for the premium paid, the right to buy a specified security (in the case of a call option) or to sell a specified security (in the case of a put option) from or to the writer of the option at a designated price during the term of the option. An option on a securities index gives the purchaser of the option, in return for the premium paid, the right to receive from the seller cash equal to the difference between the closing price of the index and the exercise price of the option.

The Funds may write a call or put option only if the option is “covered.” A call option on a security written by one of the Funds is covered if the Fund owns the underlying security subject to the call, has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration held in a segregated account by its Custodian) upon conversion or exchange of other securities held in its portfolio, or the call is otherwise covered with assets held in a segregated account. A call option on a security is also covered if the Fund holds a call on the same security and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is maintained by the Fund in cash, liquid securities or money market instruments in a segregated account with its Custodian. A put option on a security written by the Fund is covered if the Fund maintains similar liquid assets with a value equal to the exercise price in a segregated account with its Custodian, or holds a put on the same security and in the same principal amount as the put written where the exercise price of the put held is equal to or greater than the exercise price of the put written.

A Fund may cover call options on stock indices through a segregated account or by owning securities whose price changes, in the opinion of Southeastern, are expected to be similar to those of the index, or in such other manner as may be in accordance with the rules of the exchange on which the option is traded and applicable laws and regulations. Nevertheless, where a Fund covers a call option on a stock index through ownership of securities, such securities may not match the composition of the index. In that event, the Fund will not be fully covered and could be subject to risk of loss in the event of adverse changes in the value of the index. A Fund may cover put options on stock indices by segregating assets equal to the option’s exercise price, or in such other manner as may be in accordance with the rules of the exchange on which the option is traded and applicable laws and regulations.

A Fund will receive a premium from writing a put or call option, which increases its gross income in the event the option expires unexercised or is closed out at a profit. If the value of a security or an index on which a Fund has written a call option falls or remains the same, the Fund will realize a profit in the form of the premium received (less transaction costs) that could offset all or a portion of any decline in the value of the portfolio securities being hedged. If the value of the underlying security or index rises, however, the Fund will realize a loss in its call option position, which will reduce the benefit of any unrealized appreciation in the Fund’s stock investments. By writing a put option, the Fund assumes the risk of a decline in the underlying security or index. To the extent that the price changes of the portfolio securities being hedged correlate with changes in the value of the underlying security or index, writing covered put options on securities or indices will increase the Fund’s losses in the event of a market decline, although such losses will be offset in part by the premium received for writing the option.

A Fund may also purchase put options to hedge its investments against a decline in value. By purchasing a put option, the Fund will seek to offset a decline in the value of the portfolio securities being hedged through appreciation of the put option. If the value of the Fund’s investments does not decline as anticipated, or if the value of the option does not increase, the Fund’s loss will be limited to the premium paid for the option plus related transaction costs. The success of this strategy will depend, in part, on the accuracy of the correlation between the changes in value of the underlying security or index and the changes in value of the Fund’s security holdings being hedged.

A Fund may purchase call options on individual securities to hedge against an increase in the price of securities that the Fund anticipates purchasing in the future. Similarly, a Fund may purchase call options to attempt to reduce the risk of missing a broad market advance, or an advance in an industry or market segment, at a time when the Fund holds uninvested cash or short-term debt securities awaiting investment. When purchasing call options, the Fund will bear the risk of losing all or a portion of the premium paid if the value of the underlying security or index does not rise.

There can be no assurance that a liquid market will exist when a Fund seeks to close out an option position. Trading could be interrupted, for example, because of supply and demand imbalances arising from a lack of either buyers or sellers, or the options exchange could suspend trading after the price has risen or fallen more than the maximum specified by the exchange. Although the Fund may be able to offset to some extent any adverse effects of being unable to liquidate an option position, it may experience losses in some cases as a result of such inability.

Foreign Currency Contracts. As a method of hedging against foreign currency exchange rate risks, the Funds may enter into forward foreign currency exchange contracts and foreign currency futures contracts, as well as purchase put or call options on foreign currencies, as described below. The Funds may also conduct foreign currency exchange transactions on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign currency exchange market.

As part of the investment decision process, a Fund may enter into forward foreign currency exchange contracts (“forward contracts”) to seek to minimize the exposure from a change in the relationship between the U.S. dollar and foreign currencies. A forward contract is an obligation to purchase or sell a specific currency for an agreed price at a future date which is individually negotiated and privately traded by currency traders and their customers. A Fund may enter into a forward contract, for example, when it enters into a contract for the purchase or sale of a security denominated in a foreign currency in order to “lock in” the U.S. dollar price of the security. The Funds will segregate cash, cash equivalents or liquid securities sufficient to cover any commitments under these contracts. The segregated account will be marked-to-market daily. Each Fund may seek to hedge the foreign currency exposure risk to the full extent of its investment in foreign securities, but there is no requirement that all foreign securities be hedged against foreign currency exposure. Forward contracts may reduce the potential gain from a positive change in the relationship between the U.S. dollar and foreign currencies or, considered separately, may produce a loss.

A Fund may purchase and write put and call options on foreign currencies for the purpose of protecting against declines in the dollar value of foreign portfolio securities and against increases in the dollar cost of foreign securities to be acquired. As with other kinds of options, however, the writing of an option on foreign currency will constitute only a partial hedge, up to the amount of the premium received, and the Fund could be required to purchase or sell foreign currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on foreign currency may constitute an effective hedge against fluctuation in exchange rates although, in the event of rate movements adverse to the Fund’s position, the Fund may forfeit the entire amount of the premium plus related transaction costs.

A Fund may enter into exchange-traded contracts for the purchase or sale for future delivery of foreign currencies (“foreign currency futures”). This investment technique may be used to hedge against anticipated future changes in exchange rates which otherwise might adversely affect the value of the particular Fund’s portfolio securities or adversely affect the prices of securities that the Fund intends to purchase at a later date. The successful use of currency futures will usually depend on the Investment Counsel’s ability to forecast currency exchange rate movements correctly. Should exchange rates move in an unexpected manner, the Fund may not achieve the anticipated benefits of foreign currency futures or may realize losses.

Lending of Portfolio Securities. The Funds may from time to time lend portfolio securities to brokers or dealers, banks and other institutional investors and receive collateral in the form of United States Government obligations or money market funds. Under current practices, the loan collateral must be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities, and will not be used to leverage the portfolio. In determining whether to lend securities to a particular broker/dealer or financial institution, Southeastern will consider all relevant facts and circumstances, including the credit-worthiness of the broker or financial

institution, as well as income available to the Funds. If the borrower should fail to return the loaned securities, the particular Fund could use the collateral to acquire replacement securities, but could be deprived of immediate access to such assets for the period prior to such replacement. The Funds may pay reasonable fees in connection with such a loan of securities. The Funds will not lend portfolio securities in excess of one-third of the value of total assets, nor will the Funds lend portfolio securities to any officer, director, trustee, employee of affiliate of the Funds or Southeastern. While voting rights may pass with the securities on loan, the Funds' Trustees maintain a fiduciary duty to recall such securities in the event of a vote material to the investment, and any agreement to lend the Funds' securities will permit the exercise of such a recall.

Swaps. The Funds may enter into swaps involving interests in securities, indexes, currencies, and other market factors in amounts deemed appropriate by the Funds' Trustees. A swap is an agreement to exchange streams of payments computed by reference to a notional amount based on the performance of a single security or a basket of securities. Index swaps involve the exchange by a Fund with another party of the respective amounts payable with respect to a notional principal amount related to one or more indices. Currency swaps involve the exchange of cash flows on a notional amount of two or more currencies based on their relative future values.

The Funds may enter into these transactions to preserve a return or spread on a particular investment or portion of its assets, to protect against currency fluctuations or volatility in other market factors, as a duration management technique, or to protect against any increase in the price of securities a Fund anticipates purchasing at a later date. These transactions may also be used to obtain the price performance of a security without actually purchasing the security in circumstances where, for example, the subject security is illiquid, is unavailable for direct investment or is available only on less attractive terms.

Swaps have risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, where used for hedges, the risk that the use of a swap could result in losses greater than if the swap had not been employed.

Short Sales. The Funds may seek to realize additional gains through short sale transactions in securities listed on one or more national securities exchanges, or in unlisted securities. Short selling involves the sale of borrowed securities. At the time a short sale is effected, a Fund incurs an obligation to replace the security borrowed at whatever its price may be at the time the Fund purchases it for delivery to the lender. When a short sale transaction is closed out by delivery of the securities, any gain or loss on the transaction is taxable as short term capital gain or loss.

Since short selling can result in profits when stock prices generally decline, the Funds can, to a certain extent, hedge the market risk to the value of its other investments and protect its equity in a declining market. When a portfolio company has a subsidiary which is partially publicly held, a short sale of the subsidiary's shares can be used as a partial hedge to protect the value of the portfolio holding. However, the Funds could, at any given time, suffer both a loss on the purchase or retention of one security, if that security should decline in value, and a loss on a short sale of another security, if the security sold short should increase in value. When a short position is closed out, it may result in a short term capital gain or loss for federal income tax purposes. To the extent that in a generally rising market a Fund maintains short positions in securities rising with the market, the net asset value of the Fund would be expected to increase to a lesser extent than the net asset value of an investment company that does not engage in short sales.

PROXY VOTING

The Boards of Trustees have authorized Southeastern as the Funds' investment manager to vote proxies relating to the Funds' portfolio securities in accord with the Proxy Voting Policies and Procedures attached as Appendix A. Also the Funds make available information regarding how the Funds voted proxies for the most recent 12-month period ended June 30. The Funds make this information available on Form N-PX without charge by phone (1-800-445-9469, option 1), on the Funds' website, and on the SEC's website, www.sec.gov.

PORTFOLIO TURNOVER

The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of a Fund's portfolio securities for the year by the monthly average value of the portfolio securities. Securities with remaining maturities of one year or less at the date of acquisition are excluded from the calculation.

Portfolio turnover cannot be accurately predicted. The Funds' investment philosophy contemplates holding portfolio securities for the long term, and portfolio turnover usually should be less than 50%. Portfolio turnover rates in excess of 50% (or material increases from one year to the next) generally occur because companies in the portfolio are acquired by other companies or reach their appraised or intrinsic value during the year and are sold. The proceeds of these sales may then be applied to purchase new positions having a lower price to value ratio. There are no specific limits on portfolio turnover, and investments will be sold without regard to the length of time held when investment considerations support such action. Increases in turnover will generally involve greater transaction costs.

The portfolio turnover rates of the Funds for the past three years are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Partners Fund	29.68%	15.17%	18.98%
Small-Cap Fund	22.61	28.28	34.90
International Fund	43.94	30.44	24.30

DISCLOSURE OF PORTFOLIO HOLDINGS

Disclosure of Portfolio Holdings. The portfolio holdings of the Funds are proprietary information and Southeastern's Code of Ethics prohibits selective disclosure of portfolio holdings which have not been made public. Southeastern has adopted procedures designed to ensure that holdings are not released on a selective basis and to limit disclosure of the Funds' holdings to routine regulatory filings and/or to service providers in the ordinary course of business as required to process transactions, subject in all cases to the requirements that there be a legitimate business purpose, and that the receiving party be subject to a duty of confidentiality and a duty not to trade on the information. The Funds' Boards of Trustees have approved these procedures, and any material compliance matters arising under these procedures would be reported to the Boards by the Funds' Chief Compliance Officer, who oversees their implementation. Southeastern does not receive compensation to disclose information on the Funds' non-public portfolio holdings.

Information regarding portfolio holdings of the Lingleaf Partners Funds may be disclosed to outside parties in a number of situations, including: 1) disclosure to the Funds' custodian, State Street Bank and Trust, but only in connection with processing and/or reconciling transactions for the Funds; 2) disclosure to ISS, the Funds' proxy voting agent, but only in connection with voting proxies for the Funds; 3) disclosure to brokers selected and/or considered by Southeastern's trading department to execute transactions, but only in connection with the trading

process, and the settlement and processing of transactions; 4) disclosure in connection with required U.S. and foreign regulatory filings; 5) disclosure to accounting firms, law firms, or other professionals subject to a duty of confidentiality, and a duty not to trade on the non-public information; 6) information related to portfolio holdings may also be authorized for disclosure by the Funds' Chief Compliance Officer only if permitted by law and if such disclosure is consistent with Southeastern's fiduciary duty to Fund shareholders. Southeastern investment research (excluding portfolio holdings) may be shared by the analyst conducting that research as part of the investment due diligence process. Southeastern investment research may also be shared by Southeastern with existing and potential investors regarding holdings that have been publicly disclosed. In addition, Southeastern may provide other information to existing and potential investors and intermediaries working on behalf of such investors. Such information may consist of analytical information concerning a Fund's portfolio as a whole, without naming specific holdings.

The Funds' complete portfolio holdings are generally published with up to a 60 day lag following each fiscal quarter in the Funds' quarterly reports sent to shareholders and posted on the Funds' website. These holdings are also included in reports filed with the SEC on Form N-CSR or Form N-Q. The Funds' top ten holdings as of the end of each fiscal quarter are also published on the Funds' website, generally with up to a 45 day lag. Once a portfolio holding has been publicly disclosed in an approved regulatory filing, or on the Funds' website, it is no longer subject to confidential treatment.

BOARDS OF TRUSTEES

Each of the Funds is operated by its Board of Trustees, which implements policies and Fund operations through officers or employees of Southeastern Asset Management, Inc. (“Southeastern”). Day to day portfolio management and fund administration are provided by Southeastern in its capacity as Investment Counsel and as Fund Administrator under contracts which must be renewed annually, as required by the Investment Company Act of 1940.

Name, Age And Address	Positions Held With Funds	Length of Service as Trustee (Year Began)
Affiliated or Interested Trustees*		
O. Mason Hawkins, CFA, (60) 6410 Poplar Ave., Suite 900 Memphis, TN 38119	Trustee;	Partners Fund 1987
	Co-Portfolio Manager	Small-Cap Fund 1989
		International Fund 1998
Margaret H. Child (53) 137 Marlborough St., #3 Boston, MA 02116	Trustee	Partners Fund 2001
		Small-Cap Fund 2001
		International Fund 2001
Independent or Non-Interested Trustees		
Chadwick H. Carpenter, Jr. (58) 6410 Poplar Ave., Suite 900 Memphis, TN 38119	Trustee	Partners Fund 1993
		Small-Cap 1993
		International Fund 1998
Daniel W. Connell, Jr. (60) 9009 Regency Square Blvd. Jacksonville, FL 32202	Trustee	Partners Fund 1997
		Small-Cap Fund 1997
		International Fund 1998
Rex M. Deloach (71) 154 County Road 231 Oxford, MS 38655	Trustee	Partners Fund 2003
		Small-Cap Fund 2003
		International Fund 2003
Steven N. Melnyk (61) 105 Virginia Street St. Simons Island, GA 31522	Trustee	Partners Fund 1991
		Small-Cap Fund 1991
		International Fund 1998
C. Barham Ray (62) 6410 Poplar Ave., Suite 900 Memphis, TN 38119	Trustee	Partners Fund 1992
		Small-Cap Fund 1992
		International Fund 1998
Perry C. Steger (47) 1978 South Austin Avenue Georgetown, TX 78626	Chairman of the Board	Partners Fund 2001
		Small-Cap Fund 2001
		International Fund 2001

* Mr. Hawkins is a director and officer of Southeastern Asset Management, Inc. and as such is classified as an “interested” Trustee. Ms. Child is not affiliated with Southeastern, but performs certain administration and operational functions for the Funds in Massachusetts, their state of organization, and could be deemed to be an “interested” Trustee.

The membership of each Board of Trustees is the same. There is no stated term of service, and Trustees continue to serve after election until resignation. All Trustees presently serving except for Rex M. Deloach were elected or re-elected at a meeting of shareholders held on September 19, 2001 in Boston, Massachusetts.

Principal Occupations During Past 5 Years	Number of Portfolios Overseen	Other Directorships
Affiliated or Interested Trustees*		
Chairman of the Board and Chief Executive Officer, Southeastern Asset Management, Inc.	3	
Marketing Consultant since 2005; Chief Marketing Officer, Bingham McCutchen, LLP (1999-2004) (an international law firm); Director of Marketing, Arthur Andersen LLP (accounting firm) Memphis office (1991- 98), Atlanta office (1998-99).	3	
Independent or Non-Interested Trustees		
Private Investor and Consultant since 1997; Senior Executive Officer, Progress Software Corp. (1983-97)	3	
Private Investor since 2006; President and CEO, Twilight Ventures, LLC (investment holding company) 2005-2006; Senior Vice President-Marketing, Jacksonville Jaguars (NFL franchise) (1994-2004)	3	
President, Financial Insights, Inc. (financial consulting and litigation support) since 2002; Vice President, The Oxford Company (private land and timber investments) since 1994.	3	
Senior Vice President, SI Holdings, Inc., an affiliate of Stephens, Inc., since 2009; Real Estate Development, The Sea Island Company, (2005-2009); Private Investor and Consultant since 1997; Golf Commentator, ABC Sports (1991-2004); President, Riverside Golf Group, Inc. (since 1989)	3	Director, First Coast Community Bank Fernandina Beach, FL
Private Investor and Consultant, since 2008; Partner, SSM Corp. (venture capital firm) (1974-2007).	3	
President, Steger and Bizzell Engineering, Inc. since 2003; Director of Product Strategy, National Instruments, Inc. (1996-2003)	3	

2008 COMPENSATION TABLE

The following table provides information on fees paid to each Trustee for Board service during 2008:

<u>Name</u>	<u>Aggregate Compensation from Each Fund</u>			<u>Total Compensation From All Funds⁽²⁾⁽³⁾</u>
	<u>Partners Fund</u>	<u>Small-Cap Fund</u>	<u>International Fund</u>	
O. Mason Hawkins*	None	None	None	None
Margaret H. Child ⁽¹⁾	\$50,000	\$25,000	\$25,000	\$100,000
Chadwick H. Carpenter, Jr.	50,000	25,000	25,000	100,000
Daniel W. Connell, Jr.	50,000	25,000	25,000	100,000
Rex M. Deloach	50,000	25,000	25,000	100,000
Steven N. Melnyk	50,000	25,000	25,000	100,000
C. Barham Ray	50,000	25,000	25,000	100,000
Perry C. Steger	50,000	25,000	25,000	100,000

* Interested Trustee

⁽¹⁾ Ms. Child is classified as an “interested” Trustee because she performs certain operational and administrative functions for the Funds in Massachusetts, their state of organization. She is not employed by Southeastern Asset Management, Inc. and accordingly receives no compensation from Southeastern.

⁽²⁾ The Funds have no pension or retirement plan for Trustees.

⁽³⁾ The Funds also reimburse the outside Trustees for lodging and travel expenses incurred in attending Board meetings.

OWNERSHIP OF FUND SHARES BY TRUSTEES

The following table provides information on the range of ownership of Fund shares at December 31, 2008 by individual members of the Funds' Boards of Trustees.

Name of Director	Dollar Range of Equity Securities in Each Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies
Affiliated or Interested Trustees		
O. Mason Hawkins, CFA	Partners Fund – Over \$100,000 Small-Cap Fund – Over \$100,000 International Fund – Over \$100,000	Over \$100,000
Margaret H. Child	Partners Fund – Over \$100,000 Small-Cap Fund – Over \$100,000 International Fund – Over \$100,000	Over \$100,000
Independent or Non-Interested Trustees		
Chadwick H. Carpenter, Jr.	Partners Fund – Over \$100,000 Small-Cap – Over \$100,000 International Fund – Over \$100,000	Over \$100,000
Daniel W. Connell, Jr.	Partners Fund – Over \$100,000 Small-Cap Fund – Over \$100,000 International Fund – Over \$100,000	Over \$100,000
Rex M. Deloach	Partners Fund – Over \$100,000 Small-Cap Fund – \$50,000–\$100,000 International Fund – Over \$100,000	Over \$100,000
Steven N. Melnyk	Partners Fund – \$50,000–\$100,000 Small-Cap Fund – \$50,000–\$100,000 International Fund – \$50,000–\$100,000	Over \$100,000
C. Barham Ray	Partners Fund – Over \$100,000 Small-Cap Fund – Over \$100,000 International Fund – Over \$100,000	Over \$100,000
Perry C. Steger	Partners Fund – Over \$100,000 Small-Cap Fund – Over \$100,000 International Fund – Over \$100,000	Over \$100,000

OTHER INFORMATION CONCERNING THE BOARDS OF TRUSTEES

Board Committees. The Board has established an Audit Committee and has adopted a charter. Mr. Deloach serves as Chairman. The Audit Committee, composed of all independent or non “interested” Trustees, reviews the audit plan and results of audits, and monitors the performance of the independent certified public accountants. The Committee met with representatives of the accounting firm on December 4, 2008 and March 2, 2009, regarding the audit for the fiscal year ended December 31, 2008.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The following table lists those shareholders owning directly or beneficially 5% or more of the outstanding shares of each Fund at March 31, 2009, and also shows the aggregate ownership of Fund and management company personnel, their relatives, and affiliated retirement plans and foundations:

Longleaf Partners Fund

Clients of Charles Schwab & Co., Inc., a brokerage firm	16.3%
Clients of National Financial Services Corp., a brokerage firm	10.5
All Trustees of the Fund, all directors, officers and employees of Southeastern Asset Management, Inc., and relatives, affiliated retirement plans and foundations	5.2

Longleaf Partners Small-Cap Fund

Clients of Charles Schwab & Co., Inc., a brokerage firm	19.3
Clients of National Financial Services, Corp., a brokerage firm	11.8
All Trustees of the Fund, all directors, officers and employees of Southeastern Asset Management, Inc., and relatives, affiliated retirement plans and foundations	9.6

Longleaf Partners International Fund

Clients of Charles Schwab & Co., Inc., a brokerage firm	11.7
Clients of National Financial Services, Corp., a brokerage firm	8.8
All Trustees of the Fund, all directors, officers and employees of Southeastern Asset Management, Inc., and relatives, affiliated retirement plans and foundations	11.2

INVESTMENT ADVISORY SERVICES

Southeastern Asset Management, Inc. (“Southeastern”), an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, is the Fund’s Investment Counsel. Southeastern is owned and controlled by its principal officers. Mr. O. Mason Hawkins, Chairman of the Board and Chief Executive Officer of Southeastern, owns a majority of its outstanding voting stock and is deemed to control the company.

Formed in 1975, Southeastern manages institutional and individual assets in private or separate accounts as well as mutual funds, and as of December 31, 2008, was responsible for managing more than \$23 billion in client assets. It has served as investment adviser to each of the Longleaf Partners Funds since their respective inception dates. Additional information with respect to the investment advisory function is contained in the Prospectus on pages 19 through 22.

The annual Investment Counsel fee for the Partners Fund and the Small-Cap Fund, calculated daily and paid monthly, is 1% of average daily net assets on the first \$400 million and 0.75% of average daily net assets above

\$400 million. The annual Investment Counsel fee for the International Fund is 1.5% of average daily net assets on the first \$2.5 billion and 1.25% of average daily net assets above \$2.5 billion.

All of the Funds have a contractual expense limitation, which is included in the Investment Counsel Agreement and cannot be changed without approval of shareholders. The expense limitation includes the investment advisory and administration fees, all reimbursible expenses, and all normal operating expenses. For the Partners and Small-Cap Funds, the Investment Counsel has agreed to reduce its Investment Counsel fees to the extent that total operating expenses, excluding interest, taxes, brokerage commissions and extraordinary expenses, exceed a maximum of 1.50% of each Fund's average net assets on an annualized basis. The International Fund has an expense limitation of 1.75% of average net assets per annum, applicable in the same manner to the same types of expenses.

Investment Counsel fees paid by each Fund for the last three fiscal years are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Partners Fund	\$71,588,869	\$88,815,499	\$73,343,498
Small-Cap Fund	22,212,105	29,484,210	24,110,700
International Fund	44,782,868	52,270,042	44,680,393

FUND ADMINISTRATION

Southeastern serves as Fund Administrator under an agreement which is renewable annually, and in that capacity manages or performs all business and administrative operations of each Fund, including the following:

- Preparation and maintenance of all accounting records;
- Preparation or supervision of preparation and filing of required financial reports and tax returns;
- Preparation or supervision of preparation of federal and state securities registrations and reports of sales of shares;
- Calculation or supervision of calculation of daily net asset value per share;
- Preparation and filing of prospectuses, proxy statements, and reports to shareholders;
- General coordination and liaison among the Investment Counsel, the Custodian, the Transfer Agent, authorized dealers, other outside service providers, and regulatory authorities.

Each Fund pays an Administration Fee equal to 0.10% per annum of the average daily net assets for the services provided by Southeastern, which is accrued daily and paid monthly in arrears. Administration fees paid by each Fund for the last three fiscal years are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Partners Fund	\$9,411,849	\$11,708,733	\$9,645,800
Small-Cap Fund	2,828,281	3,797,895	3,081,427
International Fund.	3,104,452	3,681,603	3,074,431

All direct operating expenses are paid by that particular Fund. Such expenses include but are not limited to the following: (i) fees of the Custodian and Transfer Agent; (ii) compensation of the independent public accountants, outside legal counsel, and fees and travel expenses of the Trustees who are not officers or employees of Southeastern; (iii) any franchise, income and other taxes relating to the Funds or their securities; (iv) all filing fees and legal expenses incurred in qualifying and continuing the registrations of the shares for sale with the Securities and Exchange Commission and with any state regulatory agency; (v) insurance premiums and trade association dues; (vi) the costs of typesetting, printing and mailing to shareholders such documents as prospectuses, proxy statements, reports to shareholders, dividend notices and other communications; (vii) expenses of formal

meetings of shareholders to vote on Fund or shareholder proposals and meetings of the Boards of Trustees; (viii) external expenses related to pricing the Funds' portfolio securities; and (ix) any extraordinary expenses such as expenses of litigation. The Funds are also responsible for the expenses of stationery, appropriate forms, envelopes, checks, postage, overnight air courier charges, telephone and data line charges, and printing and mailing expenses for shareholder communications and similar items, and the costs of computer programs or software used solely to process Fund transactions.

Terms of Operating Agreements. Each Fund has entered into agreements with Southeastern as Investment Counsel and separately as Fund Administrator, initially effective for a period of two years. Each agreement must be renewed each year prior to November 1 by the affirmative vote of a majority of the outstanding voting securities of each Fund or by a majority of the members of the Board of Trustees, including a majority of the Trustees who are not "interested" Trustees. Such Agreements will automatically terminate in the event of assignment as defined in the Investment Company Act of 1940. The Funds may terminate such Agreements, without penalty, upon 60 days' written notice by a majority vote of the Board of Trustees or by a majority of the outstanding voting securities of the particular Fund.

The Funds and Southeastern have adopted a code of ethics under rule 17j-1 of the Investment Company Act. This code requires all Southeastern employees and their spouses to limit their investments in publicly offered equity securities to shares of the Longleaf Partners Funds, unless granted prior clearance.

ADDITIONAL INFORMATION ABOUT PORTFOLIO MANAGERS

Information about portfolio managers for the Longleaf Partners Funds is contained on page 21 of the Prospectus. Set forth below is additional information regarding other accounts managed, portfolio manager compensation, and ownership of Fund securities. Compensation of portfolio managers is paid by Southeastern for services performed for Longleaf, as well as Southeastern's other clients. Each Longleaf fund pays Southeastern an investment counsel and administration fee, and does not separately compensate portfolio managers.

Other Accounts Managed — O. Mason Hawkins

1. O. Mason Hawkins, Co-Portfolio Manager, Longleaf Partners Fund, Longleaf Partners Small-Cap Fund, and Longleaf Partners International Fund
2. Other accounts managed:
 - a. Other registered investment companies: 4 accounts, assets = \$580,646,936
 - b. Other pooled accounts: 16 accounts, assets = \$880,064,782
 - c. Other accounts: 188 accounts, assets = \$12,253,010,790
3. Under 2(b), 1 account has a performance fee, assets = \$188,749,350
Under 2(c), 11 accounts have performance fees, assets = \$1,361,742,016
4. Conflicts of interest could arise in connection with managing the Longleaf Partners Funds side by side with Southeastern's other clients (the "Other Accounts"). Southeastern's Other Accounts include domestic, global, international and small-cap mandates, and investment opportunities may be appropriate for more than one category of account, as well as more than one of the Longleaf Partners Funds. Because of market conditions and client guidelines, not all investment opportunities will be available to all accounts at all times. Southeastern has developed allocation principles designed to ensure that no account or Fund is systematically given preferential

treatment over time, and Southeastern's compliance personnel, including the CCO, routinely monitor allocations for consistency with these principles, as well as any evidence of conflict of interest. Performance fee accounts referenced in #3 above are subject to the same allocation principles and the same compliance review. Regarding the potential conflict of interest presented by performance fee accounts, Southeastern does not view this potential conflict as material, since performance fee accounts were less than 7% of total assets at December 31, 2008. Much more material is the ownership Southeastern's personnel have in each of the Longleaf Partners Funds (see page 17 of this SAI, as well as the table below). Longleaf's portfolios are managed under the same allocation principles and compliance reviews as all other accounts. Investors in Longleaf should be aware that the interests of Southeastern's personnel are aligned with other Longleaf shareholders. Southeastern personnel do not have personal or proprietary trading accounts competing for allocations with the Funds or Other Accounts.

Compensation

Portfolio manager compensation at 12/31/08 included the following:

- Competitive salary (comparable to investment firms elsewhere);
- Bonus based on contribution to the firm over the year. Contribution includes:
 - a. How investment ideas generated by the manager and his investment team performed both in price and value growth;
 - b. How the Longleaf Funds and other Southeastern accounts performed as measured against inflation plus 10%;
 - c. How the overall firm performed.

Ownership of Fund Securities

Longleaf Partners Fund — Over \$1,000,000

Longleaf Partners International Fund — Over \$1,000,000

Longleaf Partners Small-Cap Fund — Over \$1,000,000

Other Accounts Managed — G. Staley Cates

1. G. Staley Cates, Co-Portfolio Manager, Longleaf Partners Fund, Longleaf Partners Small-Cap Fund, and Longleaf Partners International Fund
2. Other accounts managed:
 - a. Other registered investment companies: 4 accounts, assets = \$580,646,936
 - b. Other pooled accounts: 16 accounts, assets = \$880,064,782
 - c. Other accounts: 188 accounts, assets = \$12,253,010,790
3. Under 2(b), 1 account has a performance fee, assets = \$188,749,350
Under 2(c), 11 accounts have performance fees, assets = \$1,361,742,016
4. Conflicts of interest could arise in connection with managing the Longleaf Partners Funds side by side with Southeastern's other clients (the "Other Accounts"). Southeastern's Other Accounts include domestic, global,

international and small-cap mandates, and investment opportunities may be appropriate for more than one category of account, as well as more than one of the Longleaf Partners Funds. Because of market conditions and client guidelines, not all investment opportunities will be available to all accounts at all times. Southeastern has developed allocation principles designed to ensure that no account or Fund is systematically given preferential treatment over time, and Southeastern's compliance personnel, including the CCO, routinely monitor allocations for consistency with these principles, as well as any evidence of conflict of interest. Performance fee accounts referenced in #3 above are subject to the same allocation principles and the same compliance review. Regarding the potential conflict of interest presented by performance fee accounts, Southeastern does not view this potential conflict as material, since performance fee accounts were less than 7% of total assets at December 31, 2008. Much more material is the ownership Southeastern's personnel have in each of the Longleaf Partners Funds (see page 17 of this SAI, as well as the table below). Longleaf's portfolios are managed under the same allocation principles and compliance reviews as all other accounts. Investors in Longleaf should be aware that the interests of Southeastern's personnel are aligned with other Longleaf shareholders. Southeastern personnel do not have personal or proprietary trading accounts competing for allocations with the Funds or Other Accounts.

Compensation

Portfolio manager compensation at 12/31/08 included the following:

- Competitive salary (comparable to investment firms elsewhere);
- Bonus based on contribution to the firm over the year. Contribution includes:
 - a. How investment ideas generated by the manager performed both in price and value growth;
 - b. How the Longleaf Funds and other Southeastern accounts performed as measured against inflation plus 10%;
 - c. How the overall firm performed.

Ownership of Fund Securities

Longleaf Partners Fund — Over \$1,000,000

Longleaf Partners International Fund — Over \$1,000,000

Longleaf Partners Small-Cap Fund — Over \$1,000,000

Other Accounts Managed — E. Andrew McDermott

1. E. Andrew McDermott, Co-Portfolio Manager, Longleaf Partners International Fund
2. Other accounts managed:
 - a. Other registered investment companies (including Longleaf Partners and Small-Cap Funds):
6 accounts, assets = \$8,113,905,125
 - b. Other pooled accounts: 16 accounts, assets = \$880,064,782
 - c. Other accounts: 188 accounts, assets = \$12,253,010,790
3. Under 2(b), 1 account has a performance fee, assets = \$188,749,350
Under 2(c), 11 accounts have performance fees, assets = \$1,361,742,016

4. Conflicts of interest could arise in connection with managing the Longleaf Partners Funds side by side with Southeastern's other clients (the "Other Accounts"). Southeastern's Other Accounts include domestic, global, international and small-cap mandates, and investment opportunities may be appropriate for more than one category of account, as well as more than one of the Longleaf Partners Funds. Because of market conditions and client guidelines, not all investment opportunities will be available to all accounts at all times. Because a portion of Mr. McDermott's compensation is tied to revenues attributable to international investments, he has a conflict of interest as it relates to non-international accounts. Southeastern has developed allocation principles designed to ensure that no account or Fund is systematically given preferential treatment over time, and Southeastern's compliance personnel, including the CCO, routinely monitor allocations for consistency with these principles, as well as any evidence of conflict of interest. Performance fee accounts referenced in #3 above are subject to the same allocation principles and the same compliance review. Regarding the potential conflict of interest presented by performance fee accounts, Southeastern does not view this potential conflict as material, since performance fee accounts were less than 7% of total assets at December 31, 2008. Much more material is the ownership Southeastern's personnel have in each of the Longleaf Partners Funds (see page 17 of this SAL, as well as the table below). Longleaf's portfolios are managed under the same allocation principles and compliance reviews as all other accounts. Investors in Longleaf should be aware that the interests of Southeastern's personnel are aligned with other Longleaf shareholders'. Southeastern personnel do not have personal or proprietary trading accounts competing for allocations with the Funds or Other Accounts.

Compensation

Portfolio manager compensation at 12/31/08 included the following:

- Competitive salary (comparable to investment firms elsewhere);
- Bonus based on contribution to the firm over the year. Contribution includes:
 - a. How investment ideas generated by the manager performed both in price and value growth;
 - b. How the Longleaf Funds and other Southeastern accounts performed as measured against inflation plus 10%;
 - c. How the overall firm performed.
- In order to align Mr. McDermott's financial incentives with the success of international investments, Southeastern includes in Mr. McDermott's compensation a portion of the firm's revenues attributable to international investments — on Longleaf Partners International Fund, as well as private account clients with international holdings.

Ownership of Fund Securities

Longleaf Partners International Fund — Over \$1,000,000

OTHER SERVICE PROVIDERS

Custodian of Fund Assets. State Street Bank and Trust Company, located at One Heritage Drive, North Quincy, MA 02171, serves as Custodian of the assets of each Fund. Where possible, the Custodian utilizes book entry records with securities depositories, which in turn may have book entry records with transfer agents of the issuers of the securities. With respect to U.S. Government issues the Custodian may utilize the book entry system of the Federal Reserve System. The Custodian is responsible for collecting the proceeds of securities sold and disbursement of the cost of securities purchased by the Funds. State Street Bank also serves as the foreign custody manager for the Funds with respect to foreign securities, using foreign sub-custodians which participate in its global custody network.

Transfer Agent. PNC Global Investment Servicing (“PNC GIS”), located at 4400 Computer Drive, Westborough, MA 01581-5120, an affiliate of The PNC Financial Services Group, Inc., is the transfer agent and dividend disbursing agent. PNC GIS maintains all shareholder accounts and records; processes all transactions including purchases, redemptions, transfers and exchanges; prepares and mails account confirmations, statements, tax forms, and correspondence; issues stock certificates; and handles all account inquiries.

Independent Registered Public Accounting Firm. PricewaterhouseCoopers LLP is the Fund’s independent registered public accounting firm. The Funds are served by the Baltimore office, located at 100 East Pratt Street, Suite 1900, Baltimore MD 21202, and by the Boston office, located at 125 High Street, Boston, MA 02110.

Legal Counsel. Dechert, a law firm with offices in major cities including Washington, Philadelphia, New York City, and Boston, is the Funds’ special legal counsel. The Funds are served by the Washington office, located at 1775 Eye Street, NW, Washington, DC 20006-2402, and the Boston office, located at Ten Post Office Square, South, Boston, MA 02109-4603. Andrew R. McCarroll, Vice President and General Counsel of Southeastern, Steven P. McBride, Assistant General Counsel, and Michael J. Wittke, Vice President, Legal Counsel and CCO, perform legal services for the Funds under Southeastern’s contract as Fund Administrator, which includes responsibility for preparing registration statements and other regulatory filings for the Funds.

Service Awards. In order to promote quality service for the benefit of Fund shareholders, Southeastern may give special recognition or financial rewards to employees of service providers such as the Funds’ transfer agent and fulfillment agent. Such reward programs are designed to recognize employees of these Fund service providers who excel in meeting our shareholders’ needs. Costs associated with these reward programs are paid by Southeastern.

ALLOCATION OF BROKERAGE COMMISSIONS

Southeastern, in its capacity as Investment Counsel, is responsible under the supervision of the Board of Trustees for the selection of members of securities exchanges, brokers and dealers (referred to as “brokers”) for the execution of portfolio transactions and, when applicable, the negotiation of brokerage commissions. On behalf of each Fund, Southeastern is also responsible for investment decisions and for the placement and execution of purchase and sale orders through selected brokers. All investment decisions and placements of trades for the purchase and sale of portfolio securities are made in accordance with the following principles:

1. Purchase and sale orders are usually placed with brokers who are recommended by Southeastern and/or selected by management of the Fund as able to achieve “best execution” of such orders. “Best execution” means prompt and reliable execution at the most favorable security price, taking into account the following provisions. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations, including, among others, the overall direct net economic result to the Fund (involving both price paid or received and any commissions and other costs paid), the efficiency with which the transaction is effected, the ability to effect the transaction in the desired price range with a minimum of market impact, the financial strength and stability of the broker, and the ability of the broker to commit resources to the execution of the trade. Such considerations are judgemental and are weighed by Southeastern and the Board of Trustees in determining the overall reasonableness of brokerage commissions.

2. In recommending or selecting brokers for portfolio transactions, Southeastern takes into account its past experience in determining those qualified to achieve “best execution.”

3. Southeastern is authorized to recommend and the Fund is authorized to allocate brokerage and principal purchase and sales transactions to brokers who have provided brokerage and research services, as such services are defined in Section 28(e) of the Securities Exchange Act of 1934 (the “1934 Act”), and for other services which benefit the Fund directly through reduction of the Fund’s expense obligations. Southeastern could cause the Fund to pay a commission for effecting a securities transaction in excess of the amount another broker would have charged for effecting that transaction, if Southeastern in making the recommendation in question determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services or other benefits provided the Fund by such broker. In reaching such determination, neither Southeastern nor the officer of the Fund making the decision is required to place a specific dollar value on the research or execution services of a broker. In demonstrating that such determinations were made in good faith, Southeastern and the officer of the Fund shall be prepared to show that all commissions were allocated and paid for purposes contemplated by the Fund’s brokerage policy; that any other benefits or services provided the Fund were in furtherance of lawful and appropriate obligations of the Fund; and that the commissions paid were within a reasonable range. Such determination shall be based on available information as to the level of commissions known to be charged by other brokers on comparable transactions, but there shall be taken into account the Fund’s policies (i) that paying the lowest commission is deemed secondary to obtaining a favorable price and (ii) that the quality, comprehensiveness and frequency of research studies which are provided for the Fund and Southeastern may be useful to Southeastern in performing its services under its Agreement with the Fund but are not subject to precise evaluation. Research services provided by brokers to the Fund or to Southeastern are considered to be supplementary to, and not in lieu of services required to be performed by Southeastern. While Southeastern is authorized by its contract with the Funds to purchase research services with Fund commissions as permitted by Section 28(e) of the 1934 Act (as described above), Southeastern does not consider this service in selecting firms to execute portfolio transactions for the Funds. Southeastern performs its own independent research in performing

investment counsel services for the Funds. Southeastern may obtain supplemental investment research information from certain brokerage firms in the ordinary course of business, but Southeastern evaluates brokers based on the quality of their execution and brokerage services and does not make trading allocations to receive research.

4. Purchases and sales of portfolio securities within the United States other than on a securities exchange are executed with primary market makers acting as principal, except where, in the judgment of Southeastern, better prices and execution may be obtained on a commission basis or from other sources. Southeastern may also utilize electronic communication networks (ECN's) when the requisite volume of securities can be purchased or sold in the desired price range.

Investment decisions for each Fund are made independently from those of the other Funds or accounts of other clients managed by Southeastern, but the same security may be held in the portfolios of more than one Fund or by a number of managed accounts. When several accounts and the Funds' portfolios simultaneously purchase or sell the same security, the prices and amounts will be equitably allocated among all such accounts. In some situations this procedure could adversely affect the price or quantity of the security available to one or more of the Funds, but in other situations the ability to participate in larger volume transactions may enable a Fund to realize better executions, prices, and lower commissions.

Southeastern does not own an interest in any brokerage firm and places trades for the Funds through non-affiliated brokerage firms. Brokerage commissions paid by the Funds for the past three years are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Partners Fund	\$6,996,469	\$7,508,287	\$5,791,318
Small-Cap Fund	1,754,412	2,866,464	3,854,126
International Fund	4,036,255	3,479,670	2,191,226

CAPITAL STOCK AND INDEMNIFICATION RIGHTS

Longleaf Partners Funds Trust (the "Trust") is a Massachusetts business trust which presently has three separate series or Funds. Each series issues its capital stock in the form of shares of beneficial interest having no par value. Each Fund may issue an unlimited number of shares of beneficial interest, all of which are of one class. Each share of each Fund has equal voting rights with all other shares of that Fund. Shares do not have cumulative voting rights, which means that holders of less than 50% of the outstanding shares cannot cumulate their total votes for all Trustees in order to elect a single Trustee, and the holders of more than 50% of the outstanding shares may elect 100% of the particular Fund's Trustees.

A Massachusetts business trust is not required to hold annual meetings of shareholders. Annual meetings ordinarily will not be held unless so required by the provisions of the Investment Company Act of 1940, which would include such matters as amending the investment advisory agreement or electing new members of the Board of Trustees. The Board of Trustees may fill vacancies on the Board if at least two-thirds of the Trustees serving after the new appointment were elected by shareholders.

Each share of beneficial interest represents an equal proportionate interest in the assets of the particular Fund with every other share and each share is entitled to a proportionate share of dividends and distributions of net income and capital gains belonging to that Fund when declared by the Board of Trustees. There are no preemptive, subscription, or conversion rights.

When a Fund has received payment of the net asset value per share, each share issued is fully paid and non-assessable. Under Massachusetts law, shareholders of a mutual fund which is a series of a Massachusetts business trust could, in theory, be held personally liable for certain obligations of the particular series. Our Declaration of Trust contains an express disclaimer of shareholder liability for obligations of each series, and this disclaimer is included in contracts between the Funds and third parties. The Declaration of Trust also provides for indemnification from the assets of each series for shareholder liability for covered acts or obligations should any shareholder be held personally liable under these provisions.

The Declaration of Trust and By-Laws provide that no Trustee or agent of any Fund shall be subject to any personal liability to the Fund or its shareholders for any action or failure to act, except for such person's willful misfeasance, bad faith, gross negligence, or reckless disregard of the person's duties. The Trust indemnifies each such person against all such losses other than the excepted losses. The agreements between the Trust and, respectively, the Investment Counsel and the Fund Administrator provide for indemnification and relieve each such entity of liability for any act or omission in the course of its performance under the particular agreement, including any mistake of judgment, in the absence of willful misfeasance, bad faith or gross negligence.

PURCHASE, REDEMPTION, AND PRICING OF SHARES

The methods of purchasing and redeeming shares through the transfer agent, PNC Global Investment Servicing, are described on pages 25 through 35 of the Prospectus. Shares are offered and redeemed at the net asset value per share next computed after receiving a purchase order or a redemption request. Such calculations are made once a day, at the close of regular trading on the New York Stock Exchange, usually at 4:00 p.m. Eastern Time.

To compute net asset value per share, we value all Fund assets daily, including accruing dividends declared on portfolio securities and other rights to future income. Liabilities are accrued and subtracted from assets, and the resulting amount is divided by the number of shares of beneficial interest then outstanding. The following formula illustrates this calculation:

$$\frac{\text{Net Assets}}{\text{Shares Outstanding}} \text{ equals Net Asset Value Per Share}$$

The net asset value per share for each of the Longleaf Partners Funds as shown in the Statements of Assets and Liabilities for the year ended December 31, 2008, shown on page 43, was calculated as follows:

Partners Fund	Small-Cap Fund	International Fund
$\frac{\$5,788,782,183}{368,873,605} = \15.69	$\frac{\$1,803,685,299}{123,720,840} = \14.58	$\frac{\$2,041,338,187}{184,015,448} = \11.09

In valuing Fund assets, we apply the following procedures:

- (1) Portfolio securities listed or traded on a securities exchange (U.S. or foreign), on the NASDAQ national market or any representative quotation system providing same day publication of actual prices, are valued at the last sale price. If there are no transactions in the security that day, securities are valued at the midpoint between the closing bid and ask prices or, if there are no such prices, the prior day's closing price;
- (2) In the case of bonds and other fixed income securities, valuations may be furnished by a pricing service which takes into account factors in addition to quoted prices (such as trading characteristics, yield, quality, coupon rate, maturity, type of issue, and other market data relating to the priced security or other similar securities) where taking such factors into account would lead to a more accurate reflection of the fair market value of such securities;
- (3) When market quotations are not readily available, valuations of portfolio securities may be determined in accordance with procedures established by and under the general supervision of the Funds' Trustees. In determining fair value, the Board considers all relevant qualitative and quantitative information available including news regarding significant market or security specific events. The Board may also utilize a service provided by an independent third party to assist in fair valuation of certain securities. These factors are subject to change over time and are reviewed periodically. Because the utilization of fair value pricing depends on market activity, the frequency with which fair valuation may be used cannot be predicted. Estimated values may differ from the values that would have been used had a ready market for the investment existed.
- (4) Repurchase agreements are valued at cost which, combined with accrued interest, approximates market;
- (5) Short-term United States Government obligations purchased with a remaining maturity of more than 60 days are valued through pricing obtained through pricing services approved by the Funds' Trustees. Obligations purchased with a remaining maturity of 60 days or less or existing positions that have less than 60 days to

maturity generally are valued at amortized cost, which approximates market value. However, if amortized cost is deemed not to reflect fair value, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

- (6) The value of other assets, including restricted and not readily marketable securities, will be determined in good faith at fair value under procedures established by and under the general supervision of the Trustees; and
- (7) Assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars using a method of determining a rate of exchange consistent with policies established by the Board of Trustees.

The Funds normally calculate net asset value as of the close of business of the New York Stock Exchange. Trading in securities on European and Far Eastern securities exchanges or in other foreign markets is normally completed at times when the New York Stock Exchange is not open for business. In addition, trading in such international markets may not take place on days when the New York Stock Exchange is open for business. Because of the different trading days or hours in the various foreign markets, the calculation of the Funds' net asset value may not take place contemporaneously with the determination of the closing prices of some foreign securities on the particular foreign exchanges or in other foreign markets in which those securities are traded.

Should events occur which could materially or significantly affect the valuation of such securities between the time when their closing prices are determined in the usual manner and the time the net asset value is calculated, the Funds may, in the discretion of the Board of Trustees and consistent with any specific regulatory requirements, elect to value these securities at fair value as determined in good faith by the Board of Trustees.

ADDITIONAL TAX INFORMATION

Each Fund intends to qualify for favorable tax treatment applicable to regulated investment companies under Subchapter M of the Internal Revenue Code of 1986, as amended. Qualification does not involve supervision of management or investment practices or policies by the Internal Revenue Service. In order to qualify as a regulated investment company, a Fund must, among other things, derive at least 90% of its gross income from dividends, interest, payments with respect to proceeds from securities loans, gains from the sale or other disposition of securities and other income (including gains from options, futures and forward foreign currency contracts) derived with respect to its business of investing in such securities. Each Fund must also diversify its holdings so that, at the end of each quarter of its taxable year, (i) at least 50% of the market value of total assets is represented by cash, U.S. Government securities and other securities limited in respect of any one issuer to an amount not greater than 5% of the Fund's total assets and 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities of any one issuer (other than U.S. Government securities and regulated investment companies). Further, a Fund may invest not more than 25% of the value of its total assets in the securities of two or more issuers which the Fund controls and which are engaged in the same or similar trades or businesses or related trades or businesses.

If a Fund qualifies under the Internal Revenue Code for favorable tax treatment, it is not subject to federal income tax or state taxation in the Commonwealth of Massachusetts on its investment company taxable income and any net realized capital gains which are distributed to shareholders. Instead, shareholders other than tax exempt organizations are taxable at their federal income tax rates on the distributions declared, even if the distributions are reinvested in additional shares of the Funds. If a Fund should fail to qualify for favorable tax treatment under the Internal Revenue Code, the Fund itself would be subject to federal income tax and to taxation by the Commonwealth of Massachusetts on these amounts. To qualify again for favorable tax treatment under the Internal Revenue Code, the Fund must distribute all undistributed earnings and profits to shareholders, who then would be subject to taxation on the amounts distributed.

Investment income received by the Funds from sources within foreign countries may be subject to foreign income taxes withheld at the source. The United States has entered into tax treaties with many foreign countries which entitle the Funds to a reduced rate of tax or exemption from tax on such income. It is not possible to determine the effective rate of foreign tax in advance, because the amount of assets to be invested within various countries is not known.

If a Fund owns shares in a foreign corporation that constitutes a “passive foreign investment company” for U.S. federal income tax purposes and the Fund does not elect or is not able to treat the foreign corporation as a “qualified electing fund” within the meaning of the Code, the Fund may be subject to U.S. federal income tax on a portion of any “excess distribution” it receives from the foreign corporation or any gain it derives from the disposition of such shares, even if such income is distributed as a dividend by the Fund to its U.S. shareholders. A Fund may also be subject to additional tax in the nature of an interest charge with respect to deferred taxes arising from such distributions or gains. Any tax paid by a Fund as a result of its ownership of shares in a “passive foreign investment company” will not give rise to any deduction or credit to the Fund or any shareholder. If a Fund owns shares in a “passive foreign investment company” and the Fund is able to treat the foreign corporation as a “qualified electing fund” under the Code or under special rules applicable to registered investment companies, the Fund may be required to include in its income each year a portion of the ordinary income and net realized capital gains and unrealized appreciation of the foreign corporation, even if this income is not distributed to the Fund. Any such income may be treated as ordinary income and would be subject to the distribution requirements described above, even if the Fund does not receive any amounts to distribute. Alternatively, the Fund may elect to “mark to market” shares in a “passive foreign investment company.” If this election is made, the stock in a “passive foreign investment company” is marked to market (treated as if it were sold) at the close of the Fund’s taxable year. If the “passive foreign investment company” stock is in an unrealized gain position at that time, the Fund will recognize the gain as ordinary income which is subject to the Fund’s distribution requirements. If the “passive foreign investment company” stock is in an unrealized loss position, the losses are permitted to be recognized, but only to the extent of “mark to market” gains previously taken into account on that stock.

INVESTMENT PERFORMANCE AND TOTAL RETURN

Total Return Calculation. The average annual total return on an investment in shares of each of the Funds for a particular period is calculated using a specific formula required by the Securities & Exchange Commission. The formula takes into account any appreciation or depreciation in the portfolio, assumes reinvestment of all dividends and capital gains distributions, and then mathematically averages the return over the length of time covered by the calculation. The formula used for computing average annual total return, as specified by regulation, is as follows:

“Average Annual Total Return” shall mean the average annual compounded rate of return, computed according to the following formula:

$$P(1+T)^n = \text{ERV}$$

- Where P = a hypothetical initial investment of \$1,000
 T = average annual total return
 n = number of years (or fractional portions thereof)
 ERV = ending value of a hypothetical \$1,000 investment made at the beginning of the period (or fractional portion thereof).

The average annual total returns of each of the Funds for the years ended December 31 for the past ten years or since inception, if shorter, are as follows:

	Partners Fund	Small-Cap Fund	International Fund
2008.....	(50.60)%	(43.90)%	(39.60)%
2007.....	(.44)	2.80	15.29
2006.....	21.63	22.33	17.07
2005.....	3.62	10.75	12.88
2004.....	7.14	14.78	10.21
2003.....	34.80	43.85	41.52
2002.....	(8.34)	(3.74)	(16.51)
2001.....	10.34	5.45	10.47
2000.....	20.60	12.80	25.93
1999.....	2.18	4.05	24.37

The average annual returns for each of the Funds for the cumulative periods shown, ending on December 31, 2008, are as follows:

Partners Fund	
Five years ended 12/31/08	(7.86)%
Ten years ended 12/31/08	1.10
Small-Cap Fund	
Five years ended 12/31/08	(2.16)
Ten years ended 12/31/08	4.39
International Fund	
Five years ended 12/31/08	0.28
Ten years ended 12/31/08	7.57

Investment Performance Information. The Funds may publish their total returns in advertisements and communications to shareholders. Total return information will include the average annual compounded rate of return for the one, five, and ten year periods (or since initial public offering) ended at the close of the most recent calendar

quarter. Each Fund may also advertise or provide aggregate and average total return information for different periods of time, such as the latest calendar quarter or for the calendar year-to-date.

Each Fund may also compare its performance to that of widely recognized unmanaged stock market indices as well as other more specialized indices. The Funds may also compare their performance with that of other mutual funds having similar investment objectives and with the industry as a whole, as determined by outside services such as Lipper Analytical Services, Inc., CDA Technologies, Morningstar, Inc., and The Value Line Mutual Fund Survey. The Funds may also provide information on their relative rankings as published in such newspapers and magazines as *The Wall Street Journal*, *Barron's*, *Forbes*, *Business Week*, *Money*, *Financial World*, and other similar publications.

Use of Total Return Information. Average annual total return information may be useful to investors in considering each Fund's past investment performance. However, certain factors should be taken into account before basing an investment decision on this information. First, in comparing the Fund's total return with the total return of any market indices for the same period, the investor should be aware that market indices are unmanaged and unhedged and contain different and more numerous securities than the Funds' portfolios. Some market indices are not adjusted for reinvested dividends, and no adjustment is made in market indices for taxes payable on distributions. After tax calculations applicable to the Funds' total returns are shown in the Prospectus on pages 9, 11, and 13.

An investment in the Funds is an equity investment. As a result, total returns will fluctuate over time, and the total return for any past period is not an indication or representation as to future rates of total return. When comparing each Fund's total returns with those of other alternatives such as fixed income investments, investors should understand that an equity fund may be subject to greater market risks than are money market or fixed income investments, and that the Funds are designed for investors who are willing to accept such greater market risks for the possibility of realizing greater long-term gains. There is no assurance that the Funds' investment objectives will be achieved.

TABLE OF BOND AND PREFERRED STOCK RATINGS

Description of Moody's Investors Service, Inc. corporate bond ratings:

Aaa — Bonds which are rated Aaa are judged to be the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa — Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A — Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa — Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba — Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B — Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa — Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Moody's applies the numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through B. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Description of Moody's Investors Service, Inc. preferred stock ratings:

aaa — An issue which is rated aaa is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of convertible preferred stocks.

aa — An issue which is rated aa is considered a high-grade preferred stock. This rating indicates that there is reasonable assurance that earnings and asset protection will remain relatively well maintained in the foreseeable future.

a — An issue which is rated a is considered to be an upper-medium grade preferred stock. While risks are judged to be somewhat greater than the aaa and aa classifications, earnings and asset protection are, nevertheless, expected to be maintained at adequate levels.

baa — An issue which is rated baa is considered to be a medium-grade preferred stock, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.

ba — An issue which is rated ba is considered to have speculative elements, and its future cannot be considered well assured. Earnings and asset protection may be very moderate and not well safeguarded during adverse periods. Uncertainty of position characterizes preferred stocks in this class.

b — An issue which is rated b generally lacks the characteristics of a desirable investment. Assurance of dividend payments and maintenance of other terms of the issue over any long period of time may be small.

caa — An issue which is rated caa is likely to be in arrears on dividend payments. This rating designation does not purport to indicate the future status of payments.

Description of Standard & Poor's Corporation corporate bond and preferred stock ratings:

AAA — Securities rated AAA have the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA — Securities rated AA have a very strong capacity to pay interest and repay principal and differ from the higher rated issues only in small degree.

A — Securities rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than securities in higher rated categories.

BBB — Securities rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for securities in this category than for securities in higher rated categories.

BB, B and CCC — Securities rated BB, B and CCC are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents the lowest degree of speculation and CCC the highest degree of speculation. While such securities will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

BB — Securities rated BB have less near-term vulnerability to default than other speculative issues. However, they face major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The BB rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BBB- rating.

B — Securities rated B have a greater vulnerability to default but currently have the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied B or BB rating.

CCC — Securities rated CCC have a currently identifiable vulnerability to default, and are dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, they are not likely to have the capacity to pay interest and repay principal. The CCC rating category is also used for debt subordinated to senior debt that is assigned an actual or implied B or B- rating.

Plus (+) or Minus (-): The ratings from A to CCC may be modified by the addition of a plus or minus sign to show relative standing within major rating categories.

FINANCIAL STATEMENTS

The financial statements for the fiscal year ended December 31, 2008, audited by PricewaterhouseCoopers LLP, the Funds' independent registered public accounting firm, are included in the printed Annual Report to Shareholders of the Funds. The Financial Statements contained in the printed Annual Report, together with the Report of Independent Registered Public Accounting Firm dated February 6, 2009, are included as a part of this Statement of Additional Information on the following pages.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees of Longleaf Partners Funds Trust and Shareholders of Longleaf Partners Fund, Longleaf Partners Small-Cap Fund, and Longleaf Partners International Fund:

In our opinion, the accompanying statements of assets and liabilities, including the portfolios of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Longleaf Partners Fund, Longleaf Partners Small-Cap Fund, and Longleaf Partners International Fund (comprising Longleaf Partners Funds Trust, hereafter referred to as the "Funds") at December 31, 2008, and the results of each of their operations for the year then ended, and the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States.) Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 6, 2009

Partners Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

Shares		Value
<i>Common Stock 91.1%</i>		
	<i>Broadcasting and Cable 16.1%</i>	
9,911,000	*The DIRECTV Group, Inc.	\$ 227,061,010
40,459,818	*Liberty Media Entertainment Corporation – Class A	707,237,619
		934,298,629
	<i>Construction Materials 4.1%</i>	
25,719,722	Cemex S.A.B. de C.V. ADS (Foreign)	235,078,259
	<i>Entertainment 4.8%</i>	
12,249,100	The Walt Disney Corporation	277,932,079
	<i>Hotels 3.5%</i>	
10,459,632	Marriott International, Inc.	203,439,842
	<i>Internet and Catalog Retail 2.1%</i>	
38,289,181	*Liberty Media Holding Corporation – Interactive Series A	119,462,245
	<i>Internet Services 4.7%</i>	
19,510,566	*eBay, Inc.	272,367,501
	<i>Multi-Industry 4.8%</i>	
12,559,000	Koninklijke (Royal) Philips Electronics N.V. (Foreign)	249,003,560
1,602,731	Koninklijke (Royal) Philips Electronics N.V. ADR (Foreign)	31,846,265
		280,849,825
	<i>Natural Resources 9.1%</i>	
23,862,125	Chesapeake Energy Corporation	385,850,561
8,657,900	Pioneer Natural Resources Company ^(b)	140,084,822
		525,935,383
	<i>Pharmacies and Drug Stores 4.9%</i>	
11,508,872	Walgreen Co.	283,923,872
	<i>Property & Casualty Insurance 8.6%</i>	
63,701,000	The NipponKoa Insurance Company, Ltd. (Foreign) ^(b)	495,581,331
	<i>Restaurants 7.1%</i>	
13,057,056	Yum! Brands, Inc.	411,297,264
	<i>Technology 12.1%</i>	
48,549,212	*Dell Inc. ^(d)	497,143,931
53,476,000	*Sun Microsystems, Inc. ^(b)	204,278,320
		701,422,251
	<i>Telecommunications 5.5%</i>	
153,597,754	*Level 3 Communications, Inc. ^(b)	107,518,428
1,530,800	Telephone and Data Systems, Inc.	48,602,900
5,666,200	Telephone and Data Systems, Inc. – Special	159,220,220
		315,341,548

See Notes to Financial Statements.

Partners Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

Shares		Value
3,310,261	<i>Transportation 3.7%</i> FedEx Corporation Total Common Stocks (Cost \$7,808,208,603)	\$ 212,353,243 <u>5,269,283,272</u>
Principal Amount		
<i>Corporate Bonds 3.1%</i>		
16,284,100	<i>Automobiles 1.0%</i> General Motors Corporation, 5.25% Series B Convertible Senior Debentures due 2032	56,017,304
40,000,000	<i>Telecommunications 2.1%</i> Level 3 Communications, Inc., 6% Convertible Subordinated Notes due 3-15-10 ^(b) . .	28,000,000
100,062,000	Level 3 Communications, Inc., 15% Convertible Senior Notes due 1-15-13 ^{(b)(c)}	96,289,663
		<u>124,289,663</u>
	Total Corporate Bonds (Cost \$320,645,613)	<u>180,306,967</u>
Contracts		
<i>Options Purchased —%</i>		
50,000	<i>Technology</i> Sun Microsystems, Inc. Call, January 2010, Strike Price \$10 (Cost \$10,148,500) ^(b)	1,375,000
Principal Amount		
<i>Short-Term Obligations 5.3%</i>		
108,104,000	Repurchase Agreement with State Street Bank, 0.01% due 1-2-09, Repurchase price \$108,104,060 (Collateral: \$110,435,000 U.S. Treasury Bill, 0.31%, due 7-30-09, Value \$110,269,348)	108,104,000
200,000,000	U.S. Treasury Bill, 0.11% due 6-25-09	199,545,600
	Total Short-Term Obligations (Cost \$307,997,055)	<u>307,649,600</u>
	Total Investments (Cost \$8,446,999,771)^(a)	99.5% 5,758,614,839
	Other Assets and Liabilities, Net	0.5 30,167,344
	Net Assets	<u>100.0% \$5,788,782,183</u>
	Net asset value per share	<u>\$15.69</u>

* Non-income producing security.

^(a) Aggregate cost for federal income tax purposes is \$8,745,447,096 Net unrealized depreciation of \$(2,688,384,932) consists of unrealized appreciation and depreciation of \$958,646,810 and \$(3,647,031,742), respectively.

^(b) Affiliated issuer. See Note 7.

^(c) Illiquid and board valued. See Note 8.

^(d) All or portion designated as collateral. See Note 9.

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 17% of net assets.

See Notes to Financial Statements.

Partners Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

OPEN FORWARD CURRENCY CONTRACTS

<i>Currency Units Sold</i>	<i>Currency Sold and Settlement Date</i>	<i>Currency Market Value</i>	<i>Unrealized Loss</i>
35,741,564,000	Japanese Yen 2-5-09	\$394,575,497	\$(53,026,580)
4,800,000,000	Japanese Yen 3-27-09	53,049,187	(4,718,120)
		<u>\$447,624,684</u>	<u>\$(57,744,700)</u>

See Notes to Financial Statements.

Small-Cap Fund - PORTFOLIO OF INVESTMENTS at December 31, 2008

Shares		Value
<i>Common Stock 97.4%</i>		
	<i>Construction Materials 4.8%</i>	
2,514,100	Texas Industries, Inc. ^(b)	\$ 86,736,450
	<i>Education & Media 7.6%</i>	
352,167	The Washington Post Company – Class B	137,433,172
	<i>Entertainment 4.2%</i>	
3,335,458	*Discovery Communications, Inc. – Class A	47,230,085
2,179,133	*Discovery Communications, Inc. – Class C	29,178,591
		76,408,676
	<i>Food 4.9%</i>	
12,282,000	Del Monte Foods Company ^(b)	87,693,480
	<i>Funeral Services 3.9%</i>	
14,252,178	Service Corporation International ^(b)	70,833,325
	<i>Grocery – Retail 4.8%</i>	
3,107,459	Ruddick Corporation ^(b)	85,921,241
	<i>Information Technology 6.6%</i>	
7,076,400	Fair Isaac Corporation ^(b)	119,308,104
	<i>Insurance Brokerage 4.9%</i>	
3,528,000	Willis Group Holdings Limited (Foreign)	87,776,640
	<i>Manufacturing 4.0%</i>	
6,581,000	Worthington Industries, Inc. ^(b)	72,522,620
	<i>Medical and Photo Equipment 4.0%</i>	
3,639,800	Olympus Corporation (Foreign)	72,863,674
	<i>Natural Resources 6.0%</i>	
429,902	*Clearwater Paper Corporation	3,606,880
4,004,300	Pioneer Natural Resources Company	64,789,574
1,504,658	Potlatch Corporation	39,136,154
		107,532,608
	<i>Property & Casualty Insurance 23.9%</i>	
1,541,100	Everest Re Group, Ltd. (Foreign)	117,339,354
654,500	Fairfax Financial Holdings Limited (Foreign)	206,767,922
357,549	*Markel Corporation	106,907,151
		431,014,427
	<i>Restaurants 6.9%</i>	
2,978,100	DineEquity, Inc. ^(b)	34,426,836
18,146,008	Wendy's/Arby's Group, Inc.	89,641,280
		124,068,116
	<i>Retail 2.0%</i>	
9,050,748	Dillard's, Inc. – Class A ^(b)	35,931,470

See Notes to Financial Statements.

Small-Cap Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

Shares		Value
	<i>Telecommunications 8.9%</i>	
52,451,000	*Level 3 Communications, Inc.	\$ 36,715,700
14,732,670	*tw telecom inc. ^(b)	124,785,715
		161,501,415
	Total Common Stocks (Cost \$2,606,949,835)	1,757,545,418
Principal Amount		
	<i>Short-Term Obligations 2.3%</i>	
41,471,000	Repurchase Agreement with State Street Bank, 0.01% due 1-2-09, Repurchase price \$41,471,023 (Collateral: \$42,365,000 U.S. Treasury Bill, 0.31%, due 7-30-09, Value \$42,301,453)	41,471,000
Total Investments (Cost \$2,648,420,835)^(a)	99.7%	1,799,016,418
Other Assets and Liabilities, Net	0.3	4,668,881
Net Assets	100.0%	\$1,803,685,299
Net asset value per share		\$14.58

* Non-income producing security.

^(a) Aggregate cost for federal tax purposes is \$2,648,740,804. Net unrealized depreciation of \$(849,404,417) consists of unrealized appreciation and depreciation of \$162,428,172 and \$(1,011,832,589), respectively.

^(b) Affiliated issuer. See Note 7.

Note: Companies designated as "Foreign" are headquartered outside the U.S. and represent 27% of net assets.

See Notes to Financial Statements.

International Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

<u>Shares</u>		<u>Value</u>
<i>Common Stock 100.8%</i>		
	<i>Conglomerate 10.7%</i>	
4,716,353	ACS, Actividades de Construccion Y Servicios, S.A. (Spain) ^(b)	\$ 219,010,591
	<i>Construction Materials 4.6%</i>	
10,297,000	Cemex S.A.B. de C.V. ADS (Mexico)	94,114,580
	<i>Hotels 10.3%</i>	
2,430,000	Accor S.A. (France) ^(b)	119,700,635
54,955,400	Genting Berhad (Malaysia) ^(b)	59,085,044
6,323,413	NH Hoteles, S.A. (Spain)	33,206,128
		<u>211,991,807</u>
	<i>Industrial Conglomerate 5.0%</i>	
5,887,000	Ingersoll-Rand Company Limited (Bermuda)	102,139,450
	<i>Insurance Brokerage 4.4%</i>	
3,586,000	Willis Group Holdings Limited (United Kingdom)	89,219,680
	<i>Medical and Photo Equipment 5.7%</i>	
5,779,600	Olympus Corporation (Japan) ^(b)	115,699,460
	<i>Multi-Industry 12.1%</i>	
15,403,000	Cheung Kong Holdings Limited (Hong Kong) ^(b)	146,938,930
1,165,931	Koninklijke (Royal) Philips Electronics N.V. (Netherlands)	23,116,567
3,855,269	Koninklijke (Royal) Philips Electronics N.V. ADR (Netherlands)	76,604,195
		<u>246,659,692</u>
	<i>Natural Resources 6.6%</i>	
600,000	EnCana Corporation (Canada)	27,888,000
2,426,500	Japan Petroleum Exploration Co., Ltd. (Japan) ^(b)	106,683,899
		<u>134,571,899</u>
	<i>Property & Casualty Insurance 26.8%</i>	
665,874	Fairfax Financial Holdings Limited (Canada)	210,361,167
28,556,000	The NipponKoa Insurance Company, Ltd. (Japan) ^(b)	222,160,099
15,531,000	Sompo Japanese Insurance Company Inc. (Japan)	115,002,135
		<u>547,523,401</u>
	<i>Restaurants 5.0%</i>	
3,223,000	Yum! Brands, Inc. (United States)	101,524,500
	<i>Securities Brokerage 4.8%</i>	
16,478,000	Daiwa Securities Group, Inc. (Japan) ^(b)	98,922,680
	<i>Technology 4.8%</i>	
9,488,000	*Dell Inc. (United States)	97,157,120
	Total Common Stocks (Cost \$2,423,410,964)	<u>2,058,534,860</u>

See Notes to Financial Statements.

International Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

Principal Amount	Value
<i>Short-Term Obligations 1.6%</i>	
31,443,000 Repurchase Agreement with State Street Bank, 0.01% due 1-2-09, Repurchase price \$31,443,017 (Collateral: \$32,125,000 U.S. Treasury Bill, 0.31%, due to 7-30-09., Value \$32,076,813)	\$ 31,443,000
Total Investments (Cost \$2,454,853,964)^(a)	102.4% 2,089,977,860
Other Assets and Liabilities, Net	(2.4) (48,639,673)
Net Assets	100.0% \$2,041,338,187
Net asset value per share	\$11.09

* Non-income producing security.

^(a) Also represents aggregate cost for federal income tax purposes. Net unrealized depreciation of \$(364,876,104) consists of unrealized appreciation and depreciation of \$350,669,258 and \$(715,545,362), respectively.

^(b) All or a portion designated as collateral for forward currency contracts. See Note 9.

Note: Country listed in parenthesis after each company indicates location of headquarters.

See Notes to Financial Statements.

International Fund - PORTFOLIO OF INVESTMENTS
at December 31, 2008

OPEN FORWARD CURRENCY CONTRACTS

<u>Currency Units Sold</u>	<u>Currency Sold and Settlement Date</u>	<u>Currency Market Value</u>	<u>Unrealized Gain(Loss)</u>
180,000,000	Euro 3-27-09	\$249,501,067	\$(22,260,073)
27,033,000,000	Japanese Yen 2-5-09	298,435,721	(41,014,276)
7,700,000,000	Japanese Yen 3-27-09	85,099,738	(2,612,701)
142,500,000	Malaysian Ringgit 6-26-09	41,159,395	1,330,702
		<u>\$674,195,921</u>	<u>\$(64,556,348)</u>

COUNTRY WEIGHTINGS

	<u>Equity Only</u>	<u>Net Assets</u>
Japan	32.0%	32.2%
Spain	12.2	12.3
Canada	11.6	11.7
United States	9.7	9.8
Hong Kong	7.1	7.2
France	5.8	5.8
Bermuda	5.0	5.0
Netherlands	4.8	4.9
Mexico	4.6	4.6
United Kingdom	4.3	4.4
Malaysia	2.9	2.9
	<u>100.0%</u>	100.8
Cash, other assets and liabilities, net.		<u>(0.8)</u>
		<u>100.0%</u>

See Notes to Financial Statements.

Longleaf Partners Funds
STATEMENTS OF ASSETS AND LIABILITIES
at December 31, 2008

	<u>Partners Fund</u>	<u>Small-Cap Fund</u>	<u>International Fund</u>
Assets:			
Investments:			
Affiliated securities, at market value (cost \$1,816,757,649, \$1,193,867,110 and \$0, respectively) (Note 2 and 7)	\$ 1,073,127,564	\$ 718,159,241	\$ —
Other securities, at market value (cost \$6,630,242,122, \$1,454,553,725 and \$2,454,853,964, respectively) (Note 2)	<u>4,685,487,275</u>	<u>1,080,857,177</u>	<u>2,089,977,860</u>
Total Investments	5,758,614,839	1,799,016,418	2,089,977,860
Cash	356	690	230
Receivable for:			
Fund shares sold	43,159,449	891,855	611,218
Dividends and interest	9,015,503	1,652,217	1,126,297
Securities sold	52,044,967	5,900,051	20,526,317
Foreign tax reclaims	—	—	1,218,455
Prepaid assets	214,946	83,247	100,279
Total Assets	<u>5,863,050,060</u>	<u>1,807,544,478</u>	<u>2,113,560,656</u>
Liabilities:			
Payable for:			
Forward currency contracts (Note 2)	57,744,700	—	64,556,348
Fund shares redeemed	12,096,513	2,360,472	4,853,432
Investment counsel fee (Note 3)	3,552,960	1,205,575	2,465,235
Administration fee (Note 4)	462,435	149,450	164,349
Other accrued expenses	411,269	143,682	183,105
Total Liabilities	<u>74,267,877</u>	<u>3,859,179</u>	<u>72,222,469</u>
	<u>\$ 5,788,782,183</u>	<u>\$1,803,685,299</u>	<u>\$2,041,338,187</u>
Net Assets:			
Net assets consist of:			
Paid-in capital	\$ 9,280,347,225	\$2,953,389,126	\$2,531,455,110
Undistributed net investment income	1,624,594	—	—
Accumulated net realized loss on investments and foreign currency	(747,060,004)	(300,299,410)	(60,573,433)
Unrealized loss on investments and foreign currency	<u>(2,746,129,632)</u>	<u>(849,404,417)</u>	<u>(429,543,490)</u>
Net Assets	<u>\$ 5,788,782,183</u>	<u>\$1,803,685,299</u>	<u>\$2,041,338,187</u>
Net asset value per share	<u>\$15.69</u>	<u>\$14.58</u>	<u>\$11.09</u>
Fund shares issued and outstanding	368,873,605	123,720,840	184,015,448

See Notes to Financial Statements.

Longleaf Partners Funds
STATEMENTS OF OPERATIONS
for the year ended December 31, 2008

	<u>Partners Fund</u>	<u>Small-Cap Fund</u>	<u>International Fund</u>
Investment Income:			
Income:			
Dividends from non-affiliates (net of foreign tax withheld of \$2,222,755, \$588,758 and \$5,079,293, respectively)	\$ 75,589,639	\$ 17,480,934	\$ 56,666,375
Dividends from affiliates (net of foreign tax withheld of \$337,161, \$0, and \$0 respectively) (Note 7)	7,076,798	18,695,213	–
Interest	15,508,838	550,033	1,114,265
Other income	23,539	–	291,934
Total income	<u>98,198,814</u>	<u>36,726,180</u>	<u>58,072,574</u>
Expenses:			
Investment counsel fee (Note 3)	71,588,869	22,212,105	44,782,868
Administration fee (Note 4)	9,411,849	2,828,281	3,104,452
Transfer agent fees and expenses	2,039,813	561,602	683,627
Prospectus and shareholder reports	760,098	168,101	174,599
Custodian fees and expenses	241,799	25,800	484,500
Trustees' fees and expenses	360,898	185,449	185,449
Registration fees	122,315	50,703	54,173
Professional fees	192,530	184,370	180,580
Other	240,295	89,083	97,187
Total expenses	<u>84,958,466</u>	<u>26,305,494</u>	<u>49,747,435</u>
Net investment income	<u>13,240,348</u>	<u>10,420,686</u>	<u>8,325,139</u>
Realized and unrealized gain(loss):			
Net realized gain(loss):			
Non-affiliated securities	(695,169,163)	(127,412,078)	(77,734,696)
Affiliated securities (Note 7)	396,986	(172,567,363)	–
Forward currency contracts	(41,059,844)	–	7,682,888
Foreign currency transactions	(355,526)	27,406	(96,396)
Net loss	<u>(736,187,547)</u>	<u>(299,952,035)</u>	<u>(70,148,204)</u>
Change in unrealized depreciation:			
Securities	(5,014,108,715)	(1,256,493,665)	(1,454,930,232)
Other assets, liabilities and forwards	(197,471,749)	–	(55,237,141)
Change in net unrealized depreciation	<u>(5,211,580,464)</u>	<u>(1,256,493,665)</u>	<u>(1,510,167,373)</u>
Net realized and unrealized loss	<u>(5,947,768,011)</u>	<u>(1,556,445,700)</u>	<u>(1,580,315,577)</u>
Net decrease in net assets resulting from operations	<u>\$(5,934,527,663)</u>	<u>\$(1,546,025,014)</u>	<u>\$(1,571,990,438)</u>

See Notes to Financial Statements.

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Longleaf Partners Funds

STATEMENTS OF CHANGES IN NET ASSETS

	Partners Fund	
	Year ended December 31,	
	2008	2007
Operations:		
Net investment income(loss)	\$ 13,240,348	\$ 22,883,199
Net realized gain(loss) from investments and foreign currency transactions . . .	(736,187,547)	668,887,134
Net change in unrealized appreciation (depreciation) of securities, other assets, liabilities and forwards	(5,211,580,464)	(749,839,428)
Net increase (decrease) in net assets resulting from operations	(5,934,527,663)	(58,069,095)
Distributions to shareholders:		
From net investment income	(11,430,796)	(22,989,926)
From net realized gain on investments	(236,097,775)	(502,427,749)
From return of capital	—	—
Net decrease in net assets resulting from distributions	(247,528,571)	(525,417,675)
Capital share transactions (Note 6):		
Net proceeds from sale of shares	2,620,154,082	1,847,571,102
Net asset value of shares issued to shareholders for reinvestment of shareholder distributions.	227,059,531	483,973,810
Cost of shares redeemed	(2,107,474,304)	(1,388,553,281)
Net increase (decrease) in net assets from fund share transactions	739,739,309	942,991,631
Total increase (decrease) in net assets.	(5,442,316,925)	359,504,861
Net assets:		
Beginning of year	11,231,099,108	10,871,594,247
End of year	\$ 5,788,782,183	\$11,231,099,108
Undistributed net investment income included in net assets at end of year	\$1,624,594	\$170,568

See Notes to Financial Statements.

Longleaf Partners Funds
STATEMENTS OF CHANGES IN NET ASSETS

<u>Small-Cap Fund</u>		<u>International Fund</u>	
<u>Year ended December 31,</u>		<u>Year ended December 31,</u>	
<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
\$ 10,420,686	\$ 18,604,766	\$ 8,325,139	\$ (1,403,045)
(299,952,035)	413,952,051	(70,148,204)	436,437,389
(1,256,493,665)	(331,244,979)	(1,510,167,373)	64,287,020
<u>(1,546,025,014)</u>	<u>101,311,838</u>	<u>(1,571,990,438)</u>	<u>499,321,364</u>
(10,448,092)	(18,574,105)	(8,228,743)	(137,704)
(55,239,834)	(465,094,732)	(134,284,828)	(370,610,966)
(5,666,933)	—	(3,227,795)	—
<u>(71,354,859)</u>	<u>(483,668,837)</u>	<u>(145,741,366)</u>	<u>(370,748,670)</u>
375,311,743	443,790,548	572,061,736	626,094,844
64,762,131	452,315,551	129,894,878	343,636,268
<u>(555,060,645)</u>	<u>(424,981,782)</u>	<u>(845,706,194)</u>	<u>(450,022,148)</u>
<u>(114,986,771)</u>	<u>471,124,317</u>	<u>(143,749,580)</u>	<u>519,708,964</u>
(1,732,366,644)	88,767,318	(1,861,481,384)	648,281,658
<u>3,536,051,943</u>	<u>3,447,284,625</u>	<u>3,902,819,571</u>	<u>3,254,537,913</u>
<u>\$ 1,803,685,299</u>	<u>\$3,536,051,943</u>	<u>\$ 2,041,338,187</u>	<u>\$3,902,819,571</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See Notes to Financial Statements.

Longleaf Partners Funds NOTES TO FINANCIAL STATEMENTS

Note 1. Organization

The Longleaf Partners Fund, Longleaf Partners Small-Cap Fund, and Longleaf Partners International Fund (the “Funds”) are non-diversified and each is a series of Longleaf Partners Funds Trust, a Massachusetts business trust, which is registered as an open-end management investment company under the Investment Company Act of 1940, as amended.

Note 2. Significant Accounting Policies

Management Estimates

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America; these principles may require the use of estimates by Fund management. Actual results could differ from those estimates.

Security Valuation

Portfolio securities listed or traded on a securities exchange (U.S. or foreign), on the NASDAQ national market, or any representative quotation system providing same day publication of actual prices, are valued at the last sale price. If there are no transactions in the security that day, securities are valued at the midpoint between the closing bid and ask prices or, if there are no such prices, the prior day’s close.

In the case of bonds and other fixed income securities, valuations may be furnished by a pricing service which takes into account factors in addition to quoted prices (such as trading characteristics, yield, quality, coupon rate, maturity, type of issue, and other market data relating to the priced security or other similar securities) where taking such factors into account would lead to a more accurate reflection of the fair market value of such securities.

When market quotations are not readily available, valuations of portfolio securities may be determined in accordance with procedures established by and under the general supervision of the Funds’ Trustees. In determining fair value, the Board considers all relevant qualitative and quantitative information available including news regarding significant market or security specific events. The Board may also utilize a service provided by an independent third party to assist in fair valuation of certain securities. These factors are subject to change over time and are reviewed periodically. Because the utilization of fair value depends on market activity, the frequency with which fair valuation may be used cannot be predicted. Estimated values may differ from the values that would have been used had a ready market for the investment existed.

Repurchase agreements are valued at cost which, combined with accrued interest, approximates market value. Short-term U.S. Government obligations purchased with a remaining maturity of more than 60 days are valued through pricing obtained through pricing services approved by the Funds’ Trustees. Obligations purchased with a remaining maturity of 60 days or less or existing positions that have less than 60 days to maturity generally are valued at amortized cost, which approximates market value. However, if amortized cost is deemed not to reflect fair value, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

The Funds determine net asset values (“NAVs”) once a day, at the close of regular trading on the New York Stock Exchange (“Exchange”) (usually at 4:00 p.m. Eastern time) on days the Exchange is open for business. The Exchange is closed for specified national holidays and on weekends. Foreign securities are generally priced at the

latest market close in the foreign market, which may be at different times or days than the close of the Exchange. If events occur which could materially affect the NAV between the close of the foreign market and normal pricing at the close of the Exchange, foreign securities may be fair valued as determined by the Board of Trustees, consistent with any regulatory guidelines.

Accounting for Investments

For financial reporting purposes, the Funds record security transactions on trade date. Realized gains and losses on security transactions are determined using the specific identification method. Dividend income is recognized on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon after the ex-dividend date as the Fund is able to obtain information on the dividend. Interest income and Fund expenses are recognized on an accrual basis.

Distributions to Shareholders

Dividends and distributions to shareholders are recorded on the ex-dividend date.

Federal Income Taxes

The Funds' policy is to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all taxable income to shareholders. Accordingly, no federal income tax provision is required. The Funds intend to make any required distributions to avoid the application of a 4% nondeductible excise tax. Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Reclassifications are made within the Funds' capital accounts to reflect income and gains available for distribution under income tax regulations.

Foreign Currency Translations

The books and records of the Funds are maintained in U.S. dollars. Securities denominated in currencies other than U.S. dollars are subject to changes in value due to fluctuations in exchange rates. Purchases and sales of securities and income and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of each transaction. The market values of investment securities, assets and liabilities are translated into U.S. dollars daily.

The Funds do not isolate the portion of net realized and unrealized gains or losses in equity security investments which are attributable to changes in foreign exchange rates. Accordingly, the impact of such changes is included in the realized and unrealized gains or losses on the underlying equity securities.

Forward Currency Contracts

Forward currency contracts are commitments to purchase or sell a foreign currency at a future maturity date. The resulting obligation is marked-to-market daily using foreign currency exchange rates supplied by an independent pricing service. An unrealized gain or loss is recorded for the difference between the contract opening value and its current value. When a contract is closed or delivery is taken, this gain or loss is realized. For federal tax purposes, gain or loss on open forward contracts in qualifying currencies are treated as realized and are subject to distribution at our excise tax year-end date.

Risk of Forward Currency Contracts

The Funds generally use forward currency contracts for hedging purposes to offset currency exposure in portfolio holdings. Each Fund may seek to hedge foreign currency exposure to the full extent of its investment in foreign securities, but there is no requirement that all foreign securities be hedged. Forward contracts may reduce the potential gain from a positive change in the relationship between the U.S. dollar and foreign currencies or, considered separately, may produce a loss. Where a liquid secondary market for forwards does not exist, the Funds

may not be able to close their positions and in such an event, the loss is theoretically unlimited. In addition, the Funds could be exposed to risks if the counterparty to these contracts, State Street Bank, is unable to perform.

Repurchase Agreements

The Funds may engage in repurchase agreement transactions. The Funds' custodian bank sells U.S. government or agency securities to each Fund under agreements to repurchase these securities at a stated repurchase price including interest for the term of the agreement, which is usually overnight or over a weekend. Each Fund, through its custodian, receives delivery of the underlying U.S. government or agency securities as collateral, whose market value is required to be at least equal to the repurchase price. If the custodian becomes bankrupt, the Fund might be delayed, or may incur costs or possible losses of principal and income, in selling the collateral.

Options

The current market value of an exchange traded option is the last sales price. Over-the-counter options are valued in accordance with fair value procedures established by and under the general supervision of the Funds' Trustees.

New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161 ("FAS 161"), *Disclosures about Derivative Instruments and Hedging Activities*, which is effective for fiscal years and interim periods beginning after November 15, 2008. FAS 161 requires enhanced disclosures about derivatives and hedging activities, including how such activities are accounted for and their effect on financial position, performance and cash flows. Management is currently evaluating the impact the adoption of FAS 161 will have on the Funds' financial statements and related disclosures.

Note 3. Investment Counsel Agreement

Southeastern Asset Management, Inc. ("Southeastern") serves as Investment Counsel to the Funds and receives annual compensation, computed daily and paid monthly, in accordance with the following schedule for the Partners Fund and Small-Cap Fund:

First \$400 million of average daily net assets	1.00%
In excess of \$400 million75%

For the Partners and Small-Cap Funds, Southeastern has agreed to reduce its fees on a pro rata basis to the extent that each Fund's normal annual operating expenses (excluding taxes, interest, brokerage fees, and extraordinary expenses) exceed 1.5% of average annual net assets. No such reductions were necessary for the current year.

The International Fund fee is calculated in accordance with the following schedule:

First \$2.5 billion of average daily net assets	1.50%
In excess of \$2.5 billion	1.25%

For this Fund, Southeastern has agreed to reduce its fees on a pro rata basis to the extent that the Fund's normal annual operating expenses (excluding taxes, interest, brokerage fees, and extraordinary expenses) exceed 1.75% of average annual net assets. No reduction was necessary for the current year.

Note 4. Fund Administrator

Southeastern also serves as the Fund Administrator and in this capacity is responsible for managing, performing or supervising the administrative and business operations of the Funds. Functions include the preparation of all registration statements, prospectuses, proxy statements, daily valuation of the portfolios and calculation of daily net asset values per share. The Funds pay a fee as compensation for these services, accrued daily and paid monthly, of 0.10% per annum of average daily net assets.

Note 5. Investment Transactions

Purchases and sales of equity securities, corporate bonds and purchased options for the period (excluding short-term obligations) are summarized below:

	<u>Purchases</u>	<u>Sales</u>
Partners Fund	\$2,830,178,115	\$2,755,135,753
Small-Cap Fund	636,707,975	828,147,876
International Fund	1,340,643,382	1,615,761,304

Written options not included in the above purchase and sales transactions for the Partners Fund include:

	<u>Contracts</u>	<u>Premiums</u>
Options outstanding at December 31, 2007	–	\$ –
Options written	42,720,000	85,133,840
Options closed	<u>(42,720,000)</u>	<u>(85,133,840)</u>
Options outstanding at December 31, 2008	<u>–</u>	<u>\$ –</u>

Note 6. Shares of Beneficial Interest

Each Fund is authorized to issue unlimited shares of beneficial interest with no par value. Transactions in shares of beneficial interest were as follows:

	<u>Year ended December 31, 2008</u>		
	<u>Partners Fund</u>	<u>Small-Cap Fund</u>	<u>International Fund</u>
Shares sold	106,833,307	17,388,825	36,708,815
Reinvestment of shareholder distributions	14,206,061	4,552,502	12,499,241
Shares redeemed	<u>(90,836,440)</u>	<u>(28,987,627)</u>	<u>(62,500,858)</u>
	<u>30,202,928</u>	<u>(7,046,300)</u>	<u>(13,292,802)</u>
	<u>Year ended December 31, 2007</u>		
	<u>Partners Fund</u>	<u>Small-Cap Fund</u>	<u>International Fund</u>
Shares sold	51,446,827	14,136,539	30,245,403
Reinvestment of shareholder distributions	13,616,121	15,682,616	16,961,316
Shares redeemed	<u>(38,228,936)</u>	<u>(13,502,562)</u>	<u>(21,980,160)</u>
	<u>26,834,012</u>	<u>16,316,593</u>	<u>25,226,559</u>

Note 7. Affiliated Issuer

Under Section 2(a)(3) of the Investment Company Act of 1940, a portfolio company is defined as “affiliated” if a Fund owns five percent or more of its voting stock. Each Fund held at least five percent of the outstanding voting stock of the following companies during the year ended December 31, 2008:

	Shares ^(a) at December 31, 2008	Market Value	
		December 31,	
		2008	2007
Partners Fund			
Level 3 Communications, Inc.*	153,597,754	\$ 107,518,428	\$ 466,937,172
Level 3 Communications, Inc., 6% Convertible Subordinated Notes due 3-15-10	40,000,000 ^(b)	28,000,000	—
Level 3 Communications, Inc., 15% Convertible Senior Notes due 1-15-13	100,062,000 ^(b)	96,289,663	—
The NipponKoa Insurance Company, Ltd.	63,701,000	495,581,331	579,903,478
Pioneer Natural Resources Company	8,657,900	140,084,822	422,851,836
Sun Microsystems, Inc.*	53,476,000	204,278,320	480,444,927
Sun Microsystems, Inc., Call January 2010 Strike Price \$10	50,000 ^(c)	1,375,000	—
		<u>1,073,127,564</u>	<u>1,950,137,413</u>
Small-Cap Fund			
Del Monte Foods Company	12,282,000	87,693,480	148,761,177
Dillard's, Inc. — Class A	9,050,748	35,931,470	169,973,047
DineEquity, Inc. (formerly IHOP Corp.)	2,978,100	34,426,836	108,938,898
Fair Isaac Corporation	7,076,400	119,308,104	171,096,192
Hilb Rogal & Hobbs Company	—	—	143,066,048
Ruddick Corporation	3,107,459	85,921,241	167,230,745
Service Corporation International	14,252,178	70,833,325	193,403,870
Texas Industries, Inc.	2,514,100	86,736,450	227,460,480
tw telecom inc.*	14,732,670	124,785,715	—
Worthington Industries, Inc.	6,581,000	72,522,620	144,449,623
		<u>\$ 718,159,241</u>	<u>\$1,474,380,080</u>

Purchases, sales and income for these affiliates for the year ended December 31, 2008 were as follows:

	Purchases		Sales		Dividend or Interest Income ^(d)	
Partners Fund						
Level 3 Communications, Inc.*	\$	—	\$	—	\$	—
Level 3 Communications, Inc., 6% Convertible Senior Notes due 3-15-10		45,000,000		3,500,000		318,379 ^(e)
Level 3 Communications, Inc., 6% Convertible Subordinated Notes due 3-15-10		100,062,000		—		435,656 ^(e)
The NipponKoa Insurance Company, Ltd.		—		—		4,479,428
Pioneer Natural Resources Company		—		—		2,597,370
Sun Microsystems, Inc.*		350,347,972		25,763,856		—
Sun Microsystems, Inc., Call January 2010 strike Price \$10		10,148,500		—		—
		<u>505,558,472</u>		<u>29,263,856</u>		<u>7,830,833</u>

	<u>Purchases</u>	<u>Sales</u>	<u>Dividend or Interest Income^(d)</u>
Small-Cap Fund			
Del Monte Foods Company	–	23,182,533	2,516,045
Dillard's, Inc. — Class A	–	–	1,448,120
DineEquity, Inc. (formerly IHOP Corp.)	–	–	2,978,100
Fair Isaac Corporation	38,977,454	–	516,158
Hilb Rogal & Hobbs Company	–	155,413,943	684,281
Ruddick Corporation	–	52,462,912	2,050,735
Service Corporation International	25,570,762	23,406,352	2,200,453
Texas Industries, Inc.	4,321,360	30,084,891	981,841
tw telecom inc.*	177,960,605	–	–
Worthington Industries, Inc.	2,572,967	23,858,524	5,319,480
	<u>\$249,403,148</u>	<u>\$308,409,155</u>	<u>\$18,695,213</u>

* Non-income producing

(a) Common stock unless otherwise noted.

(b) Principal amount.

(c) Contracts.

(d) Dividend income unless otherwise noted.

(e) Interest income.

Note 8. Illiquid Security

The Partners Fund owns \$100,062,000 principal amount of Level 3 Communications, Inc. 15% Convertible Senior Notes due 1-15-13. These notes were acquired directly from Level 3 in an offering registered on Form S-3 under the Securities Act of 1933, and the notes have likewise been registered for resale on Form S-3. Due to the lack of an active trading market, all or a portion of this position may be illiquid. These Level 3 notes represent 1.7% of the Partners Fund's net assets at December 31, 2008 and are board valued using publicly observable inputs (See Note 2).

Note 9. Collateral

Securities with the following aggregate value were segregated to collateralize forward currency contracts at December 31, 2008:

Partners Fund	\$460,800,000
International Fund	880,295,891

Note 10. Related Ownership

At December 31, 2008, officers, employees of Southeastern and their families, Fund trustees, the Southeastern retirement plan and other affiliates owned more than 5% of the following Funds:

	<u>Shares Owned</u>	<u>Percent of Fund</u>
Small-Cap Fund	11,368,642	9.2%
International Fund	19,894,991	10.8

Note 11. Fair Value for Financial Reporting

Effective January 1, 2008, the Funds became subject to Statement of Financial Accounting Standards No. 157 ("FAS 157"). FAS 157 establishes a single definition of fair value for financial reporting, creates a three-tier framework

for measuring fair value based on inputs used to value the Funds' investments, and requires additional disclosure about the use of fair value measurements. The hierarchy of inputs is summarized below.

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

Observable inputs are those based on market data obtained from sources independent of the Funds', and unobservable inputs reflect the Funds' own assumptions based on the best information available. The input levels are not necessarily an indication of risk or liquidity associated with investing in those securities.

A summary of the inputs used in valuing the Funds' net assets as December 31, 2008 follows:

	<u>Partners Fund</u>	
	<u>Investment in Securities</u>	<u>Other Financial Instruments (Unrealized Depreciation)*</u>
Level 1 – quoted prices	\$4,917,740,285	\$(57,744,700)
Level 2 – significant other observable inputs	840,874,554	–
Level 3 – significant unobservable inputs	–	–
Total	<u>\$5,758,614,839</u>	<u>\$(57,744,700)</u>

	<u>Small-Cap Fund</u>	
	<u>Investment in Securities</u>	<u>Other Financial Instruments (Unrealized Depreciation)*</u>
Level 1 – quoted prices	\$1,726,152,744	\$ –
Level 2 – significant other observable inputs	72,863,674	–
Level 3 – significant unobservable inputs	–	–
Total	<u>\$1,799,016,418</u>	<u>\$ –</u>

	<u>International Fund</u>	
	<u>Investment in Securities</u>	<u>Other Financial Instruments (Unrealized Depreciation)*</u>
Level 1 – quoted prices	\$830,451,692	\$(64,556,348)
Level 2 – significant other observable inputs	1,259,526,168	–
Level 3 – significant unobservable inputs	–	–
Total	<u>\$2,089,977,860</u>	<u>\$(64,556,348)</u>

* Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as forward currency contracts, which are valued at the unrealized appreciation/depreciation of the investment. These financial instruments are presented following the Portfolio of Investments.

Note 12. Federal Income Taxes

Required fund distributions are based on income and capital gain amounts determined in accordance with federal income tax regulations, which differ from net investment income and realized gains recognized for financial reporting purposes. Accordingly, the character of distributions and composition of net assets for tax purposes differ from those reflected in the accompanying financial statements.

Distributions were subject to tax as follows:

	Year ended December 31, 2008		
	<u>Partners</u>	<u>Small-Cap</u>	<u>International</u>
Long-term capital gains	\$236,097,775	\$55,215,889	\$ 62,018,266
Ordinary income	11,430,796	10,472,037	80,495,305
Return of capital	—	5,666,933	3,227,795
	<u>\$247,528,571</u>	<u>\$71,354,859</u>	<u>\$145,741,366</u>
	Year ended December 31, 2007		
	<u>Partners</u>	<u>Small-Cap</u>	<u>International</u>
Long-term capital gains	\$500,932,637	\$428,376,693	\$366,941,462
Ordinary income	24,485,038	55,292,144	3,807,208
	<u>\$525,417,675</u>	<u>\$483,668,837</u>	<u>\$370,748,670</u>

The tax-basis components of net assets at December 31, 2008 were as follows:

	<u>Partners</u>	<u>Small-Cap</u>	<u>International</u>
Unrealized depreciation	\$(2,986,832,257)	\$(849,724,386)	\$(364,987,142)
Unrealized appreciation	—	—	1,330,702
Net unrealized depreciation	(2,986,832,257)	(849,724,386)	(363,656,440)
Tax loss carryforwards expiring 12-31-15	(506,357,379)	(217,007,633)	(32,521,140)
Deferred post-October 31 st losses	—	(82,971,808)	(93,939,343)
Undistributed ordinary income	1,624,594	—	—
Paid-in capital	<u>9,280,347,225</u>	<u>2,953,389,126</u>	<u>2,531,455,110</u>
	<u>\$ 5,788,782,183</u>	<u>\$1,803,685,299</u>	<u>\$2,041,338,187</u>

The following permanent reclassifications were made between capital accounts to reflect the tax character of dividends and foreign currency transactions and the recharacterization of distributions. These reclassifications did not affect results of operations or net assets.

	<u>Partners</u>	<u>Small-Cap</u>	<u>International</u>
Undistributed net investment income	\$(355,526)	\$ 27,406	\$ (96,396)
Accumulated net realized gain on investments and foreign currency	355,526	(27,406)	(2,733,924)
Unrealized gain on investments and foreign currency	—	—	2,830,320

Longleaf Partners Funds FINANCIAL HIGHLIGHTS

The presentation is for a share outstanding throughout each period.

	Net Asset Value Beginning of Period	Net Investment Income (Loss)	Net Gains (Losses) on Securities Realized and Unrealized	Total From Investment Operations	Dividends from Net Investment Income	Distri- butions from Capital Gains
Partners Fund						
Year ended December 31,						
2008	\$33.16	\$.03	\$(16.80)	\$(16.77)	\$ (.03)	\$(0.67)
2007	34.86	.07	(.12)	(.05)	(.07)	(1.58)
2006	30.97	.14	6.53	6.67	(.14)	(2.64)
2005	31.32	.29	.83	1.12	(.29)	(1.18)
2004	29.98	.07	2.05	2.12	(.15)	(.63)
Small-Cap Fund						
Year ended December 31,						
2008	27.04	.08	(11.97)	(11.89)	(.08)	(.44)
2007	30.12	.14	.93	1.07	(.14)	(4.01)
2006	27.02	.50	5.49	5.99	(.56)	(2.33)
2005	29.85	.58	2.43	3.01	(.57)	(5.27)
2004	28.81	.42	3.75	4.17	(.43)	(2.70)
International Fund						
Year ended December 31,						
2008	19.78	.04	(7.93)	(7.89)	(.04)	(.74)
2007	18.91	(.01)	2.95	2.94	-	(2.07)
2006	17.36	.02	2.89	2.91	(.01)	(1.35)
2005	15.55	(.01)	2.01	2.00	-	(.19)
2004	14.11	(.08)	1.52	1.44	-	-

^(a) Total return reflects the rate that an investor would have earned on investment in the Fund during each period, assuming reinvestment of all distributions.

Longleaf Partners Funds FINANCIAL HIGHLIGHTS

<u>Distributions from Return of Capital</u>	<u>Total Distributions</u>	<u>Net Asset Value End of Period</u>	<u>Total Return^(a)</u>	<u>Net Assets End of Period (thousands)</u>	<u>Ratio of Expenses to Average Net Assets</u>	<u>Ratio of Net Investment Income (Loss) to Average Net Assets</u>	<u>Portfolio Turnover Rate</u>
\$ -	\$ (.70)	\$15.69	(50.60)%	\$ 5,788,782	.90%	.14%	29.68%
-	(1.65)	33.16	(.44)	11,231,099	.89	.20	15.17
-	(2.78)	34.86	21.63	10,871,594	.90	.45	18.98
-	(1.47)	30.97	3.62	8,779,205	.91	.95	6.64
-	(.78)	31.32	7.14	8,999,465	.90	.28	13.38
(0.05)	(.57)	14.58	(43.90)	1,803,685	.93	.37	22.61
-	(4.15)	27.04	2.80	3,536,052	.91	.49	28.28
-	(2.89)	30.12	22.33	3,447,285	.92	1.87	34.90
-	(5.84)	27.02	10.75	2,812,543	.93	2.21	17.28
-	(3.13)	29.85	14.78	2,673,843	.93	1.52	31.04
(.02)	(.80)	11.09	(39.60)	2,041,338	1.60	.27	43.94
-	(2.07)	19.78	15.29	3,902,820	1.57	(.04)	30.44
-	(1.36)	18.91	17.07	3,254,538	1.61	.09	24.30
-	(.19)	17.36	12.88	2,880,730	1.64	(.05)	16.93
-	-	15.55	10.21	2,579,635	1.66	(.57)	18.86

Appendix A

SOUTHEASTERN ASSET MANAGEMENT, INC.
LONGLY PARTNERS FUNDS
PROXY VOTING POLICIES AND PROCEDURES

INTRODUCTION

As an investment adviser registered with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 (the “Advisers Act”), Southeastern Asset Management, Inc. (“Southeastern”) must adopt and implement written policies and procedures that are reasonably designed to ensure that Southeastern votes client securities in the best interest of clients. The proxy voting policies and procedures set forth herein (the “Proxy Policy”) are an update to policies and procedures followed by Southeastern for many years and have been revised to comply with the terms of Rule 206(4)-6 under the Advisers Act. The Proxy Policy sets forth the general principles to be applied in voting proxies of companies held in client portfolios, and is intended for distribution to all clients for informational and disclosure purposes.

In addition, Southeastern has been granted discretionary authority to manage the assets of the separate series of Longleaf Partners Funds Trust (“Longleaf”), an open-end management investment company registered with the SEC under the Investment Company Act of 1940 (the “40 Act”). Pursuant to its discretionary authority to manage Longleaf’s assets, and under the supervision of the Longleaf Boards of Trustees, Southeastern votes proxies of companies held in Longleaf’s portfolios. Effective August 1, 2003, the Boards of Trustees of Longleaf’s three series have authorized Southeastern to vote securities in the Longleaf Partners Funds according to this updated Proxy Policy, and instructed Southeastern as Administrator of the Funds to implement for Longleaf the procedures necessary to comply with proxy rules applicable to investment companies under the 40 Act. Accordingly, Southeastern will make disclosure of Longleaf’s proxy voting record on Form N-PX, when and as required by Investment Company Act Rule 30b1-4, and will disclose in Longleaf’s public filings information regarding the proxy policies applicable to Longleaf, as required by Items 13(f), 22(b)7, and 22(c)5 of Form N-1A.

I.

INFORMATION AVAILABLE TO CLIENTS AND
LONGLY PARTNERS SHAREHOLDERS

In order to comply with Adviser’s Act Rule 206(4)-6(c), Southeastern will describe these proxy voting policies and procedures in Part II of its Form ADV, an updated copy of which will be provided to all existing private account clients and all new clients prior to their conducting business with Southeastern. Upon request, Southeastern will provide any private account client with a copy of these proxy voting policies and procedures as well as complete information on how Southeastern voted proxies of companies in the client’s portfolio.

Shareholders of the Longleaf Partners Funds may find a description of this Proxy Policy in the Funds’ Statement of Additional Information (SAI). The SAI may be obtained free of charge from the Funds’ website, www.longleafpartners.com, by calling (800) 445-9469 or on the Securities and Exchange Commission website, www.sec.gov. Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on the Funds’ website, www.longleafpartners.com, by calling (800) 445-9469, or on the Funds’ Form N-PX available on the Securities and Exchange Commission website, www.sec.gov.

II.

STATEMENT OF GENERAL POLICIES AFFECTING PROXY VOTING

Proposal Must Benefit Shareholders. One of the principles used by Southeastern in selecting stocks for investment is the presence of shareholder-oriented management. This is defined as management which takes actions and supports policies designed to increase the value of the company's shares and thereby enhance shareholder wealth. As a result, all proposals submitted for shareholder approval are analyzed in light of their long-term benefit to current shareholders.

Management Must Be Responsive. Southeastern's portfolio management group is active in meeting with top management of portfolio companies and in discussing its views on policies or actions which could enhance shareholder value. To facilitate such discussions, Southeastern may convert a Schedule 13G filing (which is used by passive institutional investors) to a Schedule 13D filing in order to be more active in encouraging management of a company to take particular steps which could further enhance shareholder value. Whether management of a company will consider reasonable shareholder suggestions is a factor to be taken into consideration in proxy voting.

General Policies With Respect to Routine Proposals. Under the statutes of its state of incorporation, a company usually must hold meetings of shareholders annually for the purpose of electing or re-electing directors. In addition, the Securities and Exchange Commission requires that publicly held corporations ratify the selection of the independent auditing firm each year if an annual meeting of shareholders is being held. In many situations, these two matters are the only matters submitted to shareholders for a vote at the company's Annual Meeting of Shareholders and are therefore viewed by the investment community as being routine in nature. Southeastern's general policy is to support the Board's recommendations to vote in favor of these annually recurring matters, particularly where the Board has a record of supporting shareholder rights and is otherwise shareholder oriented.

Exceptions to General Policy. In some circumstances, Southeastern may oppose the routine re-election of a Board of Directors. As a technical matter, a shareholder opposed to re-election must express such opposition by voting the proxy for purposes of establishing the presence of a quorum, but "withholding" the vote for a particular director or the entire slate of directors. Using this procedure, Southeastern may withhold the vote for re-election of the Board in circumstances such as the following:

- A Board of Directors may have adopted policies or taken actions during the prior year which are within its discretionary authority and, as such, are not matters which must be submitted to shareholders for approval. If such policies or actions have the effect of limiting or diminishing shareholder value, Southeastern may voice its opposition to the Board's positions by withholding the votes for re-election of the Board or any director.
- There may be situations where top management of a company, after having discussions with Southeastern's portfolio management group and perhaps with other institutional shareholders, may have failed or refused to adopt policies or take actions which would enhance shareholder value. Depending on the circumstances, Southeastern may also exercise its proxy voting authority by withholding an affirmative vote for re-election of the Board.

General Policies With Respect to Special Management Proposals. In addition to election or re-election of directors and ratification of the selection of auditors, there may be additional, specific management proposals submitted to shareholders for approval. Southeastern's general policy is to vote in favor of specific or non-recurring proposals submitted where such proposals are reasonable and appear to be in the best interest of shareholders.

Exceptions to General Policy. There may be situations where a Board of Directors has submitted to shareholders for approval various amendments to the corporate charter or other specific proposals which have the effect of restricting shareholder rights or otherwise diminishing shareholder value. Southeastern may decide to oppose these specific proposals and, as an integral part of such opposition, may also oppose the re-election of the Board of Directors. In the alternative, Southeastern may vote against the special proposals but may vote in favor of re-election of the Board where the Board is otherwise shareholder-oriented and the special proposals do not materially harm shareholder rights.

General Policies With Respect to Shareholder Proposals. There may be situations when a company's proxy statement contains minority shareholder proposals, which might include eliminating staggered terms for members of boards of directors, eliminating other anti-takeover defenses, adopting cumulative voting rights, or establishing operating rules or policies which are of primary interest to special interest groups. Southeastern votes these proposals on a case-by case basis with the primary objective of supporting corporate operating policies which provide the maximum financial benefit to shareholders. In Southeastern's opinion, if a company's management has demonstrated that it is shareholder-oriented by adopting operating policies and procedures which are beneficial to shareholders, Southeastern may oppose minority shareholder proposals, particularly when the adoption of such proposals could inhibit normal operations or might be disruptive.

III.

DISCUSSION OF SPECIFIC CORPORATE POLICIES AND PROPOSALS

The determination as to whether a particular policy or shareholder proposal is likely to enhance or diminish shareholder wealth may be relatively clear or, in the alternative, could be subjective. Below is a list of specific issues which may be presented for a vote and how Southeastern is likely to treat such matters. Because proxy issues and the circumstances of individual companies are so varied, there may be instances when Southeastern does not vote in strict adherence to the guidelines set forth below. In addition, the discussion is not exhaustive and does not include all potential voting issues. To the extent issues are not covered by this Proxy Policy, or in situations where Southeastern does not vote as described below, Southeastern will be governed by what it considers to be in the best interests of its clients.

- "One share, one vote."

Explanation. Southeastern believes that good corporate governance usually requires that all shareholders have an equal voice in electing a Board of Directors and in voting on other proposals submitted to shareholders. Southeastern generally would oppose proposals to create separate classes of shares with disproportionate voting rights which may be designed primarily to empower shareholders affiliated with existing management at the expense of non-management affiliated shareholders. Recognizing that certain corporate finance proposals may require that new shareholders receive stronger voting rights or more beneficial conversion rights in consideration for the price per share of a new offering, Southeastern would give consideration to supporting reasonable disproportionate voting or conversion rights in situations where the proposal would raise necessary capital without undue dilution of the voting or ownership rights of existing shareholders.

- Reasonable Stock Option Plans and Reasonable Cash Incentives.

Explanation. Southeastern believes that management of a portfolio company will tend to make decisions and support policies which enhance shareholder wealth if management is a significant owner of the company. In addition, management will tend to be shareholder oriented if a primary method of ongoing management compensation is through the granting of options for the purchase of additional shares rather than through the

award of substantial cash bonuses. Recognizing that compensation derived solely from stock options could be dilutive over time, Southeastern believes that there should be an appropriate balance between stock option grants and cash compensation, and that both should be related to the achievement of overall corporate profitability. Southeastern will therefore favor the adoption or continuation of reasonable, non super-dilutive stock option plans and will support the election of directors who couple granting of stock options and annual cash compensation with improved corporate profitability.

- Super-dilutive Stock Option Plans.

Explanation. Stock option plans with excessively large authorizations to issue additional shares at the discretion of the Board of Directors can be harmful to existing shareholders in two respects. First, such plans may be used to increase the ownership position of current management on terms and conditions not available to non-management affiliated minority shareholders; second, such plans may be used to ward off a hostile takeover by issuing additional shares to current management on a basis which is more favorable than is available to other shareholders. The appropriate number of unissued shares allocated to a stock option plan as a percentage of outstanding shares may vary and can be discretionary, depending on the circumstances. Southeastern generally will oppose the adoption of stock option plans providing for unusually large share authorizations which appear to exceed the needs for reasonable executive compensation.

- Reasonable Employment Contracts and “Golden Parachutes.”

Explanation. To retain effective top management teams, a company needs to provide protection against the fear of preemptory dismissal should a hostile takeover attempt be successful. Although Southeastern generally opposes structural anti-takeover measures, it will support a Board of Directors which enters into employment contracts for limited, rolling time periods (such as 3 years), and provides reasonable “parachutes” or termination compensation for an effective top management group.

- Share Repurchase Programs.

Explanation. During periods when a portfolio company’s shares are materially underpriced, the best allocation of capital may be the repurchase of shares rather than expansion of the company’s businesses or an increase in corporate dividends. Shrinkage of the company’s common capitalization can have the effect of substantially increasing shareholder wealth for those shareholders able to continue their investment. Southeastern will accordingly support Boards of Directors entering into share repurchase programs during periods when common shares are materially underpriced.

- Cumulative Voting and Pre-emptive Rights.

Explanation. Cumulative voting enables minority shareholders, including an investment adviser casting votes for its clients, to aggregate the number of votes available for all directors and assign these votes to a single director. Thus, some minority shareholders might own sufficient shares to be able to elect a designated representative to the Board, and thereby achieve a larger voice in the corporate management process. The presence of pre-emptive rights preserves a right of first refusal for existing shareholders to acquire newly issued shares on the same terms as the shares might be offered to a majority or control group, thereby enabling minority shareholders to maintain the same pro-rata percentage of voting control.

The charters of most corporations formed in recent years do not contain provisions for cumulative voting or pre-emptive rights. Because these provisions protect the rights of minority shareholders, Southeastern would usually oppose a proposal for elimination of such rights in situations where they presently exist.

- “Blank Check” Preference Stock.

Explanation. “Blank Check” preference stock allows a Board of Directors, without subsequent shareholder approval, to issue unlimited series of preference stock under terms and conditions determined wholly by the Board. Such terms and conditions may include preferential voting rights, dividends, and conversion rights which could be substantially dilutive for common shareholders. Such preference shares could also be issued by the Board to support questionable corporate financing proposals or as an anti-takeover measure. Because of the potential for dilution of common shareholders, Southeastern will generally oppose the adoption of “blank check” preference stock provisions.

- “Greenmail” Share Repurchases.

Explanation. Unlike normal share repurchase programs which are implemented when a company’s shares are materially underpriced, “greenmail” repurchases of outstanding shares are usually made at inflated share prices for the purpose of eliminating a potential acquirer. As a result, such “greenmail” payments usually have both the immediate and long-term effect of limiting rather than enhancing shareholder value and may interfere with natural market forces. Southeastern will generally oppose the re-election of Boards of Directors which engage in “greenmail” repurchases in circumstances which would not enhance long-term shareholder value.

- Structural Anti-takeover Defenses.

Explanation. In most situations, the adoption of anti-takeover defenses which become part of the corporation’s organizational structure have the effect of limiting natural market forces on the trading price of a company’s stock. Such structural or permanent provisions include the following: staggered terms for the Board of Directors, under which Board terms run for more than one year and less than all directors are elected each year; supermajority shareholder approval for merger or acquisition proposals not approved by the Board of Directors; and adoption of “poison pills” designed to damage the capital structure of either the acquiring or the acquired corporation in a non Board approved merger or takeover.

Southeastern generally will oppose the adoption of these types of structural anti-takeover defenses, and would generally favor their removal in corporate charters where they presently exist. There may be exceptions to this policy, however, if management has demonstrated that it pursues policies to create shareholder value and is otherwise shareholder-oriented.

- Right to Call Meetings

Explanation. Southeastern generally opposes proposals seeking to limit the ability of shareholders to call special meetings and vote on issues outside of the company’s annual meeting. Limiting the forum in which shareholders are able to vote on proposals could adversely affect shareholder value

- Mergers, Acquisitions, Reorganizations, and other Transactions

Explanation. Shareholders may be faced with a number of different types of transactions, including acquisitions, mergers, reorganizations involving business combinations, liquidations and sale of all or substantially all of a company’s assets, that may require shareholder consent. Voting on such proposals involves considerations unique to each transaction, so Southeastern votes such matters on a case-by-case basis.

- Environmental, Social, and Ethical Issues

Explanation. Southeastern recognizes the overall benefit that is provided to society in general when its portfolio companies act in a responsible manner as a good corporate steward in areas of environmental, social and ethical matters. Therefore, as a general policy, Southeastern will be supportive of and vote in favor of proposals that, in

Southeastern's opinion, would further such causes. However, such areas can be highly subjective and can, at times, be in conflict with what we consider to be in the long-term best interests of the shareholders. Therefore, Southeastern will give due regard to such proposals and will consider these matters on a case-by-case basis.

IV.

SOUTHEASTERN'S PROXY VOTING PROCEDURES

Monitoring for Proxies and Corporate Actions. Southeastern has implemented procedures designed to ensure that it receives the proxies and corporate actions for which it is responsible, and that these proxies and corporate actions are reconciled with the reported holdings of its clients as of the record date for voting, and then voted prior to applicable deadlines.

Regarding proxies, Southeastern has hired a third-party service provider to assist in monitoring for record and meeting dates of the holdings in Southeastern's client portfolios. On a regular basis, Southeastern sends an updated "holdings" file to this administrator, which has undertaken to notify Southeastern of all record and meeting dates for these holdings. In addition, Southeastern maintains its own list of record and meeting dates for client holdings, as a back-up and "check" on this service provider. Upon notification of record and meeting dates, Southeastern's Proxy Coordinator identifies all clients who hold the security as of the record date, and the number of shares held. It is the Proxy Coordinator's job to ensure that voting decisions are made with respect to each client account and that such decisions are transmitted prior to applicable deadlines. Southeastern uses a proxy voting service to assist with implementation of Southeastern's voting decisions for each of its client accounts.

It should be noted that if Southeastern or its clients enter into a securities lending arrangement with respect to securities in a client's portfolio, Southeastern may not be able to vote proxies on those particular shares. In addition, with respect to foreign holdings, record and meeting dates may be announced with very little time to respond. In such circumstances, Southeastern makes its best effort to respond in a timely manner. In some foreign markets, shareholders who vote proxies are not able to sell in the company's stock within a given period of time surrounding the meeting date. Southeastern coordinates voting such proxies with its trading activity, and in some cases may not vote such proxies where doing so would impair its trading flexibility. Southeastern may also refrain from voting where shares of a particular holding have been sold out of all client accounts prior to the meeting date. In summary, Southeastern may refrain from voting in situations where the cost of voting exceeds the expected benefit.

Regarding corporate transactions, information is available from a number of sources. Information usually comes first to the Southeastern portfolio management group and specifically to the particular co-manager or analyst primarily responsible for the portfolio holding. This information generally comes through press releases reported on electronic media services or in financial media such as *The Wall Street Journal*. In addition, Southeastern personnel routinely monitor news and events relating to portfolio holdings of clients, and accordingly learn of corporate actions which may require a response. Similarly, custodian banks receiving notification of corporate actions from issuers in turn notify Southeastern. Not all corporate actions require a response (such as dividend payments or stock splits), and Southeastern will not normally respond where the default action is the desired outcome. Other corporate actions which do require a response are handled directly by the Proxy Coordinator.

Decisions on Proxy Voting. Proxy Statements issued by portfolio companies are reviewed by the investment analyst assigned responsibility for the particular portfolio company. Proxies are voted in accordance with the general policies as described in Part II above. Any internal recommendation to consider voting in a manner contrary to the recommendations of the company's Board of Directors is presented to Southeastern's CEO or

President for final decision before implementation. In addition, a conflict of interest review is performed with respect to each vote (see “Conflicts of Interest” below).

Attendance at Shareholders’ Meetings. A representative of Southeastern may attend shareholders meetings where there are special or unusual issues to be presented to shareholders. If Southeastern has determined to oppose management’s position, the representative may vote the shares of its clients in person rather than using the normal proxy voting procedures to return proxies to management.

Conflicts of Interest. Occasions may arise where Southeastern or one of its personnel could have a conflict of interest with respect to a particular proxy vote. For example, there may be occasions where Southeastern has invested client assets in a company for which Southeastern also provides investment management services, or one of Southeastern’s clients may have a material interest in the outcome of a vote. It is also possible that Southeastern’s personnel may have a personal conflict of interest with respect to a vote, such as familial relationship with company management.

Southeastern considers potential conflicts of interest with respect to each voting decision. Any individual participating in a voting decision who has a personal conflict of interest shall disclose that conflict to the Proxy Coordinator and the Proxy Conflict Committee for review, and shall otherwise remove himself or herself from the proxy voting process. In addition, personnel involved in voting decisions must consider any Southeastern conflict of interest and report such conflicts to the Proxy Coordinator and the Proxy Conflict Committee, which also separately considers conflicts of interest which may be applicable to a vote. Before the Proxy Coordinator can submit voting decisions for execution, a representative of the portfolio management team and two representatives of the Proxy Conflict Committee must initial Southeastern’s internal proxy form indicating that they are not aware of a conflict of interest.

In cases where a conflict of interest has been identified, Southeastern’s Proxy Conflict Committee will prepare a report prior to execution of a voting decision which contains the following:

- the nature of the conflict;
- an evaluation of the materiality of the conflict; and
- if the conflict is material, the procedures used to address the conflict.

Three out of four members of the Proxy Conflict Committee must approve the report. Such reports will be kept pursuant to the policies set forth under “Record Retention” below.

If a conflict is material, Southeastern will attempt to disclose the conflict to affected clients, including private account clients and/or the Longleaf Partners Funds’ Boards of Trustees, and either obtain consent to vote on a given voting occasion or vote in accordance with instructions from the client and/or Longleaf Board of Trustees. Where consent has been given for Southeastern to vote, it will treat a proxy vote as it would any other and vote according to the principles stated herein, with the governing principle being what is in the best interest of the company’s shareholders. If Southeastern is not able to reach affected clients in time to obtain consent, or obtaining consent is not otherwise feasible, Southeastern may vote in accord with guidance provided by a proxy service provider independent of Southeastern.

In evaluating the materiality of a conflict, Southeastern will consider a number of factors, including:

- whether Southeastern has been solicited by the person or entity creating the conflict;
- whether the size of Southeastern’s business relationship with the source of the conflict is material in light of Southeastern’s total business;

- whether Southeastern's voting power or voting decision is material from the perspective of the source of the conflict;
- other factors which indicate Southeastern's voting decision has not been impaired or tainted by the conflict.

If Southeastern concludes that the conflict is not material, the conflict of interest report will state the basis for this determination, and Southeastern will vote in the manner it deems in its clients' best interest.

Record Retention. As required by Adviser's Act Rule 204-2(c)(2), Southeastern maintains with respect to its clients:

- copies of its proxy policies and procedures;
- copies of proxy statements received regarding client securities (Southeastern will either keep a copy, rely on a copy obtained from the SEC's EDGAR system, or will hire a third-party service provider to retain copies and provide them promptly upon request);
- a record of each vote cast on behalf of a client (Southeastern will either retain this record itself or hire a third-party service provider to make and retain such records and provide them promptly upon request);
- copies of documents created by Southeastern that are material to a voting decision or that memorialize the basis for the decision (including conflict of interest reports);
- copies of each written client request for information on how Southeastern voted on behalf of a client, and a copy of Southeastern's written response to any written or oral client request for information on how Southeastern voted its proxy.

Adopted August 1, 2003

Amended December 18, 2006

Amended December 4, 2007

Amended June 9, 2008

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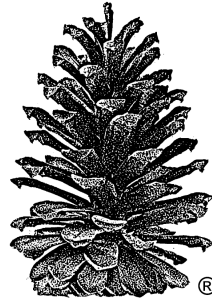
Custodian

State Street Bank & Trust Company, Boston, MA

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Baltimore, MD and Boston, MA

No person has been authorized to give any further information or make any representations other than those contained in the Prospectus or this Statement of Additional Information. If given or made, such other information or representations must not be relied upon as having been authorized by the Fund, its Investment Counsel, or its Administrator. This Prospectus does not constitute an offering in any state where such an offering may not be lawfully made.



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**STATEMENT OF
ADDITIONAL INFORMATION
May 1, 2009**

LONGLEAF PARTNERS FUND

**LONGLEAF PARTNERS
SMALL-CAP FUND**

**LONGLEAF PARTNERS
INTERNATIONAL FUND**



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