

# PARTNERS III OPPORTUNITY FUND



Portfolio Managers: Wally Weitz, CFA, and Drew Weitz

Investment Style: Multi-Cap Alternative

The Partners III Opportunity Fund's Institutional Class returned +7.59% in the third calendar quarter compared to +8.93% for the S&P 500 (the Fund's primary benchmark) and +9.21% for the Russell 3000. For the calendar year to date, the Partners III Opportunity Fund's Institutional Class returned +0.50% compared to +5.57% for the S&P 500 and +5.41% for the Russell 3000.

Equities extended their rally during the third quarter, with some sectors (most notably large-cap software and technology) returning to, and through, their prior highs. The U.S. economy is healing from the worst of the shutdown-induced trauma, but its recovery has lagged the market – at least as measured by popular indices like the S&P 500. Our portfolio has likewise recovered from the first quarter drawdown, and we are pleased to report a return to “black ink” for the year-to-date period.

The portfolio saw broad-based gains during the quarter. As a result, our top contributors list is populated by investments that combined high-conviction, larger position sizes with strong double-digit returns. Berkshire Hathaway, the Fund's largest holding, was the standout along with solid contributions from Liberty Broadband, Intelligent Systems and Mastercard.

The strongest quarterly performance came from Qurate Retail, a more modestly sized holding. Qurate's home shopping offerings across pay-TV, dot-com and other digital channels were well suited for the current environment, driving a return to sales growth in the second quarter (the first in more than a year). Management also took steps to highlight the company's resilient cash flow generation, paying a \$1.50 cash dividend and distributing new 8% cumulative preferred securities to owners as part of a broader capital structure shuffle. We were encouraged by these announcements and bought additional shares of the common equity, which also allowed us to receive additional preferred shares. As trading in the preferred began, technical pressures led the shares to trade at a significant discount to par, giving us another opportunity to further build our position at attractive prices. In the days that followed, the pressure eased, and shares recovered to trade at a modest discount to par value.

Against the backdrop of the continued rally, our short positions against ETFs that track the S&P 500 and Nasdaq 100 were again the top detractors to quarterly returns. Shares of Box took a breather and gave back some of last quarter's strong gains. The company's recent user conference and investor meeting have bolstered our confidence in Box's strategic direction. Liberty Global and Liberty SiriusXM's modest negative returns qualified as top detractors, a development we view as more “noise” than “signal”.

Our top year-to-date contributors feature some of the mega-cap technology names that have led the market, including Amazon.com, Facebook and Mastercard. Liberty Broadband also enjoyed a strong year, aided in part by its investment in Charter Communications. As customers spend increasingly more time at home, the utility of Charter's broadband service has never been greater, and management continues to execute its growth strategy. We have trimmed each of the four portfolio holdings on strength, managing their position sizes relative to the forward-looking opportunity. We also locked in gains earlier this year by covering more than one-third of our S&P 500 short position during the first quarter's swoon.

Shares of Redwood Trust have rebounded over 50% in the past six months but remain the Fund's top year-to-date detractor given the depth of its first-quarter decline. Management acted decisively to steer the business through the worst of the crisis, and the company is now on firmer footing. After recovering from clearly distressed prices, we view the risk/reward as less favorable going forward, and we elected to close our remaining position. Liberty SiriusXM remains on the laggards list predominantly due to its difficult performance in the first calendar quarter. Currently Liberty/SiriusXM shares trade at a sizeable discount to where we think they should trade, given the market price of the underlying SiriusXM shares. We believe that Liberty SiriusXM management will unlock that discount over time, but in the meantime, we have shorted a portion of our position's underlying SiriusXM shares as to monetize some of that discount for ourselves. We continue to be long-term believers in SiriusXM's business, and we remain net long on Liberty/SiriusXM on an economic basis. Insurance company Markel's shares have mostly trodden water since the first quarter, but we remain confident in the company's proven, disciplined underwriting culture as well as clients' need for insurance products. The tech-heavy Nasdaq 100's gains translated into negative results for our index short position. Finally, DXC Technology was sold during the second quarter but remains a top detractor so far this year.

We added a new “starter”-sized position to the portfolio with Fidelity National Information Services (FIS), a leading core bank and payment processor that our team knows well, having previously owned it in other Weitz portfolios. FIS is riding several industry tailwinds and for the next few years has the chance to power through broader economic turbulence. Portfolio activity was otherwise tilted toward trims. Our long exposure closed the quarter at 90% of net assets. We added modestly to our Nasdaq 100 short position during the quarter, and we reduced our SiriusXM short. Together with our S&P 500 ETF short, the portfolio's short exposures represented 17% of net assets. The Fund's effective net long position of 73% is mostly unchanged from the second quarter.

## Value Matters: What a Recovery Looks Like

**While the stock market has roared to new highs in recent months, we likely face a longer journey to reach a full economic recovery. But we believe there will be opportunities for investors along the way.**

## Top Relative Contributors and Detractors

For the QUARTER ending 09/30/2020

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Berkshire Hathaway Inc. - Class B (BRK.B)	19.29%	12.46	2.19%	13.1%	SPDR S&P 500 ETF Trust (SPY) <sup>†</sup>	9.04%	-11.91	-1.06%	-12.1%
Liberty Broadband Corp. - Series A & C (LBR-DA/K)	15.66%	5.01	0.81%	4.9%	Invesco QQQ Trust (QQQ) <sup>†</sup>	12.38%	-3.67	-0.41%	-4.0%
Intelligent Systems Corp. (INS)	14.38%	5.78	0.81%	6.3%	Box, Inc. - Class A (BOX)	-16.38%	1.17	-0.23%	1.0%
Mastercard Inc. - Class A (MA)	14.51%	5.06	0.79%	4.9%	Liberty Global plc - Class C (LBTYK)	-4.53%	4.12	-0.17%	3.8%
Qurate Retail, Inc. - Series A (QRTEA)	32.63%	1.78	0.52%	1.8%	Liberty SiriusXM Group - Series A & C (LSXMA/K)	-3.94%	4.19	-0.15%	4.5%

Source: FactSet Portfolio Analytics

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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 09/30/2020: Amazon.com, Inc. (AMZN) 2.6%; Charter Communications, Inc. - Class A (CHTR) 0.0%; DXC Technology Co. (DCX) 0.0%; Facebook, Inc. - Class A (FB) 3.8%; Fidelity National Information Services, Inc. (FIS) 1.0%; Markel Corp. (MKL) 5.3%; Redwood Trust, Inc. (RWT) 0.0%; Sirius XM Holdings Inc. (SIRI)<sup>†</sup> -0.6%.

<sup>†</sup>Denotes short position

## Average Annual Total Returns

AS OF 09/30/2020									
	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Partners III Opportunity Fund - Investor (WPOIX)	0.05%	5.06%	7.04%	6.84%	8.96%	11.92%	08/01/2011	2.03%	2.03%
Partners III Opportunity Fund - Institutional (WPOPX)	0.50%	5.71%	7.67%	7.42%	9.39%	12.04%	06/01/1983*	1.44%	1.44%
Russell 3000 <sup>®</sup>	5.41%	15.00%	11.65%	13.69%	13.48%	10.84%	-	-	-
S&P 500 <sup>®</sup>	5.57%	15.15%	12.28%	14.15%	13.74%	11.08%	-	-	-

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

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 10/20/2020, 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](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).

**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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