

BALANCED FUND

Portfolio Manager: Brad Hinton, CFA

Investment Style: Conservative Allocation



The Balanced Fund's Institutional Class returned +7.76% for the second quarter compared to +9.74% for the Morningstar Moderately Conservative Target Risk Index (the Fund's primary benchmark). Year to date, the Fund's Institutional Class has returned -0.74% compared to +0.78% for the primary benchmark. Over the longer term, total returns well above inflation have helped our investors retain and steadily build wealth.

Hats off to the risk takers. Equities and corporate bonds posted **very** strong gains in the second quarter. Animal spirits were fueled by a combination of depressed starting prices, unprecedented support from the Federal Reserve and U.S. Treasury, and investor optimism that human ingenuity would eventually contain COVID-19. The Fund's stocks performed reasonably well, driving robust absolute returns. The Fund's bonds delivered positive returns across all categories. Still, our conservative fixed income approach, which provided much-needed ballast in the first quarter, constrained relative results in the second quarter.

In Tour de France cycling terms, this spring was a "stage" that favored the sprinters. Investors enjoyed flat and downhill terrain, with a tailwind to boot. The more risk one took, the better. Our approach tends to excel in the mountain climbs, the grueling uphill stages that reward endurance over speed. Think of investing as a pursuit with a virtually unlimited number of quarterly stages, each with varied terrain. Our aim cannot be to win each stage, which is neither prudent nor possible. Rather, our goal is to deliver exceptional results for our investors over the full, long race.

A trio of healthcare companies (Thermo Fisher Scientific, LabCorp and Danaher) paced the Fund's quarterly contributors. All three business models are resilient, and investors quickly looked beyond any 2020 bumps in the road. Software companies Microsoft and Guidewire also posted healthy gains, as did semiconductor mainstay Analog Devices. Berkshire Hathaway and Markel were the only modest detractors for the quarter. Financials and other value fare generally lagged the market, as technology and growth remained in vogue.

The year-to-date story is similar. Microsoft, Thermo Fisher and Danaher tallied double-digit gains during a time when equities were generally negative, while timely first-quarter purchases of S&P Global and IDEX added nicely to results. Four financial companies topped the list of detractors. We wrote about Redwood Trust's challenges last quarter. After weathering the worst of the storm, the mortgage REIT's stock rebounded 41% in the second quarter. Please see our latest [Value Matters](#) for our take on Berkshire Hathaway's increasingly favorable risk-reward skew. We also remain resolute on the multi-year outlooks at Charles Schwab and JPMorgan Chase, despite near-term stock price setbacks.

The furious risk rally limited new buying opportunities. We added to positions in Aon, Charles Schwab and Markel as financial stocks traded at soggy levels. Conversely, we trimmed positions in Charter and LabCorp on strength. Fixed Income Portfolio Manager Nolan Anderson sourced several asset-backed securities that fit our stringent quality and maturity criteria. We also bought short-term bonds issued by Bank of America and Wells Fargo. As designed, interest and principal cash flows are coming back in the door monthly. Our fixed income activity helped recycle those cash flows, though in effect we were "running to stand still" in a broader portfolio context.

We have often said that we expect the Fund's equity holdings to do most of the "heavy lifting" in generating long-term returns. With base interest rates near zero and credit spreads slim, we would repeat and underscore that sentiment today. After a brief window of opportunity in March, bond investing is once again fraught with potential peril. Fixed income strategist Mark J. Grant vividly describes it as a "Borrower's Paradise" and a "Fixed-Income Investor's Hell." With this dubious backdrop, our focus is on staying out of trouble rather than stretching for extra yield. This quarter's [Fixed Income Insights](#) provides excellent detail on the stark dilemma facing bond investors. To quote Sergeant Phil Esterhaus from the 80's hit TV series *Hill Street Blues*, "Let's be careful out there."

In a rapidly evolving landscape, we think the Fund remains well positioned to provide long-term capital appreciation and capital preservation. Meaningful current income will be more challenging for the time being. As always, we encourage investors to evaluate the strategy on a total-return basis over longer time horizons.

We own equity stakes in 28 companies representing 40.7% of net assets. Fixed income holdings include corporate bonds (7.6%), securitized debt (10.9%), Treasury securities (31.4%) and cash equivalents (9.4%). We have plenty of capacity to lean into new opportunities as our team uncovers them. Thank you for your investment and continued confidence in the Fund and our firm.

Value Matters: Cautious Optimism in a World of Unknowns

After a historic market rally in the second quarter, we're not out of the woods just yet - but investors should feel good about the future.

BALANCED FUND**Top Relative Contributors and Detractors**For the **QUARTER** ending 06/30/2020

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
Thermo Fisher Scientific Inc. (TMO)	27.85%	2.29	0.59%	2.3%
Microsoft Corp. (MSFT)	29.40%	2.17	0.57%	2.3%
Laboratory Corp. of America Holdings (LH)	31.43%	1.74	0.54%	1.6%
Guidewire Software, Inc. (GWRE)	39.77%	1.31	0.45%	1.4%
Analog Devices, Inc. (ADI)	37.56%	1.31	0.43%	1.4%

Source: FactSet Portfolio Analytics

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
Berkshire Hathaway Inc.-Class B (BRK.B)	-2.36%	2.27	-0.05%	2.0%
Markel Corp. (MKL)	-0.51%	1.21	-0.01%	1.2%

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 06/30/2020: Aon plc-Class A (AON) 1.8%; Charter Communications, Inc.-Class A (CHTR) 1.6%; Danaher Corp. (DHR) 1.7%; IDEX Corp. (IDEX) 1.1%; JPMorgan Chase & Co. (JPM) 1.3%; Redwood Trust, Inc. (RWT) 0.6%; S&P Global Inc. (SPGI) 1.3%; The Charles Schwab Corp. (SCHW) 1.6%.

Average Annual Total Returns

AS OF 06/30/2020									
	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Balanced Fund - Investor (WBALX)	-0.84%	3.57%	6.24%	5.62%	7.26%	5.59%	10/01/2003*	0.85%	1.30%
Balanced Fund - Institutional (WBAIX)	-0.74%	3.70%	6.29%	5.64%	7.27%	5.60%	03/29/2019	0.70%	0.97%
Morningstar Moderately Conservative Target Risk	0.78%	5.74%	5.89%	5.58%	6.43%	6.01%	-	-	-

*Denotes the Fund's inception date and the date from which Since Inception performance is calculated.

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 for the most recent month-end performance.

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 07/31/2020.

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 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. **Morningstar Moderately Conservative Target Risk** 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 Fund receives credit quality ratings on portfolio securities when available from credit rating agencies. The Fund itself has not been rated by a credit rating agency. Ratings and portfolio credit quality may change over time. A security is "investment grade" when it has received a credit quality rating of at least BBB. If a security has received different ratings from more than one rating agency, then the highest rating is used. Mortgage related securities issued and guaranteed by government sponsored agencies such as Fannie Mae and Freddie Mac are generally not rated by rating agencies. Securities which are not rated do not necessarily indicate low quality. Fannie Mae's and Freddie Mac's senior long-term debt are currently rating Aaa and AAA by Moody's and Fitch, respectively.

Definitions: Relative Results are the difference between the Fund's performance and the performance of the reflected benchmark. **Investment Grade Bonds** are those securities rated at least BBB- by one or more credit ratings agencies. **Non-Investment Grade Bonds** are those securities (commonly referred to as "high yield" or "junk" bonds) rated below BBB- by two or more credit ratings agencies.

The views and opinions expressed here are those of the portfolio managers as of 07/20/2020, 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. Market risk includes political, regulatory, economic, social and health risks (including the risks presented by the spread of infectious diseases). 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 or from a financial advisor. Please read the prospectus carefully before investing.

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