

# 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 +3.92% in the second quarter, compared to +8.55% for the S&P 500 and +8.24% for the Russell 3000. Year to date, the Fund's Institutional Class returned +11.51%, compared to +15.25% for the S&P 500 and +15.11% for the Russell 3000.

Over much of the past year, predictions of a powerful economic rebound were reflected by the strong performance in equity markets. These predictions were borne out by both good corporate earnings and strong economic data released during the second quarter. Stocks enjoyed another quarter of strong, broad-based gains. Our two largest long positions, Berkshire Hathaway and Google parent Alphabet, delivered excellent to outstanding quarterly and year-to-date returns, pacing portfolio gains for both time periods. Berkshire's contribution to the Fund's performance was further magnified by its large weighting. As investors began to account for the profitability of Alphabet's traditional services and the potential upside from newer offerings like Google Cloud Platform, the company's stock increased by 43% in the first half of the year. Summit Materials was another quarterly and year-to-date contributor thanks to investor enthusiasm for potential infrastructure programs gaining traction in Washington.

Not surprisingly, this year's strong rally made our short positions against ETFs tracking the S&P 500 and Nasdaq 100 the Fund's top detractors to quarterly and year-to-date results. That said, the breadth of the recovery resulted in few outright detractors among our long equity exposures. Payment processing software provider Intelligent Systems (INS) continues to be impacted by COVID-19 in its core professional services delivery market of India. INS has struggled to sufficiently hire and train new employees to handle growth from existing and new potential clients. This delayed growth expectation has weighed on shares, particularly in the second quarter. Special purpose acquisition companies (SPACs) have generally fallen out of investor favor, and although Everarc shares were never fully caught up in the SPAC excitement, shares traded lower as the air was let out of the group more broadly. This price drop occurred despite Everarc's announcement of plans to purchase Perimeter Solutions, a maker of firefighting products and specialty lubricants. In general, investors seem to have taken little notice, but we are eager to learn more as the company discloses additional information in the coming months.

In May, call options written against our shares of Summit Materials were exercised, thereby calling away our remaining position in the company. We also sold our remaining shares of Box and AutoZone. Summit and Box were "late bloomers" within our portfolio but ultimately drove solid returns. AutoZone, on the other hand, raced off the starting line before we finished building our initial position. Rather than purchase additional shares at elevated prices, we opted to lock in an early profit. No new positions were initiated during the quarter, although we continued adding to last quarter's new holding, Dun & Bradstreet. We remain optimistic that management's investments in technology and other process enhancements will help the company return to organic growth, and we have added to our position at what we believe are attractive prices.

Within the short book, our index ETF short positions were unchanged during the quarter. We actively responded to the volatility in SiriusXM shares by closing our short position and then reestablishing it as the stock ran back to \$7. As a quick reminder, our small SiriusXM short position allows us to monetize a portion of the discount we estimate to be embedded in our much larger Liberty SiriusXM holdings. For a more detailed understanding of our investment thesis, shareholders are encouraged to read our upcoming Analyst Corner feature on Liberty SiriusXM. These activities resulted in a decline of the portfolio's effective net long position to 74% of net assets (down from 79% of net assets last quarter).

As we wrote in this quarter's Value Matters, the U.S. economic recovery is underway and our companies are doing well, measured both by higher stock prices and rising business values. Valuations across the broader market are elevated and have potentially pulled forward some portion of future returns. However, we believe that by investing in quality businesses led by talented management teams, and by taking advantage of (inevitable) volatility, we can protect and grow our investors' capital over the years.

## Value Matters: It's Not Supposed to be Easy

With stock valuations high, odds of continuing to earn strong returns in the short term may be low. But investors should stay focused on the long run and continue to take a patient, disciplined approach.

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## Top Relative Contributors and Detractors

For the QUARTER ending 06/30/2021

| TOP CONTRIBUTORS                  |        |                |              |                 | TOP DETRACTORS                        |         |                |              |                 |
|-----------------------------------|--------|----------------|--------------|-----------------|---------------------------------------|---------|----------------|--------------|-----------------|
|                                   | Return | Average Weight | Contribution | % of Net Assets |                                       | Return  | Average Weight | Contribution | % of Net Assets |
| Alphabet Inc. (GOOG)              | 21.16% | 5.63           | 1.07%        | 5.9%            | SPDR S&P 500 ETF Trust (SPY) +        | 8.00%   | -13.19         | -1.03%       | -13.5%          |
| Berkshire Hathaway Inc. (BRK.B)   | 8.74%  | 10.03          | 0.89%        | 9.6%            | Intelligent Systems Corp. (INS) 3.1%  | -23.09% | 3.58           | -0.95%       | 3.1%            |
| Liberty Broadband Corp. (LBRDA/K) | 15.71% | 5.29           | 0.78%        | 5.7%            | Invesco QQQ Trust (QQQ) +             | 11.05%  | -4.78          | -0.51%       | -5.0%           |
| Facebook, Inc. (FB)               | 18.06% | 4.55           | 0.76%        | 4.9%            | EverArc Holdings Limited (EVRA)       | -13.79% | 3.10           | -0.48%       | 3.0%            |
| Visa Inc. – Class A (V)           | 10.59% | 4.87           | 0.50%        | 5.0%            | Dun & Bradstreet Holdings, Inc. (DNB) | -10.39% | 2.02           | -0.19%       | 2.6%            |

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 06/30/2021: AutoZone, Inc. (AZO) 0.0%; Box, Inc. (BOX) 0.0%; Liberty SiriusXM Group (LSXMA/K) 5.9%; Sirius XM Holdings, Inc. (SIRI)+ -1.0%; Summit Materials, Inc. (SUM) 0.0%.

+Denotes short position

## Average Annual Total Returns

| AS OF 06/30/2021                                      |         |        |        |        |         |                  |                |             |               |  |
|---|---------|--------|--------|--------|---------|------------------|----------------|-------------|---------------|--|
|   | YTD     | 1-year | 3-year | 5-year | 10-year | Since Inception* | Inception Date | Net Expense | Gross Expense |  |
| Partners III Opportunity Fund - Investor (WPOIX)      | 11.14 % | 29.79% | 14.06% | 10.94% | 8.97%   | 12.24%           | 08/01/2011     | 2.03%       | 2.03%         |  |
| Partners III Opportunity Fund - Institutional (WPOPX) | 11.51%  | 30.67% | 14.76% | 11.58% | 9.44%   | 12.36%           | 06/01/1983*    | 1.44%       | 1.44%         |  |
| Russell 3000®   | 15.11%  | 44.16% | 18.71% | 17.87% | 14.68%  | 11.43%           | -              | -           | -             |  |
| S&P 500®  | 15.25%  | 40.79% | 18.65% | 17.64% | 14.82%  | 11.60%           | -              | -           | -             |  |

\*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 07/22/2022, 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.

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 Institutional Class shares, had they, returns would have been different.

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). **Option premiums** are the current market price of an options contract.

**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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