WEITZ FUNDS

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Letter to Shareholders

October 3, 2012

Dear Fellow Shareholder:

Before we talk about our Funds, I want to say a public "Thank you" to Dick Holland, one of our original investors and a trustee of our Funds from Day One in 1986. Dick retired from the board this year because at 90-something, he's too busy with philanthropic work in education, the arts, and scientific research. He has been a terrific board member—asking the right questions and helping us think outside the box—and a great friend. Fortunately, we will continue to cross paths in a number of venues and as a major client, he will continue to let us know what's on his mind. Thank you, Dick.

Quarterly Results

In the 3rd quarter of 2012, the economic news got worse and stock prices went up. This is not alarming, or even unusual, but it causes anxiety among those who would like the stock market's movements to "make sense" on a day-to-day basis. Happily, our Funds all showed good year-to-date and trailing 12-month returns (please see our Performance Summary).

Central banks in the U.S. and Europe are flooding their bond markets with newly created money in order to, as ECB President Mario Draghi said it, "Do whatever is necessary…" to assure liquidity in their capital markets and to stimulate economic activity. We have doubts about the long-term effectiveness of this strategy, but in the short-run, it has led to stock buying both by those who believe it will work and skeptics that fear being left out of a rally.

Developments in America's fiscal and political arenas, the European debt crisis, slowing growth in China, and the Arab Spring are complex and give pessimists plenty of raw material for building doomsday scenarios. Many of these fears are warranted, ***but economic and political change—both favorable and unfavorable—almost always unfold gradually enough that people and companies can adapt.*** Warren Buffett is fond of advising, "Don't bet against America," and we think that is good advice.

"Uncertainty" is a permanent condition for investors. We pay attention to the macroeconomic and geopolitical backdrops, but we focus primarily on individual company valuations in making investment decisions. In recent months, as stock prices have risen faster than business values, we have been net sellers of stocks. We still like these companies and we would love a chance to buy most of them again at lower prices.

As a by-product of our selling, cash reserves have risen. When stocks were much cheaper a year ago, cash stood at more typical "fully-invested" levels of about 10%. Twelve months later, after portfolio gains of 22-29%, cash positions range from 21% in the Research Fund to 34% in Hickory. Cash dampens returns in a rising market and our stock funds have modestly trailed their benchmarks this year. We will discuss our willingness to hold cash later in this letter, but in short, we believe that holding cash when stock prices are high has helped us build our record of out-performance over the past 29 years. Our Performance Summary shows results for all of our Funds since their inceptions. As always, we suggest focusing on the longer-term returns—they are the ones that matter.

The bond market has been very strong for the past few years as nervous stock fund investors "hide" in bonds and bond funds. The flow of cash into our Short-Intermediate Income Fund is testimony to this trend. To make matters worse (or at least more extreme), "quantitative easing" (QE) by the Federal Reserve has added over a ***trillion*** dollars of demand for Treasury bonds and mortgage-backed securities.

Tom Carney, who manages both our Short-Intermediate and Nebraska Tax-Free Funds, is the first to agree that bonds are grossly over-priced. One can argue as to whether or when QE will cause inflation, but from today's levels, it is inevitable that interest rates will rise. The arithmetic of bond pricing guarantees that if interest rates rise substantially, all but the shortest bonds will suffer price declines before maturity and poor returns over the lives of the bonds.

Given this outlook for bonds, both Tom and Brad Hinton (manager of the Balanced Fund) are buying only very short-term bonds. Their bond portfolios are positioned ***very*** defensively to try to make it possible to deliver positive total returns. There is a place for bonds in many investors' portfolios, but bond investors should be very cautious and have realistic (modest) expectations.

Portfolio Review—Addressing Some Perennial Investor Questions

As you can tell from the introduction to this letter, we are (as one commentator put it) "feeling more cautious than our normally cautious selves." We are not pessimistic about the long-term outlook and we are not concerned that the current economic slowdown will turn into a severe recession. It does seem, though, that stocks have been going up in response to temporary, artificial monetary stimulus while investors are ignoring the same unsolved problems (Europe, China, etc.) that caused several panic selloffs over the past two years.

In the tug-of-war between positive and negative economic forces, and a stock market that has moved sideways for 13 years, investors are confused and worried. People hear about a "new normal" of slower growth and lowered investment expectations and wonder if they need a new investment approach. As investor disenchantment with stocks grows and money flows from stock funds to bond funds, stocks get cheaper and set the stage for a new bull market. The process may take a while longer—historically, "consolidation" periods after long bull markets have taken 16-17 years—but we believe that value investing can offer interesting opportunities in all types of markets.

Investors do not want to be "left out" of a rising market. In fact, many professional money managers face "career risk" if they under-perform their benchmark as a result of being less than fully-invested. As a result, they often turn to the most "conservative" stocks that are available to them. We have seen signs of this as consumer staples and other "defensive" stocks have generally out-performed the more cyclical and leveraged issues. Anheuser-Busch (beer), Diageo (spirits), and Comcast (cable TV and NBC Universal) have been beneficiaries of this phenomenon and as a result their stocks have moved above 90% of our base case valuations. These are great companies, but to paraphrase Ben Graham, "At too high a price, even the stock of a great business becomes a speculation."

The attraction to "quality" in an uncertain world and the search for "income" in a very low interest rate environment have led to a fascination with ***"high quality, dividend paying stocks.***" It strikes us that in typical Wall Street and financial media fashion, a sound idea has been carried too far. Companies that are strong, stable and liquid enough to pay meaningful dividends can be very sound investments—at the right price, but dividends are only one of several potential uses of corporate cash flow. In some cases, using the cash to expand their businesses, for acquisitions or for share repurchases, can add more to ***per share*** business value than paying a dividend. We are certainly not anti-dividend, but we suggest that dividends are only one of several factors to consider.

The stocks that have been left behind in this "flight to quality" tend to be more economically sensitive businesses and those with more leveraged capital structures. We want to own companies with solid balance sheets, strong competitive positions and good long-term prospects, but if their stocks are out of favor ***only*** because investors cannot see any immediate "catalyst" for a rising price, we can be patient buyers if the price is right. Southwestern Energy and Range Resources own very valuable natural gas properties and are earning adequate returns even at today's depressed gas prices. We believe they will earn very high returns when gas prices recover. SandRidge is more focused on oil, whose price has been stronger, but lingering (unfounded) doubts about the company's ability to finance its drilling program leave the stock selling at about half of our estimate of its net asset value. Texas Instruments' stock price reflects its cyclically depressed earnings, but we believe its future earnings potential is under-estimated. At a price in the mid-$20 range, we are willing to be patient holders. Stocks like these are still attractive at today's prices and provide good homes for the cash that is generated by trims of our more expensive stocks.

We like our companies and we think their stocks are at least fairly priced, but with the S&P 500 up 30% over the past 12 months, and many of our stocks selling at price-to-value ratios of 85-90% and higher, we have been net sellers of stocks. Our selling is driven by valuation levels, ***not*** a "market timing" call. As we said above, this exposes our Funds to the risk of under-performing the market over the near term, but we believe that being disciplined and price-sensitive is an important part of our investment process. Warren Buffett has written about the "option value" of holding cash reserves. When the general market sells off sharply or when the stock of a company we know and like gets crushed for some mistaken or temporary reason, it is very helpful to have cash available to take advantage of the opportunity. To produce ***better*** than average results, it is necessary to have ***different*** from average portfolio holdings. Willingness to hold cash is one of the differences in our approach.

Outlook

Our companies are working their way through a tough economic environment and we feel very good about their long-term prospects. We are ***not*** making a market prediction, but between generally high price-to-values of the companies we follow and the rich raw material available to trigger scary headlines, we would not be surprised by a market correction that would give us an opportunity to reinvest our cash reserves. We will be patient and take what the markets give us.

Sincerely,

Wallace R. Weitz
wally@weitzfunds.com

Bradley P. Hinton
brad@weitzfunds.com

Current performance data may be higher or lower than the performance data quoted in this letter. Click here for performance data current to the most recent month-end.

Investors should consider carefully the investment objectives, risks, and charges and expenses of the Funds before investing. The Funds' Prospectus or Summary Prospectus contains this and other information about the Funds 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. See the Schedule of Investments in Securities included in the Funds' quarterly report for the percent of assets of each Fund invested in particular industries or sectors.

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Performance as of September 30, 2012

Fund Name	Month	1 Year	3 Year	5 Year	10 Year	Since Inception [1]
Value Fund	1.9%	26.1%	14.1%	0.3%	6.7%	10.3%
Partners Value Fund [2]	1.9%	28.2%	14.8%	2.6%	7.8%	12.4%
Partners III Opportunity Fund - Institutional Class [3]	2.0%	22.1%	16.2%	5.8%	11.4%	13.1%
Partners III Opportunity Fund - Investor Class [3][4]	1.9%	21.6%	16.0%	5.7%	11.4%	13.0%
Research Fund [5]	0.8%	20.8%	14.8%	5.3%	n/a	6.0%
Hickory Fund	1.7%	29.3%	18.1%	3.6%	10.9%	10.2%
Balanced Fund	1.4%	18.6%	9.8%	3.2%	n/a	5.0%
Short-Intermediate Income Fund - Institutional Class	0.2%	3.9%	3.6%	5.1%	4.6%	6.0%
Short-Intermediate Income Fund - Investor Class [4][8]	0.2%	3.7%	3.5%	5.0%	4.6%	5.9%
Nebraska Tax-Free Income Fund [6]	0.4%	3.5%	3.3%	4.0%	3.6%	5.4%
Government Money Market Fund [7]	0.00%	0.03%	0.1%	0.7%	1.6%	2.9%

Monthly | Quarterly

Yield Calculations ***as of September 30, 2012***

Fund Name	7 Day Yield	7 Day Effective Yield	30-Day SEC Yield
Government Money Market Fund	0.04%	0.04%	0.03%

The returns set forth above assume redemption at the end of each period and reinvestment of dividends. These performance numbers reflect the deduction of each Fund's annual operating expenses. The returns set forth above assume redemption at the end of each period and reinvestment of dividends. These performance numbers reflect the deduction of each Fund's annual operating expenses. Annual operating expenses for each Fund, as stated in the most recent Prospectus, and expressed as a percentage of each Fund's net assets, are: Value, 1.20%; Partners Value, 1.20%; Partners III Opportunity - Institutional Class, 1.49%; Partners III Opportunity - Investor Class, 2.32% (gross); Research, 1.85% (gross); Hickory, 1.28%; Balanced, 1.14%; Short-Intermediate Income - Institutional Class, 0.62%; Short-Intermediate Income - Investor Class, 1.16% (gross); and Nebraska Tax-Free Income, 0.71%. Total returns shown include fee waivers and expense reimbursements, if any; total returns would have been lower had there been no waiver of fees and/or reimbursement of expenses by the investment advisor. **This information represents past performance and past performance does not guarantee future results.** The investment return and the principal value of an investment in these Funds 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 above. Click here for performance data current to the most recent month-end.

With respect to the Government Money Market Fund, there can be no assurance that the Fund will be able to maintain a stable net asset value. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund. An investment in the Government Money Market Fund is neither insured nor guaranteed by the U.S. Government.

Investors should consider carefully the investment objectives, risks, and charges and expenses of a Fund before investing. The Funds' Prospectus contains this and other information about the Funds.

The performance data presented includes performance for the period before the Partners Value

Fund, Partners III Opportunity Fund, Research Fund and Nebraska Tax-Free Income Fund each became an investment company registered with the Securities and Exchange Commission. During this time, each predecessor partnership (see notes below) 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 any such Partnership had been registered during this period, such Partnership's performance might have been adversely affected.

1. Fund inception dates: Value - 5/9/1986, Partners Value - 6/1/1983[2], Partners III Opportunity - Institutional Class - 6/1/1983[3], Partners III Opportunity - Investor Class[4] - 8/1/2011, Research - 4/1/2005[5], Hickory - 4/1/1993, Balanced - 10/1/2003, Short-Intermediate Income - Institutional Class - 12/23/1988, Short-Intermediate Income - Investor Class - 8/1/2011[4], Nebraska Tax-Free Income - 10/1/1985[6], Government Money Market - 8/1/1991

2. Performance of the Partners Value Fund is measured from June 1, 1983, the inception of Weitz Partners-II Limited Partnership ("Partners II"). Partners Value Fund succeeded to substantially all of the assets of Partners II as of December 31, 1993. The investment objectives, policies, guidelines and restrictions of the Partners Value Fund are materially equivalent to those of Partners II and Partners II was managed at all times with full investment authority by Wallace R. Weitz & Company ("Weitz").

3. Performance of the Partners III Opportunity Fund - Institutional Class is measured from June 1, 1983, the inception of Weitz Partners-III Limited Partnership ("Partners III"). Partners III Opportunity Fund succeeded to substantially all of the assets of Partners III as of December 30, 2005. The investment objectives, policies and restrictions of the Partners III Opportunity Fund are materially equivalent to those of Partners III and Partners III was managed at all times with full investment authority by Weitz. Wallace R. Weitz & Co., the investment adviser, has agreed in writing to limit the total class-specific operating expenses of the Fund's Investor Class shares to an amount no greater than 0.25% per annum more than the total class-specific operating expenses of the Fund's Institutional Class shares through July 31, 2013.

4. Investor Class shares first became available for sale on August 1, 2011. For performance prior to that date, this table includes the actual performance of the Fund's Institutional Class (and uses the actual expenses of the Fund's Institutional Class, for such period of time), without any adjustments. For any such period of time, the performance of the Fund's Investor Class would have been substantially similar to, yet lower than, the performance of the Fund's Institutional Class, because the shares of both classes are invested in the same portfolio of securities, but the classes bear different expenses.

5. Performance of the Research Fund is measured from April 1, 2005, the inception of Weitz Research Fund L.P. (the "Research Partnership"). Research Fund succeeded to substantially all of the assets of the Research Partnership as of December 31, 2010. The investment objectives, policies and restrictions of the Research Fund are materially equivalent to those of the Research Partnership and the Research Partnership was managed at all times with full investment authority by Weitz. The investment advisor has agreed, in writing, to limit the total annual fund operating expenses (excluding taxes, interest, brokerage commissions, and acquired fund fees and expenses) to 0.90% of the Fund's average daily net assets through July 31, 2013.

6. Performance of the Nebraska Tax-Free Income Fund is measured from October 1, 1985, the inception of Weitz Income Partners Limited Partnership ("Income Partners"). Nebraska Tax-Free Income Fund succeeded to substantially all of the assets of Income Partners as of December 29, 2006. The investment objectives, policies, guidelines and restrictions of the Nebraska Tax-Free Income Fund are materially equivalent to those of Income Partners and Income Partners was managed at all times with full investment authority by Weitz.

7. Wallace R. Weitz & Co., the investment adviser, has agreed in writing to limit total expenses of the Fund to 0.20% through July 31, 2013, and voluntarily limited expenses to 0.03% for the six months ended September 30, 2012. The voluntary limit may be changed at any time.

8. Wallace R. Weitz & Co., the investment adviser, has agreed in writing to limit the total class-specific operating expenses of the Fund's Investor Class shares to an amount no greater than 0.20% per annum more than the total class-specific operating expenses of the Fund's Institutional Class shares through July 31, 2013.

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