

# PARTNERS III OPPORTUNITY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz

Investment Style: Long-Short Equity

The Partners III Opportunity Fund's Institutional Class returned +5.45% in the fourth quarter compared to +7.18% for the Russell 3000. For the calendar year, the Partners III Opportunity Fund's Institutional Class returned -22.46% compared to -19.21% for the Russell 3000.

Positive returns for the fourth quarter were a welcome sight but hardly sufficient to heal the wounds inflicted over the first nine months of 2022. The dominant narrative was the Federal Reserve's war against inflation waged via a campaign of sizeable interest rate hikes. After each hike, investors scrutinized subsequent economic data releases, searching for evidence that might justify hope that the Fed could “pivot” away from additional tightening. To date, the Fed has yet to reach that conclusion, repeatedly disappointing investors and leaving the setup for 2023 far from certain. The Fed remains steadfast in their communication that interest rates must rise further, and potentially stay elevated for an extended period, to truly tame inflation (and consumers' inflation expectations). Futures markets, meanwhile, suggest traders are positioned for the Fed to reverse course and cut rates in the back half of the year.

The performance of the U.S. economy (and corporate profits by proxy) will ultimately tip the scales one way or the other. As investors, we always consider whether there are more headwinds or tailwinds in the economy, but we ultimately shy away from outright predictions. Whether the Fed successfully engineers the desired “soft landing” or if the economy tips into recession, we believe the best path forward is owning high-quality companies led by management teams that can adapt to changing economic conditions, ably protecting their businesses while also looking to capitalize on new opportunities. Such companies are not immune to stock price volatility, but we believe the ability to compound business value per share over time will ultimately win the day.

The portfolio enjoyed broad gains during the quarter, including four of our top five holdings (Berkshire Hathaway, Markel, MasterCard and Visa) earning top marks in the quarter. CoreCard's +33% return this quarter also secured it a spot on the quarterly honor roll. On a calendar year basis, however, positive returns were difficult to come by. Both Berkshire Hathaway and Markel were among the top contributors for the year, joined by Schwab, CoStar and 2022 portfolio entrant Danaher — the common theme among them being “winning by not losing.”

Unfortunately, the performance story of the year is told by the Fund's detractors. We've written at length in prior quarters about Meta's struggles to adapt both to changes in Apple's iOS platform, as well as pivots to new formats like short-form video (Reels) and platform investments in the metaverse that have dragged shares lower all year. Now, weakening ad spending across all channels has added insult to injury, and concerns have spread to the other dominant digital ad player, Alphabet — parent of Google and YouTube. Amazon, perhaps the ultimate “COVID beneficiary,” has seen its shares dip below pre-pandemic levels as investors brace for a potential recession's impact both on retail spending as well as slowing adoption of Amazon's cloud infrastructure service, Amazon Web Services. Higher financing costs and volatile vehicle prices have wreaked havoc on all used car sellers, but CarMax shares have been doubly hit as management continues to invest in capabilities that improve the used car buying experience both online and “on the lot.”

Meta, Alphabet, Amazon and CarMax were all top detractors for the quarter and calendar year periods (FIS and Liberty Broadband, respectively, complete the quarterly and calendar-year detractor lists.) To varying degrees, each is managing through cyclical challenges during a period of substantial investor pessimism. Drawdowns of this magnitude are painful, and it may be prudent for management to moderate the pace of some investments, but we remain encouraged by their long-term focus. In the short run, cutting spending indiscriminately to “defend earnings” may lessen the pain of a drawdown, but it seldom grows a company's business value — the ultimate prize. We added to both CarMax and Meta on weakness, and all four remain core holdings.

The Fund's short position against an ETF tracking the S&P 500 index was a modest drag on quarterly returns but contributed to performance for the calendar year (our Nasdaq 100 ETF short, closed earlier in 2022, also produced positive returns). During the quarter, we re-established a short position against SiriusXM common shares. Portfolio holding Liberty SiriusXM's primary asset is a controlling, 82% stake in the satellite radio and entertainment company. By shorting a portion of the underlying SiriusXM shares, we neutralize a modest portion of our economic exposure to SiriusXM. On the long side, we were pleased to reestablish a new position in Microsoft at attractive levels while also trimming several stronger performers. At quarter end, the Fund's long exposure was 98% of Fund assets, short exposure of 4% of Fund assets, and an effective net long position of 94%.



## VALUE MATTERS:

### What to Do When Others are Fearful

*As we enter into a new year, fears over economic weakness and a potential recession continue to fuel the bear market. But bear markets tend to end when least expected, and we stand ready to take advantage of opportunities to buy high-quality stocks at discounted prices.*

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**Top Relative Contributors and Detractors**

TOP CONTRIBUTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
Berkshire Hathaway, Inc.	15.62	10.93	1.67	10.9
CoreCard Corp.	33.08	3.70	1.12	4.1
Markel Corp.	21.52	5.77	1.11	6.4
Mastercard, Inc.	22.66	4.79	0.96	5.1
Visa, Inc.	17.25	5.34	0.86	5.1

TOP DETRACTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
Amazon.com, Inc.	-25.66	4.63	-1.35	4.1
Fidelity National Information Services, Inc.	-9.59	4.99	-0.65	4.9
Alphabet, Inc.	-7.72	6.25	-0.49	6.0
Meta Platforms, Inc.	-11.28	4.47	-0.44	5.0
CarMax, Inc.	-7.67	4.01	-0.27	4.3

Data is for the quarter ending 12/31/2022. 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 12/31/2022: Apple, Inc., 0.0%; CoStar Group, Inc., 3.2%; Danaher Corp., 2.6%; Invesco QQQ Trust, 0.0%; Liberty Broadband Corp., 5.0%; Liberty Media Corp-Liberty SiriusXM, 5.0%; Microsoft Corp., 2.3%; SPDR S&P 500 ETF Trust†, -3.7%; Sirius XM Holdings, Inc.†, -0.5%; The Charles Schwab Corp., 4.7%.

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	(6/1/1983)		
WPOPX Institutional Class	5.45	-22.46	-22.46	-1.54	3.96	5.77	8.04	10.44	10.88	11.17	1.43	1.43
WPOIX Investor Class	5.20	-22.83	-22.83	-2.08	3.38	5.27	7.77	10.26	10.72	11.03	1.86	1.86
Russell 3000 Index	7.18	-19.21	-19.21	7.06	8.78	12.13	9.88	9.56	10.48	10.62	-	-
S&P 500 Index	7.56	-18.11	-18.11	7.65	9.42	12.55	9.79	9.64	10.50	10.89	-	-

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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.

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.

On 12/30/2005, Partners III Opportunity Fund succeeded to substantially all of the assets of Weitz Partners III Limited Partnership. The investment objectives, policies and restrictions of the Fund is materially equivalent to those of the Partnership, and the Partnership was managed at all times with full investment authority by the Investment Adviser. The performance information includes performance for the Partnership. The Partnership was not registered under the Investment Company Act of 1940 and, therefore, were not subject to certain investment or other restrictions or requirements imposed by the 1940 Act or the Internal Revenue Code. If the Partnership had been registered under the 1940 Act, the Partnership's performance might have been adversely affected.

Performance quoted for Investor Class shares before their inception (08/01/2011) is derived from the historical performance of the Institutional Class shares and has not been adjusted for the expenses of the Investor 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 3000** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. 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.

**Definitions: Effective net** is the **effective long** (the sum of the portfolio's long positions, such as common stocks, or derivatives where the price increases when an index or position rises) minus the **effective short** (the sum of the portfolio's short positions, such as derivatives where the price increases when an index or position falls).

**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](http://weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

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