

CONSERVATIVE ALLOCATION FUND

Portfolio Managers: Brad Hinton, CFA & Nolan Anderson
(formerly **Balanced Fund**)

The **Conservative Allocation** Fund's Institutional Class returned +3.77% for the second quarter compared to +1.58% for the Morningstar Moderately Conservative Target Risk Index. Year-to-date, the Fund's Institutional Class has returned +6.34% compared to +5.53% for the index.

It was an especially good quarter and first half for the Fund. The economy has remained sturdy, and animal spirits have returned to financial markets. Stocks were the engines of growth and return for the second quarter. Bonds delivered mixed, and mostly negative, quarterly returns due to higher U.S. Treasury interest rates. The Fund's short-maturity bonds supplied a cushion against the impact of rising rates and helped protect capital.

The Fed has suggested it expects to raise short-term interest rates yet again later this summer. The ultimate consequences of the recent rapid and steep monetary tightening are unclear. Investor sentiment has been fickle, with market convictions strongly held but quickly changed. In our view, the case for owning durable, resilient, and adaptable businesses and high-quality bonds has rarely been stronger.

Vulcan Materials Co. (VMC) and Martin Marietta Materials, Inc. (MLM) were the Fund's largest quarterly contributors, with both rock-and-gravel producers posting above 30% stock gains. The aggregates pricing power story has been on full display, private sector volumes have remained healthy, and we expect public infrastructure spending to power robust, multi-year tailwinds. Other leading quarterly contributors included Microsoft Corp. (MSFT), Oracle Corp. (ORCL), and Berkshire Hathaway, Inc. (BRK). Overall, three of the Fund's stocks rose for every one that declined during the quarter.

Quarterly detractors were modest, both in number and impact. Thermo Fisher Scientific, Inc. (TMO) and Danaher Corp. (DHR) experienced single-digit percentage stock price declines for the quarter and year-to-date periods. Short-term concerns revolved around bioprocessing inventory destocking and the funding environment for early stage biotech customers. While our 2023 forecasts have softened, we believe these issues have no impact on the favorable growth or cash flow outlooks for life sciences over the next decade. IDEX Corp. (IEX), Charter Communications, Inc. (CHTR), and Diageo plc (DEO) were also mild quarterly detractors with minor stock price declines.

Microsoft, Martin Marietta Materials, Oracle, Alphabet, Inc. (GOOG), and Vulcan Materials were the Fund's largest year-to-date contributors. The bigger story has been the year-to-date contribution breadth, with 19 common stocks (plus Qurate Retail, Inc., preferred (QRTEP)) posting double-digit returns across five different sectors. Charles Schwab Corporation (SCHW) (sold in the first quarter), Danaher, Fidelity National Information Services, Inc. (FIS), Thermo Fisher, and IDEX were the Fund's primary detractors year-to-date.

We added to the Fund's position in Thermo Fisher during the quarter, with room for more buying if the stock stays out of favor. We also swapped the Fund's Charter Communications position back to Liberty Broadband Corp. (LBRDK) to capture a small tax loss. We modestly trimmed the Fund's holdings of 2023 "winners" Microsoft, Vulcan Materials, and Alphabet, though each is still a core holding.

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 sprinkled in small individual positions in asset-backed debt, with a heavy focus on sponsor quality, structural protection, and straightforward collateral. We also bought more short-maturity Treasuries, especially as interest rates rose later in the quarter. In line with our conservative approach, we were not active in corporate bonds at tighter spread levels during the quarter.

The Fund's fixed income portfolio now yields above 5%, with a duration under two years. This profile is a remarkable improvement from 18 months ago, 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 27 companies totaling 44.0% of net assets. High-yielding, hybrid securities account for another 1.4% of the Fund. The fixed income portfolio includes securitized debt (13.0%), investment-grade corporate bonds (0.8%), Treasury securities (36.5%), and cash equivalents/other (4.3%). We have room to invest in new opportunities as our team uncovers them.



FIXED INCOME INSIGHTS: Unexpected Resilience

Fixed income investors remain on high alert for a potential recession. And while some cracks have begun to show in the markets, no economic downturn has materialized. No matter what happens, we continue to take a cautious approach and cast a wide net in the fixed income markets.

[Read More →](#)



VALUE MATTERS: Patience Counts

While news headlines, Fed policy, and economic worries continue to create challenges in the stock and bond markets, we remain focused on patiently shaping our portfolios with the best companies available at reasonable prices. We believe buying the right businesses at the right price and holding patiently will always be a prescription for investing success.

[Read More →](#)

We think the investing landscape for allocation investors has materially improved. In our view, the Fund's securities offer adequate long-term capital appreciation potential. Sustained, higher interest rates have enhanced the current income outlook. And sizeable holdings of short maturity Treasury securities and cash provide healthy ballast with respectable yields. 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
Vulcan Materials Co.	31.98	1.91	0.55	2.1
Martin Marietta Materials, Inc.	30.22	1.78	0.50	2.1
Microsoft Corp.	18.31	2.50	0.45	2.4
Oracle Corp.	28.70	1.48	0.39	1.7
Berkshire Hathaway, Inc.	10.44	2.73	0.28	2.8

TOP DETRACTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
Thermo Fisher Scientific, Inc.	-9.31	1.78	-0.18	1.8
Danaher Corp.	-4.66	1.89	-0.10	1.9
IDEX Corp.	-6.53	1.21	-0.09	1.2
CHARTER COMMUNICATIONS CL A OR	-8.25	0.56	-0.07	0.0
DIAGEO ADR REP 4 ORD	-4.25	1.07	-0.05	0.0

Data is for the quarter ending 6/30/2023. 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 6/30/2023: Alphabet, Inc., 1.7%; Fidelity National Information Services, Inc., 1.0%; Liberty Broadband Corp., 1.0%; Qurate Retail, Inc., 0.5%; and The Charles Schwab Corporation, 0.0%.

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	3.77	6.34	7.84	5.83	6.09	5.60	6.59	5.64	0.70	0.79
WBALX Investor Class	3.68	6.19	7.67	5.65	5.96	5.53	6.54	5.61	0.85	0.99
Morningstar Mod Conservative Target Risk Index	1.58	5.53	5.66	2.39	4.01	4.62	4.85	5.45	-	-

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 07/20/2023, 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 07/31/2024.

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.