

# PARTNERS VALUE FUND

Portfolio Managers: Wally Weitz, CFA, Brad Hinton, CFA & Drew Weitz

Investment Style: Multi-Cap Value



The Partners Value Fund's Institutional Class returned +7.57% for 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 +16.58% compared to +15.25% for the S&P 500 and +15.11% for the Russell 3000.

Stock investors enjoyed another quarter of broad-based gains. While "growth tech" surged back into a familiar leadership position, most sectors posted healthy returns. In a reversal from the first quarter, large-cap stocks fared best, followed by mid-cap and then small-cap. Our companies continued to do well in an economic landscape filled with crosscurrents, and their stock prices generally followed suit.

The Fund's mid-cap basket (for this purpose, companies with market capitalization less than \$30 billion) made up 49.7% of net assets and generated satisfactory mid-single-digit returns in the quarter. Vehicle aftermarket parts distributor LKQ was the most notable contributor as the company delivered margins ahead of our forecast. CarMax, ACI Worldwide, and new holding MarketAxess were slight detractors for the quarter. The modest price declines of these three companies had no bearing on our investment opinions.

The Fund's large-cap basket (for this purpose, companies with market capitalization greater than \$30 billion) made up 47.1% of the Fund's net assets and delivered strong, high-single-digit returns in the quarter. Digital advertising giants Alphabet – parent company of Google – and Facebook paced the Fund's quarterly contributors. Both have extremely powerful business models, pristine balance sheets, and stocks that trade at moderately discounted valuations. Charles Schwab, Berkshire Hathaway, and Visa were other solid contributors.

Year-to-date, both baskets generated healthy returns for the Fund. Alphabet and Charles Schwab have led the large-cap contributors, while LabCorp, LKQ, and CarMax helped drive the mid-cap basket. Software and information service companies Guidewire, Black Knight and CoStar Group were the most significant detractors. All three have delivered solid-to-exceptional gains from their initial purchase prices, highlighting our Quality at a Discount (QuaD) investing approach. They remain core Fund holdings with bright long-term outlooks.

Most portfolio activity during the quarter was concentrated in the mid-cap basket. One new addition was Dun & Bradstreet (D&B), a company that collects and provides proprietary data used by businesses to understand the credit risk of their counterparties. Chairman Bill Foley and CEO Anthony Jabbour, who have ably guided Black Knight, joined D&B in 2019 after an ownership change. Under their leadership, the company has modernized its technology, improved its sales and contracting practices, invested in new data and capabilities to enhance its value to customers, and evaluated potential acquisitions to bolster these efforts. Our basic thesis (and management's plan) is that these investments will drive a pickup in organic revenue growth, which is not yet reflected in the stock price.

The other new addition during the quarter was MarketAxess, the leading electronic trading platform ("ETP") for corporate bonds, with dominant market shares (~80%) of electronic trading in U.S. investment-grade, U.S. high-yield, and emerging market bonds. Our fixed income teammates are long-time, satisfied clients, so we know the core service well. While ETPs are growing rapidly, most trades are still executed through legacy, voice-based systems. Electronic trading improves liquidity and efficiency, advantages that tend to shine and accelerate market share shifts during periods of market duress. With continued "electronification" of their core markets, along with potential other asset classes to attack, we expect a long runway of robust, profitable revenue growth over our investment horizon.

We sold Box and Summit Materials to focus on higher conviction holdings trading at more compelling prices. After somewhat slow starts, both stocks turned out to be satisfactory investments. Our experience highlights the value of patience, price discipline and continued due diligence as conditions evolve.

We believe that investing in businesses of all sizes, using our QuaD approach, is an enduring advantage of a multi-cap strategy. Drew Weitz hit the ground running with the portfolio management team last July. He has focused primarily on our mid-cap basket and holdings with more of a traditional value tilt, which suits his investing style well. Mid-cap additions such as AutoZone, D&B, First Republic Bank, HEICO, IDEX, and MarketAxess are well aligned with our collective vision for a successful "go anywhere" equity portfolio. We look forward to building on recent momentum to see what the next few years bring.

Valuation remains our North Star, and we think our stocks remain reasonably priced despite strong recent returns. Business value growth has been solid and encouraging. Our current estimation is that the portfolio trades at a price-to-value in the low-to-mid-90s. These valuation levels suggest adequate long-term return potential from both our mid- and large-cap holdings.

## 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				
	Return	Average Weight	Contribution	% of Net Assets
Alphabet Inc. (GOOG)	21.16%	6.44	1.26%	6.7%
Liberty Broadband Corp. (LBRDA/K)	15.74%	4.74	0.71%	5.1%
LKQ Corp. (LKQ)	16.28%	3.79	0.57%	3.9%
Facebook, Inc. – Class A (FB)	18.06%	3.29	0.56%	3.6%
The Charles Schwab Corp. (SCHW)	11.98%	4.29	0.49%	4.4%

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
CarMax, Inc. (KMX)	-2.65%	3.35	-0.12%	3.5%
MarketAxess Holdings, Inc. (MKTX)	8.83%	0.05	-0.02%	2.0%
ACI Worldwide, Inc. (ACIW)	-2.43%	2.35	-0.01%	1.2%

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) 2.3%; Berkshire Hathaway Inc. - Class B (BRK.B) 5.1%; Black Knight, Inc. (BKI) 2.3%; Box, Inc. (BOX) 0.0%; CoStar Group, Inc. (CSGP) 3.3%; Dun & Bradstreet Holdings, Inc. (DNB) 2.0%; First Republic Bank (FRC) 2.2%; Guidewire Software, Inc. (GWRE) 2.5%; HEICO Corp. (HEI) 2.8%; IDEX Corp. (IEX) 1.6%; Laboratory Corp. of America Holdings (LH) 4.2%; Summit Materials, Inc. (SUM) 0.0%; Visa Inc. – Class A (V) 4.0%.

## 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 Value Fund - Investor (WPVLX)	16.48%	43.83%	13.94%	11.69%	9.70%	11.82%	06/01/1983*	1.09%	1.13%
Partners Value Fund - Institutional (WPVIX)	16.58%	44.09%	14.21%	11.96%	9.87%	11.87%	07/31/2014	0.89%	0.93%
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 07/22/2021, 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](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. 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 07/31/2022.

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. 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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