

# HICKORY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz

Investment Style: Mid-Cap Value

The Hickory Fund returned +8.71% in the first quarter, compared to +8.14% for the Russell Midcap Index. For the fiscal year ending March 31, 2021, the Fund returned +59.17% compared to +73.64% for the benchmark.

The “reopening” trade that began in earnest with positive vaccine trial results in November continued into the first quarter of the new year. Cyclical businesses that depend on a stronger economy, as well as industries that depend on the customers’ ability to be physically present (travel, hospitality, and live events to name a few), have been leading the market higher. At the same time, the stronger economic outlook and potential for faster inflation has forced investors to contemplate an increase in interest rates. As we wrote last quarter, higher interest rates diminish the present value of future cash flows and reduce investors’ appetite to pay up for faster growing companies.

With these market dynamics on display within the portfolio, the Fund delivered strong results in the first quarter. Beyond the benefit of “reopening,” gains were led by companies experiencing positive, company-specific developments. Used car dealer CarMax was our top contributor, as the nationwide roll-out of its omnichannel car buying experience (at a dealership, online, or a combination of the two) continues to win fans in the form of new customers and investors alike. Summit Materials shares rallied as the market began to anticipate how the new presidential administration’s infrastructure plans may result in healthy incremental demand for years to come. And shares of LabCorp rose after management announced it would review the company’s structure and capital allocation strategy, acquiescing to pressure from an activist shareholder.

The broad rally resulted in very few portfolio holdings with a negative return for the quarter. Enterprise software providers CoStar Group, Black Knight and Guidewire Software lagged as software companies generally fell out of favor, while Liberty Broadband’s modest decline reflects investors’ general belief that a government controlled by Democrats (specifically, the Federal Communications Commission) may create a less friendly regulatory environment for cable/broadband providers. Broadband providers have been a popular “political football” for many years, but we judge drastic regulatory changes that negatively impact our investments to be unlikely.

With the benefit of hindsight, we can see the recent fiscal year began near the pandemic market trough. Given the powerful market rally, twelve-month returns across nearly the entire portfolio were very strong. Our top 12-month contributors feature four investments that nearly, or more than, doubled in the past twelve months: CarMax, LabCorp, Qurate Retail and Ingersoll Rand. Liberty Broadband’s largest position size magnified its more modest return making it a top quarterly contributor as well. EverArc experienced a very modest decline. As an acquisition vehicle holding cash and without an operating business, its shares did not participate in the COVID-induced sell-off and have remained largely unchanged during the subsequent recovery. We sold Liberty Formula One at a slight loss as we opted to reinvest that capital into more attractive investment opportunities as the economy began to show signs of recovery.

As the rally has continued, portfolio activity skewed modestly toward trimming our strongest performers (including CarMax, Summit Materials, Qurate Retail and First Hawaiian) and our larger portfolio holdings (including Liberty Broadband, LabCorp and LICT Corp). On the buy side, we modestly increased our positions in LKQ, Box and Markel, but most notably we initiated a new position in AutoZone, a specialty retailer of auto parts and accessories. AutoZone continues to have success with its traditional do-it-yourself customers, and it is still in the early stages of rolling out its commercial account business that reaches do-it-for-me customers. We believe both efforts have significant growth potential for years to come and are led by a management team that has demonstrated a consistent ability to grow the per-share value of their business. Investors can learn more about our investment thesis in Jon Baker’s upcoming Analyst Corner feature.

Looking ahead, we remain encouraged by the prospects for our portfolio. Trading at an estimated price-to-value ratio in the low-to-mid 90’s, it seems likely to us that the pace of returns may slow as the economic recovery plays “catch up” to the stock market. Nevertheless, we feel our businesses can still generate acceptable returns. Meanwhile, our Quality at a Discount investment philosophy remains hard at work; our investment team continues to investigate additional high-quality businesses, and we will be ready to acquire those companies’ shares when they trade at a discount to our value estimates.

## Value Matters: Remembering What Counts

Vaccine distributions and a reopening of the global economy create optimism that the world will be returning to a sense of normal. But current stock and bond valuations give us pause, as the recovery may not be as good, or as quick, as markets seem to be anticipating.

## Top Relative Contributors and Detractors

For the **QUARTER** ending 03/31/2021

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
CarMax, Inc. (KMX)	40.44%	4.46	1.61%	4.4%
Summit Materials, Inc. – Class A (SUM)	39.54%	2.91	1.19%	2.6%
Laboratory Corp. of America Holdings (LH)	25.29%	4.80	1.15%	5.1%
LICT Corp. (LICT)	22.89%	5.28	1.14%	5.2%
LKQ Corp. (LKQ)	20.12%	4.20	0.77%	4.5%

Source: FactSet Portfolio Analytics

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp. – Series A & C (LBRDA/K)	-6.54%	8.49	-0.53	8.0%
Guidewire Software, Inc. (GWRE)	-21.05%	3.31	-0.78	2.7%
Black Knight, Inc. (BKI)	-16.25%	2.65	-0.49	2.3%
CoStar Group, Inc. (CSGP)	-11.08%	3.47	-0.43	3.2%
HEICO Corp. (HEI) – Class A	-2.89%	2.93	-0.09	2.8%

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 03/31/2021: AutoZone, Inc. (AZO) 4.1%; Box, Inc. (BOX) 3.0%; EverArc Holdings Ltd. (EVRA) 3.4%; First Hawaiian, Inc. (FHB) 1.9%; Ingersoll Rand Inc. (IR) 3.0%; Liberty Formula One – Series C 0.0%; Markel Corp. (MKL) 4.3%; Qurate Retail, Inc. – Series A (QRTEA) 1.6%.

## Average Annual Total Returns

AS OF 03/31/2021									
	YTD	1-year	3-year	5-year	10-year	Since Inception	Inception Date	Net Expense	Gross Expense
Hickory Fund	8.71%	59.17%	11.15%	9.38%	8.06%	9.70%	04/01/1993	1.09%	1.13%
Russell Midcap®	8.14%	73.64%	14.73%	14.67%	12.47%	11.34%	-	-	-

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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 Fund'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 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

**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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