

# VALUE FUND

Portfolio Manager: Brad Hinton, CFA

Investment Style: Large-Cap Value

The Value Fund's Institutional Class returned +19.16% for the second quarter compared to +21.82% for the Russell 1000 and +20.54% for the S&P 500 (the Fund's primary benchmark). Year to date, the Fund's Institutional Class returned -3.41% compared to -2.81% for the Russell 1000 and -3.08% for the S&P 500.

After a first-quarter meltdown for the ages, stocks roared back to life as Mr. Market gave investors whiplash in the second quarter. Animal spirits were fueled by a combination of depressed starting prices, unprecedented support from the Federal Reserve and U.S. Treasury, and investor optimism that human ingenuity would eventually contain COVID-19. Our portfolio participated heartily in the rebound, though our benchmark large-cap index bounced even more.

Digital advertising giants Alphabet 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. Both also live in the spotlight's glare with distinct regulatory risks. With these risks in mind, we have managed our collective position sizing. CarMax posted the Fund's strongest percentage gain, making up lost ground while riding a renewed tailwind of consumer discretionary sentiment. The company's prescient omnichannel rollout is likely to meet an accelerating trend in car buying behavior. Amazon added "COVID-19 beneficiary" to its formidable list of competitive advantages, and the stock powered ahead. Semiconductor mainstay Analog Devices reported better-than-feared results and guidance, and the stock rose with investor demand for cyclical exposure.

Berkshire Hathaway was the lone detractor from quarterly results, and it was also the primary reason the Fund fell short of the indices. Berkshire has unique business drivers that mean it can zig when the rest of the portfolio zags, making the company a valuable complement to other holdings. Please see our latest [Value Matters](#) for our take on Berkshire Hathaway's increasingly favorable risk-reward skew.

Year to date, timely purchases of S&P Global quickly delivered outsized returns, and Danaher forged ahead on optimism over the newly closed GE BioPharma acquisition. Amazon and Facebook also were significant contributors for the first six months. Financial companies topped the list of detractors, headlined by Berkshire Hathaway. We remain resolute on the multi-year outlooks at Charles Schwab and JPMorgan Chase, despite near-term stock price setbacks. Liberty SiriusXM's stock also declined, further widening the structural gap between price and our estimated current value of its underlying assets.

We continued to fine-tune the portfolio in response to shifting risk-reward dynamics as the market rallied. We increased position sizes in CoStar Group, Charles Schwab and Aon plc at compelling prices. We sold Liberty Global to better reflect the portfolio's focus on higher-quality companies with cleaner balance sheets. We also trimmed position sizes in Liberty Broadband, JPMorgan Chase, LabCorp and Amazon on intra-quarter price strength.

While we did not add any new securities to the portfolio during the quarter, research productivity remained high. Our equity team analyzed and debated another nine companies that are potentially actionable for the large-cap strategy. The eclectic group spans industries and sectors. Expect more of the same in the second half of 2020 as we work through our dynamic priority lists, one company at a time. The bar for portfolio entry is tougher than ever to clear, and competition for capital is increasingly robust. Credit again to our talented and experienced analyst team for their hard work on behalf of our investors.

The portfolio is focused and well-aligned with our vision for successful large-cap investing. We have ownership stakes in 25 companies, with the top ten representing roughly half of the portfolio. Each position is significant enough to matter, yet none can individually make or break our results. Valuation appraisals are more fluid than usual given the extreme nature of the COVID-19 disruption. Our current view is that the portfolio trades at a price-to-value in the low 90s. Several core holdings have adequate return potential primarily from expected growth in per-share business value. A healthy minority still has more "gas in the tank," offering the chance for outsized returns over a multi-year period.

## Value Matters: Cautious Optimism in a World of Unknowns

After a historic market rally in the second quarter, we're not out of the woods just yet - but investors should feel good about the future.

## Top Relative Contributors and Detractors

For the **QUARTER** ended 06/30/2020

| TOP CONTRIBUTORS             |        |                |              |                 |
|------------------------------|--------|----------------|--------------|-----------------|
|                              | Return | Average Weight | Contribution | % of Net Assets |
| Alphabet Inc.-Class C (GOOG) | 21.57% | 7.33           | 1.51%        | 7.4%            |
| Facebook, Inc.-Class A (FB)  | 36.13% | 4.64           | 1.48%        | 4.8%            |
| CarMax, Inc. (KMX)           | 66.36% | 2.52           | 1.35%        | 2.8%            |
| Amazon.com, Inc. (AMZN)      | 41.50% | 3.43           | 1.30%        | 3.2%            |
| Analog Devices, Inc. (ADI)   | 37.56% | 3.72           | 1.28%        | 4.0%            |

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 06/30/2020: Aon plc-Class A (AON) 4.0%; CoStar Group, Inc. (CSGP) 3.3%; Danaher Corp. (DHR) 4.3%; JPMorgan Chase & Co. (JPM) 3.0%; Laboratory Corp. of America Holdings (LH) 3.3%; Liberty Broadband Corp.-Series C (LBRDK) 5.9%; Liberty Global plc-Class C (LBTYK) 0.0%; Liberty SiriusXM Group-Series C (LBRDK) 2.6%; S&P Global Inc. (SPGI) 2.7%; The Charles Schwab Corp. (SCHW) 3.5%.

| TOP DETRACTORS                          |        |                |              |                 |
|---|--------|----------------|--------------|-----------------|
|   | Return | Average Weight | Contribution | % of Net Assets |
| Berkshire Hathaway Inc.-Class B (BRK.B) | -2.36% | 6.62           | -0.14%       | 6.2%            |

Source: FactSet Portfolio Analytics

## Average Annual Total Returns

| AS OF 06/30/2020                   |        |        |        |        |         |                  |                |             |               |
|------------------------------------|--------|--------|--------|--------|---------|------------------|----------------|-------------|---------------|
|                                    | YTD    | 1-year | 3-year | 5-year | 10-year | Since Inception* | Inception Date | Net Expense | Gross Expense |
| Value Fund - Investor (WVALX)      | -3.50% | 4.37%  | 9.41%  | 6.53%  | 11.21%  | 10.10%           | 05/09/1986*    | 1.09%       | 1.23%         |
| Value Fund - Institutional (WVAIX) | -3.41% | 4.58%  | 9.67%  | 6.77%  | 11.36%  | 10.14%           | 07/31/2014     | 0.89%       | 1.08%         |
| Russell 1000®                      | -2.81% | 7.48%  | 10.64% | 10.47% | 13.97%  | 10.25%           | -              | -           | -             |
| S&P 500®                           | -3.08% | 7.51%  | 10.73% | 10.73% | 13.99%  | 10.25%           | -              | -           | -             |

\*Denotes the Fund's inception date and the date from which Since Inception performance is calculated.

**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 07/31/2020.

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 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** measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 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 07/20/2020, 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. 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](http://weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

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