

PARTNERS VALUE FUND

Portfolio Managers: Wally Weitz, CFA, Brad Hinton, CFA, and Drew Weitz
Investment Style: Multi-Cap Value



The Partners Value Fund's Institutional Class returned +7.14% during the third quarter compared to +9.21% for the Russell 3000 and +8.93% for the S&P 500 (the Fund's primary benchmark). Year to date, the Fund's Institutional Class returned -6.55% compared to +5.41% for the Russell 3000 and +5.57% for the S&P 500.

It was a reasonably good quarter for Fund investors, with solid absolute returns. Yet again, large-cap stocks bested mid-cap, and mid-cap bested small-cap. The Fund's experience followed suit. Our large-cap holdings posted double-digit returns, substantially outpacing the broader indexes. While our mid-and small-cap holdings also delivered modest gains, they meaningfully trailed the index returns.

Berkshire Hathaway paced the Fund's quarterly contributors. After lagging in the first half, Berkshire's stock rebounded strongly from overly depressed levels. Liberty Broadband's stock reached all-time highs as core holding Charter Communications posted another set of strong results. Charter has been a powerful example of how good things can be when you have the right business, run by the right people, at the right time. Our thesis on the recent portfolio addition, CoStar Group, has played out nicely to date, and the stock has responded in a positive way.

Quarterly detractors include software companies Box and Guidewire Software. Box showed investors another quarter of modest progress, which we liked more than the market. The recent BoxWorks virtual meetings further bolstered our confidence in the company's strategic direction. Guidewire's stock took a mild breather after rebounding sharply in the second quarter. We see nothing of substantive concern for Guidewire at this time. Liberty Latin America issued a subscription rights offering to bolster its balance sheet, and we participated with enthusiasm at an attractive price.

Year to date, Liberty Broadband has been the Fund's strongest contributor as its core holding, Charter Communications, continued to execute on its multi-year business plan. Digital advertising giants Facebook and Alphabet also have delivered strong gains. Both have extremely powerful business models, pristine balance sheets and stocks that trade at moderately discounted valuations. Both also live in the spotlight's glare with distinct regulatory risks. With these risks in mind, we have managed our collective position sizing in these companies.

A trio of small-cap value stocks headlined year-to-date detractors. We wrote about Redwood Trust's setbacks in the first quarter. After weathering the worst of the storm, the mortgage REIT's business is on a firmer footing and the stock has rallied nearly 50%. We trimmed our position as the risk/reward outlook became less favorable. We think Liberty Latin America's sturdy business and strategic moves position it to withstand near-term challenges.

Much ink has been spilled over the top-heavy nature of this market. A narrow group of mega-cap companies is dominating (and distorting perceptions of) the results of the most widely reported indexes, whose returns are weighted by size. To illuminate the point, the S&P 500 Equal Weighted Index, comprised of the largest U.S. stocks, is **down** nearly 5% year-to-date. The typical large company stock is not faring nearly as well as a narrow list of favorites.

To cut to the chase, we think this backdrop spells opportunity for our multi-cap strategy. As we find so often in investing, yesterday's challenges seed tomorrow's upside potential. We have dissected the Fund's performance six ways to Sunday, and the facts suggest that the mid-cap basket is our area for greatest improvement. Some of that has been the result of a tough market, and some of it has been subpar execution. In response, we are redoubling our efforts in mid-cap research and management.

We are pleased to welcome Drew Weitz to the Partners Value Fund's portfolio management team. We believe that investing in businesses of all sizes, with a valuation-focused lens, should be an enduring advantage of a multi-cap strategy. Drew brings additional experience, aptitude and focus to the small- and mid-cap basket of the portfolio. His investing style is also well-suited to our mid-quality holdings, which often have more of a traditional value tilt. His strengths are complementary to what we have done well over time, and the three of us look forward to collaborating with the rest of the Weitz research team on behalf of investors.

This collaboration is already bearing fruit, as we bought a new position in First Republic Bank in September. First Republic is a San Francisco-based, ultra-high-touch bank and wealth management company offering personal banking, business banking, trust, and wealth management services. First Republic develops raving fan clients through exceptional service, and the company acts more like a rarified luxury services organization than a commodity bank. Earnings growth is less a function of market interest rates (although higher rates certainly would not hurt) and credit cycles and more tied to the efficient acquisition of customers with high and growing lifetime values. In our view, First Republic is a powerful unit growth story with a long reinvestment runway. Research Analyst Sean Pompa, CFA, describes our investment thesis for this terrific and unique company in our Q3 2020 Analyst Corner.

Valuation remains our North Star, and we think our stocks are attractively priced despite the mixed headlines and hazy outlook. Appraisals are more fluid than usual given the extreme nature of the COVID-19 disruption. Our current estimation is that the portfolio trades at a price-to-value in the mid-to-upper 80s. The mid-cap basket is notably cheaper than the large-cap basket, and we expect to continue tilting the Fund's allocation in that direction. Even with some margin for error, these discounted valuation levels suggest adequate long-term return potential.

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.

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Top Relative Contributors and Detractors

For the **QUARTER** ending 09/30/2020

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
Berkshire Hathaway Inc. - Class B (BRK.B)	19.29%	6.33	1.19%	6.0%
Liberty Broadband Corp. - Series A & C (LBRDA/K)	15.66%	5.56	0.89%	4.8%
CoStar Group, Inc. (CSGP)	19.40%	3.87	0.69%	4.2%
Laboratory Corp. of America Holdings (LH)	13.34%	4.36	0.65%	4.5%
Vulcan Materials Co. (VMC)	17.31%	3.61	0.60%	4.0%

Source: FactSet Portfolio Analytics

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
Box, Inc. - Class A (BOX)	-16.38%	1.85	-0.36%	1.8%
Liberty Latin America Ltd. - Class C (LILAK/R)	-9.29%	2.00	-0.21%	2.2%
Guidewire Software, Inc. (GWRE)	-5.94%	3.12	-0.18%	2.9%
Liberty SiriusXM Group – Series A & C (LSXMA/K)	-3.94%	4.30	-0.16%	4.1%
Liberty Global plc - Class C (LBTYK)	-4.53%	3.54	-0.14%	3.4%

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 9/30/2020: Alphabet, Inc. – Class C (GOOG) 4.8%; Charter Communications, Inc. – Class A (CHTR) 0.0%; Colfax Corp. (CFX) 0.0%; Facebook, Inc. – Class A (FB) 3.3%; First Republic Bank (FRC) 1.6%; Redwood Trust, Inc. (RWT) 1.4%.

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 Value Fund - Investor (WPVLX)	-6.72%	-0.14%	3.85%	5.31%	8.33%	11.19%	06/01/1983*	1.09%	1.13%
Partners Value Fund - Institutional (WPVIX)	-6.55%	0.10%	4.12%	5.58%	8.49%	11.23%	07/31/2014	0.89%	0.93%
Russell 3000®	5.41%	15.00%	11.65%	13.69%	13.48%	10.84%	-	-	-
S&P 500®	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 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. Certain Funds have entered into fee waiver and/or expense reimbursement arrangements with the Investment Advisor. In these cases, the Advisor has contractually agreed to waive a portion of the Advisor's fee and reimburse certain expenses (excluding taxes, interest, brokerage costs, acquired fund fees and expenses and extraordinary expenses) to limit the total annual fund operating expenses of the Class's average daily net assets through 07/31/2021.

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, if any; total returns would have been lower had there been no waivers or reimbursements.

On 12/31/1993, Partners Value Fund succeeded to substantially all of the assets of Weitz Partners II 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 Advisor. 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 Institutional Class shares before their inception is derived from the historical performance of the Investor Class shares and has not been adjusted for the expenses of the Institutional 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.

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 or from a financial advisor. Please read the prospectus carefully before investing.

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