October 10, 2016

Dear Fellow Investor:

The third quarter of 2016 was a good one for our stock funds. In a relatively lackluster year for the stock market, each showed gains for the quarter and all are up year to date. All but one of our bond funds also showed gains in the quarter and all have earned strong returns during the first nine months of the year. The table on our website shows returns for all of our funds over various time frames. As usual, we suggest that the longer measuring periods are more meaningful.

Market Commentary

The economic news remains "okay" in the U.S., "subdued" in Europe, and decidedly "mixed" in China and emerging markets. Our companies continue to register moderate to strong earnings growth, though a strong dollar, pockets of weakness in global markets, and political uncertainty at home and abroad cloud the outlook.

Domestic fiscal stimulus continues to be held hostage by congressional gridlock, but the Fed remains extraordinarily accommodative. Investors and the financial press are fixated on when the Fed will raise short-term interest rates, but the more important questions relate to the longer-term outlook for economic growth and inflation.

In our opinion, the "trillion dollar question" is whether a huge increase in the domestic money supply (printing nearly $4 trillion new dollars and injecting them into the bond market) will result in stimulation of the economy and/or cause inflation. Economic theory that we studied in school and experience over the past fifty years suggests that both the inflation rate and interest rates will eventually find their way to higher levels.

The Arithmetic of Changes in Yields

We do not necessarily expect a repeat of the 1970s, when inflation seemed unstoppable and Fed President Paul Volker engineered 20% short-term interest rates. However, it seems likely that investors have lost sight of the risks of even small increases in bond and dividend yields. If the yield on a 10-year bond goes from 2% to 4%, its price drops by 16.4%. If the yield on a 30-year bond goes from 4% to 6%, its price drops by 27.7%. Turning to stocks, if the amount of a company's dividend stays the same, the stock price must *fall* by 25% for the yield to *rise* from 3% to 4%.

Yield changes do not happen instantaneously, and there are many factors affecting securities prices. But, the sharp market drops that have occurred in response to hints or rumors of Fed moves to raise short-term rates by a mere 0.25% should remind us that when rates finally do start rising, we should expect considerable volatility.

We believe we can earn positive returns on stocks if we buy them at reasonable prices and their business values grow. Even bond portfolios can survive rising rates if we keep our duration low and own bonds of issuers with stable or improving credit ratings. We think our stocks and bonds fit these criteria, and we feel comfortable with their long-term prospects. However, when valuations are high (e.g., high price to earnings ratios for stocks or abnormally low yields for bonds), the odds of success shift against us. If we buy the stock of companies that are not growing and that earn poor returns on capital just because they yield more than the 10-year Treasury note, our results are likely to be subpar.

Our Game Plan

In a generally expensive market, stocks paying high dividends and those with reliable earnings growth have been especially popular. As investors have paid up for yield and growth, these stocks have attracted momentum traders who like to buy whatever is "working." We have resisted the temptation to buy these stocks even though our prudence has cost us some relative performance.

We do not know when "reality" will return to the bond market and interest rates or when stock investors may have second thoughts about valuation levels. So, we do not take extreme positions or try to "time" the market. Even if we were inclined to try, we would have to make both good sales and good re-entry purchases. Transaction costs and taxes further penalize those who seek to sidestep volatility. However, we hold significant cash reserves (in the neighborhood of 20% in most of our stock funds) to be prepared to take advantage of market dips. The stocks we do hold are those of companies we think are well positioned to continue to grow and to take advantage of any market dislocations that may arise. We have discussed many of our holdings in past letters, and we continue to have confidence in their managements and their business models.

Superior long-term investment records tend to be built from extended periods of unremarkable returns, punctuated by sharp corrections and occasional streaks of strong gains. The trick is to boldly take advantage of the rare, great buying opportunities and to not "give back" the profits by taking unnecessary risks when the odds are unfavorable. We believe we are still in an extended period of high valuations when caution is the order of the day. We appreciate the patience of our investors as we make our way through this very unusual period of government-manipulated securities markets.

Sincerely,

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Past performance does not guarantee future results. *The investment return and the principal value of an investment in any of the Funds will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Average annual total returns for the Funds' one, five and ten year periods ended September 30, 2016 were: Value–Investor Class, 2.56%, 12.07%, 4.23%; Partners Value–Investor Class, 3.89%, 12.04%, 5.35%; Partners III Opportunity–Institutional Class, 4.52%, 11.22%, 6.75%; Research, 8.81%, 11.40%,6.79%; Hickory, 11.14%, 11.93%, 5.41%; Balanced, 6.90%, 8.23%, 4.47%; Short-Intermediate–Institutional Class, 3.19%, 2.23%, 3.76%; Nebraska Tax-Free, 1.06%, 1.56%, 2.71%; Government Money Market, 0.11%, 0.03%, 0.86%; respectively. Average annual total returns for Core Plus–Institutional Class one year and since inception periods ended September 30, 2016 were 7.04% and 4.60%; respectively.*

These performance numbers reflect the deduction of annual operating expenses which as stated in the most recent prospectus, and expressed as a percentage of each Fund's or Class's net assets, are: Value–Investor Class, 1.23%; Partners Value–Investor Class, 1.26%; Partners III Opportunity–Institutional Class, 1.95%; Research, 1.64% (gross); Hickory, 1.24%; Balanced, 1.11%; Short-Intermediate–Institutional Class, 0.63%; Nebraska Tax-Free, 0.78%; Government Money Market, 0.72% (gross); Core Plus–Institutional Class, 1.38% (gross). The returns assume reinvestment of dividends and redemption at the end of each period. Total returns shown include fee waivers and expense reimbursements, if any; total returns would have been lower had there been no waivers and/or reimbursements. The investment adviser has agreed, in writing to limit the total annual fund operating expenses of the Value-Investor Class, Partners Value-Investor Class, Research and Core Plus–Institutional Class (excluding taxes, interest, brokerage costs, acquired fund fees and expenses and extraordinary expenses) to 1.30%, 1.30%, 0.90%, and 0.65%; respectively, of the Fund's or Class's average daily net assets through July 31, 2017. The investment adviser has agreed in writing to limit total expenses (excluding taxes, interest, brokerage costs, acquired fund fees and expenses and extraordinary expenses) of the Government Money Market Fund to 0.20% through July 31, 2017, and voluntarily limited expenses to 0.13% for the six month period ended September 30, 2016. The voluntary limit may be changed at any time. Starting January 1, 2011, the performance numbers reflect the deduction of the Research Fund's actual operating expenses. For periods of time prior to January 1, 2011, the performance numbers reflect the deduction of annual pro forma operating expenses of 1.50%. Current performance may be higher or lower than the performance data quoted. Performance data current to the most recent month end may be obtained at http://www.weitzinvestments.com/funds_and_performance/fund_performance.fs.

On the last business day of 2006, the Nebraska Tax-Free Income Fund succeeded to substantially all of the assets of Weitz Income Partners Limited Partnership (the "Partnership"). On the last business day of 2010, the Research Fund succeeded to substantially all of the assets of Weitz Research Fund L.P. (the "Partnership"). The investment objectives, policies and restrictions of the Nebraska Tax-Free Income and Research Funds are materially equivalent to those of their respective Partnership and the respective Partnership was managed at all times with full investment authority by the investment adviser. The performance information includes performance for the respective Partnership. The respective Partnership was not registered under the Investment Company Act of 1940 and, therefore, was not subject to certain investment or other restrictions or requirements imposed by the 1940 Act or the Internal Revenue Code. If the respective Partnership had been registered under the 1940 Act, the respective Partnership's performance might have been adversely affected.

Investors should consider carefully the investment objectives, risks and charges and expenses of the Funds before investing. The Fund's Prospectus contains this and other information about the Funds and should be read carefully before investing. The Prospectus is available from Weitz Investment Management, weitzinvestments.com, 800-304-9745 or 402-391-1980.

Weitz Securities, Inc. is the distributor of the Weitz Funds.