Value Matters
For period ended December 31, 2014

Weitz | INVESTMENT MANAGEMENT®

Dear Fellow Shareholder:

We are pleased to report another year of positive returns in all of our funds. Our conservative portfolio positioning held us back a few percentage points, and the funds trailed their respective benchmarks, but our companies as a group performed very well and that is the key to good long-term results. The fund performance table shows returns over various holding periods since inception 31+ years ago. As usual, we suggest focusing on the longer periods.

It was also a good year for our firm. Assets under management grew modestly to about $6 billion. We strengthened our client service and trading/portfolio administration teams and launched the Core Plus Income Fund managed by Tom Carney and Nolan Anderson. Our investment team of nine analysts and portfolio managers had a productive year of visiting companies and uncovering some interesting new investment ideas. We generally add to our investment team every two or three years when we find the right person, and we expect to do so again in 2015. (In fact, see the Careers page for the full job description).

Investment Commentary

The 4th quarter was a strong one for stocks in general. Small cap companies were particularly strong and made up some (but not all) of the ground by which they trailed large caps this year. During the quarter, though, there were two notable points of weakness.

The first was a very brief period in October. The market had drifted off its September highs and then dropped over 5% in five market days. This was not a major drop, but amid the panic selling some individual stocks fell much further. We were able to add to existing holdings and to initiate positions in several stocks (MasterCard, Allison Transmission, Motorola Solutions, and Twenty-First Century Fox) that had been waiting patiently on our "on deck" list. We were hopeful that the correction would continue so we could buy more shares but the market bounced almost immediately.

A narrower but much deeper and longer decline occurred in the energy sector. Oil prices had drifted down from a mid-year peak over $100 per barrel to about $90 at the beginning of October. The slide continued to the mid-$70's in late November and then accelerated, reaching $55 in late December. It is impossible to predict how low oil prices will fall or when they will recover. The domestic shale oil boom, OPEC behavior, slowing growth in China, and many other factors will affect the short-term supply and demand balance. In the meantime, drilling budgets and other capital spending plans are being slashed. Stock prices of strong energy-related companies have fallen sharply (and prices of companies with weak balance sheets have been crushed).

We have rarely held large positions in energy stocks. The companies tend to be capital intensive and have little control over their own destinies because they have to accept the going prices for the commodities they produce. Occasionally, though, when oil and gas prices fall below their long-term marginal cost of production and there is distress in the industry, we get the opportunity to buy strong energy businesses with sensible, disciplined managements and conservative balance sheets at attractive prices. Pioneer Natural Resources (oil), Range Resources (natural gas) and Core Labs (oil field services) have each fallen nearly 50% from their recent highs and we have added, or initiated positions. Conditions can change rapidly in the "oil patch," and the stocks might recover in short order, but if the recovery is measured in years, we believe we have the right companies at the right prices to earn good returns over an extended holding period.

Each of our stock and bond funds responded differently to the opportunities presented in the quarter. If shareholders have additional questions, our client service colleagues will be happy to provide answers. You can reach them at (800) 304-9745 or clientservices@weitzinvestments.com.

Weitz Investment Management, Inc.
1125 South 103rd Street, Suite 200
Omaha, NE 68124-1071

t (800) 304-9745
f (402) 391-2125
weitzinvestments.com

Weitz | INVESTMENT MANAGEMENT®

Outlook

Going forward into 2015, we are excited about the possibilities. There are signs that the economic recovery in the U.S. is gathering strength. The Federal Reserve has finally completed its multi-year program of creating money and pumping it into the securities markets. This may cause some "withdrawal pains" among investors who used the Fed's largesse for speculation, but the end of "quantitative easing" should prove to be a healthy development.

The "rest of the world" is a mixed picture (as it always is). The collapse in oil prices will be very hard on some countries, beginning with Russia. On the other hand, Japan, China, India and other oil importers will receive a boost. Growth rates in China and other "emerging markets" have slowed recently but at 5-7% are the envy of most Western countries. There are geopolitical hotspots all over the world and some are bound to generate worrisome headlines at times. The very strong dollar may cause some disappointing earnings reports (earnings in foreign subsidiaries' home currencies will translate into fewer dollars), but foreign assets will be cheaper for our U.S. companies.

The October "wobble" and the more serious carnage in the energy sector were good reminders that opportunities arise unexpectedly. We have been actively researching new investment ideas and patiently waiting for the chance to deploy some of our cash reserves. We are not cheering for a bear market but some stock price volatility would be very helpful in positioning our portfolios for future gains.

The outlook for our portfolio companies is very good. We expect them to grow and to find ways to "make their own breaks" over the coming years. After six "up" years in a row, it would be surprising to see another smooth, upward move in stock prices but that will depend on investor psychology. In the long run, it is valuation that matters and we are keeping our eyes firmly focused on business values.

Hold the Date

Our annual meeting will be at a different location in 2015. We are returning to the site of our earliest mutual fund shareholder meetings—the Marriott in Regency. The date is Thursday, May 14. As usual, we will begin at 4:30, have brief comments from the investment team, and take your questions. Please plan to join us.

Sincerely,

Wally Weitz

Brad Hinton

Wally Weitz
wally@weitzinvestments.com

Brad Hinton
brad@weitzinvestments.com

As of December 31, 2014: MasterCard represented 1.1% and 1.0% of the Value and Partners III Opportunity Funds' net assets, respectively. Allison Transmission represented 1.3%, 0.6%, 2.2% and 1.8% of the Partners Value, Partners III Opportunity, Research and Hickory Funds' net assets, respectively. Motorola Solutions represented 2.1%, 2.1%, 1.2%, 1.7% and 1.3% of the Value, Partners Value, Partners III Opportunity, Research and Balanced Funds' net assets, respectively. Twenty-First Century Fox represented 3.3%, 2.1%, 3.3% and 1.8% of the Value, Partners Value, Research and Balanced Funds' net assets, respectively. Pioneer Natural Resources represented 3.0%, 1.7%, 1.7%, 1.9% and 1.3% of the Value, Partners Value, Partners III Opportunity, Research and Balanced Funds' net assets, respectively. Range Resources represented 3.9%, 3.0%, 1.7%, 4.7%, 1.0% and 1.5% of the Value, Partners Value, Partners III Opportunity, Research, Hickory and Balanced Funds' net assets, respectively. Core Labs represented 1.1%, 1.1% and 0.5% of the Partners III Opportunity, Hickory and Balanced Funds' net assets, respectively.