4Q 2022

# BALANCED FUND

Portfolio Managers: Brad Hinton, CFA & Nolan Anderson
Investment Style: Conservative Allocation

The Balanced Fund's Institutional Class returned +5.24% for the fourth quarter compared to +5.76% for the Morningstar Moderately Conservative Target Risk Index. For the calendar year, the Fund's Institutional Class returned -9.84% compared to -13.85% for the index.

Over a 10-year period, the Fund's Institutional Class has returned +5.80% annualized compared to +4.30% for the index. With that longer-term lens, total returns well above inflation (10-year average rate of 2.5%) have helped our investors retain and build wealth.

The fourth quarter provided a welcome respite from an otherwise dreary year for investors. While the Federal Reserve stayed the course in raising short-term interest rates to tame inflation, it slowed the pace of increases in December. The Fed is likely to raise rates a few more notches and then hold them there for most or all of 2023. The economy has absorbed the initial shock to the system, and companies are adapting to the new reality. Most of our businesses are managing well through this more difficult environment.

As we wrote last quarter, monetary policy works with a meaningful lag. While we cannot predict the full economic impact of the Fed's actions, it seems clear that there will be both intended ***and*** unintended consequences along the way. Near-term earnings are the wildcard with a potential recession looming on the horizon. In our view, the case for owning durable, resilient, and adaptable businesses has never been stronger. We like our collection of companies, and we think their stocks are generally priced at sensible (or better) levels.

Mastercard, Markel, Analog Devices, Oracle, and Berkshire Hathaway were the Fund's largest quarterly equity contributors. All reported business results that ranged from “better than expected” to “quite good,” fueling strong stock returns. Alphabet and Fidelity National Information Services were the Fund's only quarterly equity detractors; however, the Qurate 8% preferred security was hands down the Fund's worst performer for the quarter and year. The video and digital e-commerce retailer has stumbled with a series of execution missteps, and management's turnaround plan will take time and investment. The next year will be an important one for the business, and we are monitoring developments closely.

**FIXED INCOME INSIGHTS:**

**Bonds are Back / Return of Income**

*The past 12 months have been challenging for fixed income investors. But as we enter 2023, the bond landscape is no longer an environment of 'return-free risk.' Rather, it is filled with new opportunities to generate income from a portfolio of fixed income securities.*

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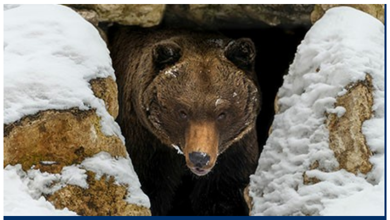
Markel, Charles Schwab, Berkshire Hathaway, Honeywell, and IDEX were the Fund's largest equity contributors for the calendar year. The Fund's financial and industrial companies broadly held their own in a tough market. Alphabet, Liberty Broadband, Microsoft, LabCorp, and Accenture were among the Fund's largest equity detractors for the year. While mega-cap tech stocks fell deeply out of favor, we have conviction in the competitive positions at both Alphabet and Microsoft. We sold Liberty Broadband to capture a tax loss, and we replaced the position with a swap into stand-alone Charter Communications shares. LabCorp and Accenture are sizeable, long-term Fund winners whose shares took a step backward last year. We think these businesses have been far more resilient than their stock price declines might suggest.

We take the Fund's capital preservation objective seriously, so we never enjoy reporting negative returns. With few places to hide, we feel reasonably good about posting a single-digit percent decline for the year. The Fund's stocks held up much better than broad market indexes. The Fund's higher-quality, short-maturity bond portfolio also provided a meaningful buffer this year. Losing less isn't glamorous, but it can be an essential component to compounding capital over the long haul.

As principal payments continued to roll in from the Fund's shorter-dated bonds, we have been able to reinvest at prevailing higher yields. We purchased Treasuries primarily in the 2-year to 4-year range and sprinkled in small individual positions in asset-backed debt, with a heavy focus on sponsor quality and structural protection. Other than an odd-lot purchase of bonds issued by insurance broker Brown & Brown, we were not active in corporate credit markets during the quarter.



**VALUE MATTERS:**

**What to Do When Others are Fearful**

*As we enter into a new year, fears over economic weakness and a potential recession continue to fuel the bear market. But bear markets tend to end when least expected, and we stand ready to take advantage of opportunities to buy high-quality stocks at discounted prices.*

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The Fund's fixed income portfolio now yields more than 5%, with a duration under two years. This profile represents a remarkable improvement from the beginning of the year, and for that matter, an improvement from most of the last decade. These yields are available with high average credit quality (more than 97% investment-grade), offering savers real and welcome alternatives.

The Fund's overall portfolio continues to evolve with market conditions. We own common equity stakes in 29 companies totaling 42.3% of net assets. High-yielding, hybrid securities represent another 1.5% of the Fund. The fixed income portfolio includes investment-grade corporate bonds (1.3%), securitized debt (14.3%), Treasury securities (37.7%), and cash equivalents/other (2.9%). We have plenty of capacity to lean into new opportunities as our team uncovers them.

We think the investing landscape for allocation investors has materially improved. In our view, the Fund is well-positioned to deliver long-term capital appreciation. Sustained, higher interest rates have enhanced the current income outlook. And lower asset prices provide a healthier cushion for achieving our capital preservation goal. As always, we encourage investors to evaluate the strategy on a total-return basis over longer time horizons.

## Top Relative Contributors and Detractors

**TOP CONTRIBUTORS (%)**

| | Return | Average Weight | Contribution | % of Net Assets |
|---|---|---|---|---|
| Mastercard, Inc. | 22.48 | 1.76 | 0.36 | 1.8 |
| Markel Corp. | 21.52 | 1.80 | 0.35 | 1.9 |
| Analog Devices, Inc. | 18.26 | 2.07 | 0.35 | 2.1 |
| Oracle Corp. | 34.43 | 1.16 | 0.34 | 1.2 |
| Berkshire Hathaway, Inc. | 15.68 | 2.27 | 0.34 | 2.3 |

**TOP DETRACTORS (%)**

| | Return | Average Weight | Contribution | % of Net Assets |
|---|---|---|---|---|
| Alphabet, Inc. | -7.72 | 1.68 | -0.13 | 1.5 |
| Fidelity National Information Services, Inc. | -9.59 | 0.95 | -0.11 | 0.9 |

Data is for the quarter ending 12/31/2022. 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 12/31/2022: Accenture plc, 1.1%; Brown & Brown, Inc., 0.0%; Charter Communications, Inc., 0.8%; Honeywell International, Inc., 1.0%; IDEX Corp., 1.4%; Laboratory Corp. of America Holdings, 1.9%; Liberty Broadband Corp., 0.0%; Microsoft Corp., 2.1%; Qurate Retail, Inc., 0.6%; The Charles Schwab Corp., 1.5%.

**RETURNS (%)**

| | TOTAL RETURNS | | AVERAGE ANNUAL TOTAL RETURNS | | | | | Since Inception | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | QTR | YTD | 1-YR | 3-YR | 5-YR | 10-YR | 15-YR | (10/1/2003) | Net Expense | Gross Expense |
| **WBAIX** Institutional Class | 5.24 | -9.84 | -9.84 | 3.42 | 5.09 | 5.80 | 5.31 | 5.45 | 0.70 | 0.82 |
| **WBALX** Investor Class | 5.24 | -9.94 | -9.94 | 3.27 | 4.99 | 5.75 | 5.27 | 5.43 | 0.85 | 1.01 |
| Morningstar Mod Conservative Target Risk Index | 5.76 | -13.85 | -13.85 | 0.83 | 2.79 | 4.30 | 4.31 | 5.30 | - | - |

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 01/20/2023, 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 07/31/2023.

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 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 U.S. Investment Grade Corporate Bond Index** measures the investment-grade, fixed-rate, taxable corporate bond market. The **Bloomberg U.S. Treasury: 20+ Year Index** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 20+ years to maturity. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Credit ratings are assigned to underlying securities utilizing ratings from a Nationally Recognized Statistical Rating Organization (NRSRO) such as Moody's and Fitch, or other rating agencies and applying the following hierarchy: security is determined to be Investment Grade if it has been rated at least BBB- by one credit rating agency; once determined to be Investment Grade (BBB- and above) or Non-Investment Grade (BB+ and below) where multiple ratings are available, the lowest rating is assigned. 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 that are not rated do not necessarily indicate low quality. Ratings are shown in the Fitch scale (e.g., AAA). Ratings and portfolio credit quality may change over time. The Fund itself has not been rated by a credit rating agency.

**Consider these risks before investing:** All investments involve risks, including possible loss of principal. These risks include market risks, such as political, regulatory, economic, social and health risks (including the risks presented by the spread of infectious diseases). In addition, 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. 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.**

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