

June 27, 2016

## An Annual Overview of the Moderate Allocation Strategy (Balanced Fund)

by Brad Hinton, Director of Research and Portfolio Manager

*“Knowing yourself is the beginning of all wisdom.” - Aristotle*

Did you get that queasy feeling as the stock market was dropping in January and early February? Here we go again? We frequently talk with folks who say, “I just don’t need this stress in my life anymore.” For them, it may be time to take a closer look at the Weitz Balanced Fund. Balanced invests in a diversified mix of stocks, bonds and cash. While the specific allocation shifts with the opportunity set, the fund’s essence is to provide more potential upside than our fixed income offerings with a little less “edge” than our equity strategies.

A hybrid fund is both a natural fit and an uncomfortable decision for many investors. Something else will almost always perform better or look like a smarter decision at any given time. The key question to answer is, “What are your goals, really?” One of ours is to help investors protect and modestly grow future spending power in real terms (i.e., after inflation) over multi-year horizons. Here’s a look at how we’ve fared on that basis:

| Average Annual Returns as of May 31, 2016 |        |        |        |        |         |                        |
|---|--------|--------|--------|--------|---------|------------------------|
|   | 1-year | 3-year | 5-year | 7-year | 10-year | 12.5-year <sup>1</sup> |
| WBALX                                     | 1.15%  | 4.04%  | 5.95%  | 9.11%  | 4.84%   | 5.38%                  |
| Inflation <sup>2</sup>                    | 1.07%  | 1.07%  | 1.27%  | 1.68%  | 1.75%   | 2.05%                  |

<sup>1</sup>Since 10/1/03 inception.

<sup>2</sup>The U.S. Bureau of Labor Statistics compiles the monthly CPI-U values used to calculate inflation on Bloomberg.

With the Balanced Fund, we relentlessly focus on not trying to do too much. There’s an old baseball adage about hitting. “If you can’t pull a fastball, then you need to find another sport. And if you can’t hit a fastball the other way, then you can’t stay in the lineup.” When our team sees Warren Buffett’s proverbial “fat pitch,” we are pretty good at hitting it hard and deep (see the 7 year returns above). Most pitches aren’t that juicy, so our usual approach is to hit line drives to the opposite field. Over time, this discipline has resulted in reasonable absolute returns without taking unnecessary risk.

The strategy isn’t for everyone. It’s a little stodgy, even boring at times. Our focus is on total returns, not generating income in a vacuum. We own stocks, typically to the tune of 40-70% of net assets, so the Fund isn’t immune from downturns. Over the years, through countless one-on-one conversations, we’ve identified three use cases where Balanced has been a particularly good fit.

### *Bridging the gap from accumulating to spending*

Through a lifetime of diligent saving and investing, many clients have built significant wealth. The fund can be a natural first step in “downshifting” overall risk exposure. Many use the fund in this fashion. We’ve found that an allocation to Balanced can help provide some peace of mind for those who have enough and are focused on making it last.

### *Helping investors help themselves*

Investing can be an emotional rollercoaster, and fear is an insidious enemy. Human nature leads many to sell last year's loser to buy last year's winner. For those prone to selling low and buying high, it is much more difficult to compound wealth. A less volatile fund option may help these investors stay the course during difficult times.

### *Delivering simple solutions for foundations and endowments*

The fund can be a one-stop solution, or a piece of a broader strategy, for institutions that choose to delegate the asset allocation decision to us. We provide common sense investing, along with personalized service, to foundations so they can spend more of their time focusing on their primary missions.

We make portfolio decisions with these clients and their goals in mind. As we've said since day one, the fund is less concentrated than our equity offerings. We are less likely to invest in companies with high expected values but commensurately high risk profiles. At the margin, we are more likely to forego upside potential for additional downside protection. The resulting diversified mix of stocks and bonds has led to less amplitude during the inevitable ups and downs of the broader stock market.

If we've caught your attention, our client services team can help you determine if the Balanced Fund is right for you. Please contact them at 402-391-1980 to learn more and receive a prospectus. Our website, [www.weitzinvestments.com](http://www.weitzinvestments.com), also has more detail on Balanced under the "Our Funds" tab. Thanks for your continued interest in the Weitz family of funds.



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**Brad Hinton** joined Weitz Investments in 2001 as a research analyst. Prior to joining our firm, Brad was a trading associate and debt manager for ConAgra Foods, a fixed income investment manager for Principal Financial Group and a staff analyst for the Federal Reserve Bank of Kansas City. Brad holds a bachelor's degree from the University of Nebraska-Lincoln and a master's from Dartmouth.

*The returns set forth above assume redemption at the end of each period and reinvestment of dividends. These performance numbers reflect the deduction of the Fund's annual operating expenses. Annual operating expenses for the Fund, as stated in its most recent Prospectus, and expressed as a percentage of the Fund's net assets, are 1.09%. The returns above also include fee waivers and/or expense reimbursements, if any; total returns would have been lower had there been no waivers or reimbursements. **Past performance does not guarantee future results.** Weitz Balanced Fund (WBALX) average annual total returns for the one, five, and ten-year periods ended March 31, 2016, were -0.80%, 5.73% and 4.63%. 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 [www.weitzinvestments.com/funds\\_and\\_performance/fund\\_performance.fs](http://www.weitzinvestments.com/funds_and_performance/fund_performance.fs).*

*All investments are subject to risk, including the possible loss of the money you invest.*

*Investors should consider carefully the investment objectives, risks, and charges and expenses of the Fund before investing. The Fund's Prospectus contains this and other information about the Fund and should be read carefully before investing. Portfolio composition is subject to change at any time and references to specific securities, industries, and sectors referenced in this letter are not recommendations to purchase or sell any particular security. Current and future portfolio holdings are subject to risk. There is no guarantee that any particular asset allocation, or mix of funds, or any particular mutual fund, will meet your investment objectives or provide you with a given level of income.*

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