December 14, 2021

# Q4 2021 Weitz Quarterly Connection

**TRANSCRIPT:**

**Jessica Nagengast:**

Hello and welcome to the fourth quarter Weitz Quarterly Connection.

Just a few things before we get started. Today's presentation is being made by employees of Weitz Investment, Inc., which is the investment adviser to the Weitz Funds. Today's event is being recorded and all opinions are those of the speakers as of today and are subject to change. Investors should consider carefully the investment objectives, risks, charges and expenses of the fund before investing. This and other important information is contained in the prospectus and summary prospectus, which may be obtained at weitzinvestments.com. Please read the prospectus carefully before investing.

And today, I'm excited to be joined by Wally Weitz, the founder and co-CIO at Weitz Investments, and Yana Morgan, client portfolio manager. And my name is Jessica Nagengast, and I serve as a senior client relationship representative on our client service team.

During the presentation, if you'd like to ask a question at any time, please type it in the Q&A box found at the bottom of the screen in the menu bar. If you do not see the menu bar, move your arrow to the bottom of this screen and it will appear.

And today's agenda includes a snapshot of market performance, an update on the state of the U.S. economy key factors to watch, and a review of the Weitz Funds’ performance, followed by Q&A with Wally. I will now turn it over to Yana to begin today's discussion, Yana.

**Yana Morgan:**

Okay, thank you so much, Jessica, and hello to everyone on the call. We’ll begin by looking at the general U.S. equity and fixed income market returns, and we'll review how each Weitz Fund is performing when we reach the end of the slides just before we go into the Q&A.

For equity here, we're showing the very broad Russell 3000 index, the Russell Mid-Cap index and the S&P 500 over multiple time periods. And then for fixed income, we show the U.S. Aggregate and U.S. 1-3 Year Aggregate Bond indices. It's generally been a strong year for company earnings, and stock prices reflect that. Whether through the third quarter or through the end of November, the equity markets are up double digits while the bond markets have been flat to down as investors wrestle with the implications of rising inflation and how the Federal Reserve might respond.

And speaking of bonds, we think that this cartoon on the U.S. ten-year Treasury rate does a good job of depicting just how minuscule that rate is. Of course, it's the ten-year Treasury rate that's the base rate on which many other rates are set. It influences mortgages and some of the lending to corporate America, so it's meaningful to stocks, too.

But let's take a look at what's been happening with the ten-year rate both this year and historically. In the top graph here, you see the changes of the ten-year rate so far this year. It started 2021 at less than 1%, climbed to a high of 1.74% at the end of March, and then it headed down to 1.19 in early August. And from those August lows through last Friday, December tenth, the ten-year rate climbed back to 1.48%. And that climbing rate is much of the reason why the U.S. Aggregate Bond

index is in negative territory year to date, and the volatility has been primarily due to inflation and recent Fed announcements. The bottom graph shows you the ten-year rate over the past 50 plus years. And here you can clearly see the downward slope that follows the highs of the late 1970s early 80s, when Fed Chair Paul Volcker raised rates to fight inflation, high inflation back then. But over this 50-plus years, the average ten-year rate is about 6.1%, and that is represented by the green line on that bottom chart. So Friday's rate of 1.48% is very low historically.
You know, I mentioned Fed announcements as having an impact on bond volatility, and the Federal Reserve Board started its two-day December meeting today, so we'll hear additional announcements from them tomorrow. But in early November, Chairman Jerome Powell confirmed that they would begin tapering their bond buying by $15 billion a month. So you'll recall, since March of 2020, the Fed has been purchasing $120 billion a month in agency mortgages and treasuries. But last month, they purchased $105 billion. And this month they're scheduled for $90 billion unless they decide to speed up that taper, which is apparently a topic of discussion for their current meeting. And you know, some of you may recall that back in 2013, when the Fed announced a reduction in its monetary support, there was a so-called taper tantrum that followed where both fixed income and equity markets turned sharply negative. So far, that has not happened this time around to the same degree. But as the Fed progresses with its tapering and then looks to raise short term rates next year, we might see increased volatility for stocks and bonds.

OK, so let's move on to a 2022 outlook. For stocks, generally, the economic backdrop remains constructive. The economy has slowed some, but it is not slow. The rebound from the pandemic continues. Heavy federal stimulus is still working its way through the system. Company earnings are coming in nicely and growing well. And for the most part, the consumers are in very good shape for now.

Looking here at U.S. economic growth, you know, growth has been strong in the first quarter of this year, with GDP up 6.3%. In Q2, it was up 6.7%. Then the third quarter came in at just 2.1% due to a reduction in consumer spending, with the resurgence of COVID cases and the decrease of some government business and household spending programs. But it appears to be – to us anyway – that growth is picking up again in the final quarter of 2021, so we'll see where the year ends. And for 2022, growth may slow down from the overall strong pace that we've had this year. But at this time, it seems likely to continue at a pretty good rate.

With that said, we all know inflation is up and way up for some goods. Plus, we're seeing wage pressures and continued supply chain disruptions. And of course, you know, Fed Chairman Powell recently backed away from continuing to use the word “transitory” when speaking of today's inflation.

You know, here you can see an array of goods and the price increases that we've all been experiencing, including the recent change at the Dollar Tree stores, where goods are no longer a dollar but rather $1.25. But what's been happening right now is really less important than what's going to happen next year and beyond. So we're looking out into 2022 as that is what will help shape the Fed's response from today.

Now, as the economy continues to open and people go back to spending money on fun things to do and maybe spending a little less money on buying goods, it *may*, with emphasis on “may,” help to slow the pace of inflation on goods. And this chart from the Institute for Supply Management shows us that, according to the nation's purchasing and supply executives, spending on services is rising as we close out this year.

But again, some of what happens in 2022 is going to depend on what the Fed does. And looking at the white segment here on this chart that says quantitative tightening, you see that it wasn't until mid-2019 when the Fed completed the wind down of its bond purchases that had begun during the great financial crisis of ’08-’09. And then, you know, just as the Fed was feeling its way toward a new normal for its balance sheet, COVID hit, which then led the Fed to start buying bonds again and at very large quantities, which is represented by that orange line, headed almost straight up.

So, we view today as a time of kind of heightened uncertainty with numerous potential paths. First, we're watching how the economy handles the Fed's tapering, which was intended to go from now into the middle of 2022. But as noted, they may announce an increase in the rate of that taper, and that tapering is then likely to be followed by the Fed beginning to raise the Fed funds rate off of zero. And then second, fiscal policy decisions out of Washington also matter a lot at the Infrastructure and Investment Jobs Act was passed already. And it has been helpful to a few of our companies. For example, Vulcan Materials, a rocks and gravel company that benefits from spending on roads and bridges. But you know, the larger Build Back Better Bill is still evolving in the Congress, so we'll have to see what that brings over the next coming weeks and months. Its passage, if it happens at all, may be in early 2022 rather than yet this year.

So, you know, looking forward, overall valuations seem full, but not scary for the companies that we own. There are some pockets of potential excess in the market, but they're generally outside of our coverage universe. And while excesses are concerning, we don't see many direct linkages to our portfolios. Generally, conditions seem right for our companies to continue growing value at healthy rates over the next few years. Of course, if interest rates spike, we may see some rapid contraction in multiples. But to us, that's really more about the timing of returns rather than whether we will ultimately earn them. In summary, there just really are a lot of crosscurrents out there, and with generally higher valuations, there's less margin for error in the system. Assets seem priced today for lower returns than what we've seen, probably in the past three to five years. And we also expect more volatility in 2022 and beyond, which puts even more emphasis on owning productively growing businesses. And that tends to be right in our wheelhouse of seeking to own quality businesses. Some of the key economic factors to watch are those that you see here at the bottom of the slide, and we've talked about those a little bit here.

So, let's look at the performance of the different Weitz Funds, and then I'm going to turn it over to Wally to discuss how we're managing the Funds through this current environment.

Okay, the first set of numbers provides the year to date and longer performance results for each Weitz equity fund through the end of November, and the second set of numbers to the right provides performance through the end of the third quarter. So far, the four Weitz equity funds and the Balanced Fund are each providing nicely positive returns for the year. Our large-cap Value and Partners Value Fund are leading the way, with Value up nearly 22% and Partners Value up 17.4%. Partners III is up almost 8% year to date through November. The index shorts within that portfolio have been a headwind in this strong market, but the shorts are helpful when and if the markets take a drawdown. You see also that the Hickory Fund is up double digits. The Hickory Fund is a portfolio of mid-cap and smaller-cap companies, some smaller-cap companies – and does not own any of the large-cap stocks that have been leading the market this year. And then finally, the Balanced Fund is having yet another really good, another really good year.

And then here you see the year to date performance of our four bond funds as of the end of November and other time periods. All four funds are posting positive performance with both the Core Plus Income and Short Duration Income Funds well outperforming the bond indices. We discuss what a difficult bond market it's been this year, so these positive results against the flat to negative results of the bond indices are nice to report.

This slide here, and the next two slides are required disclosure information. The reminder email that we sent you for today's event has a link in it to our fund performance as of quarter end. And these disclosures so you can review these at your convenience.

And then finally, here, I'll mention that today is the record date and tomorrow is the pay date for each fund's distribution. You'll notice the equity fund distribution percentages in that total column are fairly robust, and there are a couple of factors involved here. So first, you know, when we mentioned this at the beginning of the year, the equity funds now pay a distribution once per year instead of twice per year. This fact doesn't make the year's distribution actually larger, but it means that it's all being paid out once instead of being split over two time periods, as was the case previously. And then second, the distribution amount is a reflection of the fact that we've had several years of stock price increases, so we've generally been trimming our positions in numerous holdings as company stock prices near our calculation of value. And then, as is usually the case for the equity funds, the distribution is made up only of the lower-taxed long-term capital gain, except for a very small amount of short term gain within the Value Fund. And then, of course, the Balanced Fund and our fixed income funds will also distribute income or short term capital gains as you would expect them to.

So, okay, at that I'm going to turn things over to Wally to talk about how we are managing the Funds in this economic environment. And then he and Jessica are going to take your questions, and I know we had numerous questions that also came in beforehand. So, Wally and Jessica, if you would just please go ahead and turn on your cameras and take yourselves off mute and go ahead and take the mic from me, please.

**Wally Weitz:**

Okay. Well, Jessica and Yana have given you a good picture of what's been going on the last quarter in the last year. I won't belabor those. There's lots of positives, lots of negatives, lots of things in the headlines that we can discuss in the Q&A time.

The one sort of summary, big picture statement I'd make is that our companies are doing great, and that's what really matters because we plan to own them for years and years, and it's their business value that really matters. But the most important sort of external factor that will make for volatility in the stock market is interest rates. And interest rates have a huge impact directly and indirectly on stock prices. And to oversimplify, you know, when rates go up, bonds become much tougher competition for stocks and at least at the margin, you have some stock owners selling their stocks to buy bonds if they get a chance, like they vaguely remember where they can earn 3, 4, 5% on safe, short-term, high-quality bonds. But when that happens, that's a headwind for stocks. And it can sort of make an equation that higher interest rates mean lower P/E ratios for stocks.

Now we're not worried about hyperinflation. We're not worried about a credit crunch. But when the Fed stops suppressing interest rates, which they've been doing for ten years, and allow rates to go up, and if the inflation that we're experiencing now turns out not to exactly be transitory and the trillions of deficit spending turn out to be inflationary, it would just be natural for rates to go up. And you know, I've been doing this for 50 years and, you know, 4%, 6%, 8% treasuries are, you know, they’re things that I remember. And they're not tragic. But it will be a headwind for stocks as we go from here to there.

And so we're trying to own things… we're trying to own companies that can cope with inflation. Some are actually beneficiaries. But also ones that can grow if their P/E ratios do get compressed by 10% or 20% over the next few years, if they're growing at 10% or 15% in their earnings, at least they hold their own and can plow through it and into higher ground. So we're not looking for double-digit returns each year going forward for the next few years, but we certainly think there would be ways to get black ink for us. So I'll stop there and we'll go to the questions.

**Jessica:**

All right. Thank you, Wally. We have had some questions coming in, and sorry everyone about my technical difficulty here in the office. I had the lights go off on me, quick for a moment. All right. So, we have had some questions coming in. And the first one, Wally, that we will start with is a question regarding interest rates. Wally, when do you think we will see a rise in interest rates, and will this be enough to influence the markets?

**Wally:**

Well, I guess I sort of jumped the gun on that. I think the, you know, interest rates… the Fed has levers to pull, but the bond market and the stock market participants are watching like a hawk and sometimes seeing things that aren't there. So I think the world completely understands that the stimulus from QE is going to be declining and disappearing. And at some point, the Fed funds rate will go up. And you know, tomorrow, they'll say something, and all the commentators will tell you that means two increases next year or three increases. It doesn't really, you know, we're not trying to guess the exact timing on that. We just want to know that if the ten year does go to 3% or 4% or 5% and you know, bond buyers actually get paid again for the risk they're taking, that's just going to, you know, it's going to take money away from the stock market. And we're looking at what companies are going to be worth in five years. And the fact that COVID slowed down spending on international travel and hurt Visa and MasterCard last year, or that COVID stimulated a lot of new business for LabCorp and their earnings will probably be down when things get better. You know, that's what's important to us, not whether we have two increases or three. But I would certainly bet that over the next five or ten years, the average level of interest rates will be higher than what it's been in the last two or three years. I mean, that's sort of a given, I think.

**Jessica:**

Thank you. Okay, so we've also gotten a couple of questions regarding these names in our portfolio. Could you please provide an update on your thinking about Dun & Bradstreet, as well as Visa and MasterCard, and perhaps on the payment space in general?

**Wally:**

Okay. Well done. And Bradstreet has been a bit of a clunker since we started buying it earlier in the year or maybe towards the end of last year. But it was part of a bigger company that was under-managed for decades. And it has new management now that has a great track record for fixing bad cost structures, for getting marketing much more effectively. You know, this is a data company. It's about credit experience for businesses. And everything we can see about the new management is that they're, you know, they've got the base to actually grow earnings really well over the next five years. So it's, you know, it's been trading in the low twenties, high teens for quite a while. But the corporate makeover is happening. And I think when we least expect it, they'll actually show some upticks in results that surprise people.

In payments, I mentioned Visa and MasterCard. They are basically a royalty on spending, globally. And so, in an inflationary period, that's really great. If all prices were up 5%, then all of their revenues would be up 5%. Without any change in expenses for them. So they're wonderful businesses. I think there's two factors maybe that have caused them to be sort of dull performers. They're actually, I think, roughly unchanged for the last twelve months. One I mentioned already, the cross-border transactions are way down because there's a lot less international travel, and that's a very lucrative part of their business. So their earnings are down. But there's no reason to think that that won’t come back and be as good as ever going forward. The other thing is a little more nebulous and food for worry for a lot of people, and that is that a lot of new fintech payments companies have cropped up. You probably know about Square and Plaid. And I mean, there's a number of these companies that have… they’re really interesting businesses, and some of them have done very well. But I think the idea that they're going to displace the Visa and Mastercards of the world is just off base. But that's led some long time, you know, fairly sophisticated owners of Visa and Mastercard to say that, you know, we're going to step to the sidelines and see how this plays out.

**Jessica:**

And changing topics just a little bit. Another question we received is regarding China. What might the global financial impact of China's move away from capitalism and the possible ramifications for our companies in China?

**Wally:**

China is such a gigantic subject. Probably in the last 3 months or so, I think I've read six or seven books about China, ranging from memoirs of a dissident like Ai Weiwei to histories of business in Shanghai and all sorts of things trying to figure out China. And I think the headlines lately that may be triggering this question have to do with the government there interfering with the stock listings of Didi, the sort of the Uber of China and telling Alibaba and Tencent what business they can do and not do. And then there's a question, it's a very complicated system that when Americans own Chinese companies, they don't own the company itself. They own a VIE, a variable interest enterprise, I believe it stands for, which in turn holds the Chinese shares. And it's always been a question of whether basically the Chinese government would allow us to win. And you know, our analysts have spent some time in China. Barton Hooper has been there many times, and we think it's really important to know, you try to understand what's going on because a lot of our companies do business in China. But we've just concluded every time we relook at the situation that for us, it's just not investable, not because it's not a big country, it's not, you know, it's growing, there's a lot of profits being made, but the rule of law is just not so clear cut. And when you say, when the question says China turning away from capitalism, if you go back to Mao, there was no capitalism. His successor decided that there were some good things about capitalism, and they would find a way to have the best of both worlds. And there seems to be a turning back away from that by the XI administration. But I think it's fascinating. It's been interesting to learn about, but we're not… we've never invested directly in Chinese companies, and we're very careful about how dependent we want our companies to be on business done in China.

**Jessica:**

Now Wally, you say we are being very careful about our dependency on China. But do you have any thoughts on the possible effect on the global bond market? Should one of the large Chinese real estate companies default on their bonds? A bit of a broader question.

**Wally:**

Yeah, well, and I think Tom and Nolan could give you a much better answer, I think. But we're certainly not investing in those kinds of companies directly in our bond funds or our stock funds. I think what we're cautious about and trying to figure out is what the linkages are between those companies that we don't have investments in and other companies that we might. Because when a company gets in trouble and can't pay its bills and goes bankrupt or defaults on its bonds, it's not just the direct owners of those instruments that are affected. It's, if we own a company who's lent to a company who's lent to a company who’s lent to a company that's having trouble, that's when you get, you know, a contagion. And so, I think we're pretty far removed in our own investments. But it's an awfully big place and you have companies like Evergrande that have had 300 billion of debt that they don't seem to be able to service. And there's other companies – the housing market or the construction market in China is a much bigger percentage of their GDP than it is in America. So there are probably surprises to be had two or three times removed from the direct investment in those property companies. So I think it's… volatility and surprises and trouble at some distance from our investments can be really good for us if we can take advantage of somebody that has to sell some of their assets, we just want to make sure that there's not a linkage that we don't understand that does pull us into that. And we're comfortable that that's not the case, but it sure could cause some commotion in the global securities markets.

By the way, if you want to think about unintended consequences and surprise linkages, go back and read about some of the stories in the ’07, ’08, ‘08 mortgage crisis. Yeah, there were connections that weren’t clear until they blew up.

**Jessica:**

Thank you, Wally, continuing on with the theme of unintended consequences and the global economy. How do you feel about the global supply chain issues going on currently and the effect that it might be having on our companies, if any?

**Wally:**

Yeah, well, there are impacts. And, again, in surprising ways. I mean, when COVID hit and travel stopped and the rental car companies didn't need cars to rent, so they sold them. And then it turned out people did want cars. But the manufacturers couldn't make them because they couldn't get the right chips. So now rental car prices are very high. Used car prices are very high. You know, we own CarMax, and it's less important to them whether used car prices are high or low than people would think. But there surely were some inventory profits there. But you know, the old cliche about oil prices… the cure for high oil prices is high oil prices. And in other words, the producers adapt very quickly and I would have no doubt that there will be chips to make cars and there'll be cars and we'll have supply of everything we need coming out of our ears. But there could be two or three or four or five quarters where earning earnings are messed up by that. And I think investors just look through that. And as I think I said earlier, Lab Holdings is a huge beneficiary because of their lab tests, medical lab tests. And their earnings are $10 a share higher than they would have been without COVID. And then those earnings will go back down to normal. And everybody's already looking ahead to the normal.

American business people are awfully creative. I've been hearing now about toys coming in for Christmas through Mexico because the California ports are full, and Amazon's been making containers that's getting around the shortage of containers. Companies will figure it out. They'll have headaches, but I think most investors will understand that those headaches are fixable. Now it does that… the supply chain issues have caused instances of spikes in prices, and I think a lot of the CPI and PPI numbers you've seen the last six months or so are transitory for the reasons I was just explaining. So I don't know that that's a long-term issue for interest rates. It's the inflation that I worry more about is when you print and the Fed monetizes the $3 or $4 trillion worth of debt. I'm still a kind of an old-fashioned believer in Economics 101 that too much money chasing too few goods causes inflation. And so I wouldn't blame the supply chain as much as I blame the Fed and the tendency of government to find ways to – many of them a good ways – to spend money they don’t have.

**Jessica:**

And Wally, there you touched on inflation quite a bit, but we have gotten more questions on inflation, and if you think it's under control and anything else…

**Wally:**

Well, I don't know if it's under control. You know, inflation – there's so many different factors that go into inflation. There's a lot of deflationary forces that have kept inflation itself low over the last 10-20 years. Globalization, overcapacity to build products, technology, lowering the costs, you know, law with computers, there's a lot of deflationary forces at play. And they're still there. And I think that's why I'm just assuming that the combination of stopping the interest rate suppression and the few trillion of printed money are more likely to make inflation, 2, 3, 4% instead of 0 or 1%. I mean, I'm not talking about Weimar Germany. Now, stuff happens and we can get a good scare now and then. And I sure wouldn't say… I would never say that things can't get a little out of hand. But that's again, that's where investing gets to be not just fun, but actually useful for our clients, because if everything just moved along smoothly and predictably, you could buy the S&P, sit back and collect your coupons, but you know, we need to have the real world kind of return and have human nature get a chance to push things out of line a little bit and get back to the way unregulated or unmanipulated markets work.

**Jessica:**

I'm going to take that and bring up another question that we received from a client that seems to feel that we must be due for a significant correction in the market. When do you expect it? How long? And how severe? If you want to pull out your crystal ball.

**Wally:**

Yeah, well, this client is either brand new to our firm or is very generous with his ignoring the fact that I've been way off base on predicting market corrections for most of my career. I see them coming, you know, any minute. And I've felt that way for 50 years. So I promise you there will be one. There'll be lots of them. I just don't know when, but I think everybody knows, I think people all know that the Fed's changing their policy and between the end of the suppression of rates and the headline inflation that's scaring people, that rates will be higher and stocks will be affected. But I think this is one of the one of the great things about having young colleagues who were not around in the '70s to see 14% treasuries and who finally convinced me that staying fully invested in great businesses just works better than trying to predict the corrections. It's worse to predict and act on a mistaken idea about corrections, that turns out to be worse over a 5, 10, 20-year period than just staying invested in the good businesses. It's nice to have some dry powder when corrections come, and in our case, even though we don't have a lot of cash in most of the funds, we do have companies like Berkshire Hathaway that has $150 billion of cash. And we do have very stable companies that would be less impacted by a correction, and we can use them as a source of funds to buy things that they get crushed. But I just don't know the answer to that question, and I just encourage you to not worry about that question.

**Jessica:**

All right. And another question we received. Now, with the prospect of rising interest rates, will this make the financial sector a more appealing area for investment by our funds? You care to give your thoughts on the financial sector and such?

**Wally:**

Yeah, as usual, the first sentence has to be, it's complicated and no simple answer to that. But when you talk about financial companies, there's such a wide range, you know, there's insurance, and I mean, there's different kinds of companies that are affected different ways. I think most of the time when people think about inflation or higher rates impacting financials, they're thinking about banks and spread lenders in general, where the raw material for their business is borrowing and the product is lending and they're trying to make a spread. And historically, in times of inflation and high rates, a lot of financial companies, a lot of banks and thrifts and other kinds of lenders have gotten squeezed when their cost of funds has gone up faster than they could pass through with their lending rates. And so I think most well-managed financial companies, even if they are spread lenders, they've learned their lessons for the most part and won't get in that bind. The flip side of that is a company like Schwab that holds customer cash balances, huge amounts. And it has traditionally been a terrific source of income for all brokerage firms. And it's been a profit center that's just been out of luck in the period of suppressed interest rates. So if rates were a lot higher or a little bit higher, that would be terrific for Schwab. And that's when I say, you know, some of our companies would be real beneficiaries of higher rates, Schwab would certainly be one of them. Another would be if Berkshire Hathaway has $150 or $160 billion of cash on a per-share basis, that's a very large number. An extra 1% interest, you know, from 0 to 1% would be great for Berkshire. But I think the conventional wisdom going back a few decades was higher rates were terrible for all financials, and I think people have… both the investors have gotten more sophisticated about not jumping to that conclusion and the companies have gotten a lot more sophisticated about hedging and protecting themselves. So especially if rates were to go, if the 10-year to go from 1.4% to 10% overnight, a lot of companies – financial and otherwise – would be in a real jam. But I think that's why the Fed, it almost seems like they've been pretending, they've been trying so hard to make the inevitable increase be gradual because I think they feel that the sudden jump in rates would be a big problem. And, you know, it'd be a big problem now that our national debt is 28 or 30 trillion, whatever it is. If the cost of servicing that goes from 1% to 4%, that it's a big number.

**Jessica:**

Thank you, Wally. And so, another question that we received from a client. Again, your crystal ball – do you anticipate a Santa Claus rally to the end of 2021?

**Wally:**

Well, let's see, how many days is that?

**Jessica:**

Couple of weeks.

**Wally:**

No, I have no idea. It almost seems these days that odd number of days the market goes 1% or 2% one way and on evened numbered days it goes the other way.

**Jessica:**

And now we are getting close to the top of the hour. We received a lot of questions, but I'm going to end with a final question. Wally, how would you allocate between stocks and bonds going into next year given the current environment?

**Wally:**

Well, I mean, two things come to mind there. One is if you buy my idea that there's going to be volatility and possibly, at least, some kinds of corrections in some sectors, having extra dry powder would really come in handy. But again, having said that, I can't tell when that's going to happen. The allocation question of stocks and bonds – such a personal thing, really. I've recommended books of advice to investors, and I think the thing that most miss is that, I mean, you're dealing with people who are rational most of the time, but not all of the time. And having enough cash or short-term bonds, being able to sleep at night and to not panic or be forced into selling when things are, you know, when you have a sudden drawdown like last March, it's just really important. And part of that's personality. You know, I've had 80-year-old clients who've been investing in stocks all their lives, never on the bond, and just sleep like babies. I've got 40-year-old clients that are making gigantic incomes, have a wealth, but nervous that they have a way of selling themselves out at the bottom. So you do need to make sure you know yourself. But my formula is not so much 80/20 or 70/30 or whatever. As a rule, it's more… hold, I'd say hold 2 or 3 or 4 years worth of all your spending needs in short bonds so that you're not forced to do anything in a bad time. And put the rest in stocks that you intend to hold forever. And for some people, 2 or 3 years of spending is everything they have or more. For others, 2 or 3 or 4 years of spending might be 5% of their assets. So it's such a personal thing. I'm expecting volatility and choppiness and some occasionally low stock prices. And if you know yourself and know how you're going to react to something like that, if it actually happens, you know, act accordingly. But that's such an important thing, though, is the real wealth building happens when you hold a great business for 10 or 20 years, and you just want to make sure you don't try to outsmart yourself and let those get away.

**Jessica:**

Yes. Well, Wally, thank you very much for your time today and answering all the questions. We did receive a lot of great questions, and we appreciate all of those. And if we did not get to your question today, a member of the client service team will be reaching out to you individually. If clients have any questions, please go ahead and contact the client service team. Or if you'd like to make an investment in any of our funds, please contact the client service team. And our information is now up on your screen.

**Wally:**

It's fun to do these, and I invite you to tune in every quarter and mark your calendar. I don't have the date in front of me, but sometime in May, we're going to have another shareholder meeting that, with luck, could be in person. And then we'll get back to the See's Candy and the snacks, along with the Q&A.

**Jessica:**

And that's very exciting that we could be back in person for our next meeting. I know we've already received a lot of feedback from clients that they're looking forward to that and looking forward to being back in person, so hopefully we can make that happen. I would like to thank everyone again for joining us today. And behalf of everyone at Weitz, I would like to wish you a very happy holiday season. And thank you.

## IMPORTANT DISCLOSURES

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.

**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.

As of 09/30/2021, the following portfolio company constituted a portion of the net assets of Balanced Fund, Hickory Fund, Partners III Opportunity Fund, Partners Value Fund, and Value Fund as follows:

- Amazon.com, Inc. (AMZN): 0.0%, 0.0%, 3.1%, 0.0%, and 2.8%.
- Alibaba Group Holding Ltd – ADR (BABA): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- Alphabet, Inc. – Class C (GOOG) (Google parent company): 2.3%, 0.0%, 6.3%, 7.2%, and 7.4%.
- Berkshire Hathaway Inc. – Class B (BRK.B): 2.1%, 0.0%, 9.5%, 5.1%, and 4.5%.
- Block, Inc. (SQ) (Square parent company): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- CarMax, Inc. (KMX): 0.0%, 4.2%, 2.0%, 3.5%, and 2.9%.
- China Evergrande Group (EGRNF): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- DiDi Global, Inc. – ADR (DIDI): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- Dun & Bradstreet Holdings, Inc. (DNB): 0.0%, 2.5%, 2.7%, 1.6%, and 0.0%.
- Laboratory Corp. of America Holdings (LH): 2.2%, 5.5%, 4.4%, 3.9%, and 3.5%.
- Mastercard, Inc. (MA): 1.6%, 0.0%, 4.4%, 3.3%, and 3.6%.
- Meta Platforms, Inc. (FB) (Facebook parent company): 0.0%, 0.0%, 4.8%, 3.5%, and 4.7%.
- Plaid, Inc. (JPY): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- Tencent Holdings ADR (TCEHY): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- The Charles Schwab Corp. (SCHW): 2.1%, 0.0%, 3.7%, 4.4%, and 4.3%.
- Uber Technologies, Inc. (UBER): 0.0%, 0.0%, 0.0%, 0.0%, and 0.0%.
- Vulcan Materials Company (VMC): 1.7%, 2.4%, 1.2%, 3.6%, and 3.4%.
- Visa, Inc. (V): 1.7%, 0.0%, 4.8%, 3.9%, and 4.0%.

**Holdings are subject to change and may not be representative of a Fund's current or future investments.**

References in this video to particular companies are for illustration only and are not a recommendation to buy or sell any security.

**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/resources/product-literature or from a financial advisor. Please read the prospectus carefully before investing.**

Weitz Securities, Inc. is the distributor of the Weitz Funds.