BALANCED FUND

Portfolio Manager: Brad Hinton, CFA
Investment Style: Conservative Allocation

The Balanced Fund's Institutional Class returned +4.27% for the third quarter compared to +3.61% for the Morningstar Moderately Conservative Target Risk Index (the Fund's primary benchmark). Year to date, the Fund's Institutional Class has returned +3.49% compared to +4.42% for the primary benchmark. Over the longer term, total returns well above inflation have helped our investors retain and steadily build wealth.

Overall, it was a good quarter for Fund investors. Equities posted strong gains while bond returns moderated as the gravitational pull of low interest rates took hold. After a long, hot summer of scorching equity returns and Robinhood trading success stories, our approach probably seemed a bit stodgy. September provided a reminder of the virtues of our conservative allocation strategy. Stocks stumbled, especially the white-hot favorites, and bonds provided no relief. In contrast, the Fund posted a flat return for the month. While we place no emphasis on short-term results, we do believe that protecting gains is as important as generating them.

Thermo Fisher Scientific and Danaher again paced the Fund's quarterly contributors. Both companies experienced revenue tailwinds from helping society deal with the COVID-19 pandemic, and their core businesses showed resilience. After lagging in the first half of 2020, Berkshire Hathaway's stock rebounded strongly in the third quarter. We thought the battleship was simply priced too cheaply, and the market eventually took notice. Charter Communications posted another set of strong results driving the stock to new all-time highs. Analog Devices was the only modest detractor in the quarter, with a single-digit price decline that was not noteworthy.

Value Matters: What a Recovery Looks Like

While the stock market has roared to new highs in recent months, we likely face a longer journey to reach a full economic recovery. But we believe there will be opportunities for investors along the way.

The year-to-date story is similar. Thermo Fisher, Microsoft and Danaher tallied gains of over 30%, while timely first-quarter purchases of S&P Global added nicely to results. Financial companies topped the list of detractors. We wrote about Redwood Trust's challenges in the first quarter. After weathering the worst of the storm, the mortgage REIT's business is on firmer footing and the stock has rallied nearly 50%. We remain resolute on the multi-year outlooks at Charles Schwab and JPMorgan Chase. While both face current headwinds, they offer contrarian exposure to a potentially steeper yield curve (someday).

We added one "meat and potatoes" stock during the quarter, Fidelity National Information Services (FIS). We owned this leading core bank and payment processor in the mid-2010s, so our team knows the company and industry well. FIS acquired Worldpay last year, adding to the company's capabilities, strengthening its moat, and enhancing its profit growth story. FIS is riding several industry tailwinds, and for the next few years has the chance to power through broader economic turbulence. While the risk/reward skew is favorable, the stock is more likely to be a role-playing grinder than a superstar.

We also bought two hybrid securities that offer equity-like return potential. Redwood Trust's convertible bonds, due in 2024, have a favorable risk/reward skew from a price well below par. While the conversion feature is worth little, the bond component yields over 8% to the nearly four-year maturity. Qurate Retail distributed new 8% cumulative preferred securities to owners as part of a broader capital structure shuffle. We were pleased to buy at favorable prices as some common equity owners sold the new security that did not fit their investment mandates.

"The 60/40 Portfolio is Dead."

Variations of this storyline have been making the rounds in the latest financial news cycle. Brazen headlines ~~sell more newspapers~~ generate more clicks than plain statements like, "Returns are going to be harder to come by…for all assets." Interest rates are pinned near zero, punishing savers. Financial asset prices have been bid higher across the board. The harsh reality is that investors are going to have to work harder for less return. That outlook does not light up marketing decks, but it sounds a lot like the lived experience of millions of Americans for the past decade(s). Our response is simple, "Let's pick up the lunch pail, roll up our sleeves, and get on with it."

To be clear, the "bond math" challenges are very real. The primary issue for passive allocation investors is that the gravy train from investing in longer-term bonds is over. Investors have ridden strong, dual tailwinds of declining interest rates and tightening credit spreads to generate healthy returns from capital gains in their bond portfolios. The popular indexes still have high interest rate exposure (i.e., long durations), which increasingly offer what Jim Grant eloquently described as "return-free risk." Our short, high-quality bond approach has not used this playbook for the past decade, so we do not need to find a new one.

We manage a very different kind of allocation strategy, and our differences give us advantages. Security selection is our calling card. We start by investing 40-50% of the Fund in common equities. Stock picking is where we expect to generate most of our long-term returns. We also intend to keep roughly a quarter of the Fund in liquid, high-quality securities focused first on return ***of*** capital, rather than return ***on*** capital. This allocation provides ballast that helps make the Fund an all-weather port in any market storm (such as the one that began in the first quarter of 2020).

Beyond those core allocations, we have the freedom to flex the rest of the portfolio. We look throughout the capital structure for opportunities, as evidenced by the hybrid security purchases described earlier. Our fixed income team specializes in sourcing investments that are not available through indexes. These idiosyncratic, off-the-beaten-path assets often trade by appointment, a credit to the relationships Weitz fixed income portfolio managers Tom Carney, CFA, and Nolan Anderson have built over the years. Examples include asset-backed securities (6.6%), non-agency mortgage-backed securities (2.1%), and other structured products (2.7%). We take a conservative approach to how and where we invest, with a focus on spreading risk across sponsors, asset types, vintages, and structures. We also know that market conditions are not static, meaning that today's opportunity set is not the only one open to us. In the investing long-game, disciplined patience is often rewarded when you least expect it.

The resulting portfolio continues to evolve with market conditions. We own common equity stakes in 29 companies totaling 40.2% of net assets. High-yielding, hybrid securities represent another 2.6% of the Fund. Fixed income holdings include investment-grade corporate bonds (5.9%), securitized debt (11.3%), Treasury securities (27.0%), and cash equivalents (13.6%). We have plenty of capacity to lean into new opportunities as our team uncovers them.

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. Thank you for your investment and continued confidence in the Fund and our firm.

BALANCED FUND

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Top Relative Contributors and Detractors

For the **QUARTER** ending 09/30/2020

TOP CONTRIBUTORS

	Return	Average Weight	Contribution	% of Net Assets
Thermo Fisher Scientific Inc. (TMO)	21.91%	2.33	0.55%	2.4%
Berkshire Hathaway Inc. - Class B (BRK.B)	19.29%	2.08	0.37%	2.1%
Danaher Corp. (DHR)	21.88%	1.70	0.37%	1.7%
Charter Communications, Inc. - Class A (CHTR)	22.41%	1.66	0.37%	1.7%
Vulcan Materials Co. (VMC)	17.31%	1.60	0.25%	1.6%

Source: FactSet Portfolio Analytics

TOP DETRACTORS

	Return	Average Weight	Contribution	% of Net Assets
Analog Devices, Inc. (ADI)	-4.32%	1.17	-0.04%	1.1%

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 09/30/2020: Fidelity National Information Services, Inc. (FIS) 1.3%; JPMorgan Chase & Co. (JPM) 1.1%; Microsoft Corp. (MSFT) 2.0%; Qurate Retail, Inc. - Series A (QRTEA) 0.0%; Redwood Trust, Inc. (RWT) 0.5%; S&P Global Inc. (SPGI) 1.2%; The Charles Schwab Corp. (SCHW) 1.5%.

Average Annual Total Returns

AS OF 09/30/2020

	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Balanced Fund - Investor (WBALX)	3.33%	6.50%	6.82%	7.29%	7.15%	5.76%	10/1/2003*	0.85%	1.14%
Balanced Fund - Institutional (WBAIX)	3.49%	6.71%	6.88%	7.33%	7.17%	5.78%	03/29/2019	0.70%	0.95%
Morningstar Moderately Conservative Target Risk	4.42%	8.23%	6.25%	6.98%	6.12%	6.15%	-	-	-

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

The opinions expressed are those of Weitz Investment Management and are not meant as investment advice or to predict or project the future performance of any investment product. The opinions are current through 10/20/2020, are subject to change at any time based on market and other current conditions, and no forecasts can be guaranteed. This commentary is being provided as a general source of information and is not intended as a recommendation to purchase, sell, or hold any specific security or to engage in any investment strategy. Investment decisions should always be made based on an investor's specific objectives, financial needs, risk tolerance and time horizon.

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. Net and Gross Expense Ratios are as of the Fund's most recent prospectus. 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.

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. The **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: Investment-grade bonds are those securities rated at least BBB- by one or more credit ratings agencies.

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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