January 3, 2017

Dear Fellow Investor:

Last year saw plenty of action in the stock, bond and currency markets, but our guess is that 2016 will be remembered for its presidential election. It is hard to be politically neutral in discussing the election. As individuals and citizens, we have strong opinions about the new administration. We will spare you those thoughts, though, and focus on what we see as implications for investors.

Impact of the Election

Hopes for a new, pro-business attitude in Washington triggered a strong rally that carried the S&P 500 to record highs after the election. The promise of lower personal and corporate income taxes, relaxation of business and environmental regulation, and large increases in infrastructure spending stimulated investor imaginations. Despite obvious political obstacles, some of these measures will probably be enacted by Congress, and new agency heads will be able to affect policy changes that may have positive impacts on business. We are assessing the potential impacts on our portfolio companies and members of our "on deck" list. Some valuations could be raised by 5-10% or more.

While the long-term earning power of companies may rise, the prices investors are willing to ***pay*** for those earnings are strongly influenced by interest rates. When the interest income available from bonds goes up, bonds provide stiffer competition to stocks. All things being equal, when interest rates rise, the ***valuation*** of stocks (think price-to-earnings ratios) goes down.

In our opinion, the 35-year decline in interest rates, dating back to the days of 20% short-term rates under Fed Chair Paul Volker, had already ended earlier this year. It seemed likely that rates would have begun to rise regardless of the outcome of the election. However, the prospect of faster-than-expected economic growth and a rekindling of inflation have led bond investors to sell bonds aggressively, pushing interest rates sharply higher. We are not predicting anything more dramatic than a gradual rise to more "normal" levels, but that may be enough to cause P/E ratios to shrink. At best, this would moderate the positive impact of higher earnings expectations.

The world faced a number of economic and political uncertainties before the election. We have cataloged them in past letters and expressed some surprise that investors have seemingly been willing to ignore events that might ordinarily trigger fearful selling. We now have a new president-elect who seems eager to dispense with "business as usual" on both the domestic and international fronts. Even before his inauguration, Mr. Trump seems to be polishing his credentials as "provocateur-in-chief." It is not difficult to imagine him providing some headline risk for the markets.

On the other hand, over the past several decades, Americans have tended to overestimate the potential impact of new presidents. Once in office, their tone (and volume) can change, and promised initiatives are often diluted (or reversed) as they come to understand how Washington works. Congress and the courts rein in some of the more radical ideas for change. Finally, the entrenched bureaucracies of agencies large and small have a way of thwarting both the good and bad ambitions of those (temporarily) in elected office.

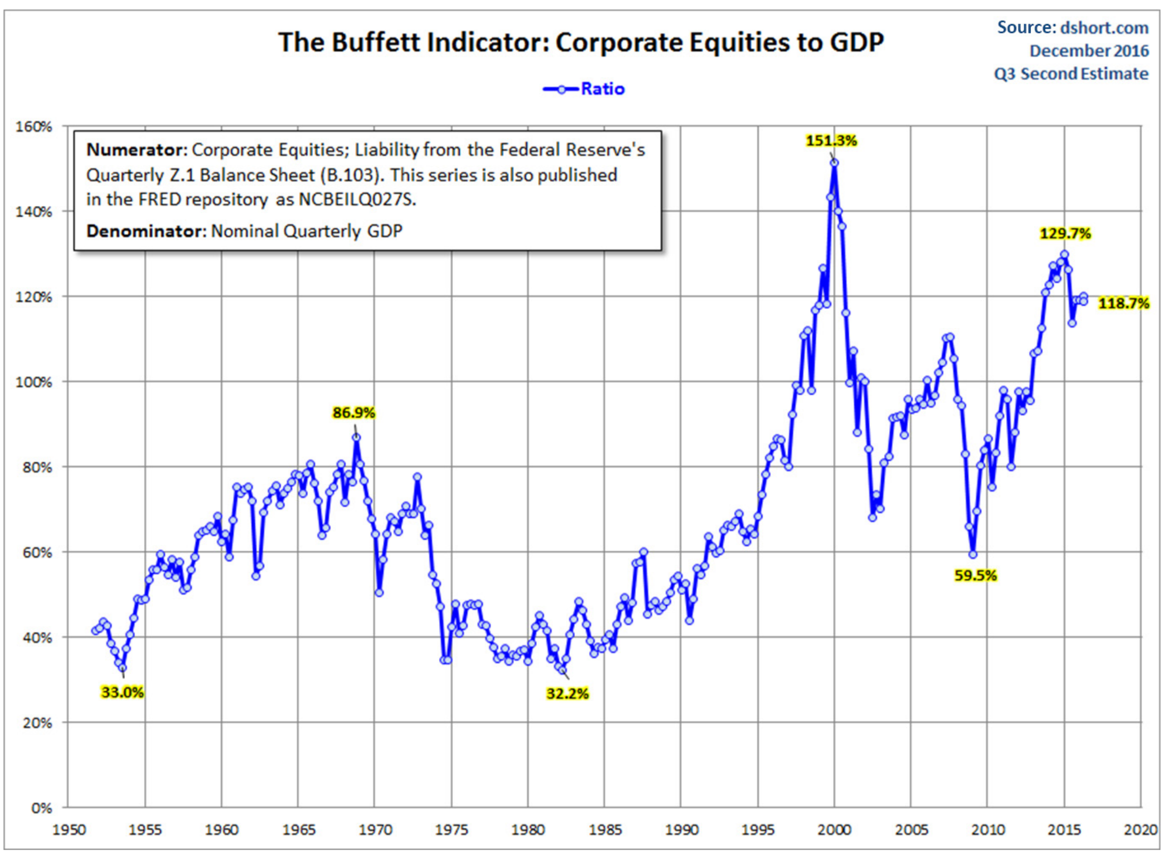
We believe that America is already a pretty "great" place to live, work and invest. We are hopeful that changes stemming from this year's election will prove to be incremental rather than wrenching and that both citizens and businesses will be able to find ways to adapt and prosper.

Results for 2016 and Outlook for 2017

Our stock funds earned positive returns in 2016 (the table on our website shows historical returns for all of our funds). For the past three years, stock prices have been expensive relative to our assessment of their business values, and we have invested defensively. Our caution has cost us some potential profits, and our stock funds trailed their benchmarks. This is annoying (to us and to you), but we think it would be counterproductive and risky to chase performance by making investments we do not believe in.

Our bond funds have produced better relative results as the taxable bond funds were able to take advantage of a mini-panic in corporate credit during the first quarter. Bond valuations are also very high, as the Fed has engineered artificially low interest rates in an attempt to stimulate the economy. With the recent interest rate spike (bond price decline), we have protected principal by keeping maturities short, but the opportunity set for bond investors is currently very limited.

Looking ahead, as we have written regularly, we like our companies but not their stock prices. We talk about our appraisals of individual company business values and bemoan high price-to-value levels. We typically do not make predictions about the general stock market, and we will not start now, but one indicator (popularized by Warren Buffett's references to it) that we have found helpful over the years is the ratio of the aggregate value of U.S. stocks (market capitalization) to nominal GDP (see graph below).



This tool is a blunt instrument—it is not useful for short-term trading signals. However, over the past sixty years, total market capitalization has generally ranged from about 30-130% of GDP. During December, the ratio was about 120%. This evidence that stock prices are on the high side is consistent with what we see when we analyze individual companies. This is not to say that the "Trump rally" cannot continue or that prices have to fall, but it gives us some comfort that the opportunity cost of holding some dry powder will not be too high.

Investment performance comes in "chunks" (and from low valuation levels). We have beaten the market for the past 33-year time period* in spite of several stretches of dreary relative results, and we are in one of those periods now. We have no doubt, though, that just as stocks and bonds have been mispriced on the high side recently, they will be mispriced on the low side again someday. In fact, it may seem counterintuitive, but we could have the best of all worlds (for long-term investors) this year as pro-business legislation raises the ***values*** of businesses to their owners, but rising interest rates and geopolitical commotion cause the ***stock prices*** of those businesses to fall. In the meantime, we will wait for our pitch, and be prepared to swing hard when the odds are in our favor.

Sincerely,

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Inception date for the Partners Value Fund and Partners III Opportunity Fund is June 1, 1983. Total returns for June 1, 1983 through December 31, 2016 for the Partners Value Fund-Institutional Class and the Partners III Opportunity Fund-Institutional Class were: 11.85% and 12.47%, respectively. Total return for the S&P 500 for the same period was 10.80%.* ***Past performance does not guarantee future results.* *The investment return and the principal value of an investment in the Fund 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 December 31, 2016 were: Partners Value-Institutional Class, 6.45%, 10.03% and 4.57% and Partners III Opportunity-Institutional Class, 6.28%, 9.10% and 5.82%. These performance numbers reflect the deduction of annual operating expenses which as stated in the most recent prospectus, and expressed as a percentage of net assets, are: Partners Value–Institutional Class, 1.07% (gross) and Partners III Opportunity–Institutional Class, 1.95%.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. 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****. Comparative returns are the average returns for the applicable period of the S&P 500 Index. The S&P 500 is an unmanaged index consisting of 500 companies generally representative of the market for the stocks of large-size U.S. companies.*

Institutional Class shares for the Partners Value Fund became available for sale on July 31, 2014. For performance prior to that date, the above returns include the actual performance of the Fund's Investor Class (and uses the actual expenses of the Fund's Investor Class), without adjustment. For any such period of time, the performance of the Fund's Institutional Class would have been similar to the performance of the Fund's Investor Class, because the shares of both classes are invested in the same portfolio of securities, but the classes bear different expenses. On the last business day of 2005, the Partners III Opportunity Fund succeeded to substantially all of the assets of Weitz Partners III Limited Partnership (the "Partnership"). On the last business day of 1993, the Partners Value Fund succeeded to substantially all of the assets of Weitz Partners II Limited Partnership (the "Partnership"). The investment objectives, policies and restrictions of the Funds are materially equivalent to those of the 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 Partnership's performance might have been adversely affected.

Past performance does not guarantee future results. *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. Click here to see our Full Performance Summary.*