

# HICKORY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz

Investment Style: Mid-Cap Value

The Hickory Fund returned +4.82% in the third calendar quarter compared to +7.46% for the Russell Midcap Index, the Fund's primary benchmark. For the calendar year to date, the Hickory Fund returned -10.39% compared to -2.34% for the Russell Midcap Index.

Equities extended their rally during the third quarter, with some sectors once again reaching new highs. Our portfolio continued to recover as well, albeit at a slower pace than in the prior quarter. The U.S. economy continues to heal from the worst of the shutdown-induced trauma, but progress has somewhat lagged the pace set by the market. This is not unexpected, as stock prices reflect both companies' current results and investors' expectations for the future. For our part, we anticipate the recovery will continue but may have fits and starts along the way. The list of things that could cause near-term volatility remains long (debates over additional fiscal stimulus, progress in fighting the virus, and the U.S. presidential election, just to name a few). But in the long term, we remain bullish on the prospects for our collection of businesses.

The Fund's largest holding, Liberty Broadband (owner of a 26% stake in Charter Communications), set the performance standard for both the quarter and year-to-date periods. As customers spend increasingly more time at home, the utility of Charter's broadband offering has never been clearer, and the company's continued execution against its growth plan drove its shares to new heights. Black Knight, another quarter and year-to-date standout, rose thanks to strong results from its core mortgage-related businesses, as well as the increased mark-to-market value of its investment in the newly publicly traded Dun & Bradstreet. Finally, Qurate Retail also placed in the quarter and year-to-date performance derbies. Qurate's home shopping offerings across pay-TV, dot-com, and other digital channels are well suited for the current environment, driving a return to sales growth in the second quarter, the first in more than a year. Management also took steps to highlight the company's resilient cash flow generation, paying a \$1.50 cash dividend and distributing new 8% cumulative preferred securities to owners as part of a broader capital structure shuffle. Shares of the preferred initially traded at a significant discount to par, presumably for technical reasons, and we were happy to add to our position at attractive prices. Continued recoveries by shares of Ingersoll Rand and CoStar Group round out the quarter's top five performers.

Our list of quarterly and year-to-date detractors similarly includes three common constituents. First Hawaiian shares have suffered as their customers have been forced to deal with (either directly or indirectly) COVID-19's impact on travel and tourism along with the resulting hit to the Hawaiian economy. Although provisions for potential credit losses have increased, we are comfortable with the bank's ability to manage the loan book through the current crisis. Liberty Latin America has similarly struggled with COVID-19 related lockdowns and downturns across its footprint. Nevertheless, we believe Liberty's fixed and wireless connectivity businesses will prove resilient. Furthermore, money raised by the company's recent equity rights offering (which we participated in) puts them in a position to close on two announced, attractive acquisition opportunities. Liberty SiriusXM remains on the quarterly and year-to-date laggards list given its difficult performance in the first quarter as auto-related businesses were hit by supply chain disruptions even before the pandemic fully took hold in the U.S. Shares have recovered in the months since, and we do not view the third quarter's modest decline as particularly material. Guidewire Software and Box both appear in our quarterly top detractors list after giving back a portion of the second quarter's very strong gains.

We initiated one new position during the third quarter. First Republic Bank is a San Francisco-based provider of personal and business banking, trust and wealth management services catering to low-risk, high-net-worth (or soon to be) clients. First Republic's ultra-high-touch service model makes it less of a commodity bank and more of a rarified luxury service organization. This differentiated service model helps to grow customer lifetime values and allows the company to gain new customers simply through existing client referrals. Earnings growth is therefore less of a function of market interest rates (which would be upside to our investment thesis) but through customer growth driving bank and wealth management assets. For a deeper dive into First Republic's business and our investment thesis, we encourage shareholders to read our Q3 2020 Analyst Corner feature, written by Weitz equity analyst Sean Pompa, CFA.

Our remaining portfolio activity during the quarter was tilted toward sells, including the sale of our remaining Equity Commonwealth shares. The net result leaves the Fund's overall invested level modestly higher at 96% of net assets and, in our estimation, an overall portfolio price-to-value ratio in the low to mid 80's at quarter-end.

## 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.**

## Top Relative Contributors and Detractors

For the QUARTER ending 09/30/2020

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp. - Series A & C (LBRDA/K)	15.66%	7.28	1.13%	6.8%	First Hawaiian, Inc. (FHB)	-14.72%	2.73	-0.48%	2.0%
Ingersoll Rand Inc. (IR)	26.60%	3.62	0.83%	3.9%	Box, Inc. - Class A (BOX)	-16.38%	2.40	-0.46%	2.3%
CoStar Group, Inc. (CSGP)	19.40%	3.68	0.64%	4.0%	Guidewire Software, Inc. (GWRE)	-9.30%	4.30	-0.39%	3.9%
Black Knight, Inc. (BKI)	21.28%	3.12	0.62%	3.3%	Liberty Latin America Ltd. - Class C (LILAK/R)	-9.29%	2.53	-0.26%	2.8%
Qurate Retail, Inc. - Series A (QRTEA)	32.63%	2.14	0.51%	1.6%	Liberty SiriusXM Group - Series A & C (LSXMA/K)	-3.94%	4.52	-0.23%	4.4%

Source: FactSet Portfolio Analytics

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: Charter Communications, Inc. – Class A (CHTR) 0.0%; Dun & Bradstreet Holdings, Inc. (DNB) 0.0%; Equity Commonwealth (EQC) 0.0%; First Republic Bank (FRC) 1.6%.

## 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
Hickory Fund	-10.30%	-4.49%	1.20%	5.12%	7.49%	8.89%	04/01/1993	1.09%	1.13%
Russell Midcap®	-2.35%	4.55%	7.13%	10.13%	11.76%	10.51%	-	-	-

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](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 07/31/2021.

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.

Effective 03/29/2019, 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 3/29/2019 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

**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.**

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