

VALUE FUND

Portfolio Manager: Brad Hinton, CFA

Investment Style: Large-Cap Value



The Value Fund's Institutional Class returned +6.77% for the fourth quarter compared to +9.04% for the Russell 1000 and +9.07% for the S&P 500. For the year, the Fund's Institutional Class returned +34.49% compared to +31.43% for the Russell 1000 and +31.49% for the S&P 500. It was a very good year for Fund investors in both absolute and relative terms.

People often confuse cheetahs and leopards, even though they are distinctly unique species. Cheetahs are the fastest animals on earth. They hunt in broad daylight, preferably in open land, and use their speed to attack prey. Cheetahs sound a lot like aggressive growth or momentum investors. Please do not mistake us for cheetahs, even if some of our portfolio "spots" might look the same on the surface. We are decidedly leopard investors. Leopards are agile, versatile and opportunistic predators. They hunt at night, lying in wait for long stretches, and stalk prey from trees, tall grass and underbrush. Leopards rely on stealth over speed, favoring ambushes and surprise attacks.

Our quality-at-a-discount investing approach ("QuaD investing") shares many of the leopard's traits. Our team often tracks companies for years before making a purchase, patiently waiting for the right moment to pounce. For example, we bought just two new stocks in all of 2019, and they could not be more different. JPMorgan Chase has been widely viewed as the best home in a neglected neighborhood. In contrast, salesforce.com was perceived as more of a high-end fixer-upper in a ritzy, glamorous zip code. Both are quality companies by most any measure. With patience and discipline, we purchased the stocks at nice discounts to our intrinsic value estimates. How is this possible with mega-cap stocks?

JP Morgan is *the* consensus long among large banks, the stock "everyone" owns in the sector. We first bought shares in March at a price below \$105 per share. Investors were worried about what a flat-to-inverted yield curve might mean for the economy and bank earnings. These were valid short-term concerns, but they had little bearing on JP Morgan's franchise value or long-term earnings power. With dividends, the stock has delivered total returns of more than 35% since then. In retrospect, JP Morgan was a case of clear value hiding in plain sight.

Salesforce is one of the more successful software as a service (SaaS) companies in the world. SaaS stocks have been absolute stock market darlings. When Salesforce bought data analytics leader Tableau, many investors thought it meant the company had gone "ex-growth," and dumped the stock. We bought shares in August at an average cost of \$146. After following Salesforce for several years, we finally were able to add this premium-quality company to the portfolio on our terms. As investors learned more about Tableau's strategic fit, the stock drifted higher, already closing above \$180 in early January.

Timing is everything. As Warren Buffett famously says, "What is smart at one price is stupid at another." We want to own quality companies. We also want to buy them at discounts to what we think they are worth. With our concentrated collection of competitively advantaged businesses, we only need a few smart ideas each year. Even in a bull market, we strongly believe leopard investors can uncover periodic opportunities to pounce. In future commentaries, we will explore how we invest while patiently stalking our quality prey, and how our QuaD investing approach distinguishes us from conventional, mean-reversion value investors. Before leaving our big cat analogy, though, we'd also note that leopards enjoy much longer life spans than cheetahs in the wild. Leopards are resilient creatures. Similarly, QuaD investing, intelligently applied, is a durable approach that never goes out of style.

Liberty Broadband, Alphabet and JPMorgan Chase were the strongest contributors to fourth quarter results. Liberty Broadband's primary asset is 54 million shares of Charter Communications, worth more than \$26 billion. Charter added more broadband subscribers than expected and ramped free cash flow via lower capital spending. Alphabet again grew organic revenue at an impressive pace, and the stock responded accordingly. JPMorgan Chase posted solid quarterly results, par for the course for the banking powerhouse. Detractors for the quarter included Dollar Tree, Liberty Global and Vulcan Materials. We are disappointed with business value progress at Dollar Tree and Liberty Global, and our team is monitoring both companies closely heading into 2020. In contrast, we think the modest price decline at Vulcan Materials reflects normal market volatility.

Liberty Broadband, Mastercard and Facebook were the largest contributors for the year. Liberty Broadband rose nearly 75%, as described above. Despite these tremendous gains, we think the stock remains undervalued. Mastercard continued to grow revenues and profits at a double-digit clip, though its stock price rose even faster. The payment networks are among the world's best businesses, and we have maintained a core position despite the more demanding valuation. Facebook also returned more than 50% this year, rewarding our long-standing willingness to bear headline risk for the right price. The Fund did not have any stocks that detracted from results this year, which is unusual and likely unsustainable.

Portfolio activity was light as the market surged higher to close the year. We did not add or eliminate any securities since our last report. While we tweaked a few position sizes higher or lower, more frequently we let the capable company management teams do their thing. Business values on balance are increasing at a healthy clip, and we expect that growth to continue. For a third-party view of our holdings, Morningstar's latest analysis suggests that all but one of our underlying companies possess an economic moat (Morningstar analyzes and assigns moat ratings to publicly traded companies). We'll agree to disagree on the one outlier, but regardless, it helps confirm that our team is focused on owning businesses with durable competitive advantages. And while durability has not been put to the test in quite a while, those with longer memories know that when it matters, it really matters.

The portfolio is focused and well aligned with our vision for successful large-cap investing. We have ownership stakes in 26 companies, with the top ten representing nearly half of the portfolio. Each position is significant enough to matter, yet none can individually make or break our results. The collection trades at an estimated price-to-value in the low 90s, offering adequate return potential primarily from expected growth in per share business value.

Top Relative Contributors and Detractors

For the **QUARTER** ended 12/31/2019

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp.-Series C (LBRDK)	20.14%	7.33	1.40%	7.4%	Dollar Tree, Inc. (DLTR)	-17.62%	2.82	-0.56%	2.2%
Alphabet Inc.-Class C (GOOG)	9.68%	6.65	0.66%	6.6%	Liberty Global plc-Class C (LBTY K)	-8.39%	2.43	-0.23%	2.2%
JPMorgan Chase & Co. (JPM)	19.40%	3.48	0.64%	3.7%	Vulcan Materials Co. (VMC)	-4.58%	3.09	-0.16%	3.1%
Berkshire Hathaway Inc.-Class B (BRK.B)	8.88%	7.20	0.63%	7.4%	Oracle Corp. (ORCL)	-3.30%	3.32	-0.10%	3.1%
Facebook, Inc.-Class A (FB)	15.26%	4.20	0.62%	4.4%					

Source: FactSet Portfolio Analytics

For the **YEAR** ended 12/31/2019

TOP CONTRIBUTORS					TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets		Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp.-Series C (LBRDK)	74.58%	7.13	4.74%	7.4%	<i>There were no securities that provided a negative contribution for this period.</i>				
Mastercard Inc.-Class A (MA)	59.16%	4.14	2.22%	3.7%					
Facebook, Inc.-Class A (FB)	56.57%	4.09	2.08%	4.4%					
Alphabet Inc.-Class C (GOOG)	29.10%	6.36	1.77%	6.6%					
Visa Inc.-Class A (V)	43.32%	4.11	1.72%	3.9%					

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 12/31/2019: salesforce.com, inc. (CRM) 2.7%; Charter Communications, Inc. (CHTR) 0.0%.

Average Annual Total Returns

AS OF 12/31/2019						
	1-year	3-year	5-year	10-year	Net Expense	Gross Expense
Value Fund Institutional Class	34.49%	14.08%	7.94%	11.79%	0.89%	1.08%
Russell 1000®	31.43%	15.05%	11.48%	13.54%	-	-
S&P 500®	31.49%	15.27%	11.70%	13.56%	-	-

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 assume all distributions are reinvested and reflect applicable fees and expenses. 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 07/31/2020.

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.

Performance quoted for Institutional Class shares before their inception (07/31/2014) 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 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. 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.

The views and opinions expressed here are those of the portfolio managers as of 01/10/2020, are subject to change with market conditions, and are not meant as investment advice. For informational purposes only. Not an investment recommendation.

Consider these risks before investing: All investments involve risks, including possible loss of principal. 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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