Weitz Investment Management 2021 Annual Shareholder Meeting

Wally:

Okay, I think it's time. I want to welcome everybody, this our 38th shareholder meeting. The mutual funds are only 35 years old, but looking at the registration list today, I see some people who were - I'm pretty sure - were at our first meeting. And it's good to see old friends, and it's good that, the only good thing about Zoom is we can have visitors from around the country that don't usually make it to Omaha. So that's good. I want to introduce our board. Now, this is actually your board. They represent you. Not so much the Weitz people, but they've been with us, most of them have been with us a long time and the picture on your screen now is Tom Pansing, who's retiring this year. He was one of the originals back in ‘86. So he's been with us 35 years, and I really want to thank him for being a good friend and a very good director.

So we’re going to, this being an annual meeting, we're going to talk about results for fiscal year, actually we're on a March year, so this is March 31 of 2021 year-end. And you see columns for one, three, five, ten years and since inception. Some of these funds, like the top two, go all the way back to 1983. And then the column on the left is year-to-date performance, it's through yesterday. I asked if we could do it through noon today, but this is just through yesterday, and it's good to see 11s and 12s and 15s for the first five months. That would really be a good year.

The next slide is the bond funds. And in a world where we had complete chaos and panic a year ago and then a very sharp percentage increase in interest rates later in the year, it's really amazing the numbers that Tom and Nolan have put up. And they will have their turn to elaborate later on if the stock guys don't take too long.

I'm going to give you a very quick overview of our outlook and then come back for a little bit more detail. Generally speaking, businesses recovering well, earnings are rising, companies and their customers are optimistic, stock prices - I get - stock prices are on the high side, but you know, I always say that, but they really are now. You know, stock investors look ahead and they're optimistic. Stock prices have been inflated by both fiscal and monetary policy, and that's another thing we've talked about for the last 10-plus years, but they've really, the government has really doubled down lately.

Even the Buffett Indicator, I put into the letters every once in a while, it gets distorted because GDP was depressed last year, and it's really a measure of stock market value compared to GDP. But even given the footnotes that we have to put with it, the message is clear that stocks are on the high end of normal.

Plenty of risks around speculation and volatility are all over the place. As I said, there's some footnotes to this that make it not quite as stark as it looks, but the message is clear.

So, as I was saying, risks abound. Speculation and volatility are all over. Interest rates won't stay at zero forever. And earnings expectations have been rising sharply along with the stock prices, and it's possible that we might be - our expectations might be set a little too high.

So in a nutshell, our five-year outlook for our companies is very good, but prices, we think maybe stock prices have borrowed a little bit from the future. Not a disaster, but we should maybe curb our enthusiasm just slightly.

Now, to be a little more specific about some of these things. I think usually government policy gets more credit or more blame than it deserves. But in today's world it's a much bigger factor than usual. And you know what's been going on. The quantitative easing and the monetary ease that started 12-13 years ago for the Great Recession was needed then, maybe for a year or two, but it wasn't needed for the last 10 years in my opinion. And then the Fed doubled down last March when a liquidity crisis almost, you know, shut down the economy, and that was needed, but they're still at it and I would say they're making more distortions. So they've artificially suppressed interest rates and that distorts capital allocation because it makes a mess out of people's valuations of all kinds of earning assets.

So this slide that's up here now is about the Fed balance sheet, and I hope you can see the right couple of inches cause that's where it really goes straight up, and on my screen I've got a bunch of faces, so hopefully what you can tell is the Fed's balance sheet has ballooned incredibly, and I don't think that can be a permanent condition.

On the fiscal policy side, cash payments, loans extended unemployment benefits add up to five trillion plus, and this slide has a lot of small print, but the big number at the bottom is five trillion.

There's more proposed spending for infrastructure, and again, here's all sorts of numbers you can't see, but it's how the proposals are distributed. There's also been some support for lenders and landlords who've not been allowed to collect, or to not been allowed to evict people, because they've been in forbearance on their mortgage payments and rent payments. All of that has made for huge budget deficits, increasing the national debt by 5 or 6 trillion and counting. And there's... I heard a number this morning that I don't remember, but it was 10 or 12 million people, I believe, who've been benefiting from forbearance, and that will be ending in the next few months.

So there's more money, just the quantity of money is up. There's more available for investment. There's no real attractive alternatives to stocks, since bond yields are so low. Sorry Tom and Nolan, you can contradict me there. Government debt and deficits probably do matter. I mean there's... modern monetary theory says they don't, but I still think they do. And inflation and higher interest rates eventually are going to have some impact on stock prices, and we're not talking hyperinflation, we're not talking about going back to the '70s. But if the Fed is trying so hard to get inflation up to 2%, it seems very possible that they might overachieve, but even 2 or 3% inflation might mean a 4 or 5% percent, 10-year Treasury, and that would start to be a lot stiffer competition for stocks. Not a disaster, but it might mean that P/E ratios would come down some.

So there's been a lot of speculation going on, and there's several topics that are – I'm not sure they're so important to talk about, but they're fun to talk about. One is cryptourrency and Bitcoin and Ethereum and I think there's dozens of others because they, you know, people with a computer can start their own coin. Blockchain technology is a real thing. I think of it as like a ledger system. It's another way of keeping track of assets and liabilities and who owes what to whom, in a very secure way. So almost all financial institutions are working on ways to make use of blockchain technology. But Bitcoin, which is one of the cryptocurrencies that uses blockchain technology, is a very volatile thing. It only has value if other people think it has value, and the fact that it's gone from under a dollar to, you know, $50,000 or 60,000 a coin, you know, it might make you kick yourself that you weren't so smart as to buy that, but there's no real intrinsic value to it. And if people change their opinion of what it's worth, it could be any price, and we found out last week that there were some people that were had been buying Bitcoin and other cryptocurrencies with borrowed money, and I think some of those loans got called in, so the prices

of some of them dropped, you know, 40-50-60% from their highs, and 1 trillion with a T of market value was wiped out last week. So it's very interesting. It's fun to watch, but for us we think it's not investable. So we're not, we're not playing. A lot of our financial companies are using blockchain, but we're not involved with Bitcoin or others.

There's been some hedge funds that collapsed. Archegos I believe is the pronunciation. It's spelled like “Arch Egos,” which seems appropriate. There was a hedge fund manager that pyramidded his stock portfolio every time it went up, he had more collateral borrowing power, so he kept borrowing more and buying more of the same stocks, and at some point they stopped going up and the prime brokers that were lending him the money decided that they wanted some payments, he had to sell, and his fund literally lost $20 billion in two or three days. The entire 20 billion that was in there. There's other hedge funds that have been having their troubles. You've probably heard or read about the Robinhood brokerage firm that is bringing democracy to investing and has really enticed a lot of small retail investors who might be first timers. There's stories about people using their, you know, their government payments to speculate with. There were... groups of them would correspond with each other on chat rooms and tried to do short squeezes on, in other words, they were they were looking for the worst companies, including some that were in bankruptcy, and got together and all bought shares to force up the price and squeeze the sophisticated investors who had shorted those things. Eventually that has turned around too, and not turned out so well.

Finally, oh I forgot there's a there's a cartoon up here that's meant to go with the crypto story. The idea that, you know, people talk to each other about “have you gotten in on Bitcoin yet,” and the fact that it's only worth what other people think it's worth reminded me of an old joke that I heard it from Buffett, I'm not sure if he started it, but the idea of the oilman, the wildcatter who went to heaven and he went to talk to Saint Peter about coming in, and Saint Peter said “yeah, your name’s on the list, but we're full right now. You'll just have to sit in the waiting room until there's an opening.” And so the wildcatter said “well, I've got an idea,” and he went over to the fence around heaven and he screamed out “there's a rumor that oil has been discovered in hell.” And all of a sudden, all the oil men in heaven started running out through the gates and heading off down towards hell. And Saint Peter said “wow, that's really impressive. I guess there's plenty of room for you now. You can go on in.” But the oil man said “well, you know, I think I'll go... I'm just going to go follow those boys 'cause there might be something to that rumor.” And I think there's a lot of that going on right now.

So, the most egregious example of emperor's new clothes, I think, is the next one. That's the NFT – non-fungible tokens. And these are, you know, it's somewhat akin to cryptocurrency, but you can take any electronic file, a digital file of a song, or a tweet or a picture, like the one on the screen, and attach it to the sponsors blockchain with basically a password that proves that you own it. And everybody else can still trade that file around, and that's how you know we have this picture on the screen, but this allegedly, this picture allegedly traded for - the token of it - traded for $69 million. I'm suspicious that that wasn't staged somehow, but there are trades going on for tens of thousands and hundreds of thousands, and it does strike me as a emperor's new clothes kind of a situation.

This is about the cryptocurrency, the size of the market shows you the relative sizes of Bitcoin and others, but the whole rectangle on the left collapses to the little bitty one - if you can see it on the screen - that compares the cryptocurrency market to gold, to the S&P 500, and to - the biggest box is bonds.

So speculation in itself is not bad, but it is a sign of money is flowing around without a lot of consideration of underlying value. It can cause credit and liquidity problems if they're using borrowed money, and lots of the Bitcoins have been traded using borrowed money. And it also seems to me as if some of the hot air from these other more speculative things have found their way into the stock market, and that probably includes companies like our own.

So our game plan is we can't really fight that, and we can't - we don't want to get out and just hide in the corner, but our game plan is to buy high-quality companies that can withstand whatever - recessions, inflations, bear markets. We have to be careful not to overpay. Those stocks are not cheap. And we want to be - we have to be mentally prepared to have a big drop in the market. We're not predicting it, but the market can go down 25% or 50% anytime, and from today's price levels, you know, it's certainly not out of the question. And just parenthetically, I'd say, you know, we tend to talk mostly about the stock picking, and I think the rest of our discussion will be about how we pick stocks. But the second point about being mentally prepared and not being forced to sell or panicked into selling, might be the bigger value added that we bring to you all.

So I'm going to turn it over to Brad and Drew and Barton to talk about stocks, and then Tom and Nolan will talk about bonds.

Brad:

Okay, thank you Wally and thanks everyone for joining us. Wally just touched on several external kind of macro factors that certainly matter. But largely they're outside of our control, and so we're going to shift gears a little bit and turn our focus now to things that we do control, which is our philosophy and process.

So our philosophy has always been to think like owners, identify and research what we think are strong to exceptional businesses, and then buy shares in those companies for less than we think they're worth.

So we call the approach Quality at a Discount investing, and in our view it transcends traditional value and growth labels. So it has led us to companies that others consider value plays like, JP Morgan and Oracle, to companies that others would call growth like Alphabet and MasterCard, and probably most importantly everything in between.

So at the bottom of the screen, you've heard us talk about the Weitz hallmarks forever, so the long-term investing approach, discipline and patience around valuation, concentrated portfolios, low turnover. These are steadfast, timeless principles that we continue to adhere to.

Looking at the Quality at a Discount approach, there's two elements to it, and both of them are vitally important. The first is quality, so we use the Weitz quality score matrix as a road map to identify the types of companies that we'd like to own, and our team has identified 6 elements that we think represent the key drivers of long-term business value creation. The first four on this list are really characteristics that describe the businesses themselves, so competitive position, return on invested capital, reinvestment runway, cash flow consistency. The fifth - financial leverage - is really a choice that management and the board make about how to finance a company, and we're most interested in making sure that the risks are well contained and that that they understand what they're doing when it comes to the balance sheet. And then last but not least, the thing that's probably become more and more important to all of us the longer we do this is the management team. We've long talked about

wanting to partner with managers who treat owners as partners in the business, who are equal parts operator and investor. So it's great that they can run the business well, but it's equally important that they can reinvest the cash flows that come off of these businesses to benefit all owners, and most of the folks that we partnered with or are exemplary in that regard.

So we evaluate and score each of these elements on a one to seven scale with one representing the highest quality businesses. And naturally, as you'd expect, we spend most of our time researching those companies that cluster in that quality score one to two range. But that doesn't mean that we only focus on absolute best of breed businesses. We'll also buy companies in that three to four quality score range, especially when we expect improvement in one or more of the categories. You know, these are still pretty good businesses, and they're often overlooked by other investors. And kind of our bottom line is that we're very disciplined and focused on what we want to own, but that doesn't preclude us from being opportunistic when warranted.

So assessing business quality is where our team really spends most of our research time, and most of the debates that we have are in that area. But the second piece is equally important, and that's buying at a discount. Price matters, no matter how great a business is, we won't sacrifice on requiring a discount to value when we're putting capital to work. And simply put, we really want to see a path to double digit annualized returns on all of our new investments.

We run scenario analysis to assess the range of potential outcomes and primarily to make sure that our downside is covered if things don't go as planned.

We acknowledge modeling is, at best, an imprecise craft. Wally's probably snickering in the background here, we're much more interested in being directionally right than precisely wrong. And the goal in all of our investing is really to identify and have the Ben Graham's margin of safety in each and every one of our investments.

And ultimately, we're looking to have two different ways to win. The first way is growing business value per share, and in our view quality is really the driver of this piece of the equation. And the second piece is closing the gap between price and business value, which is driven by that initial discount. If we get both of them right, our investors have a chance for very strong differentiating returns.

So I could spend probably 30 minutes on this slide alone, but I promise not to do that, and we'll focus on a few key takeaways to help keep things moving today. The first one... we frequently talk about looking to invest in companies that themselves are focused on continuous improvement, and I think it's important that our investors know that we're committed to it in our process as well. And as you can see, we've been pretty busy over the last five-plus years in creating new enhancements. The second key takeaway is that these enhancements build on each other with one improvement helping to unlock kind of the next one. For example, the discount rate adjustment we made several years back helped fuel more fully invested portfolios, and we got there on our own terms. The quality score matrix has helped us refine the universe, and then subsequently tier it. And better technology tools are helping us more effectively organize, store and visualize our output. So the compounding effect of all these changes and enhancements is really cumulative, and we've been seeing it show up in results. The third key takeaway... Drew and Barton's leadership has really been instrumental in enhancing the team's productivity and efficiency. They both kind of served in that director of equity research role over the last several years. Both have done a great job of driving initiatives while helping bring other people along

with them, and we certainly couldn't have done it without the deep involvement in support of the entire analyst team - Nathan, Sean, Amy and Jon. It's really been a true team effort, and Wally and I are both very proud of the whole group for picking up an oar and rowing together. And then finally, before we leave this slide, a key tenet of continuous improvement is that there is no finish line with the hat tip to Nike there I guess on their 40-plus year old advertising campaign. But anyway, we're certainly not done yet, and we all look forward to keeping you posted on future enhancements to the process.

And with that, I'll turn it over to Drew and Barton to share some examples of this process in action.

Drew:

Great, thanks Brad. What I want to talk a little bit about this afternoon is kind of how our Quality at a Discount approach was put to work, really at the onset of the – or, well has always been put to work, but how it was put to work from the onset of the pandemic, and how that has changed a little bit activity-wise as we've moved through this period of recovery into this new year.

So on the slide that you see here is a visual representation of portfolio decisions to either invest in a new position at a new company or to exit a position completely out of the portfolio. Of course, there are other bits of activity that take place within the portfolio when we add or trim existing holdings, but this gives you a good picture of kind of the degree of activity that we've seen over the last - call it 18 months. You know, when we were first in the beginning of 2020 and the onset of this pandemic, there was a lot of fear in the marketplace. People weren't sure exactly what the risks are, how severe the downturn was going to be, how long it would last, all - you know - all manner of sort of uncertainty was available, or was clear in the market. And you know, with our Quality at a Discount framework, we're always sort of operating from a few fundamental-based principles. The first is that stock prices in the near term can do anything, but over a long period of time, those prices will ultimately reflect what the underlying business value of that company is. And then secondarily, to that again, sort of prices can do anything in the short run, as the human emotions of fear and greed tend to sort of get out in front of those - you know - the underlying realities of business. And so as we looked at what was happening in the market, particularly late in Q1 and early Q2, we saw a lot of fear out in the market, and we also saw that the selling was pretty indiscriminate across the full market. And so we were able to take a look at the Weitz investment universe and see that there were a number of very high-quality companies. Companies that were aspirational in our minds to own at some point in the future that were suddenly available to us at a pretty reasonable to cheap price. So in the early days of that pandemic, we did quite a bit of portfolio reshaping where we were able to increase the overall quality of the portfolio in a pretty dramatic way. So if you were to actually take a look at the quality scores for each of these individual businesses, what you would see is that the average of the companies that we sold, those companies were a quality score of about 3. Again, not you know, certainly within our wheelhouse, but the businesses that we were able to purchase had an average quality score of 1.7. So we think we were able to acquire really terrific businesses at pretty attractive prices. Of course, as we move forward in time and the recovery has gotten more underway, that sort of broad price dislocation hasn't quite been on offer, and as Wally sort of pointed out in his remarks, as valuations, more broadly, have risen, we've returned back to looking, you know, more opportunistically on a company-by-company basis for where we can see an opportunity to acquire an attractive company at a discounted price.

You know, so that brings us more into kind of the what's going on right now component, and one of the questions that we've gotten quite a bit from our shareholders in the lead up to this meeting has been,

you know, what do the administration and Congress's proposals for things like infrastructure mean for the stock market and for our businesses.

In the short run, certainly there are a lot of headlines available regarding, you know, everybody's different proposals for what an infrastructure package might look like. I won't dwell on the specifics of what's on the screen here. Ultimately, any package that get passed will be the result of the art of the possible. But I will note that the infrastructure packages that are being talked about have pretty pervasive impacts on a number of different industries across the economy.

While these could be materially beneficial to our companies across the board, you know to be clear, we aren't underwriting our investment theses to any specific infrastructure package. Instead, we want to make sure that whatever the base level of demand that we foresee for our businesses, you know, continues to - or will continue to deliver earnings and cash flows that we think are attractive relative to any potential upside optionality that an infrastructure package might provide.

Certainly one of the industries that gets talked about a lot as it relates to infrastructure spending, though, of course is the building materials companies. We've been investing in this space for quite a long time. You know, building materials, particularly the aggregates folks, the folks who produce stone and crushed rock that go into cement and asphalt, you know these are just irreplaceable assets. They are critically important to any construction project that may be underway. They're very heavy, and they also don't cost that much which also means that they operate somewhat as a local monopoly. Doesn't make a lot of sense for folks to import aggregates and other materials from other markets when the return just won't be there.

You know, so we look at a company like Vulcan and say these are attractive businesses in their own right. Vulcan's geographic footprint, or in the faster growing parts of our country, and these businesses over long periods of time again, because of that, sort of almost local monopoly sort of position and the irreplaceable nature of those businesses, they've also provided or have historically demonstrated good pricing power over the cycle. You know, so this is an example of a business that we're happy to own based entirely on the business that we see out in front of them, and also gives us a little bit of an inflation hedge but would also reap additional benefits from any infrastructure packages that might be passed.

Another industry that gets talked about a bit within the context of an infrastructure package is broadband. Obviously, we've seen this, you know, last 12 months more than ever, the utility that broadband brings to consumers and the degree to which broadband is a critical component of our infrastructure. The administration and others would like to see broadband networks expanded to underserved or unserved markets across the country. And while we think Charter Communications and Comcast have a role to play sort of in facilitating that buildout, you know, we continue to think that Charter in particular - its broadband strategy and growth prospects continue to be very attractive. So again, it's an instance where, you know, we're not underwriting a particular additional amount of growth should an infrastructure bill get passed, but rather that would be additional upside to our base case scenario.

One other thing I thought I would do with this slide is to try and give a visual representation of what we've written to you in the past about Liberty Broadband's double discount. So investors may be familiar with Liberty Broadband. It's a collection of different assets, but the overwhelming majority of

the value here is Liberty's 26% stake in Charter Communications - the second largest cable company in the U.S. Because its stake sits inside of another public publicly traded company, investors from time to time will apply a particular discount to that because they think it's too complex or for whatever other reasons that they may apply. And when we look at Liberty Broadband and we say if the market would simply value the stake in Charter at the current market price, we think there's approximately 20% upside from the reference price of the slide here, and we refer to that as sort of the mark to market value of the Charter stake, and that's sort of discount number one. Of course, we're very bullish on the future for Charter. We think it continues to grow its business value per share over time, and so we think Charter itself trades at a discount to its own value. That would provide discount sort of layer number two there. So when we think about what should Liberty Broadband ultimately be worth to its shareholders, we think it's going to represent the value of that stake in Charter at its base case value, and ultimately that leadership, like Chairman John Malone and Greg Maffei, will find a way to harvest and narrow that gap from the mark to market discount as well.

Lastly, I wanted to touch on one additional holding that's newer to our portfolios, and that's AutoZone. Brad spoke earlier about our Quality at a Discount framework as, you know, any sort of investment having two components of its forward-looking return: what is the growth in the underlying business value per share for that particular opportunity and then if we're able to acquire it at a discount, having the stock price close that gap to intrinsic value over time.

With a company like AutoZone, as we were thinking about and underwriting our investment here, I've tried to disaggregate those layers of returns into the chart that you see on the page here. We looked at AutoZone and said, you know, yes, this is a somewhat mature retail business although it continues to grow its core do-it-yourself auto parts business, at the same time as its vast, very quickly growing, its more nascent commercial accounts business. So we think there continues to be solid growth prospects for the underlying business. In the current period in time, over the last 12 months, sales at AutoZone have been extraordinarily strong as stimulus packages have put additional cash back into consumers' pockets, they in turn have turned around and invested quite a bit of that back into their vehicles in the form of maintenance and repair. This period of over-, potentially over-achieving on sales results is going to create a little bit of a... or will create a growth comparison headwind as we move into next year, but it also has put real cash into the balance sheet and for management to allocate on our behalf. The management team here has had a very good track record of helping to grow per-share value by utilizing those cash flows to repurchase their stock.

So as you see on the first in the slide here, again, this is sort of a reference price for AutoZone as we were contemplating a purchase, we viewed our future return and the growth of business value per share as being a function of the business’s growth as well as how share repurchase will accelerate that growth on a per-share basis.

Lastly, and again as investors saw this growth headwind coming and were unwilling to pay a premium multiple for it, we think both the company and we were able to acquire shares at an attractive multiple, and that over time three to five years from now, investors will see what we see in that gap will narrow in the form of multiple expansion. So again, I hope that's a helpful sort of demonstration of the two-fold components of how our Quality at a Discount framework hopes to deliver investment returns into the future.

With that, I'd like to turn it over to my colleague, Barton, our director of equity research, for a conversation about what we see on the horizon for technology.

Barton:

Thanks Drew, I'm going to talk a little bit today about blockchain and how it relates to two of our holdings - MasterCard and Visa. MasterCard and Visa are part of the electronic payments category which we view as a category rich with high-quality businesses that can grow for a long time. So since Bitcoin was originally promoted or talked about as a payment network, we've paid close attention to it over the past 12 years as it's developed and gathered a lot of interest. As you can see on the slide here, this is a basic representation of what blockchain technology, how it operates in the form of a payment network in particular. As Wally mentioned earlier, it's important to remember that Bitcoin, ether, Cardano, and other cryptocurrencies are all based on some form of blockchain technology. And really, blockchain’s genius is that, or the genius in its discovery, was that it's the intersection of economics, computer science, math, and game theory applied globally, and so we do find it as an interesting technology to track. And then as it relates specifically to a payment network, what people would most find beneficial to it is that it's highly secure, it's distributed meaning there's no middleman in the middle determining whether the parties on either side are to be trusted or not, you don't have to rely on one entity to make that decision, and instead the collective group makes the decision as to whether any transaction can be trusted. Now as a payment network, there's also several technology limitations to blockchains, and most specifically, those... or most importantly, those are related to payment speed and dispute resolution, but a lot of these technology hurdles, most likely we would expect to be overcome at some point in time. There's a lot of smart people working on a lot of problems as it relates to blockchains applied to payments.

So how does this impact Visa and MasterCard and other payments holdings that we have. Really, when you look at Visa, they early on even prior to 2016 on this slide, they started looking at blockchain and Bitcoin specifically as a potential helper or potential competitive threat, and over time what the company has done is - it's both adopted blockchain for itself as well as enabled many cryptocurrencies as an on and off ramp to those particular currencies. And how they've done this is through their rails of rails strategy, which is in addition to their well-known credit and debit network, they've added business-to-business commerce and payments which they're using blockchains specifically to as a technology to enable that. And then other payments like you've seen, such as person-to-person or peer to peer that that you would see in Venmo or PayPal. And another thing Visa has done that you may not be aware of is one of the ways these currencies have gained wider acceptance is by the fact that they use Visa or MasterCard branded debit cards, so if you're on Coinbase and you have crypto and you want to spend that somehow, they actually have - there's a Visa debit card that you use to spend the money on, and you're really - what you're spending is dollars in Visa's technology behind that is converting it at whatever price it is at the second you transact and taking that from your wallet, converting it to dollars, then paying the merchant over time. So really what you see from Visa is that they've embraced a game-changing technology and they're using it to their advantage.

And similarly, MasterCard is doing the same thing. As you'll see here on the slide. They have... they too have adopted several different network technologies for business-to-business, person-to-person, ACH which is used in many countries still in real-time payments, and they too have a large portfolio of blockchain patents. They've been working to enable cryptocurrency wallets, and really, what you see

MasterCard along with Visa doing are saying if this is how the world wants to transact, if this is the currency that they want to transact in, then we are more than happy to enable it. And you heard me mention earlier about limitations to blockchains as payment networks, MasterCard and Visa already provide dispute resolution. Their network payment speeds in terms of the number of transactions they can handle per second or somewhere on the order of 2500 to 4000, and most blockchain technologies today are a fraction of that, although like I said, they'll get better. So what you can see from this is that both companies, and really a lot of our payment companies are using blockchain as an enabler as opposed to really being threatened by it. So we still feel really good about our investments in Visa and MasterCard.

So with that, I hope these examples provide you some context with how we apply our research process within our Quality at a Discount framework. And now it's my great pleasure to introduce my esteemed colleague Tom Carney to discuss our fixed income investments.

Tom:

Great, thanks Barton, and good afternoon everybody. It's a pleasure to be chatting with you this way. That would be great, hopefully in a year to be in the flesh again with everyone, but as Wally said it is great to be able to talk to people all across the country this way.

I'm going to pause at this slide here, this fiscal year at a glance, because I think it bears repeating. We've certainly corresponded with you in our letters, and as we were trying to think of a catchy name for this slide, our teammate Yana Morgan said, who says bonds are boring? And that really kind of typified what we went through in the past fiscal year that March of ‘20 to March of ‘21, and certainly was mostly compressed in that front end of that fiscal year. But I think it really reinforced for me as having been at Weitz over 25 years, it reinforced that you really only learn things under adversity, at least meaningfully. And we experienced adversity like I've never seen in my time at Weitz. It also reinforced an investment process, an investment process that clearly starts with Wally. Where he strives to encourage each of us to continue to learn more every day. To have the courage of your convictions, to be patient and ultimately it's about temperament, and as Wally said in his presentation, he talked about never having to sell something you don't want to. And that clearly typified our process last year and certainly a lot of that goes to our thanks to our very stable shareholder base. So all you listening, all you investors, those tough times of last year, you really helped us continue to do what we have done. And that investment process has been really reinforced and fine-tuned. We'll have a really neat chart like Brad had that timeline, but certainly over the past year... ten years as Nolan and I have worked together, I think that we have been able to expand the circle of competence, which is what Wally has encouraged us to do, and to be able to lend money, which is really what we do in fixed income.

Fixed income investing is a negative art. So the best offense is a good defense, and so we've really strived over those many years to build a portfolio that can withstand shocks. Certainly we would not have envisioned the shock we experienced last year, but it really highlighted the power of having liquidity, the power of being patient, the power of a baseball analogy being, there's no such thing as called strikes in investing, and just wait for your pitch. And that really played out well last year. And so while it was absolutely the most challenging year I've ever experienced, I’m grayer than I was before and the beard is longer than it might have been at the beginning... it was the most rewarding, rewarding in in the teamwork that we have together, not only our equity team that we are able to draw ideas from on a day-to-day basis, but in our surveillance work that Debbie Stalnacker has been phenomenal at

helping us to be able to have that courage of our convictions and act when we have the data that helps reinforce the investments we've made or the investments we plan to make. And then certainly on the corporate credit side, David Kratz has really escalated the ability for us to look at a bigger universe of corporate bond investments, and so that is what has transpired in the past year has really been a very proud of the work that we've accomplished and certainly happily it's shown up in the results which ultimately matter the most. So it's been a great year and a good team to work with.

But now that's over. Now like anything, you start with a clean slate and the scorecard starts afresh. And as we've heard, and certainly in the questions, inflation is the order of the day. A year ago, it would have been - what about deflation? But now a lot of the concern is around what kind of inflationary concerns should we be concerned about and watching? And certainly it applies probably most meaningfully with fixed income. Wally would recall when the phrase was quoted that fixed income were bonds of confiscation instruments, whereas today that's not even thought of so much. But there was a time when we even have - wasn't president at the time, but Ronald Reagan had one of the best quotes I think about what inflation can do, because it truly can rob investors of the purchasing power of the investments they make. And so this slide kind of highlights what inflation has looked like over a long period of time, and he would have experienced 15% sort of numbers on a quarterly basis when he came into office in 1980. We haven't experienced anything like that, and the Fed as Wally mentioned is trying to have inflation get above and maintain an average... a 2% level, and I'm sure hopefully they're thinking they'd be careful what they wish for. And as fixed income investors, we're certainly mindful of that. And you've seen in the press the inflationary news where we have hit some pretty high numbers, but I think the Washington Post put it in decent perspective about... and these are slides that highlight April as a pretty high number, but if you even it out based on the really decline that we had in the first quarter, second quarter of 2020, that... it kind of smooths out. We'll see whether or not this is truly transitory - that word the Fed likes to use. But we will see over time whether that plays out, and the bottom slide talks about the effects if you exclude gas and food, and that's always a, uh, goofy thing, but who of us don't eat and travel? Well, maybe traveling less, but... get around somehow. So we'll see how inflation plays out.

The next slide, kind of, I was going to have it - who knows what this chart was or is, and maybe many of you might say, hey, that looks like my tech stock from last year. Maybe my cryptocurrency. Maybe my favorite work from home. No, that is lumber. That is the futures price for lumber over the past year at the end of ‘19 through very recently. Anyone who's built a house, bought a house, knows the prices of certain inputs are rising rapidly, so there's reason to be concerned about what inflation might look like down the road, and we, as fixed income investors, have to be particularly mindful of that. And certainly, Wally highlighted how the fiscal policy has been like a tank firing dollars everywhere. We put a slide together to kind of highlight how this looks compared to other times, but first that firing in that canon and those dollars has impacted all of us over time. The next slide kind of shows what happens to the value of your dollar. Like today, you can go to McDonald's and get the... it's a busy slide, but at the bottom you can get a McDonald's cup of coffee for a buck. But if you'd have gone to the movies in 1964, year of my birth, you could have gone to a drive-in for a buck, but now, that's almost dollar-adjusted, meaningfully higher fifteenish dollars to do that. And I like beer. You could have bought a lot of beer in the ‘30s that you can't today. So it's a slide that shows that the declining value of the dollar over time is very real.

And that's played out in the fiscal policy we've done, the next slide highlights three different times... two that we're familiar with, the '08, the Great Financial Crisis and then, the more recently, the CARES COVID one, two, three, four... we'll see where we end up... sort of stimulus and the cost that those were compared to, even for example, the New Deal back in the 1930s, and we've circled a few things just to kind of show the impact to the budget to you and I as members of the United States, and then the cost of it relative to the nation's output. So four trillion is a lot of money, and how that gets resolved going forward is yet to really be answered. And each of us have picked up an extra 12 grand in per capita national debt. And it was so large we're probably most familiar with how big '08 seemed to be at 5.7% of the nation's output, but it was almost 20% with the most recent stimulus. So there's just, there's a lot of dollars floating around in the economy, and that's certainly seen at the bottom slide where equities one year after up are not down. They're not down very much at all. They're up a lot compared to, for example, '08 one year later or the New Deal.

So there's certainly plenty of reason to be concerned about inflation, and particularly for fixed income investors... and why is that? Because the next slide kind of just shows the typical, the math of how bonds are priced. Think of it as a teeter totter, whereas interest rates rise, bond prices fall. Wally's certainly seen how that worked meaningfully in the 1970s and early '80s, most of us have experienced where interest rates fall and bond prices rise on the left-hand side, but it can work certainly either way.

And then I'll go into just some updates. We provide these sort of slides that give you a sense of where interest rates are today and where they were a quarter ago and a year ago. And it's not a fun environment. These are the U.S. Treasury yields curves from really short two years out to 30, and you can see the uptick in the yield curve on the top where the five-year treasury, it went from .36 to almost 1% in the first quarter. And then the longer end, 10 and 30, also lifted, and that clearly is just people more concerned about the potential for increased inflation, and it certainly was a time period where Nolan and I felt we just weren't being paid. If you look at the curve lower to be investing yours and our capital out further the yield curve, and so that really enhanced our performance in the first... certainly in the first quarter of '21.

The next few slides just kind of talk about how corporate bonds look on a spread basis, and spread is simply the incremental return you or I get for lending money over and above Treasuries. And you can see, this is a December of '19 through March of '21, and not surprisingly the circled part of the graph is when everybody was afraid, and many people were selling. And that would be a period thanks to our process instilled by Wally, that's when we're buying. But it's become a more challenging environment as that incremental return to own credit investments... corporate bonds, for example, relative to Treasuries, has just declined, gone downhill essentially since March of last year, and that can be seen in a much longer-term graph of corporate bond yields... couple corporate bond yield graphs. One is an investment-grade chart. The left-hand side you can't quite see, but it starts in the December of 1979, when you could have bought a corporate bond yielding almost 17%. And we keep setting new lows as we progress left to right on this chart to where we're now, for very long interest rate risk, investors are willing to own corporate bonds at a very low 2% level.

And the next one we might have to stop calling high yield that name because it increasingly is becoming less than high yield, and at one point even in parts of this year, the high yield index, which this represents the yield to the yield of a high yield index dropped below 4%, but this is from a high, actually was in '09, of over 20. So we're certainly in an environment of what some people, and we've used of

return-free risk. So we know we have to be particularly careful about how we invest our and your capital. And again, it hopefully... the process, being patient, that'll help reinforce how we go about doing things on a day-to-day basis. And with that, I'll turn it over to my teammate, Nolan, to give you a sense of some opportunities we've been able to uncover in the past year.

Nolan:

Thanks, Tom. We've talked a lot about asset-backed securities in past shareholder meetings and investor correspondence, and it's an area we continue to believe offers our shareholders reasonable value for the risk we're taking, particularly now relative to similar quality corporate bonds. And while some aspects of asset-backed investing can be quite complex, the idea itself is quite simple, as seen here in the middle of this slide. A group of income producing assets, in this case a pool of smartphone contracts from Verizon, are structured into different classes of bonds and then sold through to investors based on their risk tolerance. Whether it is a home, mortgage, car payment marketplace, consumer loan or equipment loan, this process is repeated, has become an efficient source of capital for companies, both large and small. What is also unique is that, with the exception of government-backed mortgage loans, ABS largely sit outside of the large passive fixed income indices. So in order to get access to these markets, you typically need to invest alongside an active manager such as Weitz.

The next slide focuses on an area of the market that we've been spending a lot of our time really since the pandemic, and that is a corporate CLOs. There are two segments of the CLO market - What is known as the broadly syndicated loan market, or BSL, and then the middle market space. Both of which are floating rate loans. There are three primary differences between the two markets: the loan and company size, the loan level liquidity, and then the structure and the covenants. In terms of size, BSL loans are typically much larger than middle market loans, and given their much larger size, they typically have a public rating associated with them. Middle market loans are much smaller and typically do not have public ratings associated with them. And the last key differentiator is covenants. Generally speaking, broadly syndicated loans are known as what's called covenant lite, while middle market loans are structured with covenants that require continuous performance or maintenance tests such as total leverage, interest coverage, and minimal liquidity ratios.

In the next slide hits on the key reasons why we like middle market CLOs as opposed to broadly syndicated loans. First, we are partnering with strong financial sponsors, such as AllianceBernstein, BlackRock, Cerberus, and Fortress that are involved in every aspect of the loan, from origination to servicing, to work outs, if necessary, to ultimately loan payoff. And all of these companies, these managers have proven track records through multiple economic cycles. And CLOs are a form of balance sheet financing for these sponsors. So the sponsor typically has significant skin in the game and usually holds the bottom 15 to 20% of the securitization, which for us as investors toward the top of the capital structure in the AAA and AA securities, serves as a first last piece. And given the nature of lending to smaller companies, middle market lenders typically earn higher spreads than broadly syndicated loans. So excess spread is the extra coupon income generated from the loans in excess of the coupon payments.

We also believe there are diversification benefits for our shareholders. Underlying each CLO is 150 to 100 distinct loans across various industries as opposed to a single company lending via corporate bond. And lastly, we get paid more to invest in middle market CLOs as compared to BSLs. And when you look at the long-term performance history of middle market loans versus broadly syndicated loans, factoring

in default rates, recoveries and the structural enhancements you receive in middle market loans, we don't believe we're taking additional credit risk versus the broadly syndicated market. The key differentiator is the loan liquidity. The middle market loans are less liquid and so therefore we're getting paid to take more risk associated with that.

And then last but not least, Tom usually ends every presentation that we give to shareholders or a new investor about the golden rules of investing. And it's quite simple and effective. Rule #1 is don't lose money and rule #2 is not to forget rule #1.

And with that, I'll turn it back to Brad Hinton.

Q&A

Brad:

OK, thanks Nolan. We're - you know - roughly an hour in, so we're going to turn some questions now, and we've had some great ones submitted in advance. I'll kind of try to help moderate a session, and we'll get to as many as we're able to here.

Are the Malone-run cable and media companies doing in this era of cable cord cutting? Are the businesses creating real growth or are they dependent on financial engineering to create value? And then just a quick tack on there was a note that it looked like we sold one of the entities during the course of the last fiscal year, so maybe you could touch on that as well Drew.

Drew:

Sure, absolutely, so as it relates to sort of the core, I think kind of cable side of the house, and I think the question is kind of asking two different things – one about sort of the broadband infrastructure business and then the media sort of content companies separately. The core cable business itself continues to grow organically, certainly anyone can take a look at Charter as the investee from Liberty Broadband, although the broadband number, the broadband growth numbers coming out of Comcast and really all the U.S. players continues to be very, very strong. So you know, the cable broadband story continues to be one of growth and one of very consistent and stable cash flows. You know, Malone's MO historically has been that if you have, you know, really terrific business, physical infrastructure that's delivering solid sustainable growing cash flows, you can lever that appropriately and gain additional returns for your equity holders by buying back your stock. Certainly a large component of Charter's return, really since current management took it over, has been a function of that as well. On the content side, the story is a little bit harder to tell. You know, John Malone had a strong hand in founding Discovery - the suite of networks that enjoyed really phenomenal growth for a long period of time in particular because of their emphasis on content that worked all around the globe. In the last, you know, several years as cord cutting has come in and having a larger impact, the pureplay cable companies have had a tougher time, either because their advertising revenues were getting competed away, not because of cord cutting, but because of online alternatives like Facebook, Amazon, Google, etc. - but also because the subscribers to traditional pay TV companies were in decline. You know, we had actually sold out of most of our content companies within our own portfolios several years ago, and there, you know, I think there continues to be … there continues to be sort of room for those content companies to persist, but I think they're more likely to follow the path of what Disney has done where, you know, what you need to do is build, you

know, content creation engine and then have the capabilities to sort of distribute that more globally, and certainly what we're seeing with the Discovery and Time Warner tie up again influenced by John Malone certainly speaks to an endorsement of that strategy as well.

As it relates to Malone entities that we would have sold in the last year, I believe what the shareholder is noting is that we sold our remaining holdings of the Formula One tracking group. That's a business that owns the Formula One Racing League and is a really tremendous business that they bought from private equity and have done a tremendous job of turning that business around, sort of professionalizing to a certain extent how the sport is run and exploring the appropriate avenues to monetize that content. You know, we felt that it had reached, you know, about our base case value was and thought even though there was some additional upside to be had at the time, there were more attractive alternatives to be investing in and so we had sold that particular entity. Though it's not, you know, not for concern of its viability by any stretch of the imagination.

Wally:

Could I add one thing there... in the Malone orbit, I think he has a way of structuring the businesses and using tracking stocks and that sort of thing that gives him a kind of a bad rep as just a financial engineer. But there are real live businesses behind it. So when Drew showed the graph of the path we see from Liberty Broadband's holdings of Charter into Charter, and same thing SiriusXM. But I think one of our top performers in the last year was QVC of all things. You know it's a stereotype of little old ladies watching TV, and you know buying blenders or something. But it has actual real earnings and it's been doing better during the pandemic. It's learned to do online selling. It's not just the TV shows, and they did do some financial engineering. They paid two very large cash special dividends and then they created a preferred stock and spun that out to shareholders. And then the stock is still trading on its own and selling at less than 10 times earnings. So I think the total return for our fiscal year was something well over 100% on QVC. So we do pay attention to Malone and he's been very good to us over the years.

Brad:

OK, so we have a good meaty multipart question here, and I'm going to kind of take it in chunks and maybe pass the ball around a little bit as we go. But the start is sorry if you already answered this, but how do you get ahead of rising inflation and interest rates? And I think on the equity side... so from a process standpoint, one thing to keep in mind is our valuation framework essentially implies or assumes higher interest rates in the future and the discount rate that we use and how we're how we're valuing our businesses. So we are not going to need to really make any changes to how we go about valuing companies if the 10 year were to go up a couple hundred basis points over time. Now I think the reality is that real returns are likely to be lower, and they've been exceptionally high really over the last decade. We've had higher nominal returns in prior decades, but with inflation being almost nil throughout much of the period, you know, real returns to both stocks and bonds have been very high, so it certainly could eat into that, and I think the way we react from a portfolio management standpoint in a lot of ways is we love to have beneficiaries, or at least companies, who have pricing power. So MasterCard and Visa that Barton talked about earlier. I think we're slower to think about selling companies that might fit that mold like a Vulcan Materials or a Linde in the industrial gas segment. That sort of thing. So I think it does shape or inform the kind of things that you might want to own, you know, with a range of comfortable valuation levels along the way, but no real changes to the process that the team is executing and implementing.

So the second part of the question is do bonds become much more attractive in such an environment? And so maybe I'll let Tom give a few thoughts on that.

Tom:

Sorry it's in the getting there that might not feel so good. When, and if, when bonds might become more attractive. But what I think investors can consider doing is what we at least have done is a few things. One is to not look like an index, and there's a lot of passive investment opportunities out there that have very meaningful interest rate risk just because of the nature of the investments that they own and the length of the bonds inside them. So we don't look like any index to speak of. In fact, we just try to build portfolios one security, one sector where we find reasonable value at a time. And so there's that, it probably means being more tactical than we might otherwise have been. Oftentimes, it might look like we're a buy and hold fixed income investor, but that's not necessarily always true, so it could involve more being more tactical. It can include buying bonds that have floating rate instruments, and Nolan talked a lot about that portion of our portfolio that's approaching in the mid-teens already on our taxable investments, both Core and the Short Duration Fund. And then, finally, it's about not having as long of an interest rate exposure, that's the only way to really play good defense is not just necessarily sit in cash, but to find things that earn reasonable return, doesn't look like an index, and then wait for the inevitable opportunity of investment opportunity investments that come along because one constant in equity investing, fixed income investing is change and being ready when that opportunity presents itself. I don't know if you have anything you'd care to add Nolan to that.

Nolan:

No, sir.

Brad:

So then the... thanks guys.

Wally:

Charlie Munger move.

Brad:

The last piece for Wally is, you know any lessons that you take from prior inflationary eras that might be helpful as we look forward.

Wally:

Well, I am a product of the ‘70s and, you know, for me to hear the Fed talk about having such trouble getting inflation up to a 2% level, it's really kind of hysterical. But I remember back in those days where Charlie Heider fortunately made sure I paid attention to Warren Buffett, which has been a good move since, he talked about advertising as being a royalty on inflation because the... and of course he was talking about Interpublic and Ogilvy and Mather and the traditional old-line advertisers. But as prices go up and revenues go up, companies tend to spend a percentage of revenue on advertising, and some of our very biggest holdings now - our Google and Facebook and actually one of the biggest advertising companies around is Amazon. So all of those are... they're not indexed to inflation, but they're likely to be able to pass through pricing and thrive because of it. And then, of course, Visa and MasterCard are...

their fees are directly proportional to prices and revenues. So if you look through our portfolio, you see a lot of beneficiaries. In the financials, even, you know, conventional wisdom used to be that higher rates were bad for banks and financials, but coming off zero, companies like Schwab that has huge amounts of customer balances that they make a spread on as long as... as well as commercial banks, higher rates and higher interest rates up to a point are great for them. So... the guys laugh at me when I bring up inflation and my stories from the ‘70s, but it might come in handy.

Brad:

Go ahead Barton.

Barton:

Yeah, Brad, if I might just add a little bit... our Quality at a Discount framework isn't geared towards looking for inflation hedges or deflation hedges. But if you look through each one of those six characteristics, embedded within them are finding businesses that are durable and resilient, so if you do get an inflationary environment, what does that do to competitive advantage? Competitive positioning? What does that do to the reinvestment runway? And each of our analysts are thinking through those possibilities, and they reflect themselves in our down, base, high scenarios, and just various ways our businesses that we decide to own can react in different environments. And that's what makes a quality business, and that's why we focus on it so much.

Brad:

Thank you, appreciate that. So Wally, you opened the floodgates or the door on the Google, Facebook, Amazon topic, and we had a question about... can you speak to how we all assess regulatory risk from the U.S. and foreign government actions to restrict their market influence and profits. And this will probably be a... this should be a tag team answer because I think we have a multitude of opinions on the topic on the team which is healthy and really good and in structuring the debate. But I would start by just reiterating something about Wally said that these businesses are exceptional. I mean truly phenomenal given the sizes of the market caps and the markets that they play in. And Google and Facebook in particular, the digital advertising market continues to grow at a very robust pace, both just on its own and taking share from more of the analog pieces over time. I think we got a very similar question the last time we got together back in the middle of October and since then, Google, Alphabet stock is up more than 50% and Facebook stock is up more than 20%. And we think that they're both cheaper today than they were then, which is just remarkable. I mean so... the question that the shareholder’s asking is the right one, because that is the risk, it's the risk. I mean the valuations are quite cheap for the quality of the business and they very much tick almost... most of the boxes in the Quality at a Discount framework that Barton was talking about just a minute ago. And it really comes down to what could derail them, and some of the regulatory side is the biggest risk, and we manage that largely through, in some ways, position sizing. So you know, I think you could make a case for those three being a lot larger than even they are in the portfolios if it was economics alone, but it's a more complicated, nuanced picture than that, and so we do want to make sure that we're not, you know, kind of betting the farm, so to speak, on any one of them or a collective position in those, even though they’re, you know, somewhat large by mutual fund standards. But the real question is sort of what are we doing on the regulatory front, and, you know, Barton has been fairly close to that, so I want to get his thoughts. And Wally, maybe you want to jump in before we do that with some thoughts of your own.

Wally:

Well, you know, these are controversial companies for other reasons. You know, my friends that worry about the surveillance economy. I'm really hoping that they're not listening to our call and looking at our portfolio, but you know, it is a risk, but you know cynically approached if regulatory measures make it a lot more expensive, you know, to have an online advertising business, these companies are the most well equipped to pay the price to comply with the regulations. And when you look at the services that they provide, again, there's reasons to, you know, to be unhappy with some of the ways some people use the services, but people really like to shop on Amazon. They really like Google as a search engine. And I don't get it, but a lot of people like Facebook. So it's, you know, when you talk about... this is going back to the ESG question... this is why it's so hard to figure out how to have a really solid, clear criteria for drawing the line on what you're willing to own, if you look at some of the ways Facebook has been misused. And... I'm reading Brad Stone's second book on Amazon right now. I'm just about done with that, "The Everything Store" was his first one, and it was... I highly recommended it. The second one is good, too. It's not an unvarnished story, but these are just really powerful businesses. The general... again, talking about interest rates going up, I think all three of those companies probably have $100 billion in cash, earning zero, that they could earn two or three or 4% on to be pretty lucrative. So we're watching carefully and trying to understand the regulatory risks. When we hear Congress... seems that most congresspeople are really mad at all three, but they're mad for different reasons. And so, you know, with luck they won't agree on how to regulate them.

Brad:

Barton, anything you'd like to add just on the research side?

Barton:

No, I think really just, we pay a lot of attention to it. I think your comment on position sizing is correct, and just to sort of glom on Wally's point... at this point, they're really political footballs more than they are sort of some evil behemoths that there's a clear reason to shut them down. I mean, just for instance, imagine if Amazon hadn't been around when the pandemic started. That would have not been pretty. But we do recognize it doesn't matter what our opinion is. What matters is what the regulators do, or in this case it's really Congress. So we keep on our toes and Jon Baker does an excellent job of keeping all of us informed about the various goings on in Washington and elsewhere.

Brad:

Okay thanks. So another company specific question... how do you think about the intrinsic value range for D&B? What, who are the main competitive threats? So Drew, do you want to address that one?

Drew:

Sure, happy to. So you know, as we think about the, you know, value range for Dun & Bradstreet, I think it might be helpful to take a step back and help shareholders who may not be as familiar with it. So Dun & Bradstreet, you know, historically is 180-something year old business. And, you know, the very core sort of franchise, you know, it's easy to sort of think about from a consumer perspective... each of us has a Social Security number and that number identifies us and other companies, you know, like the credit unions or other can use that number to get our FICO score to figure out how trustworthy we are as a,

you know, potential person to loan money to or other such things. Dun & Bradstreet's core finance and credit risk business kind of does the same, or provides the same sort of service for businesses. Businesses need to figure out whether or not their counterparty is trustworthy and what sort of terms they might want to have about, you know, how quickly they get paid. All that kind of stuff. So Dun & Bradstreet has these unique identifying numbers and the ability to sort of provide these scores to businesses, and they have become the de facto standard for how these companies affectively are able to trade with each other. It's been such an important system that companies voluntarily give up a ton of data to Dun & Bradstreet to make sure that they're able to, you know, trade and do business with other companies. So this has been a truly phenomenal franchise, but for many years prior to it going private, it had really been under invested in and sort of let languish to a certain extent. So as we think about, you know, what is the sort of range of potential outcomes from here, you know, new management came in, took it private and then brought it public again within the last year or so, and it's led now by Chairman Bill Foley and CEO Anthony Jabour. And we've had tremendous success with them in the past. We're partners effectively with them at Black Knight, which has been a successful investment for us for a number of years. And, you know, realistically, as we think about sort of the range of outcomes here, you know, there is... can they help reinvigorate that core business by investing back into it, by changing sales practices, and really sort of get that growth engine back up and running. You know, I'll give you one quick example of something we think... or that they are already working on, you know, these companies, you know, companies that do business or that subscribe to this data, you know, renew annually at like 90% rates. They have over 90% renewal rates with their customers, but they used to do that every year. The sales folks would go to the same customers every year and get that same renewal every year. New management has come in and said let's move these customers to three to five year or longer contracts. That frees up your sales resources to potentially sell additional services, find new customers, and to actually work in pricing escalators into those contracts. So we think there's a pretty interesting opportunity set for the core business to sort of get reinvigorated and grow. At the same time, you know, we think this management team has done a great job in taking a look at where are there opportunities to acquire, whether it's new capabilities that can be bolted onto the existing distribution, so that would come on at very high rates of return because you're taking an existing product and selling it across your whole footprint, or where can they actually go out and acquire new territories and new points of distribution to further improve and grow the network as a whole. So you know, what does that equate to sort of numerically? Well, as Brad mentioned, our investment process leads us to do a number of scenario analyses, and as we sort of think about low cases and high cases, you know, we see, you know, potential outcomes in the high teens to low 20s on the low end, and, you know, high 30s, low 40s on the high end. And the base case, you know, somewhere in the middle of that as well. So you know, we're pretty optimistic there, you know, we think it's a great franchise that just needs a little TLC and that this management team understands how to do that and that. And that furthermore, it's a demonstrated management team that can add value through the M&A process. On the competitive landscape, you know, against that core franchise, again, this business has been entrenched for so long. Jon Baker and his diligence has seen market share estimates as high as 80%. So you know, we are cognizant of competitors coming in and sort of chipping away at this business, and probably Moody's with their Moody's Analytics business and their Bureau van Dijk business overseas would be sort of the principal ones. There's other parts of Dun & Bradstreet too that do things like helping, you know, with marketing effectiveness, or marketing acceleration. Those areas are more

competitive, but again we see the highest returns coming from sort of really reinvigorating that core and vital franchise.

Brad:

OK thanks. It's another bigger picture question - does the present environment favor value or growth stocks? I'll kind of start on that and others can chime in if they'd like. I think we've, you know, we certainly had an environment where growth stocks - including sort of the work from home beneficiaries - have been very, very strong for a number of years leading up to late 2020, and value stocks are more cyclical plays, have certainly been much more in favor since the vaccine news kind of came about, or in the elections, and things like that, so since the November timeframe. But the long and the short of it, I think from our standpoint, is it doesn't really matter to our investing process that we are focused on, you know, finding the best companies that we can trading at valuations that we think afford really attractive potential return profiles. And as we talked about earlier, some of those have... are labeled as value and some are labeled as growth. And so it just doesn't influence our kind of day-to-day activity, and I think the, you know, the good news is that we fared pretty well through both of those regimes over the last couple of years, which kind of hopefully helps prove, you know, prove that out a little bit as we go. And we understand it's very important to a lot of others out there, but it just isn't well aligned with kind of how we think about investing capital.

So back to company specific. Are you concerned that the world-wide chip shortage is going to adversely affect the tech companies that you and we own? Barton? You want to take a crack at that one.

Barton:

Sure, the short answer is we're not too worried about it. First of all, our ownership of Texas Instruments and Analog Devices is actually helped somewhat by the shortage because they have a little bit of pricing power. Their fabs are running full time, and as Brad mentioned earlier in another answer, I think it... you know, they have tailwinds with the electrification and digitization of society. We also, you know, we do have some minor exposure when you think about Amazon, Google, Facebook, Microsoft, which is owned in Balanced, they are voracious consumers of semiconductors that go into their data centers and have the, what are called leading edge processes, that are made by TSMC, Intel and Samsung for high-end chips, but they're also at the front of the line, so we don't think they're going to have to halt building data centers anytime soon. And really, for the rest of our portfolio there's minimal exposure.

Brad:

Okay, we're running up on, a pretty lengthy meeting here. We want to be respectful of everyone's time, and I know we didn't get to quite every question, so please follow up with our client services folks in Omaha if we didn't get to yours, or if we didn't address it adequately.

But Wally, kind of a closing question would be, you know, what is your recommendation of a portfolio balance for older investors, and perhaps a balance for clients nearing retirement. You know, how are you thinking about the landscape of the world? And we've touched on this a little bit along the way, but it might be a good way to close things up.

Wally:

Okay, you know, I used to deal with individual investors a lot more going back 20, 30, 40 years and, you know, dealing with helping them with their planning. And one thing I noticed is that there were some 40 year olds that had very high incomes but were totally risk averse and didn't really belong in the stock market. And there were some 80 year olds that were perfectly... had been investing in stocks all their lives and they were perfectly comfortable. So I've always been skeptical about the concept of target date funds that shoehorn people into categories and gradually sell them out of stocks as they get older and that sort of thing. What I think is that people ought to understand themselves enough to know, at any age, how they're going to react every five or ten years when the market collapses, because it's... something always happens. Whether it's a mortgage crisis or a pandemic or an inflation scare, you know, whatever it is. If you're... if you're the kind of person that can, you know, sort of shrug and say I'm comfortable that my companies are good and they'll come back, then I think you can stay with a high percentage of stocks in your portfolio. I've had several clients who just inevitably will hang on, hang on, hang on as a bear market goes down, and then sell at the bottom. And it's just, you know, it's kind of heartbreaking for us and our client service people to see that. So you have to understand yourself, and I think one thing that helps... helps me, and I think would help most people is, if you're able to be a stock investor in a big way, have two or three years or maybe four years worth of spending requirement socked away in something that's not so volatile, and something like our, you know, our Core Plus or the Short Duration bond fund, and the rest can be, you know, in stocks that are going to do well over 5, 10, 15 years, but might fall in half temporarily. And if that cushion of two or three years of spending money can keep you from touching your stocks at the wrong time, then I think you can have all the rest of it in stocks. If two or three years of spending is all you have, then don't be in the stock market. And if two or three years of spending is 5% of what you have, you can have the 95 in stocks... is sort of my approach.

Brad:

OK, Wally, you have some closing remarks?

Wally:

Well, uh, no actually. But I could make some up for you. It is good. It is good to get back together with shareholders, and I'm really looking forward to, hopefully next year we can get back together. We can have the... I don't know, some people combine the wine with the Sees Candy, and that didn't appeal to me much. But getting together in person is just a wholly different thing, and... now sometimes that leads to... I've seen shrimp thrown at one of our meetings. So we, you know, we don't necessarily condone that, but it is a more personal approach, and I'm looking forward to doing that next year.

Brad:

Okay, thanks everyone for joining, and we will look forward to doing it in person soon.

Wally:

Very good thanks all.

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As of 03/31/2021, the following portfolio company constituted a portion of the net assets of Balanced Fund, Hickory Fund, Partners III Opportunity Fund, Partners Value Fund, and Value Fund as follows:

Alphabet, Inc. – Class C (GOOG): 1.9%, 0.0%, 5.0%, 5.9%, 6.7%
Amazon.com, Inc. (AMZN): 0.0%, 0.0%, 2.5%, 0.0%, 2.8%
Analog Devices, Inc. (ADI): 1.3%, 0.0%, 0.0%, 0.0%, 3.8%
AutoZone, Inc. (AZO): 1.7%, 4.1%, 1.1%, 2.3%, 2.7%
Black Knight, Inc. (BKI): 0.0%, 2.3%, 1.8%, 2.3%, 0.0%
Charter Communications, Inc. – Class A (CHTR): 1.5%, 0.0%, 0.0%, 0.0%, 0.0%

Comcast Corporation – Class A (CMCSA): 1.6%, 0.0%, 0.0%, 0.0%, 3.2%
Discovery Communications Inc. (DISCA): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Dun & Bradstreet Holdings Inc. (DNB): 0.0%, 0.0%, 1.2%, 0.0%, 0.0%
Facebook, Inc. – Class A (FB): 0.0%, 0.0%, 4.3%, 3.2%, 4.4%
Intel Corporation (INTC): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
JPMorgan Chase & Co. (JPM): 1.5%, 0.0%, 0.0%, 0.0%, 2.6%
Liberty Broadband Corp. - Series A & C (LBRDA/K): 0.0%, 8.0%, 5.1%, 4.7%, 4.5%
Liberty Media Formula One - Series A (FWONA): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Linde PLC (LIN): 1.2%, 0.0%, 0.0%, 0.0%, 2.3%
Mastercard Inc. – Class A (MA): 1.6%, 0.0%, 4.6%, 3.5%, 3.8%
Microsoft Corporation (MSFT): 2.0%, 0.0%, 0.0%, 0.0%, 0.0%
Moody’s Corporation (MCO): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Oracle Corp. (ORCL): 1.5%, 0.0%, 0.0%, 0.0%, 3.8%
Samsung Electronics Co Ltd (KRW): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Taiwan Semiconductor Mfg. Co. Ltd. (TSM): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Texas Instruments, Inc. (TXN): 1.1%, 0.0%, 2.8%, 3.2%, 0.0%
TWC Enterprises Ltd (TWC): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Verizon Communications Inc. (VZ): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Visa Inc. – Class A (V): 1.5%, 0.0%, 4.6%, 3.9%, 3.9%
Vulcan Materials Co. (VMC): 1.8%, 2.4%, 1.3%, 3.7%, 4.0%
Walt Disney Co. (DIS): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%
Zoom Video Communications Inc. (ZM): 0.0%, 0.0%, 0.0%, 0.0%, 0.0%

Investment results reflect applicable fees and expenses and assume all distributions are reinvested but do not reflect the deduction of taxes an investor would pay on distributions or share redemptions. Certain Funds have entered into fee waiver and/or expense reimbursement arrangements with the Investment Advisor. In these cases, the Advisor has contractually agreed to waive a portion of the Advisor’s fee 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 of the Class’s average daily net assets through 07/31/2021 (and in the case of the Weitz Core Plus Income Fund, through 07/31/2023).The Net Expense Ratio reflects the total annual fund operating expenses of the Fund after taking into account any such fee waiver and/or expense reimbursement, if any; total returns would have been lower had there been no waivers or reimbursements.

Fund expenses, as sated in the most recent Prospectus, are: Hickory Fund 1.13% (Gross), 1.09% (Net); Partners III Opportunity Fund Investor Class 2.03% (Gross/Net); Partners III Opportunity Fund Institutional Class 1.44% (Gross/Net); Partners Value Fund Investor Class 1.13% (Gross), 1.09% (Net); Partners Value Fund Institutional Class 0.93% (Gross), 0.89% (Net); Value Fund Investor Class 1.08% (Gross/Net); Value Fund Institutional Class 0.94% (Gross), 0.89% (Net); Balanced Fund Investor Class 1.14% (Gross), 0.85% (Net); Balanced Fund Institutional Class 0.95% (Gross), 0.70% (Net); Core Plus Income Fund Investor Class 1.18% (Gross), 0.50% (Net); Core Plus Income Fund Institutional Class 0.80% (Gross), 0.40% (Net); Nebraska Tax-Free Income Fund 1.10% (Gross), 0.45% (Net); Short Duration Income Fund Investor Class 0.95% (Gross), 0.55% (Net); Short Duration Income Fund Institutional Class 0.64% (Gross), 0.48% (Net); Ultra Short Government Fund 0.71% (Gross), 0.20% (Net);

Performance quoted for the Balanced, Partners Value and Value Funds’ Institutional Class shares before their inception is derived from the historical performance of the Investor Class shares, which have not

been adjusted for the expenses of the Institutional Class shares, had they, returns would have been different.

Performance quoted for the Partners III Opportunity and Short Duration Income Funds' Investor Class shares before their inception is derived from the historical performance of the Institutional Class shares, which have not been adjusted for the expenses of the Institutional Class shares, had they, returns would have been different.

On 12/29/2006, the Nebraska Tax–Free Income Fund succeeded to substantially all of the assets of Weitz Income Partners Limited Partnership, (the "Partnership"). On 12/31/1993, Partners Value Fund succeeded to substantially all of the assets of Weitz Partners II Limited Partnership (the "Partnership"). On 12/30/2005, Partners III Opportunity Fund succeeded to substantially all of the assets of Weitz Partners III Limited Partnership, (the "Partnership"). The investment objectives, policies and restrictions of the Funds are materially equivalent to those of the Partnerships, and the Partnerships were managed at all times with full investment authority by the Investment Adviser. The performance information includes performance for the Partnerships. The Partnerships were not registered under the Investment Company Act of 1940 and, therefore, were not subject to certain investment or other restrictions or requirements imposed by the 1940 Act or the Internal Revenue Code. If the Partnerships had been registered under the 1940 Act, the Partnerships' performance might have been adversely affected.

Effective 12/16/2016, the Ultra Short Government Fund revised its principal investment strategies. Prior to that date, the Fund operated as a "government money market fund" and maintained a stable net asset value of $1.00 per share. Performance prior to 12/16/2016 reflects the Fund's prior principal investment strategies and may not be indicative of future performance results.

Effective 12/16/2016, the Short Duration Income Fund revised its principal investment strategies. Since that time the Fund has generally maintained an average effective duration between one to three and a half years. Prior to that date, the Fund maintained a dollar–weighted average maturity of between two to five years. Performance prior to 12/16/2016 reflects the Fund's prior principal investment strategies and may not be indicative of future performance results.

Effective 03/29/2019, the Hickory Fund invests the majority of its assets in the common stock of medium–sized companies, which the Fund considers to be companies with a market capitalization, at the time of initial purchase, of greater than $1 billion and less than or equal to the market capitalization of the largest company in the Russell Midcap Index. Prior to that date, the Fund invested the majority of its assets in the common stock of smaller– and medium–sized companies, which the Fund considered to be companies with a market capitalization, at the time of initial purchase, of less than $10 billion.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index.

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 Midcap Index tracks the performance of the 800 next-largest U.S. companies, after the 1,000 largest U.S. companies.

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 Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

The Bloomberg Barclays 1-3 Year U.S. Aggregate Index is generally representative of the market for investment grade, U.S. dollar denominated, fixed-rate taxable bonds with maturities from one to three years.

The Bloomberg Barclays 5-Year Municipal Bond Index is a capitalization weighted bond index generally representative of major municipal bonds of all quality ratings with an average maturity of approximately five years.

The ICE BofA 6-Month Treasury Bill Index is generally representative of the market for U.S. Treasury Bills.

All investments involve risks, including possible loss of principal. Market risk includes political, regulatory, economic, social and health risks (including the risks presented by the spread of infectious diseases). See the Fund's Prospectus for discussion of risks.