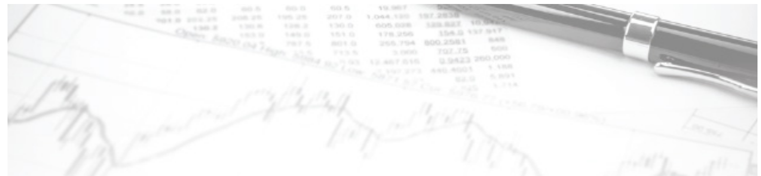
Weitz | FUNDS

Partners Value Fund

3Q 2018 Quarterly Commentary



Investment Style: Multi-Cap Value
Portfolio Managers: Wally Weitz, CFA & Brad Hinton, CFA

The Partners Value Fund's Institutional Class returned +5.49% during the third quarter compared to +7.71% for the S&P 500 and +7.12% for the Russell 3000. Year to date, the Fund's Institutional Class returned +5.54% compared to +10.56% for the S&P 500 and +10.57% for the Russell 3000. Third quarter returns were much improved but still lagged the broader market indices. While this momentum-driven market bully keeps kicking sand in our faces, rest assured that we are not standing still and just taking it. Read on to learn more about how we are building up new muscles to compete while sticking steadfastly to the core principles that have driven the Firm's 35-year track record.

The U.S. stock market has been a shining star in 2018, with growth and momentum continuing to clobber value. Not surprisingly, payment networks Visa and Mastercard have been the Fund's strongest year-to-date contributors by far. These dominant and well-loved businesses continue to stamp out impressive revenue and profit growth. While we trimmed Visa after its outsized gains, both stocks remain among our ten largest holdings. Among other contributors, Discovery Communications and Allergan plc are best described as redemption stories. Both companies were ***very*** out of favor last year, with stocks trading at bargain-basement valuations coming into 2018. Good things often happen to cheap stocks, even in a "go-go" market. As the companies executed their playbooks, the stocks rebounded nicely. Discovery has nearly doubled off its lows, and we have resized the position accordingly. Allergan remains inexpensive at just 12 times our estimated 2019 cash earnings, and we think the stock has more room to run.

Our cable and consumer holdings held back year-to-date results. Top detractor Liberty Global posted mixed operating results, with improvements in the U.K. offset by ongoing difficulties in Belgium and Switzerland. Liberty Broadband's stock treaded water due to investor frustration about the pace of improvement at core asset Charter Communication. We think this is primarily a time-horizon mismatch, and the stage is set for substantial free cash flow per share growth in 2019 and beyond. Other detractors included Tupperware Brands and Qurate Retail. Tupperware's earnings estimates declined materially due to emerging-market weakness and unfavorable foreign exchange swings. While the stock has plenty of upside potential, we sold our modest position after lacking the conviction to buy more. Qurate's operating results at recently acquired HSN disappointed investors, and this unit's turnaround will take some time. Meanwhile, the core QVC business keeps churning out free cash flow, and Zulily continues to grow revenues and active customers with fun, personalized shopping experiences. We think the market valuation for this set of durable, resilient businesses is just too low.

We have embraced a back-to-the-basics approach as we enter the tenth year of this bull market. For years, we've described our version of concentrated investing as owning 25-35 securities, with position sizes generally ranging from 2% to 6% of assets. We want every idea to matter, and our best ones to have an outsized impact without "betting the farm" on any single stock. As the bull market progressed, we drifted a bit from our sweet spot. We became too comfortable with taking "just a taste" of a new idea. For a variety of reasons, we were often tentative with our initial purchases. While price discipline is essential, we've found that if we are ready to buy, then we simply need to get going.

Our mission is to maximize our clients' wealth over a period of many years.

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Our course correction has been to increase the size of the smaller positions in our portfolio, offering two potential benefits. First, it increases the impact of the team's new ideas. We are surrounded by talented, experienced stock pickers. When analysts recommend a well-researched business at a discounted price, our hit rate is reasonably high. And when the portfolio managers agree, we need to act assertively. Recent examples where we left return on the table include Danaher and CarMax. Second, it raises the bar on initial conviction for both portfolio managers and analysts. There is less chance of "cutting the flowers and watering the weeds" if the weeds never make it into the portfolio. If we are not willing to buy a 2%-3% position out of the gates because the risk profile is elevated, that should tell us something.

You can clearly see the influence of this reframing on the portfolio. New holdings Charles Schwab (discount broker turned bank), Marvell Technologies (specialized semiconductors) and Summit Materials (cement and concrete) are all approximately 2.0% positions. We increased our Facebook (3.1%), DXC Technology (2.9%), CarMax (2.1%) and Comcast (2.0%) weightings, while closing sub-scale positions in Danaher, Tupperware, GCI Liberty and DXC spin-out Perspecta. At the other end of the spectrum, we worked down our two super-sized positions as their stocks rallied late in the quarter (Berkshire Hathaway from 9.2% to 5.9% and Liberty Broadband from 8.5% to 6.5%).

At quarter end, we owned 26 businesses with an average position size of 3.4% (median size 3.1%). The top 10 holdings represented 47.8% of net assets, while the bottom 10 holdings still accounted for 21.2% of net assets. Our highest-conviction ideas will drive the bulk of forward returns, yet every idea will matter as intended. Residual cash is 12.2% of net assets. We'd like to see that percentage even lower over time, but the opportunity set will dictate our timing.

The estimated price-to-value of the portfolio is in the low 80s, much cheaper than our view of the overall stock market. You've heard it before, but we'll say it again. We like our chances from here, especially on a relative basis. From all of us at Weitz, thank you for entrusting your capital to us. We appreciate your patience and continued investment in the Fund.

Quarterly Top Performers (%)	Return	Average Weight	Contribution
Berkshire Hathaway Inc.-Class B	14.71	8.31	1.28
Liberty Broadband Corp.-Series A & C	11.41	7.88	0.85
Visa Inc.-Class A	13.49	5.30	0.70
Allergan plc	14.70	4.38	0.63
Oracle Corp.	17.48	3.31	0.54

Quarterly Bottom Performers (%)	Return	Average Weight	Contribution
Facebook, Inc.-Class A	-15.37	2.18	-0.31
Summit Materials, Inc.-Class A	-30.74	1.01	-0.29
Tupperware Brands Corp.	-17.19	1.03	-0.29
Laboratory Corp. of America Holdings	-3.26	4.77	-0.16
Liberty SiriusXM Group-Series A & C	-3.89	4.09	-0.15

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 Fund's Institutional and Investor Class for the one-, five- and ten-year periods ended September 30, 2018, were 7.49%, 5.84%, 9.80% and 7.22%, 5.64%, 9.69%, respectively. 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 1.07% (gross) and 1.25% of the Fund's Institutional and Investor Class net assets, respectively. 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 for Institutional Class shares and Investor Class shares to 0.99% and 1.30%, respectively, of each Class's average daily net assets through July 31, 2019.

Institutional Class shares became available for sale on July 31, 2014. For performance prior to that date, returns include the actual performance of the Fund's Investor Class (and use 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.

Average annual total returns for the S&P 500 and the Russell 3000 indices for the one-, five- and ten-year periods ended September 30, 2018, were 17.91%, 13.95%, 11.97% and 17.58%, 13.46%, 12.01%, respectively. Index performance is hypothetical and is shown for illustrative purposes only. Comparative returns are the average returns for the applicable period of the reflected indices. 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. The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indices. Russell® is the trademark of Russell Investment Group.

As of September 30, 2018: Allergan plc comprised 3.8% of Partners Value Fund's net assets; Berkshire Hathaway Inc.-Class B 5.9%; CarMax, Inc. 2.1%; The Charles Schwab Corp. 2.3%; Comcast Corp.-Class A 2.0%; Discovery, Inc.-Class C 2.0%; DXC Technology Co. 2.9%; Facebook, Inc.-Class A 3.1%; Laboratory Corp. of America Holdings 4.7%; Liberty Broadband Corp.-Series A & C 6.5%; Liberty Global plc-Class C 5.9%; Liberty SiriusXM Group-Series A & C 3.8%; Marvell Technology Group Ltd. 2.1%; Mastercard Inc.-Class A 4.4%; Oracle Corp. 3.5%; Qurate Retail, Inc.-Series A 2.7%; Summit Materials, Inc.-Class A 1.9%; Visa Inc.-Class A 4.6%. 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.