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PRESENTATION

Moderator

Hello and welcome to the Weitz Investment Management Webinar: Searching for value in a low interest rate world. To engage with our speakers you can use the 'ask a question' button located in the upper left of your webinar window. Please do ask questions throughout the presentation and we'll answer them at the end. This webinar is being recorded and will be available shortly after the webinar is over.

To get it started, I'd like to hand it over to Jo Ann Quinif. Jo Ann, over to you.

Jo Ann Quinif

Hello. As the moderator mentioned, my name is Jo Ann Quinif. I have a couple of updates and reminders to discuss before we jump into introductions and the heart of why you are on today's call. We appreciate you joining us for our 4th conference call for 2015. Our previous three calls focused on our equity offerings and our views on the equity investment landscape. We made replays of all of our calls available, as the moderator mentioned, in the investment professional section of WeitzInvestment.com.

In addition to conference calls and the standard quarterly information you might expect to be on our website, David Kratz and others from our team have been writing timely and informative pieces that are available on our blog. We will be holding our final call of 2015 on December 17th, with Wally Weitz and Brad Hinton. I encourage you, if you have not already and you don't already receive updates on our blogs and calls, to sign up on our website. This is our first call of 2015 to focus on our fixed income expertise. Many in the industry think of Weitz as a boutique value-oriented equity shop. While we wear that badge with pride, we have also managed fixed income portfolios since 1988. The collaborative nature of our entire research team, equity and fixed income, has been beneficial for all of our investors.

Today we have Tom Carney and Nolan Anderson with us to talk about the current drivers of interest rates, the fixed income environment and then, more specifically, about our fund and where we are finding investment opportunities. Tom Carney joined Weitz in 1995 and has been at the helm of our fixed income strategy since 1996. Nolan joined our firm in 2011 and is the co-portfolio manager of our Core Plus Income Fund, which was launched in July 2014.

I have one last housekeeping item which the moderator mentioned but I will reinforce – you can submit questions at any time on the webinar itself but we will take all of the questions at the end and, if we don't get to your question, we will follow up after the call to make sure we can get you an answer. With that, I'll turn it over to Tom.

Tom Carney

Thanks Jo Ann and good afternoon, everybody, and thank you all for joining us, once again, for this Weitz Investment Management Webinar: Searching for value in a low interest rate world. I am joined here today by my teammate, Nolan Anderson, and we are going to cover the fixed income environment broadly and specifically cover some detail as to where we stand today in two of our primary fixed income assets, the Short-Intermediate Income Fund and the Core Plus Income Fund. We'll pause a moment for the obligatory disclosure, for everyone to take a moment to read or skim through, and then we'll get right to the meat of the presentation. Our investment philosophy is as it has been since inception; our goal is to earn good, solid, absolute investment returns over long periods of time without exposing our client and our own capital to undue risk.

We define risk as permanent loss of capital, not simply price volatility. We certainly believe in eating our own cooking and you will find at Weitz, whether it is in our fixed income strategies or in our equity strategies, we all have significant investments in the funds that we manage, or even our teammates, broadly throughout the firm. That might not necessarily guarantee success but you certainly have our full attention. We take a long-term value-oriented bottoms-up approach to how we invest. We are not looking to mimic an index or even come close to it. We are really looking for absolute value when and where we can find it. We certainly want to strive to focus on the things we can know but, as importantly, to kind of know we don't know and the value in that is really it helps us to keep searching and learning, and thinking specifically as it relates to fixed income investing, thinking about the downside.

Today our agenda is going to cover a variety of things. We are going to begin with a 10,000 ft view and try to take us and land this plane and bring it down to earth. We are going to start off by covering a little bit of the macro environment and some of the drivers of interest rates as we see them, and then I'll hand it off to my teammate, Nolan, who will cover the current fixed income environment. Then I'll speak a little bit about each of the funds that I mentioned at the outset of this call, the Short-Intermediate Income Fund and the Core Plus Income Fund, and finally we'll close it off by talking about the pockets of opportunity where we are actually, we believe, finding value in today's marketplace. Then we'll open it up to you, to any questions you might have.

Beginning at the top, the macro update, those current drivers of interest rates – as we think about some of the reasons that interest rates might either stay lower for longer or potentially trend higher and we list some of these, we hope you're not thinking or channeling your inner Harry Truman that you wonder why, or could you please have a one-handed economist so we could avoid the "on the other hand" but that is really where we are at when it comes to interest rates – they are quite low.

There are some reasons to believe they could stay lower for longer but there's also at least the prospect and we think real possibility that sometime in the not-too-distant future rates could trend higher and we are going to cover those;

- the reasons for rates being lower for longer;
- speak to the economy and how sluggish the recovery and the growth has been, arguably the slowest since the 1950s;
- the amount of monetary pressure that World Central Banks are placing on global interest rates as their balance sheets continue to grow (or at least not shrink) as they also are competing for assets in the marketplace and high debt levels have not helped generate the economic growth that would really foster a higher interest rate environment, and finally
- Recency Bias which speaks to the tendency for many of us not wanting to miss the next financial crisis, so we are 7 years past the crisis yet we're still wondering when the next one is going to happen. We tend to extrapolate that really painful experience maybe too far into the future.

As to rates trending higher, credit growth has been reasonably strong and we'll show you that. Current inflation readings are arguably masked pretty meaningfully by the very strong weakness in energy, specifically in the commodity complex. Economic flack is starting to go away. It is starting to dissipate, so the risk of rising wage inflation is becoming more and more a reality and is actually happening in some corporate environments.

Looking internationally, even though our rates are really low, we have good companies as many of you probably know but, as you look across the developed world, the US looks like a bargain compared to Germany's two-year ratings where rates taken earlier this week – that was negative, as well as their 5-year rate that's negative. None of the developed economies, including Italy and Spain, have a 10-year rate that is above the US rate. There are lots of reasons that the competition in a global economy for capital is what is helping keep US rates low, although in this chart it certainly would not suggest they are high relative to some of our international peers.

Back to some of the reasons that interest rates may stay lower for longer – that speaks to the growth and this chart that we are showing here reflects nominal GDP, a rolling 5-year nominal GDP number, and I want to draw your attention to the far right and the straight line that's graphing long-term interest rates over the same 5-year average – generally interest rates should have a limit to where they would be based on both nominal GDP and inflation. It is clear, by looking at the right-hand part of the chart, after having a pretty meaningful economic decline in the 2007 to

early-2009 period that GDP has just not been able to hit an escape philosophy that would put upward pressure on interest rates.

Another reason rates have been low – this is a chart of that asset base of the major central banks throughout the world – it's up and to the right as you see, since 2008, the total assets of the major central banks have grown multiples of their original starting point and, at the end of September, were almost $16 trillion. The next chart just kind of breaks it out and shows, for example, where we stand in the States in terms of the size of the Fed's balance sheet. They may not be actually involved in new quantitative easing but they are continuing to reinvest all securities that mature on their balance sheet. That certainly is another incremental source of demand for credit products, for interest-rate related products.

Debt levels is certainly another reason that keeps interest rates lower. As long as companies, individuals and governments are having to spend an inordinate amount on debt service it leaves less room (and companies for that matter) for growth-related investments. While it has come down from the peak of the crisis it is still at a meaningfully elevated level over a long period of time.

Speaking about the Recency Bias, one of the other possible drivers for rates staying lower for longer, this graph reflects what both the central bank and the market is thinking about longer-term Fed Fund's rate and it is interesting to look at the straight lines. It shows a curve that plots the Fed Fund's rate from (let's call it) November of this year out to 2018, from August, and how it has already dropped into the early part of this month; that people are expecting rates to stay lower for longer – that is even being played out at the Fed itself because, above those straight lines, are the Fed versions of what they think rates might be in 2016 (those three dots on the left-hand side) and the dots on where they might be in 2018.

In every instance, as you look at the dates, the Fed has continued to draw down their estimate as to where the Fed Fund's rate might actually be 1-2-3 years from now. I think it really speaks to what some people have termed kind of where we might end up, and one person that comes to mind is Joe Davis who is the Global Chief Economist at Vanguard, who likened this kind of dilemma – if we think about, okay we're at zero interest rates – where will they be 2-3 years from now? He speaks of that velocity in the sense which is probably going to be less than we think, going from zero to wherever it ends up, and a cruising altitude that probably again is much – whenever we get to the end of a tightening cycle, whenever it starts – probably lower than we might have otherwise have thought.

Back to the other hand, some data points that we think might lead to higher interest rates – this credit growth is one of them; it's been relatively strong, as we see in this chart that leases and loans – lending from all commercial banks has been pretty strong post the crisis and particularly into the last few years. That demand for credit certainly can act as an increase to the lenders' willingness and potentially would lead to higher interest rates. Current inflation readings have also put a damper as to what people think of as the underlying inflation, and certainly the overall headline number - the CPI has lately been giving us negative numbers as energy prices have been so

weak. When you strip out food and energy, they have been pretty consistently hovering near the 2% level, as is represented in the thin blue line on the graph.

Finally, related to economic slack in wages, this chart really provides a good overview as to what's happened with capacity utilization as factories are operating at a higher percentage rate, which is the left-hand side, and the unemployment rate has continued to grind lower. Most of these would potentially higher capacity utilization, lower unemployment and certainly can lead to wage pressures, and we are beginning to see that as wage inflation is in fact beginning to rise, as evidenced by the National Federation of Independent Businesses, the percentage of firms planning to raise compensation essentially at a 9-month lead time and then actually wages and salaries themselves which have actually been on a generally upward-sloping trend.

We are going to refresh or go back to the slide we used earlier - the market expects rates to remain lower – we at Weitz as we manage our fixed income portfolio, we don't know where rates are heading. We don't make guesses broadly as to where the stock markets are heading and we never will invest in a way that success would depend on a correct interest rate call. We'll continue to invest in one security at a time and take advantage of opportunities in the marketplace where we think the risk and the rewards are skewed to our favor, and certainly they present themselves over quarters, months and years. Despite what is happening in the broader interest rate environment, we think we have been able to build a portfolio based on opportunities that we found and we look forward to telling you a little bit more about that later.

Now I would like to turn it over to my teammate, Nolan, to give you an overview of the current fixed income environment.

Nolan Anderson

Thanks Tom, and good afternoon, everyone. I am going to provide a brief overview of the current state of the fixed income market. The first slide provides a 3-year snapshot of US corporate credit spreads for both investment grade and high yield - investment grade spreads are illustrated in blue and tied to the left-hand scale, while high yield spreads are shown in grey and linked to the right-and scale. The key takeaway is that spreads have widened considerably over the past 6 months. Since reaching a low point in June of 2014, investment grade spreads have increased from under 100 basis points to approximately 170 basis points as of September 30th. Spread widening in the high yield sector has been even more dramatic, having almost doubled over the past year or so.

The next chart puts the spread widening into context, illustrating a 3-year snapshot of investment grade and high yield bond yields. The punch line here is that widening credit spreads have resulted in the increase in bond yields. Over the past 15 months investment grade and high yield bond yields have increased approximately 100 basis points and 300 basis points respectively. As of September 30th, the average investment grade bond yield was approximately 3.5% while the average high yield bond spread was approaching 8%. As we will discuss later, the

current fixed income environment has provided us select opportunities to take advantage of a higher yield environment.

As the next slide illustrates, rising yields are not without risk and corporate leverage has increased over the past two years. While some of this has to do with the dollar's impact on earnings and weakening exports, event risk has clearly increased as illustrated by historically high M&A activity and, as a result, we have gone out of our way to avoid sectors we view as most prone to event risk, including certain credits in the telecommunications, media and cable industry.

With that, I'll turn the call back over to Tom for a final review.

Tom Carney

Thanks Nolan. I'll give a brief overview of where we sit with respect to the Short-Intermediate Income Fund and its positioning as of 9/30, as well as the Core Plus Income Fund. This slide illustrates that our asset allocation is skewed toward corporate credit but I would highlight the financial attributes on the upper right-hand corner which really speak to what has been a pretty stable portfolio over the last number of quarters for our duration. Our sensitivity to interest rates has stayed pretty low and in this case 2.2 years as of 9/30. It has held that low 2 range for the last many quarters despite changes within the makeup of the overall asset allocation.

Where we have incrementally sound value though, and we'll speak to that a little bit more further on, is in the corporate or credit segment, as we have allowed the mortgage-backed – principally the US government-related mortgage-backed security segment which has been a very powerful contributor to performance over the last number of years – we have allowed that to mature or shrink over time as prepayments come in on those bonds but, given that is an area where we face the most competition from the US Federal Reserve, the value there has certainly been less. We certainly have found other pockets of opportunity and we'll speak to them in the corporate bond segment and commercial mortgage-backed securities, asset-backed securities and others as well. We'll cover that a little bit further.

One other thing I'd like to highlight on the Short-Intermediate Income Fund - and it is a by-product not only of price changes but, more importantly, portfolio pruning and transitioning – is that our current income-generating capabilities have increased year-to-date. One measure of that is the 30-day yield which, as of 9/30, was 1.8% which was up 20 basis points from the end of the year, really highlighting the driver of our ability to generate current income for shareholders which, in a declining interest rate environment, is a rather positive statistic.

The Core Plus Income Fund (next slide) is a new fund that we launched a little over a year ago. It has the same investment process as our Short-Intermediate Income Fund and our approach to investing is identical. We are looking for opportunities in the marketplace where we think we are being paid for the risk assumed but what makes

it slightly different than our Short-Intermediate Income Fund is that we have a longer duration. We're going to be a little bit further out the yield curve and, in the upper right corner, you can see our average duration as of 9/30 is 3.8 years. By mandate it would have to be at least 3.5 or higher over time.

One other differentiating factor is that this fund will be more concentrated and will have to be focused more on (if you want to call it) best ideas, and own more of the things we already like, for example, maybe even in the Short-Intermediate Income Fund. We have the ability to own more high yield in this fund than in the Short-Intermediate – 25% versus 15% in the Short-Intermediate Income Fund – and over time we'll have to be more willing to have a higher concentration in equity-oriented investments, even in this fund, than the Short-Intermediate Income Fund.

This chart gives an illustration again of where our asset allocation is, higher in corporate bonds, and some of the same things that we'll be talking to later apply to both the Short-Intermediate Income Fund and the Core Plus Income Fund, in terms of the opportunities that we have found and the same also applies that our current income, our ability to generate our yields have increased pretty materially throughout 2015 as we found opportunities to deploy capital.

With that, I would like to turn it over to my teammate, Nolan, to discuss some of the areas where we are finding value.

Nolan Anderson

Thanks Tom. Within the investment grade credit market, one of the sectors we have a favorable view on is property REITs. One of the most attractive characteristics of the property REIT bond market is the covenant packages, particularly those with what are known as the 4 standard REIT covenants. In short, the first two covenants highlighted on the slide minimize the risk of a leveraging event, particularly a leverage buyout transaction. Without the ability to take on significant leverage, there is limited ability to increase asset returns.

The last covenant, known as the Holy Grail of REIT bond covenants, helps protect bondholders against liquidity risk. In times of stress, unencumbered assets can be used to raise capital as they do not have any debt associated with them. Qualitatively, we have focused on REITs with high-quality assets and strong management teams, particularly those that have chosen to deleverage in the current environment by selling assets into a strong US property market. Key investments here are Boston Properties, Equity Commonwealth and Vornado Realty. In terms of finding exposures, the Short-Intermediate Income Fund as of 9/30 had approximately 4.3% of assets invested in property REITs, while the Core Plus Income Fund had 9.3%.

To provide a specific REIT example, I am going to walk you through our investment thesis for Equity Commonwealth, which you'll see is really a story of change. In 2014 the company was taken over by a highly respected management team led by Sam Zell. After spending the second half of 2014 getting to know the portfolio,

in early 2015 the company announced a significant asset disposition program and commitment to deleveraging the balance sheet. After conducting a bottom-up analysis of the portfolio, we purchased EQC's bonds as we believed the market was not discounting the likelihood of a significant deleveraging event.

Fast-forward 6 months, the company has already sold 1.7 billion of assets, as compared to a 2-3 year goal of 2-3 billion of asset sales, and has significantly levered the company by reducing net debt leverage from 6.1 times as of March 31st 2014, when the management team took over, to 1.6 times as of September 30th. To put this into context, we have provided a chart of Wells Fargo's REIT credit coverage sector, which illustrates EQC as having the second-lowest leverage of the approximately 50 REITs under Wells Fargo's current coverage and as compared to an average net debt to annualized recurring EBITDA as of the second quarter of 5.9 times for the sector.

With that, I'll turn the call back over to Tom, who is going to discuss our Midstream Infrastructure investment.

Tom Carney

In the energy segment of the marketplace we have found some opportunities to invest in areas where we think there is very strong value and one of them is the Midstream Infrastructure MLPs. As many of you know, our midstream asset is that vehicle that essentially takes a commodity from the producer to the end user. It sits in-between. These are hard assets that have minimal direct commodity price exposure and where the revenues are principally driven by fee-based contracts and are regulated natural gas pipelines that are backed by what are called "Take or Pay" transportation contracts. They are diversified as to customer base and geographic distribution and the revolution that's happened within continental US in terms of the shale activity that's driven a very large spike in both gas and oil supply and demand – that has really been a factor that has drawn attention to this sector of the marketplace.

We are principally exposed to three of the largest geographically-diversified midstream operators; Energy Transfer Partners, Kinder Morgan and Williams Pipeline Partners, the three of whom have an average market cap of a little over $30 billion. We think importantly, too, is that these management teams have had a long history of protecting bondholders. The organic growth and acquisitions that these companies have embarked on have always been supported with equity issuance so that debt and leverage metrics stay within a pretty consistent range and we'll show that in a minute. Our current MLP midstream exposure as of 9/30 in the Short-Intermediate Income Fund is a little over 5% and a little over 15% in the Core Plus Income Fund.

Speaking to the management team's willingness or desire to really right-size the balance sheets over time and protect bondholders, this chart shows the dramatic increase in debt over the past 10 years in terms of the largest MLP midstream operators that (call it) 3.5 billion 10 years ago now is over 120 billion, but the line which charts debt to EBITDA or cash flow has been pretty stable. That reflects not only obviously large growth in cash to EBITDA but also a desire by the management team to make sure that equity and debt are properly managed as they grow.

What many people have principally paid attention to in this marketplace is the dramatic decline in gas and the amount of rigs to harvest that gas that have been taken out of the marketplace over the past few years. The solid line graphs the price of gas over the past number of years and rigs, which shows a very dramatic decline and naturally might have people concerned potentially about operators but also the midstream, those assets that we own that we think have interesting value. What we think is missed is that natural gas production continues to grow so, despite the decline in gas price and despite the decline in rigs on the ground, actually, drilling for gas production has gone up. That is driven largely from the efficiencies that operators have been able to bring to bear over time and all of this production – if you are a producer it needs to get to market and we own the asset that essentially does that.

There is already a large response to the supply in terms of demand and this chart tries to present and show you how, whether it's new petrochemical projects, just base industrial demand or coal plant retirement to LMG that contracts are already in place, or liquid natural gas that is going to help alleviate a lot of the supplies – that will take it from the producers to the end market – clearly gas is one of the most, increasingly the cheapest but certainly one of the most efficient forms of energy that we have to take advantage of. For our investment purposes, we focus on higher coupon, 5-7 year callable bond that had been acquired by these 3 portfolio companies through acquisition and subsequently upgraded to investment grade.

The bonds are *pari passu* (a Latin term for equal standing) with all of the other senior unsecured corporate debt within these companies' capital structures, yet they are trading at a meaningfully higher yield and cheaper spread than comparably on the run (if you will) bullet maturities with the same tenure, meaning they have the same maturity and the same security, yet are trading 1 to 2% cheaper than other bonds within the same company's capital structure. Why do they trade so cheap? Generally callable bonds, just because of their nature, will trade slightly cheaper than non-callable bonds.

We believe that they trade meaningfully wider than they should, given the same security metrics, and there's also current supply-demand imbalances as some of this debt is still held in high yield funds that might have owned this previous to the Kinder Morgans and Energy Transfer Partners, Williams having purchased this company. They were high yield debt and now they are investment grade but still sit within some high yield funds' holdings and it's an easy source of liquidity for them to sell if they were to have, for example, redemption. Finally, they are not eligible for indexing, and as we mentioned at the outset we are not interested in marrying an index. We want to find just cheap bonds and, because these are not index-eligible and it's quite a large universe of buyers from owning them, we're glad to take advantage of that disparity in value.

The next slide highlights the energy and why we were drawn to this particular segment of the marketplace. I'd focus your attention on the far right side (in yellow) that highlights the corporate spread changes. Broadly there's a Corporate Investment Grade Index that shows year-to-date change of a little over 30 basis points and even that Investment Grade Energy Index not meaningfully wider than the overall corporate index. If you drill a little deeper

into the Energy Index itself, you'll see that pipelines in MLPs really stand out as having a pretty meaningful underperformance year-to-date and, as we have gotten comfortable with the assets, the balance sheets and the managements that run these companies, we are happy to take advantage of what we think is near-term price dislocation as people are worried about energy prices broadly and, as we mentioned, these companies are largely not directly exposed to energy price changes.

Here is a picture of one of the companies we have lent to and their asset base, which is quite extensive, arguably un-replicable in today's marketplace. Kinder Morgan is the largest energy infrastructure company in North America. It owns an interest in, or operates approximately 84,000 miles of pipeline in approximately 165 terminals and, as to gas, most of its business is gas. It has the largest natural gas network, with 68,000 miles of pipeline, and it is connected to every important US natural gas resource plays, you can easily see by looking at the map and, because of its scale, Kinder Morgan moves about a third of the natural gas consumed in America. Another thing that makes us interested in investments like this and highlights their not exposed, directly exposed energy price changes, for 2015, approximately 85% of Kinder Morgan's cash flows were fee-based, so not dependent upon the commodity price, and fully 94% of the company's cash flows were either fee-based or hedged. We think that makes for a good metric for potential downside protection for investors.

This is a specific example of the bond we own in both the Short-Intermediate Income Fund and the Core Plus Income Fund. This is a Hiland Partners Fund that Kinder Morgan acquired in January 2015. It was approximately a $3 billion investment for Kinder Morgan. We purchased the bonds after Kinder Morgan had bought Hiland and the bonds had been raised to investment grade, comparable to all other Kinder Morgan senior unsecured debt. As of 9.30, these bonds had a yield to maturity that was easily 200 basis points wider, higher, more return than a comparably maturing Kinder Morgan bond that matured in the same year but was not callable.

I highlight the graph below that speaks to the yield, where in blue you can see that – we are somewhat indifferent whether the company calls them a year from now in 2016 or we own the bonds to maturity. Either way, we are going to earn a pretty attractive return for a solid investment grade bond of great assets in a management team that really protects bond-holders over time. The red arrow highlights the spread relative to the risk-free rate or treasuries that we have been able to put in place for our shareholder benefit over time, meaningfully higher spreads that we could own again in a Kinder Morgan bond that would be index eligible and would be non-callable. We will take the extra yield all day long, any time for a comparably secured asset.

So then I will turn it back to Nolan to cover the structured products area.

Nolan Anderson

Thanks, Tom. Over the last three years, we have invested significant amounts of capital in what are called commercial and residential mortgage-backed liquidating trusts. In effect, we have partnered with experienced

financial sponsors that have purchased primarily non-performing commercial and residential real estate loans and significant discounts in value. These are primarily loans that were originated prior to the 2008/2009 downturn.

The major differences between liquidating trusts and traditional CMBS and RMBS securitizations are the asset profiles, the repayment characteristics and average life expectations. First, the asset backing of a liquidating trust are primarily non-performing versus 100% performing for traditional CMBS and RMBS securitizations. Second, because the collateral is non-performing in nature, there is not a set amortization schedule, which results in uneven cash flows. Third, the average life expectations for our liquidating trusts investments are significantly shorter at 1-2 years versus 3-10 years CMBS and approximately 5 years for residential I guess.

We believe our investments have significant credit support, often greater than 50% of the estimated market value of the underlying assets. Importantly, we believe we also have stronger [rights] of interest, with the sponsors typically having 25-30% of hard equity in the securitizations, which cannot be extracted until bond-holders have been fully repaid.

Key sponsors include Oaktree Capital, TPG, Rialto Capital Management, Lone Star and Oakhill Advisors. The senior bonds that we have invested in have typically had yields of 3-4%, with investment horizons of 1-2 years. Today, our current results have been quite good. Although issuance has slowed, we still believe CMBS liquidating trusts offer compelling relative value as compared to other low investment grade corporate bond alternatives, which I will illustrate shortly.

In terms of the two key risk factors, credit risk and extension risk, both have exceeded our expectations to date In terms of repayment speeds, both our CMBS and RMBS liquidation repayment speeds have been much faster than anticipated, particularly the RMBS. The RMBS bond had a 12 months call feature, which many of the sponsors have utilized, which has resulted in significantly faster repayment speeds.

The next chart provides a snapshot of our holdings in both funds. Starting at the top, since September 2012, the Short-Intermediate Income Fund has invested accumulative $275 million, which as of September 30, 2015, has paid down to a current balance of approximately $80 million. Core Plus has invested approximately $2 million since inception in July 2014. We have paid down 7 and decreased the balance to approximately $1 million or 5% of assets as of September 30.

The next slide illustrates our current CMBS liquidating trust investments. I want to draw your attention to the last four columns on the right side of the slide. These columns provide a snapshot of the original and current leverage levels for our investments, both as a percentage of the sponsors' original cost and estimated market value of the assets. For example, over an average 14 month of seasoning, the loan to value for our investments has declined from approximately 44% at origination to 27% currently. So as the borrowers have repaid, securitizations have delivered significantly, which lowers the credit risk for the remaining bonds.

The next slide provides a relative value analysis for our latest CMBS liquidating trust investment that we made earlier this year, Rialto 2015 LP7A. This is a low investment grade Triple B minus bond, a senior bond in the capital structure. It came with a coupon for a yield of 3.12%, which was equivalent to about 270 basis points over the industry benchmark, and a weighted average life of 0.8 years.

On the right-hand side are two examples of shorter corporate bonds, one being about 0.75 years and the other being 1 year maturity for both forward and variety… You can see the yields. Those are prices estimated as at September 30, so a yield of 1.3% for the forward bond and the variety at 1% and you can see the equivalent spreads and the fact that we are getting multiples of the estimated spread for low investment grade to medium investment grade corporate bonds that we think have similar overall repayment risk.

These investments highlight our willingness to be different than the crowd in seeking attractive, risk-adjusted returns. With that, I will turn the call back over to Tom.

Jo Ann Quinif

We are going to jump right into the Q&A portion of the call this afternoon and one of the first questions that have come across the screen is for us to comment on our exposure to the emerging market debt and we actually have no exposure there. That's a good question but we have no exposure in either of our Funds in that area.

Moving right on to the next question, it is in regards to energy positions. Are you feeling good about those positions over the long term? How are you currently feeling about the energy position? I don't know if Tom or Nolan, which one of you?

Nolan Anderson

Thanks, Jo Ann. Tom has already covered some of our midstream investments so I won't pioneer but I will just briefly talk about the exploration and production investments that we have made in both Funds really. The three largest primary exposures are Entero Resources, Range Resources and Concho Resources and just at a high level we have really tried to focus on high quality – high yield companies that have very strong interest positions and basins.

For example, Entero Resources and Range are two of the lowest cost producers in the Marcellus and Utica up in Appalachia and Concho Resources is arguably one of the highest quality oil companies in the Permian Basin. Just Concho would be a good example of a management team that we respect and admire, who manages the company for the benefit of both equity holders and debt holders. For example, Concho Resources has grown production at an average growth rate from 2007 to 2014 at 35% and during that period of time oil prices have dived from 150 to 40 back to 100 and now we are sitting back at $40-45. The average leverage of the company through that whole

period of time has been 2 times, so EBITDA over debt has averaged 2 times that whole time. They have also this year issued equity twice to protect the balance sheet and, frankly, just today Concho was upgraded by Moody's one notch, which there are not very many energy companies today that are being upgraded. So just to kind of put it back together, we focus primarily on really high quality companies in single basins that have very good cost positions.

Jo Ann Quinif

Thanks, Nolan. The next question that has come through is in regards to the equity reposition… The question is specifically around how will they perform if rates rise?

Tom Carney

It's Tom. Thanks, Jo Ann. I think maybe we should start off by just differentiating, defining what we think when we are asked about equity REITs. Broadly, I think the market, when they think of equity REITs, they think of those real estate investment trusts that own property and Nolan spent a fair bit of time speaking about speaking about Equity Commonwealth and we briefly highlighted a couple of the other positions that we own of those REITs that are in property, namely Boston Properties and Vornado and that is specifically though we are talking here about the debt – and Nolan covered Equity Commonwealth very thoroughly but specifically related to the debt of the investments that we own in these companies.

What will happen if rates rise is probably dependent upon what one thinks the economy is doing at that time. If rates are rising because the economy is doing well, it could be argued that the spread on those bonds may, in fact, decline. That doesn't mean that bond prices might not still decline but they might outperform treasury. We think in these cases, specifically Vornado and Boston Properties, they have had a history of recycling their own, very high quality commercial property base in ways similar to how we invest at Weitz broadly. They tend to be buyers when everyone is sellers and vice versa and we very much admire management's approach to really managing their overall portfolios.

With respect to our bond positions, I think it is really a mixed answer. Rate rises broadly isn't necessarily good for bonds but if it happens in an environment with an improving economy, again the spreads may, in fact, narrow and these bonds might do well relative to the base rate of US treasury. I would also add on the positions that we have primarily in the bonds of these property equity REITs, that we really like the positioning in the yield curve where we are at. We are roughly in a 4-year range, where the bonds have spread to 5-year treasury and the opportunity to roll down the yield curve from there really has represented, we think, the value in a hard to find value environment.

But why don't I turn it over to Nolan to speak a little bit more specifically to the equity REITs that we own, the common stock of a couple of the equity REITs and he can give you a brief overview of two holdings in particular.

Nolan Anderson

Thanks, Tom. Starting at EGC, we have really spent a lot of time on this company and found the bonds first and thought the bonds were very attractive because the company was shifting from being a levered entity to an unlevered entity, as we illustrated. So over the last six months, the company has built over $1.5 billion of cash on the balance sheet. We expect that to rise to potentially over $2 billion by the end of the year and, if you think about an office REIT with a market capital of just under $4 billion, we have a company that could have half of its market cap in cash.

So if you expected interest rates to go up or interest rate volatility to cause problems in the commercial real estate markets, we think EGC is very well-positioned to take advantage of that, to put that capital to work that is earning nothing today in a rising interest rate environment. We really have high respect for the management team under Stan Zell. He has been a very good steward of capital. There we think the asset base – what is left of the asset base is undervalued and they have a lot of liquidity to take advantage of any weakness in the markets.

Monmouth Real Estates is our second equity exposure, equity REIT exposure in the Core Plus Fund and it is an industrial warehouse REIT. We really like the management team. It has been run by the same family for a very long period of time and it has a growing asset base with a leverage … so it's taking advantage and growing its properties with e-commerce build-out in the warehouse distribution space. Over 80% of the rents generated by Monmouth are really we think bond-like. Not only were we looking for, like we do our equity funds, looking at discounts to value; we're also looking for more stability in the bond funds and this company generates over 80% of its rents from investment grade companies. It has got a current dividend yield of over 6%, which we think is stable and likely growing. It trades at a discount because of its size. It's only got a market capital of roughly $650 million.

So although it isn't a REIT, it has potentially more exposure to rising interest rates. With the current dividend and its growing asset base, we like its risk-reward prospects over the long term.

Tom Carney

I would add, just to reiterate, that when it comes to common stock ownership, these are bond funds that we are talking about today, Short-Intermediate Income and the Core Plus Income Fund, but we have, as long time owners know, had a willingness to own common stock. Just to highlight, as of 9/3015, the equity ownership in the Short-Intermediate was 2% and in Core Plus Income Fund was almost double that, almost 4%. It's a pretty minor weighting. We think over time it certainly adds value and return, not only from the back as we buy businesses cheaper than we think they are worth but they also invariably generate a pretty reasonable and high dividend along the way while we wait for that value to be realized.

I guess I would highlight one other company in that segment and that is not an equity REIT but a mortgage REIT. It's a longtime holding with the Short-Intermediate and certainly within many of the Weitz equity funds generally. That's Redwood Trust. It's a company we have high confidence in management and in their ability to reshape the company post the crisis. They have long been known as just the gold standard when it comes to jumbo loans or those loans that Freddy and Fanny cannot own and they have transitioned the business over time. Besides being one of the principal outlets for jumbo loans but also for conforming mortgage loans and, more recently as well, a pretty strong and growing commercial mortgage bank and we think the company, that currently today as at 9.30 was trading at pretty healthy discounts to a solid book value, whose assets are much stronger than they have ever been in the history of a company and paying close to an 8% dividend, really represents a very attractive value within that equity portion of our portfolio's book, the Short-Intermediate and the Core Plus Income.

In addition, these two Funds also own an investment in two convertible bonds that Redwood issued in the last few years. One is a 3-year bond and one is a 4-year instrument that at 9.30's prices, we think show that we probably bought a little early but we think the greatest benefit of being a bondholder is that if you get the credit right, then whatever discounts they are trading at today, we are going to make it up along the way in both of these investments that, as of 9.30, have a better than 6% for the 3-year investment and over 7% for the 4-year, we think is just returns that will earn in the future as we continue to roll towards maturity in those two instruments.

Jo Ann Quinif

That is really helpful. That was focusing on … the portfolios and REIT and there was a broader question of how you would expect the overall portfolios to act in a rising interest rate environment. I don't know if you would have some additional talking points on that.

Tom Carney

I think certainly the math would pretty much drive some of that answer, that a bond in the case of the Short-Intermediate Income Fund has a duration of a little over 2 years. It is going to be centered at interest rates because it's not a duration of zero and so, depending on what one views the path of longer term interest rates, then the Short-Intermediate Income Fund will be impacted either up or down, depending on what rates do. The Core Plus, which you certainly mentioned as well, has a duration of close to 4, high 3's, as of 9.30 so I will be more sensitive, either up or down, but that kind of speaks to changes of interest rates kind of in a test tube because it never happens that way.

Spreads will change if interest rates rise and we have investments that are impacted by what happens with spreads but I would highlight too, with respect to how our portfolios will react, certainly with the Short-Intermediate Income Fund, one benefit that that Fund particularly has is a portfolio of a lot of short term bonds. Well over half of our portfolio will mature within the next 3 years and every month we are receiving income on the bonds we currently

own as well as other bonds that are paying off along the way, which Nolan highlighted earlier in our structure product segment, that we are able to take advantage of interest rates certainly as they rise and any changes spreads too that happen along the way. Core Plus a little less in terms of cash flow that comes back at any given point in time but, overall, I would say these two Funds are modestly exposed to changes in interest rates. We have kept the Core Plus duration at a low point of its required level, which is 3.5 years in order to sit inside of the Core Plus segment.

Jo Ann Quinif

Great, thank you. I think we really only have time for one final question as we promised to keep the call to right at an hour. You have highlighted many of the differences between Core Plus and Short-Intermediate throughout the call and I think that has been very helpful but there is a question: how will the volatility be different between the two? How will they actually perform differently over time?

Tom Carney

Nolan, why don't you address that because you certainly talked a little bit in terms of that but you might put a little bow around some of the comments I made earlier about that?

Nolan Anderson

Thanks, Tom. If interest rates are – the Core Plus Fund is going to have more sensitivity to – if spreads are narrowing, then that Fund will have better performance because it has more credit exposure and then, on the interest rate side, if interest rates are going up, its performance will be more impacted because of its duration. They are different funds with different strategies … and so they will have a different performance.

Tom Carney

One thing just to add also to that is the Core Plus Income Fund will be more concentrated as well. That will certainly drive performance to the positive if, in fact, our best ideas perform as we hope and that will be certainly another aspect to cover.

Maybe one final topic to just address briefly, that is on liquidity. For those of you who will be reading our quarterly reports, which I don't know if they are available on the website presently, we actually spent some time offering at least our insights to this topic on liquidity, which has certainly been a hot button issue as of late, whether it is the Wall Street Journal running a series of articles specifically addressing this topic or any number of other sources and most specifically recently, the SEC is going to be spending some time addressing the topic and that is a multi-year process.

Nevertheless, I think for us, when it comes to liquidity, it's something we pay a lot of attention to and, even though we don't have a very large asset base, it is still something we want to be cognizant of and ready for those times when we either need liquidity or want to be a provider of it. I think, broadly, as I write in the letter, a benefit I think of Weitz's approach to investing over 30 plus years is that we tend to be the source of liquidity invariably for markets, whether it's the equity markets or fixed income. So whether prices are falling or rising, we tend to take the other side of the equation if we think values are either stretched too far or people fear has gripped the market but, specifically as it relates to liquidity and fixed income, we spent a lot of time over the years developing a network of counterparties that really are a great source of liquidity for us over time. They really are kind of an extension of our own theme in the field, if you will, that really are there to provide liquidity when we want it or when we are looking to take advantage of it as well.

Then certainly more recently, technology has found a way to supplement the changes that are certainly happening, for example there's a lot of talk about the decreased balance sheets among the big banks that make liquidity a challenge. Well, things like market access, which is an electronic dealer to customer, customer to customer network has been a great source of liquidity for any number of buyers, us included, and we are taking full advantage of that in both the Core Plus and Short-Intermediate Income Fund. We will certainly stay attuned to liquidity. We want to be sure that, in the event of any sort of redemption request, we are there and ready to respond to those at any given point in time and mindful of the assets within the portfolio. We are always trying to be sure that there is a ready bid, particularly for securities that we own.

We are not typically looking to sell but that is always something we want to be mindful of and I think that, for us, liquidity is not an issue in any way, shape or form except that we are always trying to be ready. As the old Wall Street adage says, liquidity is never a problem and so you need it and we want to be sure we are ready always for that possibility.

That's really it. I would like to at least cover that and, if you haven't, take some time to read the MB&A specific to that topic.

Jo Ann Quinif

Well, thank you, Tom and Nolan, and thank you to everyone on the call. I think that has been very helpful and informative and, for those of you on the call who may have additional questions, we are kind of an open book around here and we like to be as transparent as possible so please never hesitate to call in and ask questions. We are happy to answer them to the extent we have answers. So with that, definitely visit our website for the rest of our conference calls over time and we look forward to talking to you next time. Thanks.