3Q 2022

HICKORY FUND

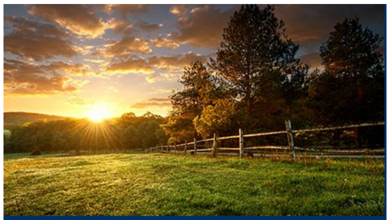
Portfolio Managers: Wally Weitz, CFA & Drew Weitz
Investment Style: Mid-Cap Equity

Weitz | INVESTMENT MANAGEMENT

The Hickory Fund returned -9.07% in the third quarter compared to -3.44% for the Russell Midcap Index. Year-to-date, the Fund returned -31.34% compared to -24.27% for the Russell Midcap Index.

Returns in the third quarter were, again, disproportionately driven by investors' perceptions of potential Federal Reserve policy actions. Economic data released early in the quarter raised hopes of a “Fed Pivot” — the idea that, although still too hot, inflation was cooling enough to warrant less aggressive tightening of monetary policy, and even a potential return of loosening restrictions in the coming year. Equity markets rallied, and by mid-August the Fund was up roughly 13% for the quarter. Then came Chairman Jerome Powell's Jackson Hole speech. In it, Chairman Powell plainly stated that further aggressive action was needed to bring inflation to heel and noted that the historical record cautioned against loosening conditions prematurely. The speech squarely negated both pillars of the “pivot” thesis, and stocks gave up their gains and then some in the weeks that followed.

The preceding discussion is offered as context for the current investment landscape. At any given time, investors› broad market perceptions have an outsized influence on the reaction to company-specific news. When investors are bearish, good news is frequently shrugged off, while disappointments are met with swift, and often overdone, punishment. We believe this to be the case for Liberty Broadband (owner of 26% of broadband provider Charter Communications). As one of the Fund›s largest positions and its outsized impact as the top detractor for the quarter and year-to-date periods, a more detailed discussion of our continued optimism is warranted.



VALUE MATTERS:

Don't Wait for the Robins

In a market being driven by fear, investors must remember that temporary slowdowns do not impair the business value of strong companies. And while bear markets may be painful, history has shown that they can end when you least expect it.

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Investors have apparently extrapolated that Charter's recent string of lackluster broadband customer growth portends zero (or negative) growth into perpetuity. Skeptics point to early customer wins for wireless broadband offerings and fiber-network operators' plans to aggressively expand their footprints as evidence that Charter's (and cable operators', generally) ability to add subscribers is permanently impaired. We disagree. Wireless broadband will likely continue to win customers in areas where wired infrastructure is unavailable or by expanding the market to new customer segments (e.g., construction trailers, food trucks, etc.). That said, the carriers face an important trade-off, as fixed wireless is a lower-return usage of scarce network capacity. As fixed and mobile data usage inexorably grow, we believe carriers will prioritize their traditional mobility business at the expense of expanding their fixed wireless base. With respect to growing competition from fiber-to-the-home operators, Charter's footprint is already roughly 40% overbuilt and has been competing successfully for over a decade. As fiber companies look to enact previously announced expansion plans, inflationary pressures for labor, equipment, and funding costs may reduce their ultimate appetites.

Of course, Charter isn't simply sitting back playing defense. We believe the company can resuscitate customer growth through expanding its own network into underserved areas. High-speed networks with little (or no) competition tend to generate strong demand as they come online, bringing new subscribers to Charter's rolls. Charter is also rapidly growing its own mobile phone business across its entire network with some of the lowest-priced plans in the industry, taking market share by delivering significant savings for customers while also growing their cash flow per-customer relationship at the same time. All that to say, at these levels we believe the stock is mispriced. We can't predict when other investors may change their minds, but in the interim, the company continues to generate very healthy cash flow, and management's continued share repurchases compound value on our behalf.

Carmax and Liberty Global were also detractors during the quarter and year-to-date. In Carmax's case, after a period of sharply rising used car prices, affordability took another hit as would-be buyers now face higher borrowing costs for auto loans. The industry at large will need to digest this reset, but as the largest scaled player, and with a growing set of omnichannel tools, we believe Carmax is poised to not only weather the storm but to continue to grow market share. As for Liberty Global, the company owns a collection of European broadband providers that collectively trade at a discount to our “sum of the parts” value estimation. In recent quarters, their portfolio has had relatively stable, if uninspiring, results. The surging U.S. dollar dampens reported earnings, but management's focus remains on growing local currency cash flows and identifying strategic opportunities to recognize the unappreciated value of their assets.

As we make our way through this bear market, good news has been harder to come by. CoStar Group was the portfolio standout in the third quarter. Shares rallied on the news that it would be added to the S&P 500 index, and investors looked to capitalize on the subsequent index fund buying. The portfolio also enjoyed positive contributions from Ingersoll Rand and HEICO. In the quarter's early run-up, we trimmed several holdings on strength, most notably Ingersoll-Rand, and we added modestly to Carmax as shares sold off post-earnings. At quarter-end, our estimated portfolio price-to-value ratio was in the low 60s. This suggests to us that, despite a highly uncertain investment backdrop in the near term, we believe our businesses trade at prices that hopefully should generate stronger returns in the coming years.

Top Relative Contributors and Detractors

TOP CONTRIBUTORS (%)

	Return	Average Weight	Contribution	% of Net Assets
CoStar Group, Inc.	15.34	6.53	0.77	7.3
Vulcan Materials Co.	11.25	2.90	0.23	3.2
Ingersoll Rand, Inc.	2.56	3.03	0.22	2.4
HEICO Corp.	8.77	4.30	0.22	4.7
Gartner, Inc.	14.42	2.26	0.19	2.6

TOP DETRACTORS (%)

	Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp.	-36.18	8.26	-3.16	6.6
CarMax, Inc.	-27.22	4.65	-1.25	4.3
Liberty Global PLC	-25.32	3.58	-0.84	3.0
Perimeter Solutions SA	-26.11	3.07	-0.83	2.8
Markel Corp.	-16.16	3.21	-0.55	3.3

Data is for the quarter ending 09/30/2022. 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 09/30/2022: Charter Communications, Inc. 0.0%.

RETURNS (%)

	TOTAL RETURNS		AVERAGE ANNUAL TOTAL RETURNS								
	QTR	YTD	1-YR	3-YR	5-YR	10-YR	20-YR	25-YR	Since Inception (4/1/1993)	Net Expense	Gross Expense
WEHIX	-9.07	-31.34	-26.85	-2.31	0.23	4.35	7.58	5.81	8.18	1.09	1.12
Russell Midcap Index	-3.44	-24.27	-19.39	5.18	6.48	10.29	10.73	8.69	10.16	-	-

Data is for the quarter ending 09/30/2022. 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 10/20/2022, 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 07/31/2023.

The Gross Expense Ratio reflects the total annual operating expenses of the fund before any fee waivers or reimbursements. 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. The net expense ratio represents what investors are ultimately charged to be invested in a mutual fund.

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.