

# HICKORY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz

Investment Style: Mid-Cap Value

The Hickory Fund returned +18.24% in the second calendar quarter compared to +24.61% for the Russell Midcap Index (the Fund's primary benchmark). For the calendar year to date, the Fund returned -14.50% compared to -9.13% for the Russell Midcap.

Last quarter, we described the investment backdrop as suffering from the onset of the COVID-19 outbreak. Stock prices plummeted as the economy ground to a halt. Investors understood that the lockdown would inevitably lead to a recession but could not predict the depth or duration of the downturn. Against this backdrop, we adopted a cautious posture. Through its massive, late March intervention, the Federal Reserve (Fed) appears (at least temporarily) to have put a floor under the capital markets (particularly credit). The Fed continues to signal an accommodative stance, and efforts to "reopen" our economy along with multiple rounds of fiscal stimulus from the federal government have led to a burgeoning recovery.

The stock market, too, has begun to recover (notably led by high-growth, large-cap technology companies generally excluded from the Fund's investment mandate). Nevertheless, questions remain. What will come from the reescalation in new COVID-19 cases in the U.S.? Will Congress renew or replace stimulus measures set to expire in July? The list goes on. Given the unknowns, we believe a cautious posture is still warranted. In terms of new investments, we continue to favor higher-quality businesses that have strong balance sheets and the wherewithal to weather COVID-19 specific risks, a potentially prolonged recession, and/or another bout of capital market turbulence.

We believe new portfolio holding Dolby Laboratories fits this bill. Dolby's brand has become increasingly known for premium audio in movie theaters, but its pervasive technologies underpin the audio experience consumers enjoy across a host of devices, including televisions, sound bars, computers and mobile phones. Installations of Dolby's highly visible theater systems have understandably come to a halt during the pandemic, but this hiatus has overshadowed the steadier parts of Dolby's business and degree to which content creators increasingly treat their audio technologies as industry standard. We also see potential should health concerns permanently shift consumer preferences toward greater demand for in-home, immersive audio entertainment. Finally, the company's nascent video technology and substantial net cash position create additional upside optionality.

Other notable trading activity included the return of Martin Marietta Materials to the portfolio, further diversifying our building materials exposure with another high-quality aggregates business. We also opportunistically added to existing positions in HEICO, First Hawaiian and Guidewire Software. Exiting the portfolio were Marvell Technology Group, Liberty Formula One and Expedia Group. These sales, along with trims of remaining holdings, largely offset our purchases, leaving the Fund's overall invested levels mostly unchanged.

The second quarter's broad-based rally allowed the Fund to recoup some of the prior period declines. Strong performances from large, core positions led the way, including CarMax (Q2: +66%), LabCorp (Q2: +31%) and Guidewire (Q2: +40%). Given the breadth of gains, the Fund experienced few material negative marks. EverArc (Q2: -13%) unwound its first-quarter gains, as potential "safe haven" trades lost some luster, while Liberty Latin America's (Q2: -8%) shares suffered as the region's COVID-19 threats escalated.

The first and second quarters are sharp contrasts as each generated sizeable returns (in opposite directions) across nearly the whole portfolio, while year-to-date returns are more varied. Opportunistic trades in CarMax (YTD: +2%), Liberty Broadband (YTD: -8%) and last quarter's timely portfolio addition of IDEX (YTD: -7%) led to solid portfolio contributions (despite negative YTD stock performance from the latter two companies). Box (YTD: +24%) shares rallied as investors have increasingly come to view their enterprise content management and security solutions as being "winners" in the new modality of distributed workforces. Lastly, investors grew more optimistic after Qurate Retail (YTD: +13%) management indicated in May that they had seen signs of positive sales growth.

On the negative side of the ledger, Redwood Trust remains the Fund's top detractor (YTD: -56%). While management's efforts to shore up the balance sheet and enhance liquidity (including a dividend reduction) have been well received, a recovery in the non-agency mortgage market (and therefore Redwood's own investment portfolio) has yet to take hold. Shares have recovered somewhat from their March lows, and we continue to monitor our position closely. Although shares of LKQ (YTD: -27%) and Liberty SiriusXM (YTD: -28%) advanced in the quarter, the gains were insufficient to offset prior declines. Questions remain about the timing and speed of an eventual recovery in auto sales and miles driven, but we remain confident in these businesses' long-term prospects. Liberty Latin America's (YTD: -51%) second-quarter performance compounded a difficult start to the year, landing it on the top detractor list for both periods. Finally, we sold our position in Colfax to fund what we believed were more attractive risk-adjusted opportunities during the first quarter sell-off.

## 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.

## Top Relative Contributors and Detractors

For the **QUARTER** ending 06/30/2020

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
CarMax, Inc. (KMX)	66.36%	4.67	2.52%	5.1%	EverArc Holdings Ltd. (EVRA LN)	-13.33%	4.02	-0.66%	3.7%
Laboratory Corp. of America Holdings (LH)	31.43%	4.76	1.73%	4.5%	Liberty Latin America Ltd. - Class C (LILAK)	-7.99%	2.72	-0.28%	2.5%
Guidewire Software, Inc. (GWRE)	39.77%	4.18	1.48%	4.9%	Vulcan Materials Co. (VMC)	7.56%	2.42	-0.07%	2.0%
Liberty Broadband Corp.-Series A & C (LBRDA/K)	13.08%	8.33	1.42%	7.1%	Liberty Formula One (FWONA/K)	0.81%	0.30	-0.02%	0.0%
Liberty Global plc-Class C (LBTYK)	36.92%	3.45	1.13%	3.7%	Markel Corp. (MKL)	-0.51%	2.93	-0.02%	2.9%

Source: FactSet Portfolio Analytics

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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: Colfax Corp. (CFX) 0.0%; Dolby Laboratories, Inc. (DLB) 1.9%; Expedia Group, Inc. (EXPE) 0.0%; First Hawaiian, Inc. (FHB) 2.9%; HEICO Corp.-Class A (HEI) 2.4%; IDEX Corp. (IDEX) 1.6%; Liberty SiriusXM Group-Series A & C (LSXMA/K) 4.5%; LKQ Corp. (LKQ) 2.6%; Martin Marietta Materials, Inc. (MLM) 2.2%; Marvell Technology Group Ltd. (MRVL) 0.0%; Box, Inc.-Class A (BOX) 2.7%; Qurate Retail, Inc.-Series A (QRTEA) 2.2%; Redwood Trust, Inc. (RWT) 2.2%.

## 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
Hickory Fund	-14.50%	-7.32%	0.51%	1.92%	8.07%	8.79%	04/01/1993	1.09%	1.27%
Russell Midcap®	-9.13%	-2.24%	5.79%	6.76%	12.35%	10.32%	-	-	-

**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. 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.

Effective 3/29/2019, the Fund invests the majority of its assets in the common stock of medium-sized companies, which the Fund considers to be companies with a market capitalization, at the time of initial purchase, of greater than \$1 billion and less than or equal to the market capitalization of the largest company in the Russell Midcap. Prior to that date, the Fund invested the majority of its assets in the common stock of smaller- and medium-sized companies, which the Fund considered to be companies with a market capitalization, at the time of initial purchase, of less than \$10 billion. Performance prior to 03/29/2019 reflects the Fund's prior principal investment strategies and may not be indicative of future performance results.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The **Russell Midcap** tracks the performance of the 800 next-largest U.S. companies, after the 1,000 largest U.S. companies

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

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