

PARTNERS III OPPORTUNITY FUND

Portfolio Managers: Wally Weitz, CFA & Drew Weitz
Investment Style: Long-Short Equity

The Partners III Opportunity Fund's Institutional Class returned -10.08% in the third quarter, compared to -4.46% for the Russell 3000. Year-to-date, the Fund's Institutional Class returned -26.46% compared to -24.62% for the Russell 3000.

The third quarter was a tale of two halves. Stocks rallied in the early going as modestly softer economic readings led many to extrapolate that the Federal Reserve might at least slow down the pace of interest rate hikes and potentially even cut rates in 2023. By mid-August, our portfolio had gained nearly 12%. This so-called “Fed Pivot” was not to be, however. In late August, Fed Chairman Jerome Powell used his Jackson Hole speech to clearly state the inflation fight was far from over and that history suggested loosening restrictions (i.e., cutting interest rates) too soon was more dangerous than remaining restrictive longer. The conclusions were unambiguous and led stocks to make a pivot of their own. By quarter-end, the market made a new bear market low.

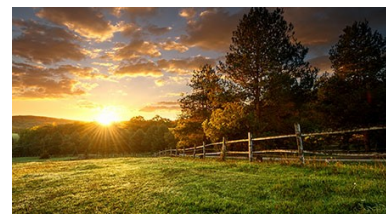
The drawdown was swift, and few of our holdings were spared. Liberty Broadband (26% owner of broadband provider Charter Communications) was the Fund's largest detractor in the quarter and the second largest year-to-date detractor. Charter's skeptics point to new wireless broadband services and expansion plans from fiber operators as reasons customer growth is permanently impaired. We believe this underestimates the speed and capacity challenges faced by wireless providers, and also ignores the fact that Charter already competes successfully with fiber in over 40% of its footprint today. Charter's own network expansion and fast-growing mobile business give us confidence that customer growth can, and will, be resuscitated.

Carmax and Liberty Global also earned dishonorable mentions for the quarter and year-to-date. In Carmax's case, it is a challenging environment for used car sales, to say the least. Vehicle prices remain stubbornly high, and higher interest rates equate to higher car payments for consumers. The entire industry faces these challenges, but thanks to its national scale and investments in its omnichannel retail model, we believe Carmax is best positioned to weather the storm and is poised for further market share gains. As for Liberty Global, the company owns a collection of European broadband providers that collectively trade at a discount to our “sum of the parts” value estimation. In recent quarters, their portfolio has had relatively stable, if uninspiring, results. The surging U.S. dollar dampens reported earnings, but management's focus remains on growing local currency cash flows and identifying strategic opportunities to recognize the unappreciated value of their assets.

Facebook parent Meta Platforms was the portfolio's top year-to-date detractor. Fears of a recession and a resultant pullback in ad spending have added insult to injury as Meta attempts to gain traction with its short-form video product called Reels. Meta's progress in monetizing Reels and the heavyweight bout with video-sharing app TikTok for consumers' attention are clearly the main event, but we are also encouraged that, behind the scenes, management is taking a more disciplined approach to investing and expense management. Investors looking for greater detail on Meta are encouraged to read equity analyst Jon Baker's [Analyst Corner feature](#) from earlier this year.

Against this bear market backdrop, there were still some bright spots. Signs of reaccelerating growth at multifamily rental marketplace Apartments.com powered CoStar Group to the top of our quarterly contributors table. Investors also cheered the company's inclusion into the S&P 500 index. As for other contributors, improving net interest margins and an earlier-than-anticipated return of share repurchases helped Charles Schwab produce an outsized gain. Liberty SiriusXM and Amazon.com's more modest positive returns were amplified by their larger position sizes.

Portfolio activity was tilted toward sales during the quarter, most materially for Black Knight, CoStar Group and Dun & Bradstreet. Black Knight is awaiting regulatory approval for its sale to Intercontinental Exchange. Although the deal has put a “floor” under its stock price, we trimmed nearly half the position, hedging a potential risk that the deal is blocked. We also sold roughly half of our CoStar shares as the stock rallied strongly on its positive earnings announcement. Finally, progress at Dun & Bradstreet has been slower than we hoped. Given the steep repricing of other, higher-conviction holdings, we elected to close our position and reinvest the proceeds elsewhere. Our short position was unchanged in the quarter (3% of net assets), and the portfolio ended the quarter with an effective net long position of 91% of net assets.



VALUE MATTERS: Don't Wait for the Robins

In a market being driven by fear, investors must remember that temporary slowdowns do not impair the business value of strong companies. And while bear markets may be painful, history has shown that they can end when you least expect it.

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As we wrote in this quarter's Value Matters, fear is driving the market these days, and near-term disappointments are being projected into perpetuity. It is a difficult time to be sure, but not permanently so. We cannot predict when the selling will potentially end, but we feel good about the businesses we own and their long-term earnings potential. We estimate that our portfolio price-to-value ratio is in the low 60s as of quarter-end, a level that we believe can generate strong returns in the coming years.

Top Relative Contributors and Detractors

TOP CONTRIBUTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
CoStar Group, Inc.	14.91	3.59	0.55	3.3
The Charles Schwab Corp.	14.10	3.25	0.31	3.9
Liberty Media Corp-Liberty SiriusXM	5.12	5.22	0.22	5.3
SPDR S&P 500 ETF Trust	-5.29	-3.24	0.21	-3.4
Amazon.com, Inc.	6.39	5.13	0.10	5.4

TOP DETRACTORS (%)				
	Return	Average Weight	Contribution	% of Net Assets
Liberty Broadband Corp.	-36.20	5.76	-2.15	4.8
CarMax, Inc.	-27.07	4.25	-1.20	4.0
Liberty Global PLC	-25.31	4.20	-1.08	3.8
Fidelity National Information Services, Inc.	-17.05	5.70	-0.97	5.4
Perimeter Solutions SA	-26.11	3.31	-0.90	3.0

Data is for the quarter ending 09/30/2022. 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 09/30/2022: Black Knight, Inc. 2.2%, Charter Communications, Inc. 0.0%, Dun & Bradstreet Holdings, Inc. 0.0%, Intercontinental Exchange, Inc. 0.0%, and Meta Platforms, Inc. 4.9%.

RETURNS (%)												
	TOTAL RETURNS		AVERAGE ANNUAL TOTAL RETURNS							Since Inception	Net Expense	Gross Expense
	QTR	YTD	1-YR	3-YR	5-YR	10-YR	20-YR	30-YR	35-YR	(6/1/1983)		
WPOPX Institutional Class	-10.08	-26.46	-25.80	-1.62	2.37	5.56	8.44	10.67	10.16	11.10	1.43	1.43
WPOIX Investor Class	-10.22	-26.64	-26.07	-2.14	1.81	5.09	8.18	10.49	10.01	10.96	1.86	1.86
Russell 3000 Index	-4.46	-24.62	-17.63	7.69	8.61	11.38	9.92	9.56	9.45	10.50	-	-
S&P 500 Index	-4.88	-23.87	-15.47	8.15	9.23	11.69	9.83	9.55	9.47	10.76	-	-

Data is for the quarter ending 09/30/2022. 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 10/20/2022, 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 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.

The Gross Expense Ratio reflects the total annual operating expenses of the fund before any fee waivers or reimbursements. 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. The net expense ratio represents what investors are ultimately charged to be invested in a mutual fund.

On 12/30/2005, Partners III Opportunity Fund succeeded to substantially all of the assets of Weitz Partners III 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 Adviser. 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 Investor Class shares before their inception (08/01/2011) is derived from the historical performance of the Institutional Class shares and has not been adjusted for the expenses of the Investor 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.

Definitions: Effective net is the **effective long** (the sum of the portfolio's long positions, such as common stocks, or derivatives where the price increases when an index or position rises) minus the **effective short** (the sum of the portfolio's short positions, such as derivatives where the price increases when an index or position falls).

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 or from a financial advisor. Please read the prospectus carefully before investing.

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