

# CONSERVATIVE ALLOCATION FUND

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

The Conservative Allocation Fund's Institutional Class returned -0.55% for the second quarter compared to +0.35% for the Morningstar Moderately Conservative Target Risk Index. Year-to-date, the Fund's Institutional Class returned +3.66% compared to +2.88% for the index, remaining solidly positive, and broadly on track against the index. The Fund's stock holdings declined modestly during the quarter, which was more annoying than concerning. The Fund's bond holdings posted positive contributions across sectors, mostly from coupon income, with notable strength in securitized debt. The net result was a mildly soggy quarter. We don't dwell on short-term results, whether good or bad, and we hope our investors don't either.

Small pockets of tech-related stocks drove the S&P 500 index to second quarter gains, as AI fever continued to grip the equity market and dominate the narrative. The rest of the stock market appeared far more fragile, with mixed results beyond a handful of mega-cap winners. The bond market seemingly reacted to every nuance in a slew of economic releases and Fed pronouncements. The economy remained resilient, with signs of slowing in recent data. Interest rates rose in April, then declined in May and June to finish the quarter slightly higher but little changed.

Perhaps not surprisingly, the Fund's tech stocks dominated the contributor lists. Analog Devices, Inc. (ADI), Alphabet, Inc. (GOOG), Oracle Corp. (ORCL), and Microsoft Corp. (MSFT) were top contributors for the quarter. Year-to-date, Oracle, Microsoft, Berkshire Hathaway Inc. (BRK/B), and Alphabet were the leading contributors. While these businesses are doing well and have solid fundamentals, their stock prices have been rising faster than our estimates of their business values. We have been selectively trimming these strong performers.

Aon PLC (AON), Diageo PLC (DEO), Martin Marietta Materials, Inc. (MLM), and IDEX Corporation (IEX) were the Fund's largest quarterly detractors. Year-to-date, Charter Communications, Inc. (CHTR), Accenture PLC (ACN), Diageo, and Labcorp Holdings, Inc. (LH) topped the detractors list. We added to the Fund's holdings of Aon, Accenture, and IDEX at attractively discounted stock prices. We sold the Fund's Charter Communications position to focus our broadband-related investment in Comcast Corp. (CMCSA). While Charter's stock has more upside, Comcast's diversified business profile, healthy cash flow generation, and stronger balance sheet are simply a better fit for this more conservative strategy.

We added new equity positions in Old Dominion Freight Line, Inc. (ODFL) and Bio Techne Corp. (TECH) during the quarter. Both are excellent businesses, with stocks that are usually well-loved and aspirational. Both stocks traded well off their highs, for understandable but largely short-term reasons. We were able to buy them at moderate, rather than juicy, discounts to our value estimates.

Old Dominion has assembled the premier less-than-truckload (LTL) freight network organically through decades of elbow grease, culture building, and focusing on superior service. Times have been tough lately. Industry freight volumes are depressed, competitors are trying to copy Old Dominion's proven model, and the LTL market has some excess capacity. Following a time-tested playbook, the company has invested through the downturn to enhance the density, efficiency, and reach of its physical delivery network. We expect these investments to bear fruit when freight markets tighten, allowing the company to capture market share by providing exceptional service when others fall short.

Bio Techne is an entrenched supplier of proteins, antibodies, and other equipment and consumables to a wide range of durably growing life sciences end markets. The company has a strong management team and culture, well-established business practices, and an enviable track record of capital allocation and value-creating acquisitions. We think the business can sustainably grow revenues at a double-digit clip organically, with room for margin expansion. Effective capital deployment could push earnings-per-share growth at least into the mid-teens. The industry tailwinds over the next decade are clear, and we are excited to watch Bio Techne's evolution over a true owner's time horizon.

We sold the Fund's position in JPMorgan Chase & Co. (JPM) near the stock's all-time highs. JPMorgan has been a terrific, profitable investment over the past 6.5 years. The Fund's most recent purchases during the March 2023 regional banking crisis were especially lucrative. The company remains an industry powerhouse, and the Fund still has exposure to related entities on the bond side. While banking is a very tough business, we would consider owning the stock again at the right price.



## FIXED INCOME INSIGHTS: The Calm Before...

*Today's landscape of low credit spreads creates a unique set of challenges for fixed income investors. In this type of environment, we believe our ability to cast a wide net and invest wherever we see the best risk-adjusted opportunities, serves as a meaningful advantage.*

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## VALUE MATTERS: Investing in a Tech-Driven Market

*As an AI-driven feeding frenzy of tech stocks combine with ongoing uncertainty over Fed policy and inflation, we look to lessons from the past and assumptions about the future to help inform our investments.*

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Bond yields vacillated during the quarter but remained healthy. We were most active in current coupon agency mortgage-backed securities (MBS), which in our view offered reasonable spreads over a range of interest rate scenarios. We continued to layer in small individual positions in asset-backed debt, with a heavy focus on sponsor quality, structural protection, and straightforward collateral. We also purchased Treasury notes with roughly 3- to 4.5-year maturities as rates remained sticky. At higher rate levels, we would be willing to re-extend the Fund's buying to slightly longer maturities.

The Fund's overall portfolio continues to evolve with market conditions. We own common equity stakes in 29 companies totaling 43.6% of net assets. High-yielding, hybrid securities account for another 0.8% of the Fund. The fixed income portfolio includes securitized debt (15.4%), investment-grade corporate bonds (0.6%), Treasury securities (34.3%), and cash equivalents/other (5.3%). We have ample resources to invest heavily in new opportunities as our team uncovers them.

We think the investing landscape for allocation investors is well-balanced. In our view, the Fund's securities offer adequate long-term capital appreciation potential. High-quality bonds yielding well more than 4% 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 Contributors and Detractors

TOP CONTRIBUTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
Analog Devices, Inc.	15.75	2.15	0.35	1.9
Alphabet, Inc.	20.53	1.34	0.25	1.3
Oracle Corp.	12.60	1.54	0.20	1.4
Microsoft Corp.	6.38	1.81	0.11	1.8
Texas Instruments, Inc.	12.37	0.89	0.10	0.9

TOP DETRACTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
Aon plc	-11.83	2.04	-0.25	2.1
DIAGEO ADR REP 4 ORD	-15.18	1.43	-0.23	0.0
Martin Marietta Materials, Inc.	-11.63	1.88	-0.23	1.8
IDEX Corp.	-17.28	1.18	-0.22	1.2
Accenture plc	-12.05	1.65	-0.20	1.9

Data is for the quarter ending 6/30/2024. 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 6/30/2024: Berkshire Hathaway Inc., 2.3%; Bio Techne Corp., 1.1%; Charter Communications, Inc., 0.0%; Comcast Corp., 1.3%; Labcorp Holdings, Inc., 1.3%; JPMorgan Chase & Co., 1.2%; and Old Dominion Freight Line, Inc., 1.2%.

RETURNS (%)										
	TOTAL RETURNS		AVERAGE ANNUAL TOTAL RETURNS					Since Inception		
	QTR	YTD	1-YR	3-YR	5-YR	10-YR	20-YR	(10/1/2003)	Net Expense	Gross Expense
<b>WBAIX</b> Institutional Class	-0.55	3.66	7.64	2.72	5.76	5.41	5.65	5.74	0.70	0.77
<b>WBALX</b> Investor Class	-0.52	3.57	7.55	2.57	5.61	5.34	5.61	5.70	0.85	1.02
Morningstar Mod Conservative Target Risk Index	0.35	2.88	8.10	0.04	4.17	4.29	5.38	5.58	-	-

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**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 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 07/31/2025.

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 of 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.

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](https://www.weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

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