

HICKORY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz

Investment Style: Mid-Cap Value

The Hickory Fund returned +5.26% in the second quarter compared to +7.50% for the Russell Midcap Index. Year to date, the Fund has returned +14.42% compared to +16.25% for the index.

Over much of the past year, predictions of a powerful economic rebound were reflected by the strong performance in equity markets. These predictions were borne out by both corporate earnings and economic data released during the second quarter. The portfolio produced solid gains across most holdings, led by core positions in Liberty Broadband (broadband internet), LKQ Corp (recycled auto parts) and LabCorp (medical testing and research). Everarc announced its planned purchase of Perimeter Solutions, a maker of firefighting products and specialty lubricants, but investors generally seemed to take little notice (we, on the other hand, are eager to learn more). Enthusiasm for acquisition vehicles has waned, and Everarc's decline made it the Fund's top detractor for the quarter. Other portfolio detractors were more modest. The "reopening" trade still dominates the narrative for year-to-date returns, led by LICIT Corp (telecom services), LKQ Corp and CarMax (used auto dealer). Enterprise software companies like Guidewire, Black Knight and CoStar Group remain year-to-date detractors, though each produced a positive return during the second quarter.

Amid these strong second-quarter results, investors now confront new questions. Will higher inflation be structural or transitory? Will faster economic growth and/or higher inflation force the Federal Reserve to ease up on its stimulative monetary policies, or will the Fed potentially outright tighten earlier than expected? If interest rates continue to move higher, how does that impact price-to-earnings (P/E) multiples for stocks? Will the spread of the Delta variant of COVID-19 derail the global recovery?

We, too, wrestle with such "macro" questions, but our analysis on such issues inevitably leads back to our core principals. Namely, by focusing our research efforts on quality businesses, we seek to identify companies capable of compounding business value for years to come, regardless of the "macro" environment. Further, by acquiring shares in such companies at a discount to our business value estimates, we hope to capture additional return as others see what we see, or to create a cushion in case the future does not line up exactly with our view (whether for company-specific or "macro" factors). We believe this process, which we describe as Quality at a Discount (QuaD) investing, helps deliver portfolios built for all seasons.

Our two portfolio additions in the quarter, MarketAxess and Dun & Bradstreet, are strong examples of our QuaD approach in action. MarketAxess is the leading electronic trading platform (ETP) for corporate bonds. Our fixed income teammates are long-time, satisfied clients, so we know the core service well. Although ETP market share has increased significantly in recent years, most trades are still executed through legacy, voice-based systems. For their part, MarketAxess maintains dominant (~80%) market share in the electronic trading of U.S. investment-grade, U.S. high-yield, and emerging market corporate and sovereign bonds, but electronic trading comprises a minority of the overall market activity. Electronic trading improves liquidity and efficiency in the market, advantages that particularly shine during periods of market duress (historically demonstrated by accelerated market share gains). With a long runway of continued "electronification" in their core markets and potential adjacent asset classes to meaningfully enter, we see a long runway for growth.

Dun & Bradstreet collects and provides proprietary data used by businesses to understand the credit risk of their counterparties, a service somewhat analogous to the more familiar credit scores for consumers. Prior management rested upon the laurels of this essential service, and necessary reinvestment was neglected until the business was ultimately sold in 2019. Under new management, led by Chairman Bill Foley and CEO Anthony Jabbour, Dun & Bradstreet has moved quickly to modernize its technology, improve its sales and contracting practices, invest in new data and capabilities that enhance its value to customers, and evaluate potential acquisitions that can boost each of these efforts. Our positive experience with Black Knight (Foley and Jabbour are Chairman Emeritus and CEO, respectively) bolsters our confidence in the efficacy of these efforts, despite the market adopting a "wait and see" approach.

Exiting the portfolio this quarter were our remaining holdings of Box and Summit Materials, as both approached our estimation of business value. All else being equal, we believe the net of these activities results in an improved portfolio price-to-value (P/V) outlook and an uptick in the overall Weitz Quality Score for the portfolio, both of which we believe improve the outlook for future portfolio returns.

Value Matters: It's Not Supposed to be Easy

With stock valuations high, odds of continuing to earn strong returns in the short term may be low. But investors should stay focused on the long run and continue to take a patient, disciplined approach.

Top Relative Contributors and Detractors

For the **QUARTER** ending 06/30/2021

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp. (LBRDA/K)	15.70%	8.28	1.23%	8.9%	EverArc Holdings Ltd. (EVRA)	-13.79%	2.98	-0.47%	2.9%
LKQ Corp. (LKQ)	16.28%	4.89	0.73%	5.0%	Dun & Bradstreet Holdings, Inc. (DNB)	-9.82%	1.62	-0.21%	2.7%
Laboratory Corp. of America Holdings (LH)	8.16%	5.13	0.41%	5.3%	CarMax, Inc. (KMX)	-2.65%	3.95	-0.13%	4.1%
LICT Corp. (LICT)	7.34%	5.14	0.37%	5.0%	Ingersoll Rand Inc. (IR)	-0.81%	2.91	-0.02%	2.9%
First Republic Bank (FRC)	12.38%	2.76	0.32%	2.8%	ACI Worldwide, Inc. (ACIW)	-2.38%	2.60	-0.01%	1.9%

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 06/30/2021: Black Knight, Inc. (BKI) 2.4%; Box, Inc. (BOX) 0.0%; CoStar Group, Inc. (CSGP) 3.1%; Guidewire Software, Inc. (GWRE) 2.9%; MarketAxess Holdings, Inc. (MKTX) 2.7%; Summit Materials, Inc. (SUM) 0.0%.

Average Annual Total Returns

AS OF 06/30/2021									
	YTD	1-year	3-year	5-year	10-year	Since Inception	Inception Date	Net Expense	Gross Expense
Hickory Fund	14.42%	41.70%	12.43%	10.28%	8.57%	9.82%	04/01/1993	1.09%	1.13%
Russell Midcap®	16.25%	49.80%	16.43%	15.61%	13.22%	11.52%	-	-	-

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 07/22/2021, 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 Fund's average daily net assets through 07/31/2022.

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. 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.