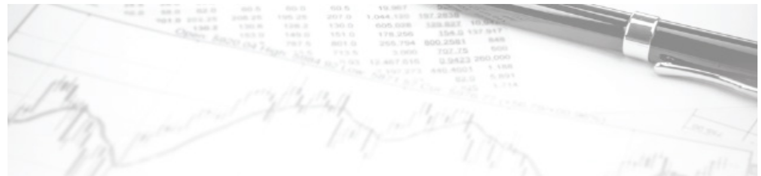
Weitz | FUNDS

Balanced Fund

3Q 2018 Quarterly Commentary



Investment Style: Conservative Allocation
Portfolio Manager: Brad Hinton, CFA

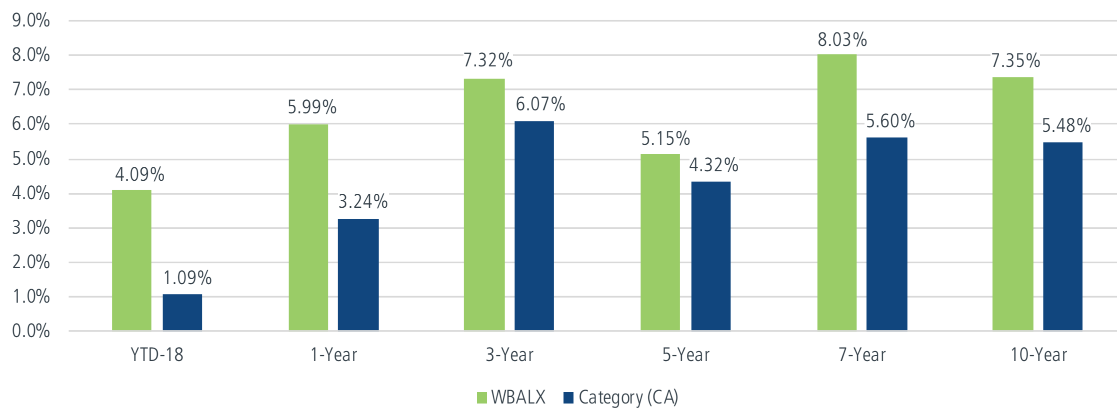
The Balanced Fund returned +2.63% in the third quarter compared to +1.82% for the Morningstar Moderately Conservative Target Risk Index (the "Index"). Year to date, the Fund returned +4.09% compared to +1.28% for the Index. U.S. equity markets surged higher in the third quarter, while bond markets posted mixed results. We have navigated reasonably well through 2018's fits and starts in both stocks and bonds. Longer term, total returns well above inflation have helped our investors steadily build wealth.

(Prior to July 31, 2018, the Balanced Fund's primary benchmark was a "Blended Index" which weighted the S&P 500 at 60% and weighted the Bloomberg Barclays Intermediate U.S. Government Credit Index at 40%. That Blended Index returned +4.67% for the third quarter and +6.00% year to date. Further, average annual total returns for the Blended Index for the one-, five-, and ten-year periods ended September 30, 2018, were +10.10%, +8.94% and +8.67%.)

We wrote a few years ago that "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."*** With stock markets near all-time highs, risk-on has clearly been the place to be. Bonds have sputtered, but they finally offer respectable income again. With that backdrop, let's revisit the scorecard versus our conservative allocation peers for additional context.

Total Return Comparison as of 9/30/18

[1]Balanced Fund vs. Morningstar Allocation--30%-50% Equity Category



As of 9/30/18

	YTD-18	1-Year	3-Year	5-Year	7-Year	10-Year
			ANNUALIZED			
[2]Percentile Rank in Category	5	9	20	30	12	17
[3]Morningstar Rating™			★★★★	★★★★		★★★★

[1]Returns assume reinvestment of dividends and redemption at the end of each period, and reflect the deduction of annual operating expenses, which as stated in the most recent Prospectus are 1.00% (gross) of the Fund's net assets. Returns also include fee waivers and/or expense reimbursements, if any; total returns would have been lower had there been no waivers or reimbursements. The Investment Adviser has agreed in writing to waive its fees and reimburse certain expenses (excluding taxes, interest, brokerage costs, acquired fund fees and expenses and extraordinary expenses) to limit the total annual fund operating expenses to 0.85% of average daily net assets through July 31, 2019.

[2]Balanced Fund had a percentile ranking against the following number of Allocation--30% to 50% Equity funds for the time periods as follows: YTD 5 out of 522 funds; 1-year 9 out of 513 funds; 3-year 20 out of 441 funds; 5-year 30 out of 355 years; 7-year 12 out of 304 funds; and 10-year 17 out of 256 funds, all as of September 30, 2018. Source: Morningstar Direct

[3]Balanced Fund was rated against the following numbers of Allocation--30% to 50% Equity funds over the following time periods: 439 funds in the last three years, 355 funds in the last five years, and 256 funds in the last ten years, as of September 30, 2018. Past performance is no guarantee of future results. Source: Morningstar Essentials

It has been a nice run. Absolute returns have been solid, relative results even better. While we haven't topped the charts, the old pontoon boat has been pretty steady and reliable. But as we all know, past performance doesn't guarantee future results. What matters from here is whether we can keep it going for the next 10 years. And if so, how and why?

"Most business edges are found at the intersection of trust and simplicity." - Morgan Housel

Since the Fund's inception, we have relentlessly pursued success through simplicity: a daily mindset of winning by not losing; bottom-up security selection; straight-forward asset allocation; no financial engineering. You know what you own. We also hope to have earned your trust through our words, actions and track record. We have reduced the Fund's management fee in each of the past two years, and we have agreed to cap the Fund's total annual operating expenses to 0.85% (see footnote 1). In our view, the current expense ratio offers solid value to all stakeholders.

Portfolio Update

We hold equity stakes in 30 companies representing 46.6% of net assets. Our fixed income holdings include corporate bonds (20.3%), Treasury securities (28.7%) and a touch of securitized debt (3.5%). We bought shares in discount broker turned bank Charles Schwab during the quarter. Schwab has methodically taken market share from major banks and traditional brokers with innovative, low-cost platforms tailored to both individuals and investment advisors. We love scale businesses that consistently share the benefits of size with their customers. Schwab's results suggest clients continue to "vote with their feet" by bringing new accounts and a greater share of their assets.

We also added leading flooring manufacturer Mohawk Industries back to the portfolio. Mohawk has strong platforms in ceramic tile, carpet, laminates and vinyl. The company expanded its manufacturing footprint significantly over the past few years, and investors are concerned about the timing. Worries include housing softening or rolling over, margin pressure from cost inflation, and potential oversupply in luxury vinyl tile. We think these concerns are priced into the stock at less than 13 times our estimated earnings power. While the business is clearly cyclical, CEO Jeff Lorberbaum is an adept leader with a knack for creating long-term value in his industry.

Year to date, our top stock performers outweighed the bottom performers by three to one in contribution impact. The biggest winners included several of the best companies that we own. Visa and Mastercard topped the charts as they continued to stamp out impressive revenue and profit growth. Thermo Fisher Scientific and Guidewire Software have deep competitive moats in businesses with nice tailwinds, a strong combination. Anheuser-Busch InBev was our largest detractor due to soggy results in the U.S., blooming emerging market woes and a debt-laden balance sheet. Progress has been choppier than expected after the 2016 SABMiller acquisition. We still think this dominant global business can earn $6-$7 per share in a few years, which would make today's $87 stock price worth the wait. Comcast declined during the strategic tug-of-war over acquisition targets Twenty-First Century Fox and Sky PLC. Comcast's acquisition of Sky will be pricey and will be a show-me story, but the core Comcast business is quite cheap. Martin Marietta Materials and Vulcan Materials fell due to broader investor concerns about housing. We are drawn to the visible public infrastructure demand and entrenched structural advantages for these leading aggregates businesses. A rundown of quarterly top and bottom performers is shown on the table below.

Thank you as always for your continued investment and confidence in our firm. We look forward to updating you on portfolio developments again at year end.

Quarterly Top Performers (%)	Return	Average Weight	Contribution
Berkshire Hathaway Inc.-Class B	14.71	2.74	0.39
Oracle Corp.	17.48	2.31	0.37
Thermo Fisher Scientific Inc.	17.92	2.06	0.35
Allergan plc	14.70	2.14	0.30
Visa Inc.-Class A	13.49	2.30	0.30

Quarterly Bottom Performers (%)	Return	Average Weight	Contribution
Martin Marietta Materials, Inc.	-18.33	1.10	-0.22
Anheuser-Busch InBev SA/NV-Sponsored ADR	-13.09	1.36	-0.18
Vulcan Materials Co.	-13.62	1.15	-0.15
Marvell Technology Group Ltd.	-9.73	1.04	-0.10
The Charles Schwab Corp.	-3.57	0.76	-0.07

Contributions to performance are based on actual daily holdings. Securities may have been bought or sold during the quarter. Return shown is the actual quarterly return of the security or combination of share classes. Source for return shown is FactSet Portfolio Analytics.

Performance data represents past performance, which 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. 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* ***weitzinvestments.com****.*

Average annual total returns for the Morningstar Moderately Conservative Target Risk Index for the one-, five- and ten-year periods ended September 30, 2018, were 3.91%, 4.96%, and 6.04%, respectively. Index performance is hypothetical and is shown for illustrative purposes only. The Morningstar Moderately Conservative Target Risk Index is an asset allocation index comprised of constituent Morningstar indices and reflects global equity market exposure of 40% based on an asset allocation methodology derived by Ibbotson Associates, a Morningstar company.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

As of September 30, 2018: Allergan plc comprised 2.0% of Balanced Fund's net assets; Anheuser-Busch InBev SA/NV-Sponsored ADR 1.2%; Berkshire Hathaway Inc.-Class B 2.4%; The Charles Schwab Corp. 1.3%; Comcast Corp.-Class A 1.9%; Guidewire Software, Inc. 1.6%; Martin Marietta Materials, Inc. 1.1%; Marvell Technology Group Ltd. 1.1%; Mastercard Inc.-Class A 2.0%; Mohawk Industries, Inc. 1.0%; Oracle Corp. 2.0%; Thermo Fisher Scientific Inc. 2.1%; Visa Inc.-Class A 2.1%; Vulcan Materials Co. 1.3%. Portfolio composition is subject to change at any time. Current and future portfolio holdings are subject to risk.

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. The Prospectus is available from Weitz Investment Management, Inc. Weitz Securities, Inc. is the distributor of the Weitz Funds.