

# PARTNERS III OPPORTUNITY FUND

Portfolio Managers: Wally Weitz, CFA

Investment Style: Multi-Cap Alternative

The Partners III Opportunity Fund's Institutional Class returned +11.42% in the second quarter, compared to +20.54% for the S&P 500 (the Fund's primary benchmark) and +22.03% for the Russell 3000. For the calendar year to date, the Fund's Institutional Class returned -6.59% compared to -3.08% for the S&P 500 and -3.48% for the Russell 3000.

The stock market came roaring back in the second quarter, recovering much of the prior quarter's losses. High-quality companies with long growth runways once again led the market's charge and were our top performers as well. Within our portfolio, these strong performers included technology companies Facebook (Q2: +36%) and Alphabet (Q2: +22%), as well as the "tech-adjacent" payment network businesses of Visa (Q2: +20%) and Mastercard (Q2: +23%). Liberty Global (Q2: +37%) also received high marks from investors for its plan to merge its U.K. broadband business with wireless carrier O2 in a 50/50 joint venture. The transaction highlights the value of this asset to a well-informed, strategic buyer and affirmed our thesis that its shares traded at a discount to the "sum of its parts". Over time, we anticipate management will take additional actions to realize the value of its broadband networks and shrink the discount to our estimate of value. On a year-to-date basis, Amazon (YTD: +49%) joined Facebook (YTD: +10%) and Alphabet (YTD: +6%) on the honor roll of top contributors. Additionally, we realized profits by exiting our long position in the Financial Select Sector ETF at profit and locked in gains from our S&P 500 ETF (YTD: -3%) short by covering over one-third of the position during the first quarter market slide, rounding out our top five performers.

Given the strength of the second-quarter rally, our short position against index ETFs tracking the S&P 500 (Q2: +20%) and Nasdaq 100 (Q2: +30%) were the top detractors to performance. EverArc (Q2: -13%) unwound its first-quarter gains, as potential "safe haven" trades lost some luster, while modest declines at Markel (Q2: -1%) and Berkshire Hathaway (Q2: -2%) meant their stock prices generally remained at the "starting line" while the rest of the portfolio raced ahead.

Berkshire (YTD: -21%) is also our top detractor to year-to-date results.

Shareholders appeared frustrated that CEO Warren Buffet had not deployed any of the company's sizeable cash war chest during the market swoon (either by buying new businesses or buying in their own stock). Mr. Buffett has cautioned that an economic recovery would not be immediate, and it will take time to understand potential fundamental changes to our economy and human behavior. Although its shares have lagged the market, we feel Berkshire Hathaway is built for such times, and will again prove its value. Long-time holding Redwood Trust (YTD: -56%) also remains a top detractor in 2020. While management's efforts to shore up the balance sheet and enhance liquidity (including a dividend reduction) have been well received, a recovery in the non-agency mortgage market (and therefore Redwood's own investment portfolio) has yet to take hold. Shares have recovered somewhat from their March lows, and we continue to monitor our position closely. Liberty SiriusXM's (YTD: -27%) second-quarter gains were insufficient to lift it from our year-to-date detractor roster, nor was Markel's quarter of "treading water" sufficient to shed this undesirable distinction.

Activity within the long book was balanced. In addition to our sale of the Financial Select Sector ETF and other portfolio trims, we also sold our remaining shares of DXC Technology. Investors (including us) have been frustrated by the halting progress in DXC's digital transformation. Although we continue to see opportunity in DXC's shares (and may return in the future), we elected to harvest a tax loss and pursue more timely opportunities. On the buy side, we initiated a new position in global insurance brokerage and human capital consultant Aon plc, and we continued to add to our holdings of CoStar Group, Charles Schwab and Vulcan Materials. In the short book, we re-established a modest short position in SiriusXM. As a reminder, Liberty SiriusXM (which we are long) owns 71% of SiriusXM yet trades at a discount to the public market value of its stake. Our short position both hedges a portion of our long position against a decline in value of SiriusXM and allows us to monetize a portion of the trading discount. We also added modestly to our Nasdaq short position. These actions, combined with market appreciation of the underlying indices, increased our short position to 16% of net assets. With the long book unchanged at 91% of net assets, the Fund's effective net long position is 75% of net assets, down five percentage points from last quarter.

## Value Matters: Cautious Optimism in a World of Unknowns

After a historic market rally in the second quarter, we're not out of the woods just yet - but investors should feel good about the future.

## Top Relative Contributors and Detractors

For the QUARTER ending 06/30/2020

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
Liberty Global plc-Class C (LBTYK)	36.92%	4.44	1.53%	4.2%
Facebook, Inc.-Class A (FB)	36.13%	4.89	1.53%	4.7%
Mastercard Inc.-Class A (MA)	22.59%	5.29	1.21%	5.3%
Alphabet, Inc.-Class C.(GOOG)	21.57%	5.72	1.12%	6.5%
Visa Inc.-Class A (V)	20.10%	5.34	1.10%	5.1%

Source: FactSet Portfolio Analytics

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
SPDR S&P 500 ETF Trust (SPY)*	20.16%	-9.95	-1.89%	-11.7%
Invesco QQQ Trust (QQQ)*	30.27%	-2.55	-0.68%	-3.3%
EverArc Holdings Ltd. (EVRA LN)	-13.33%	3.58	-0.55%	3.7%
Berkshire Hathaway Inc.-Class B (BRK.B)	-2.36%	10.60	-0.23%	11.5%
Markel Corp. (MKL)	-0.51%	4.97	-0.05%	5.6%

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 06/30/2020: Amazon.com, Inc. (AMZN) 3.6%; Aon plc-Class A (AON) 1.3%; CoStar Group, Inc. (CSGP) 1.9%; DXC Technology Co. (DXC) 0.0%; Liberty SiriusXM Group-Series A & C (LSXMA/K) 4.2%; SiriusXM Holdings Inc. (SIRI) -1.1%; The Charles Schwab Corp. (SCHW) 2.5%; The Financial Select Sector SPDR® Fund (XLF) 0.0%; Redwood Trust, Inc. (RWT) 1.2%; Vulcan Materials Co. (VMC) 1.0%.

\*Denotes Short position

## Average Annual Total Returns

AS OF 06/30/2020									
	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Partners III Opportunity Fund - Investor (WPOIX)	-6.82%	0.58%	5.21%	3.65%	9.18%	11.79%	08/01/2011	2.13%	2.13%
Partners III Opportunity Fund - Institutional (WPOPX)	-6.59%	1.15%	5.78%	4.18%	9.58%	11.91%	06/01/1983*	1.56%	1.56%
Russell 3000®	-20.90%	-9.13%	4.00%	5.77%	10.15%	10.14%	-	-	-
S&P 500®	-19.60%	-6.98%	5.10%	6.73%	10.53%	10.42%	-	-	-

\*Denotes the Fund's inception date and the date from which Since Inception performance is calculated.

**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.

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.

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).

The views and opinions expressed here are those of the portfolio managers as of 07/20/2020, are subject to change with market conditions and are not meant as investment advice. For informational purposes only. Not an investment recommendation.

**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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