

PARTNERS III OPPORTUNITY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz

Investment Style: Multi-Cap Alternative



The Partners III Opportunity Fund's Institutional Class returned -0.06% in the third quarter compared to +0.58% for the S&P 500 and -0.10% for the Russell 3000. Year-to-date, the Fund's Institutional Class has returned +11.44% compared to +15.92% for the S&P 500 and +14.99% for the Russell 3000.

Government stimulus (both fiscal and monetary) has inflated asset prices in the stock and bond markets for some time. These pandemic interventions have helped put the U.S. economy back on track, but they have also suppressed interest rates and increased equity valuations. The result has been very strong stock market performance, but we suspect this performance has been driven by pulling forward future investment returns – in other words, “borrowing” returns from the future. Today, while the recovery continues, investors are left to wrestle with issues like rising inflation, supply chain shortages and, eventually, a “less accommodative” monetary policy, just to name a few. Such quandaries gave markets pause in the third quarter, breaking a streak of strong quarterly results off the March 2020 pandemic low.

Our nearly unchanged result this quarter was reminiscent of a balanced scale, with two or three weights on each plate (our top contributors and detractors) practically leveling both sides of the scale. Returns for the bulk of our portfolio were within a narrow band hugging either side of zero, with relatively few securities delivering outsized positive or negative results. As for contributors – Intelligent Systems (INS) clawed back all of its declines from the first half of the year as the company explained to investors that the rapid adoption of “Buy Now, Pay Later” (BNPL) payment options would not disrupt the company's CoreCard payment software opportunities. Insurance brokerage Aon's shares also rallied in the wake of their abandoned merger with Willis Tower Watson. Walking away from the deal removed the uncertainty of a potentially protracted court battle and refocused investors on Aon's attractive standalone prospects. Liberty Global shares also rallied as investors cheered management's sale of the company's operations in Poland as well as its commitment to repurchase 10% of shares outstanding annually through 2023. Finally, Google parent Alphabet continued its terrific 2021 as the digital advertising giant shows no sign of slowing.

On the other side of the scale, Dun & Bradstreet was the Fund's top quarterly detractor. In our first quarter commentary, we introduced Dun & Bradstreet to the portfolio and described some of the actions already taken to improve its operations and enhance the value delivered to customers. We remain confident in management and their strategic direction, but we acknowledge that the process will take time. Shares of Fidelity National Information Services (FIS) declined as its payments volume growth has lagged peers due in part to greater exposure to industries recovering more slowly (e.g., global travel) or geographies pursuing more substantive lockdowns (e.g., the United Kingdom). As these temporary headwinds calm and FIS continues to win new business, we believe investors will better appreciate the positive, longer-term outlook. Another quarterly detractor, Qurate Retail, was a “stay-at-home” winner through much of the pandemic thanks to its video and eCommerce shopping model. As economies reopen, competition from brick-and-mortar stores will increase, but we continue to like Qurate's unique retail model and unassuming valuation. Finally, payment companies Visa and Mastercard experienced modest declines but remain among our highest-conviction holdings.

So far in 2021, gains have been strong across the portfolio, with few securities posting negative returns. Third-quarter stars Alphabet and Aon are also on our list of year-to-date contributors, joined by Berkshire Hathaway, Labcorp and Summit Materials. Berkshire's large weighting magnified its contribution to the Fund year-to-date. Labcorp's earnings this year have been bolstered by the continued recovery in their core diagnostic business and sustained COVID-related demand. As for Summit Materials, we sold our remaining shares earlier this year as they rose in response to enthusiasm for a bipartisan infrastructure bill.

Quarterly detractors Dun & Bradstreet and FIS have also led year-to-date declines. Black Knight, the dominant provider of software to the mortgage industry, continues to develop and enhance its software and analytics offerings organically and through acquisition, strengthening its long-term value to customers and shareholders. Recent declines have retraced some of last year's strong performance, landing Black Knight on our list of year-to-date detractors, but our long-term outlook for the company's business value has not diminished. Year-to-date detractor Everarc's modest negative return is in keeping with investors' change of heart regarding special purpose acquisition vehicles (SPACs). Nevertheless, we look forward to Everarc's announced purchase of Perimeter Solutions, a global provider of firefighting products, and we will share more in future updates when the deal closes.

Portfolio activity was moderate in the third quarter, most notably adding to Dun & Bradstreet and FIS as their share prices declined to more attractive levels. We also purchased additional shares in commercial real estate information provider and residential rental marketplace CoStar Group, while modestly trimming our Liberty Global and CarMax positions. Within the short book, we covered our remaining short position in SiriusXM (allowing us to monetize a portion of the spread between it and Liberty SiriusXM, which serves as a tracking stock for SiriusXM). Our index short positions remained unchanged. At quarter-end, our gross long exposure is 95% and short exposure is 19%, resulting in an effective net long of 76% of net assets.

As mentioned in *Value Matters*, our outlook is for an eventual return to more natural interest rates and reduced government stimulus that may lead to a moderation of stock valuations. We view that outcome as positive for the long term. However, the near-term path for stock prices is anyone's guess. Whether the waters are calm or choppy, we believe we own a collection of businesses that will be worth more in five years than they are today, led by management teams capable of playing offense on our behalf if volatility (and ensuing opportunities) were to arise.

WEITZ INVESTMENT INSIGHTS

VALUE MATTERS:

Bring It On

The bull market that began after the initial shock of the pandemic has been good for most investors. But sooner or later, all good things must come to an end. And whenever the tide eventually turns, we'll be ready to take advantage.

[Read More →](#)

Top Relative Contributors and Detractors

For the QUARTER ending 09/30/2021

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Intelligent Systems Corp. (INS)	29.08%	4.31	1.10%	4.0%	Dun & Bradstreet Holdings, Inc. (DNB)	-21.34%	3.47	-0.81%	2.7%
Aon PLC (AON)	19.92%	5.68	0.98%	4.5%	Fidelity National Information Services, Inc. (FIS)	-13.85%	3.51	-0.49%	2.9%
Liberty Global plc – Class C (LBTYK)	8.95%	5.60	0.48%	4.7%	Qurate Retail, Inc. – Series A (QRTEA)	-22.15%	1.74	-0.44%	1.3%
Alphabet Inc. – Class C (GOOG)	6.34%	7.96	0.45%	6.3%	Visa Inc. – Class A (V)	-4.60%	6.11	-0.27%	4.8%
Liberty Media Corp. – Series A&C Liberty SiriusXM (LSXMA/K)	1.80%	7.32	0.14%	6.0%	Mastercard, Inc. (MA)	-4.66%	5.61	-0.26%	4.4%

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 09/30/2021: Berkshire Hathaway Inc. – Class B (BRK.B) 9.5%, Black Knight, Inc. (BKI) 2.0%, CarMax, Inc. (KMX) 2.0%, CoStar Group, Inc. (CSGP) 2.4%, EverArc Holdings Limited (EVRA) 3.0%, Laboratory Corp. of America Holdings (LH) 4.4%, Liberty Broadband Corp. – Series A & C (LBRDA/K) 5.7%, Sirius XM Holdings, Inc. (SIRI) 0.0%, Summit Materials, Inc. – Class A (SUM) 0.0%, Willis Towers Watson PLC (WLTW) 0.0%.

Average Annual Total Returns

AS OF 09/30/2021

	YTD	1 YR	3 YR	5 YR	10 YR	Since Fund Inception	Inception Date	Net Expense	Gross Expense
Partners III Opportunity Fund - Investor (WPOIX)	10.94%	20.66%	12.35%	10.05%	10.45%	12.15%	08/01/2011	1.88%	1.88%
Partners III Opportunity Fund - Institutional (WPOPX)	11.44%	21.38%	13.03%	10.68%	10.95%	12.28%	06/01/1983*	1.43%	1.43%
Russell 3000®	14.99%	31.88%	15.98%	16.84%	16.59%	11.35%	-	-	-
S&P 500®	15.92%	30.01%	15.98%	16.89%	16.61%	11.54%	-	-	-

*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 10/19/2021, 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.

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 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).

3Q 2021

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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.

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