

# LARGE CAP EQUITY FUND

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The Large Cap Equity Fund's Institutional Class returned +10.91% for the fourth quarter compared to +11.96% for the Russell 1000. For the calendar year, the Fund's Institutional Class returned +29.81% compared to +26.53% for the Russell 1000.

It was a strong finish to a very good year. The economy has been resilient, and U.S. companies have generally been doing well. Inflation is coming down, and the Fed sounds poised to pivot interest rate policy. Perhaps not surprisingly, stock and bond prices went bonkers. Emotions drive prices in the short run, and the furious rally may turn out to be a little too much, a little too soon. Regardless, we think our businesses trade at reasonable valuations, which is ultimately what matters for long-term investors.

Benjamin Graham and David Dodd introduced the Roman poet Horace to a new audience with this elegant opening to their classic book, *Security Analysis*.

***"Many shall be restored that now are fallen, and many shall fall that now are in honor."***

Horace - *Ars Poetica*

The quote remains one of value investing's most enduring and beloved credos. A year ago, we wrote about seven stocks that had caused severe performance indigestion in 2022. In a blasphemous twist, several of them were previously popular "growth" companies that had fallen deeply out of favor. We made the case for continuing to own them all, suggesting that "controversy is often the wellspring of outsized returns."

By the end of 2023, "restored" would turn out to be an apt description for those formerly fallen. Four of the seven highlighted stocks were the Fund's absolute top performers for 2023, with returns ranging from 58% to 194%. Two others were solid contributors, while the smallest holding remained stuck in the mud. We'll take that batting average and slugging percentage any day.

Meta Platforms, Inc. (META), Alphabet, Inc. (GOOG), Salesforce, Inc. (CRM), Amazon.com, Inc. (AMZN), and Adobe, Inc. (ADBE) were the Fund's top contributors for the year. Eight other stocks across multiple industries delivered contributions of more than 100 bps (1%) each. Charles Schwab Corporation (SCHW) (sold in the first quarter) and Fidelity National Information Services, Inc. (FIS) were the Fund's primary annual detractors. FIS has been a rare "triple-crown" loser (2021, 2022, and 2023). At the risk of sounding like a broken record, we think the stock's setup is much improved from today's rebased price levels. Other modest detractors included life sciences leaders Thermo Fisher Scientific, Inc. (TMO) and Danaher Corp. (DHR), which remained high-conviction, top-ten holdings.

Gartner, Inc. (IT), Salesforce, Amazon, and Equifax, Inc. (EFX) were the Fund's largest quarterly contributors. Gartner has been an exceptional investment since analyst Jon Baker's timely recommendation back in January 2022. Equifax has also made a quick impact, thanks to analyst Mo Spolan's solid work on the company earlier this year. Neither of these recent purchases looked optically cheap at the time, which is a testament to the team's holistic approach to finding value. Liberty Broadband Corp. (LBRDK US), Aon plc (AON), and Charter Communications, Inc. (CHTR) were the only quarterly detractors, and we continued to hold all three stocks.

## Activity and Outlook

After a strong run, we are **far** more focused on the warning held in the second clause of Horace's quote: "Many shall fall that now are in honor." Large, tech-adjacent growth companies fueled 2023 equity returns. Following our discipline, we've been taking gains in many of these winners. Examples for the full year included Adobe (shares owned down 54%), Meta Platforms (shares owned down 53%), Oracle Corp. (ORCL) (shares owned down 37%), and Alphabet (shares owned down 25%).

Throughout the year, we rotated towards more prosaic, generally medium-sized, and often less well-known businesses trading at healthy discounts to our business value estimates. The pacing of this rotation has been methodical. To paraphrase the investor Peter Lynch, we are trying not to prune the flowers too early, while making sure that we are steering new investments to healthy seeds instead of weeds. In keeping with our broad mandate, these newer "seeds" have come in wide varieties with some labeled **core** and others considered **value**.

Most recently, we purchased new positions in Veralto Corp. (VLTO) and Global Payments, Inc. (GPN) during the fourth quarter. We also added to the Fund's holdings of Charter Communications, Danaher, Equifax, and FIS. Notable quarterly trims included Adobe, Alphabet, Gartner, and Roper Technologies, Inc. (ROP), and we exited the Fund's position in Liberty Media Corp.—Liberty Live (LLYVK) after the recently created tracking stock's price rose sharply.

Veralto is the latest spin-off from long-time holding Danaher. The company enjoys strong market positions and enviable economics in its water quality and product identification businesses. We see a clear path to modest organic growth, operating margin expansion, and value-creating capital deployment. While the stock doesn't scream *cheap* on the surface, we think Veralto could evolve into a real gem.



### VALUE MATTERS:

#### "Avoid Crazy" and Stay Focused

*In a market environment that could be unsettled by changes in monetary policy, wars overseas, and a high-stakes election - investors may want to heed the advice of Charlie Munger to "avoid crazy" and remain focused on the long term.*

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Merchant acquirer Global Payments is a well-entrenched, highly profitable payments business trading at a low valuation. The payments landscape continues to shift, fueling ongoing concerns about incumbent profit pools. We don't take competitive threats in merchant acquiring or issuer processing lightly. Still, our team's diligence suggests that this cash flowing business is far more durable than investors fear. If our view proves correct, the stock should do well.

We have a focused portfolio that is well aligned with our vision for successful large-cap investing. The Fund has concentrated ownership stakes in 30 companies, with the top ten representing nearly half of the portfolio. Each position is significant enough to matter, yet none can individually make or break our results. Our current estimate is that the portfolio trades at a price-to-value in the high 80s, which we believe offers adequate return potential over a multi-year period.

## Top Relative Contributors and Detractors

| TOP CONTRIBUTORS (%) |        |                |              |                 |
|----------------------|--------|----------------|--------------|-----------------|
|                      | Return | Average Weight | Contribution | % of Net Assets |
| Gartner, Inc.        | 31.28  | 3.59           | 1.16         | 2.8             |
| Salesforce, Inc.     | 29.77  | 3.33           | 0.93         | 3.7             |
| Amazon.com, Inc.     | 19.49  | 3.92           | 0.81         | 3.9             |
| Equifax, Inc.        | 35.34  | 2.28           | 0.78         | 2.7             |
| Meta Platforms, Inc. | 17.90  | 4.22           | 0.75         | 4.4             |

| TOP DETRACTORS (%)           |        |                |              |                 |
|------------------------------|--------|----------------|--------------|-----------------|
|                              | Return | Average Weight | Contribution | % of Net Assets |
| Liberty Broadband Corp.      | -11.74 | 2.46           | -0.38        | 2.2             |
| Charter Communications, Inc. | -11.89 | 2.37           | -0.30        | 2.4             |
| Aon plc                      | -10.07 | 3.03           | -0.29        | 2.6             |

Data is for the quarter ending 12/31/2023. 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 12/31/2023: Adobe, Inc., 2.0%; Alphabet, Inc., 6.4%; Danaher Corp., 4.4%; Fidelity National Information Services, Inc., 1.4%; Global Payments, Inc., 2.0%; Liberty Media Corp. – Liberty Live, 0.0%; Oracle Corp., 3.0%; Roper Technologies, Inc., 2.5%; The Charles Schwab Corporation, 0.0%; Thermo Fisher Scientific, Inc., 4.5%; and Veralto Corp., 2.3%.

| RETURNS (%)                      |               |       |                              |       |       |       |       |       |       |                 |             |               |
|----------------------------------|---------------|-------|------------------------------|-------|-------|-------|-------|-------|-------|-----------------|-------------|---------------|
|                                  | TOTAL RETURNS |       | AVERAGE ANNUAL TOTAL RETURNS |       |       |       |       |       |       | Since Inception | Net Expense | Gross Expense |
|                                  | QTR           | YTD   | 1-YR                         | 3-YR  | 5-YR  | 10-YR | 20-YR | 30-YR | 35-YR | (5/9/1986)      |             |               |
| <b>VVAIX</b> Institutional Class | 10.91         | 29.81 | 29.81                        | 8.43  | 15.27 | 9.29  | 7.55  | 10.03 | 10.73 | 10.47           | 0.89        | 0.89          |
| <b>VVALX</b> Investor Class      | 10.86         | 29.62 | 29.62                        | 8.27  | 15.06 | 9.09  | 7.45  | 9.97  | 10.68 | 10.42           | 1.04        | 1.04          |
| Russell 1000 Index               | 11.96         | 26.53 | 26.53                        | 8.97  | 15.51 | 11.80 | 9.77  | 10.17 | 10.82 | 10.65           | -           | -             |
| S&P 500 Index                    | 11.69         | 26.29 | 26.29                        | 10.00 | 15.68 | 12.03 | 9.68  | 10.14 | 10.75 | 10.68           | -           | -             |

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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 Class's average daily net assets through 07/31/2024.

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.

Performance quoted for Institutional Class shares before their inception (07/31/2014) is derived from the historical performance of the Investor Class shares and has not been adjusted for the expenses of the Institutional Class shares, had they, returns would have been different.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The Russell 1000 measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The S&P 500 is an unmanaged index consisting of 500 companies generally representative of the market for the stocks of large-size 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](https://www.weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

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