

# BALANCED FUND

Portfolio Manager: Brad Hinton, CFA

Investment Style: Conservative Allocation



The Balanced Fund's Institutional Class returned +3.11% for the fourth quarter compared to +3.65% for the Morningstar Moderately Conservative Target Risk Index (the primary benchmark). For the year, the Fund's Institutional Class returned +17.98% compared to +15.25% for the primary benchmark. Longer term, total returns well above inflation have helped our investors steadily build wealth.

In a recent episode of *The Knowledge Project* podcast<sup>1</sup>, author Neil Pasricha described happiness as the joy you feel while striving towards your potential. This simple phrase captures the passion we have for investing here at Weitz. Over the last ten years, the Balanced Fund has found its voice and hit its stride. We have clarity of purpose. Our equity and fixed income teams know what types of investments fit (and don't fit) the strategy, which allows our interactions to cut to the chase more quickly. We also have more experience at weaving the components together. In jazz music they would call it "playing in the pocket," where the rhythm section is locked in and working as a unit. For us, the joy is in the striving and the process, which applied well should continue to lead to satisfactory outcomes over time.

A rundown of the Fund's top and bottom quarterly performers is shown in the table on the following page. Charter Communications, JPMorgan Chase, Microsoft and Thermo Fisher Scientific posted double-digit returns to pace the contributors. Vulcan Materials, Oracle and Texas Instruments all declined less than 5%, with no changes to our investment theses. For the full year, Charter Communications, Mastercard and Thermo Fisher were the largest contributors. Bonds provided moderate, positive returns from income and price appreciation. The Fund did not have any stocks that detracted from results for the year, which is unusual and likely unsustainable.

In October, we bought a new equity position in Markel Corporation, a specialty insurance company based in Richmond, Virginia. Markel has been a baseline corporate bond holding for more than a decade, and the stock has been on our radar since the Fund's inception. Markel has a long history of underwriting profitably, investing capably and communicating candidly. We think the stock has the potential to deliver double-digit returns over a very long investment horizon. While other portfolio activity was relatively light, we sold Eagle Materials and Stanley Black & Decker at healthy gains as the stocks approached our value estimates.

In our view, the Fund remains well positioned to achieve our three investment objectives: long-term capital appreciation, capital preservation and current income. It is prudent, however, to temper expectations after outsized gains in many asset classes. We own equity stakes in 25 companies representing 41.0% of net assets. We think our stocks are reasonably priced, even after sizeable 2019 returns. Our fixed-income holdings include corporate bonds (9.5%), securitized debt (9.0%), Treasury securities (35.4%) and cash equivalents (5.1%). These bonds should provide ballast as the investing tides ebb and flow, along with a modest layer of coupon income. While the specific securities evolve with market conditions, the "shape" of our bond exposure remains decidedly short maturity and high quality. We have plenty of capacity to play more offense when conditions warrant it.

Wally has been a terrific role model over the years. Beyond sharing his investing wisdom, he has helped shape my views on a broad range of topics (philanthropy, parenting, interpersonal behavior, reading, travel and so on). One of his favorite life lessons is to "learn how to take yes for an answer." Analytical minds seem hardwired to communicate everything they have learned about a topic, even when that information goes well beyond what is needed to make an effective decision. Wally's guidance, in a nutshell, is to take a step back, read your audience and know when enough is enough.

Calendar 2019 was a great year for investors, and maybe that's enough said. Sure, we could slice and dice the data endlessly, describe the factors that contributed to performance, bemoan how it could have been even better, etc. Instead, we'd pose three questions:

- 1) Are Fund investors better off than a year ago? Yes, without a doubt.
- 2) Are Fund investors better off than three, five and ten years ago? Yes, both absolute and relative results after expenses have been strong.
- 3) Is the Fund positioned to achieve its objectives over the next several years? Yes, again, in our opinion.

As we enter a new decade, we remain grateful for the support of investors who have said "yes" to us as stewards of their capital.

## Value Matters: Looking Ahead to 2020

There is no doubt that the path forward will be complicated, but we welcome the challenge.

<sup>1</sup>Parrish, Shane. "Happy Habits with Neil Pasricha." *The Knowledge Project with Shane Parrish*. Podcast audio, December 24, 2019. <https://fs.blog/neil-pasricha>.

**BALANCED FUND****Top Relative Contributors and Detractors**For the **QUARTER** ended 12/31/2019

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Charter Communications, Inc. Class A (CHTR)	17.70%	1.97	0.32%	2.0%	Vulcan Materials Co. (VMC)	-4.58%	1.54	-0.08%	1.5%
JPMorgan Chase & Co. (JPM)	19.40%	1.70	0.30%	1.8%	Oracle Corp. (ORCL)	-3.30%	1.50	-0.05%	1.4%
Microsoft Corp. (MSFT)	13.82%	1.84	0.24%	1.9%	Texas Instruments, Inc. (TXN)	0.02%	1.11	-0.01%	1.1%
Thermo Fisher Scientific Inc. (TMO)	11.60%	2.17	0.24%	2.3%					
Berkshire Hathaway Inc.-Class B (BRK.B)	8.88%	2.64	0.23%	2.7%					

Source: FactSet Portfolio Analytics

For the **YEAR** ended 12/31/2019

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Charter Communications, Inc. Class A (CHTR)	70.22%	1.99	1.21%	2.0%					
Mastercard Inc.-Class A (MA)	59.16%	1.99	1.01%	1.9%					
Thermo Fisher Scientific Inc. (TMO)	45.55%	2.14	0.85%	2.3%					
Microsoft Corp. (MSFT)	57.57%	1.73	0.82%	1.9%					
Visa Inc.-Class A (V)	43.32%	2.05	0.81%	2.0%					
<i>There were no securities that provided a negative contribution for this period.</i>									

Source: FactSet Portfolio Analytics

Holdings are subject to change and may not be representative of the Fund's current or future investments. Contributions to performance are based on actual daily holdings. Returns shown are the actual returns for the specified period of the security. Additional securities referenced herein as a percent of the Fund's net assets as of 12/31/2019: Markel Corp. (MKL) 1.1%; Eagle Materials Inc. (EXP) 0.0%; Stanley Black & Decker, Inc. (SWK) 0.0%.

**Average Annual Total Returns**

AS OF 12/31/2019						
	1-year	3-year	5-year	10-year	Net Expense	Gross Expense
Balanced Fund Institutional Class	17.98%	8.80%	5.80%	7.62%	0.70%	0.97%
Morningstar Moderately Conservative Target Risk	15.25%	7.47%	5.55%	6.26%	-	-

**Data quoted is past performance and current performance may be lower or higher. Past performance is no guarantee of future results.** Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Please visit [weitzinvestments.com](http://weitzinvestments.com) for the most recent month-end performance.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. 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 07/31/2020.

The Net Expense Ratio reflects the total annual 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.

Performance quoted for Institutional Class shares before their inception (03/29/2019) is derived from the historical performance of the Investor Class shares and has not been adjusted for the expenses of the Institutional Class shares, had they, returns would have been different.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. 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 views and opinions expressed here are those of the portfolio managers as of 01/10/2020, are subject to change with market conditions, and are not meant as investment advice. For informational purposes only. Not an investment recommendation.

**Consider these risks before investing:** All investments involve risks, including possible loss of principal. The Fund may invest in undervalued securities, which by definition are out of favor with investors, and there is no way to predict when, if ever, such securities may return to favor. Because the Fund may have a more concentrated portfolio than certain other mutual funds, the performance of each holding in the Fund has a greater impact upon the overall portfolio, which increases risk. When interest rates rise, bond prices generally fall, and the Fund's share price can fall. The Fund may purchase lower rated and unrated fixed-income securities, which involve an increased possibility that the issuers of these may not be able to make payments of interest and principal. See the Fund's prospectus for a further discussion of risks related to the Fund.

**Investors should consider carefully the investment objectives, risks, and charges and expenses of a fund before investing. This and other important information is contained in the prospectus and summary prospectus, which may be obtained at [weitzinvestments.com](http://weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

Weitz Securities, Inc. is the distributor of the Weitz Funds.