Value Matters

For period ended September 30, 2014

Weitz | INVESTMENT MANAGEMENT®

Dear Fellow Shareholder:

The U.S. economy continues to gradually expand, building on the 5+ year recovery from the Great Recession. Employment levels are improving, though progress has been slower than expected. Inflation, for now, remains subdued. As signaled and on cue, the Fed has been weaning the economy (and investors) off of the extraordinary 'quantitative easing' stimulus. Investors have generally shrugged off world events that might otherwise cause high anxiety (ISIS and the Middle East, Russia and Ukraine, etc.). As attention now turns to when the Fed will raise short-term interest rates, it seems plausible that volatility may intensify as the stimulus security blanket is removed.

In the meantime, companies are taking advantage of the artificially low interest rate environment and sanguine investor sentiment. Merger activity remains robust, fueled by cheap and readily available credit. The IPO market has been very active, headlined by the successful Alibaba offering in September. Corporate treasurers continue to issue loads of debt on attractive terms, locking in generationally low interest rates for long terms. While these conditions will not last forever, they have helped opportunistic managers accelerate equity value growth at many companies.

Investment Commentary and Outlook

After three years of seemingly non-stop gains, the stock market took a pause in the third quarter. While most large cap indices eked out modest positive returns, the broader investing waters were far less placid. Small cap stocks sold off as the Russell 2000 declined more than 7% during the quarter. Energy stocks, both large and small, fell materially as investors worried about too much oil and gas supply coming online in North America (what a difference a decade makes). High yield bonds wobbled briefly in July, then again in September. Increasingly, investors are not treating all securities the same, and as stock pickers we welcome this development.

Our equity funds' results thus far in 2014 reflect this diverging landscape. The Value Fund, focused on large companies, has posted the strongest returns. The Hickory Fund, focused on smaller companies, has declined modestly in a challenging market. Our multi-cap funds are up for the year but trail their benchmarks. Visit our website for performance results over a variety of holding periods. We are not pleased with the recent numbers, but it is natural for us to be "out of step" with the market at times.

While our portfolios remain cautiously positioned, price-to-value ratios have declined noticeably from their highs. The details vary by fund, but we were net buyers everywhere in the third quarter as volatility resurfaced. We added to existing holdings such as Liberty Global, Range Resources and ACI Worldwide at attractive prices. We built out much larger positions in recent additions Wesco Aircraft Holdings and Angie's List. We also bought modest new stakes in Discovery Communications, Precision Castparts and Post Holdings. Our team has several other ideas in the works that are strong buy candidates at lower prices.

Our companies are generally doing well and finding ways to grow value. Several are involved in mergers and spinoffs that could boost returns over the next few quarters. AT&T plans to acquire our DIRECTV holdings at a 10% premium to the current DTV price. Valeant would benefit significantly if it is successful in acquiring Allergan. Our indirect holdings in Charter Cable (through Liberty Media) will benefit if Comcast is allowed to acquire Time Warner Cable because Charter is scheduled to buy about three million subscribers that Comcast will be required to divest. Liberty Media will soon spin off Liberty Broadband, creating a vehicle for possible acquisitions of cable assets. All of these financial transactions are likely to increase the value of our holdings.

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If business values continue to grow and stock prices fall temporarily for emotional reasons, we have the raw material (on-deck companies), resources (cash reserves) and temperament to invest even more aggressively. This may affect near-term returns, but it would be very good for the long-term compounding of your capital. We are trying to buy assets at a discount from their intrinsic value and volatility helps us do that.

Thanks once again for the confidence you have shown by investing with us.

Sincerely,

Wally Weitz Brad Hinton

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As of September 30, 2014: Liberty Global represented 5.7%, 4.7%, 5.5%, 7.0%, 3.3% and 2.2% of the Value, Partners Value, Partners III Opportunity, Research, Hickory and Balanced Funds' net assets, respectively. Range Resources represented 2.7%, 1.8%, 1.8%, and 1.6%, of the Value, Partners Value, Partners III Opportunity and Balanced Funds' net assets, respectively. ACI Worldwide represented 1.4% and 2.6% of the Research and Hickory Funds' net assets, respectively. Wesco Aircraft Holdings represented 2.8% and 1.9%, of the Partners III Opportunity and Hickory Funds' net assets, respectively. Angie's List represented 1.2%, 6.1% and 2.1% of the Partners III Opportunity, Research and Hickory Funds' net assets, respectively. Discovery Communications represented 1.9% and 1.9% of the Value and Balanced Funds' net assets, respectively. Precision Castparts represented 2.1%, 0 .4% and 1.4% of the Value, Partners III Opportunity and Balanced Funds' net assets, respectively. Post Holdings represented 0.3%, 1.9% and 1.0% of the Partners III Opportunity, Research and Hickory Funds' net assets, respectively. DIRECTV represented 3.2%, 3.9%, 5.1% and 3.1% of the Value, Partners Value, Partners III Opportunity and Research Funds' net assets, respectively. Valeant represented 6.0%, 4.7%, 8.3%, 4.1% and 1.9% of the Value, Partners Value, Partners III Opportunity, Research and Balanced Funds' net assets, respectively. Liberty Media – Series A represented 1.3%, 1.9%, 2.3%, 1.7% and 1.1% of the Value, Partners Value, Partners III Opportunity, Research and Hickory Funds' net assets, respectively. Liberty Media – Series C represented 2.7%, 3.7%, 5.1%, 3.4% and 2.3% of the Value, Partners Value, Partners III Opportunity, Research and Hickory Funds' net assets, respectively.