

# VALUE FUND

Portfolio Manager: Brad Hinton, CFA

Investment Style: Large-Cap Value

The Value Fund's Institutional Class returned +10.19% for the fourth quarter compared to +12.15% for the S&P 500 (the Fund's primary index) and +12.78 for the Morningstar Large-Cap Blend category.

It was a solid year for wealth building. For the calendar year, the Fund's Institutional Class returned +18.68% compared to +18.40% for the index and 15.12% for the category.

Results have stacked up especially well since market volatility increased in late 2018, with the Fund's Institutional Class returning +15.91% versus +14.09% for the index and +12.45% for its peer group for the period from 09/30/2018 to 12/31/2020. This highlights the value of active management during turbulent times.

Stocks surged higher in response to a cascade of positive developments around COVID-19 vaccines. In rapid succession, markets absorbed very favorable efficacy trial results, quick government approvals, and initial rollouts of a pair of vaccines. In a year beset with challenges, these advances were a resounding testament to human ingenuity. Not surprisingly, strong beneficiaries included "economy reopening" stocks, smaller companies, and cyclical businesses. While the economy is not out of the woods by any stretch, 2020 provided a clear reminder that the equity market is a forward-looking, discounting mechanism. Stocks can, and often do, look through periods of economic turmoil.

Financial stocks enjoyed healthy fourth-quarter gains. Charles Schwab and JPMorgan were outsized contributors as investors refocused on earning power in more "normal" times. Analog Devices benefited from several global, long-wave trends such as automation, electric vehicles and the 5G network build-out. The company's quarterly sales into the auto, industrial and communications sectors exceeded expectations, giving the stock a lift. Despite mounting regulatory scrutiny, Alphabet's stock rose materially as its digital advertising business continued to chug along.

Strong market tailwinds resulted in few material detractors to fourth-quarter Fund results. Salesforce.com and S&P Global announced transformative acquisitions that the market continues to digest. Salesforce is buying Slack Technologies, and S&P Global is buying IHS Markit. While many investors "sold the uncertainty," we think these deals make strategic sense for long-term investors. Despite modest declines in the fourth quarter, both stocks were exceptional contributors to full-year returns.

The Fund's strongest contributors for the year combined durable, resilient businesses with a 2020 "right place, right time" boost. Amazon.com was the ultimate stay-at-home beneficiary. Revenues in e-commerce, advertising and cloud-computing services soared, and the company continued to press its advantage by investing heavily for the future. While Amazon is far from our cheapest stock, the company has multiple pathways to help tap its seemingly unrivaled best-case potential future. Thermo Fisher Scientific and Danaher experienced revenue tailwinds from helping society deal with the COVID-19 pandemic, and their core businesses showed resilience. Our value estimates for both companies expanded materially, in part due to benefits from large, strategic acquisitions completed over the past few years.

The Fund's largest detractors for the year were a pair of stocks (Liberty Global and Dollar Tree) that we sold during the early stages of the pandemic. The extreme volatility provided a chance to upgrade the portfolio, and we took advantage by focusing on a slew of other **Quality at a Discount** options. Liberty SiriusXM was the other notable 2020 detractor. We estimate that business value grew at a double-digit clip, while the stock declined 8% during the year. Company leaders John Malone and Greg Maffei see a large disconnect between stock price and business outlook. We agree, and we added to the Fund's position back in September.

Our investment philosophy is straightforward; we buy high-quality businesses at a discount to what we think they are worth. This Quality at a Discount (QuaD) investing approach – which we mentioned above – is timeless, and it transcends traditional growth and value labels. Even with most of our team working remotely, research productivity remained high. Our equity team analyzed and debated a record number of companies that are potentially actionable for the large-cap strategy. The eclectic group spans industries and sectors. 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 concentrated ownership stakes in 26 companies, with the top ten representing roughly 45% of the portfolio. Each position is significant enough to matter, yet none can individually make or break our results. Valuation appraisals remain somewhat fluid given the extreme nature of the COVID-19 disruption. Our current estimation is that the portfolio trades at a price-to-value in the upper 90s. Several core holdings still have a chance for outsized gains over a multi-year period. Most, however, are priced for adequate return potential primarily from expected growth in per-share business value.

## Value Matters: Now What?

With a difficult year behind us, the question on so many minds is "now what?" 2021 carries a sense of optimism, and in the year ahead, the challenge for investors will be to discern what a "new normal" looks like.

## Top Relative Contributors and Detractors

For the **QUARTER** ending 12/31/2020

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
The Charles Schwab Corp. (SCHW)	46.99%	4.47	1.80%	4.7%
Alphabet, Inc. - Class C (GOOG)	19.21%	5.96	1.12%	6.0%
Analog Devices, Inc. (ADI)	27.11%	3.88	0.97%	4.0%
Liberty SiriusXM Group - Series C (LSXMK)	31.53%	3.24	0.92%	3.4%
JPMorgan Chase & Co. (JPM)	33.19%	2.95	0.91%	2.9%

Source: FactSet Portfolio Analytics

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
salesforce.com, inc. (CRM)	-11.46%	3.45	-0.41%	3.1%
S&P Global Inc. (SPGI)	-8.66%	2.49	-0.24%	2.4%
Fidelity National Information Services, Inc. (FIS)	-3.68%	3.39	-0.17%	3.3%

Source: FactSet Portfolio Analytics

For the **YEAR** ending 12/31/2020

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
Amazon.com, Inc. (AMZN)	76.26%	3.22	2.59%	3.2%
Alphabet, Inc. - Class C (GOOG)	31.03%	6.70	2.22%	6.0%
Thermo Fisher Scientific Inc. (TMO)	43.71%	4.36	2.17%	3.9%
Danaher Corp. (DHR)	45.32%	4.11	2.12%	3.9%
Facebook, Inc. - Class A (FB)	33.09%	4.24	1.87%	3.7%

Source: FactSet Portfolio Analytics

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
Liberty Global plc - Class C (LBTYK)	8.51%	0.52	-0.85%	0.0%
Dollar Tree, Inc. (DLTR)	14.88%	0.45	-0.83%	0.0%
Liberty SiriusXM Group - Series C (LSXMK)	-8.12%	2.91	-0.71%	3.4%
Fortive Corp. (FTV)	11.33%	0.08	-0.57%	0.0%
Berkshire Hathaway Inc. - Class B (BRK.B)	2.37%	6.41	-0.54%	5.3%

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 12/31/2020: IHS Markit (INFO) 0.0%; Slack Technologies, Inc. (WORK) 0.0%.

## Average Annual Total Returns

AS OF 12/31/2020									
	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Value Fund - Investor (WVALX)	18.43%	18.43%	14.76%	12.43%	11.52%	10.60%	05/09/1986*	1.08%	1.08%
Value Fund - Institutional (WVAIX)	18.68%	18.68%	15.02%	12.69%	11.67%	10.64%	07/31/2014	0.89%	0.94%
Russell 1000®	20.96%	20.96%	14.82%	15.60%	14.01%	10.79%	-	-	-
S&P 500®	18.40%	18.40%	14.18%	15.22%	13.88%	10.73%	-	-	-

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

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**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 07/31/2021.

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.

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.

# VALUE FUND

**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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