Weitz | INVESTMENT MANAGEMENT

ANALYST CORNER/ SEPTEMBER 2025

Our Investment Process in Action



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WHY PAGAYA

Pagaya emerged as a potential fit for our fixed income portfolios for several reasons. Over time, the company has demonstrated, with scale, that its business model is both profitable and sustainable. Its track record shows an ability to carefully and competently underwrite consumer credit, as reflected in strong performance metrics.

While Pagaya is not the first company to use AI and machine learning in underwriting, it appears to be the first to partner with banks and other financial institutions in this particular way—offering its underwriting product directly to partners. This approach gives Pagaya a fee-based revenue stream as well as access to millions of potential lending customers.

We believe this competitive advantage positions the company to scale efficiently and effectively. Pagaya securitizes many of its loans, meaning it is frequently active in the ABS market, which provides opportunities for investment. This activity also supports good liquidity in these securities, allowing for potential secondary market investments or divestments.

PAGAYA TECHNOLOGIES (PGY)

Pagaya Technologies Ltd. is an artificial intelligence-driven financial technology company that operates a network connecting banks, fintechs, and institutional investors. Using proprietary machine learning models, Pagaya evaluates consumer credit applications, such as personal loans and auto loans, and facilitates the sale of those assets to institutional investors through asset-backed securitizations (ABS) and other funding vehicles.

- **Enables lenders to expand their approval rates and loan origination volumes**
- **Provides investors with access to diversified pools of consumer credit**
- **Generates revenue primarily through fees from both lending partners and institutional investors**

DISCOVER

The characteristics outlined above provided a strong rationale for taking a closer look at the company and the composition of its ABS structures. Our review focused on the following areas:

- Financial performance **of the company**
- Quality of management
- Underwriting and loan servicing standards
- Structure and collateral quality
- Performance trends over time

To conduct this analysis, we relied on the following sources:

- Management calls
- Earnings reports
- Financial statements
- Offering memorandums
- Rating agency and external industry analyst reports

EVALUATE

We evaluate each investment opportunity on its own merits, comparing it to prior issuances from the same issuer, similar offerings from competitors, and other opportunities across different asset classes. Our objective is always to identify and invest in the option that offers the most attractive risk-adjusted return.

After a careful and comprehensive review, we concluded that Pagaya is well aligned with our investment strategies and warrants ongoing analyst coverage. Pagaya frequently brings new ABS deals to market, and each transaction is evaluated in the context of current market conditions and competing opportunities. This process ensures that any allocation of capital is based on a clear assessment of relative value, risk profile, and fit within our broader portfolio objectives.

ANALYST CORNER: Our Investment Process in Action

INVEST

We have been actively investing in Pagaya's ABS debt since early 2020 and remain engaged in evaluating new opportunities. Our decision to add to existing positions is driven by a combination of market conditions, deal-specific attributes, and ongoing performance monitoring.

Key factors considered include:

- **Comparable spreads in the ABS market** – assessing relative value against similar issuances from other originators.
- **Comparable spreads in other asset classes** – weighing Pagaya's offerings against alternative fixed income opportunities to ensure competitive returns.
- **Quality of collateral** – reviewing borrower profiles, loan performance history, and diversification within the pool.
- **Quality of the structure** – evaluating credit enhancements, subordination levels, and other structural protections.
- **Performance evaluation** – monitoring past Pagaya ABS transactions for delinquency rates, charge-offs, and cash flow consistency.

By combining these factors with our broader market outlook, we seek to identify when additional allocations to Pagaya ABS debt will enhance portfolio yield, maintain our desired risk profile, and improve diversification.

MONITOR & ADAPT

One of the key advantages of the ABS market is the transparency it offers. We receive monthly servicer reports for all of our investments, providing a detailed and up-to-date view of portfolio performance. These reports allow us to track key metrics such as delinquencies, prepayments, and charge-offs, giving us the ability to respond quickly if performance trends shift.

In addition, we model every deal we participate in. This proactive approach enables us to quickly evaluate relative value and take advantage of opportunities in the secondary market—where Pagaya's ABS issuances trade frequently.

This level of insight and agility aligns well with our fixed income strategy, as it allows us to actively manage risk, capitalize on pricing dislocations, and reinforce our conviction in investments like Pagaya's ABS structures, which have demonstrated consistent performance and liquidity.

STRATEGY AND PROCESS

Flexible, High-conviction portfolio

- Fixed Income markets are inefficient and, at times, illiquid.
- We build a flexible, concentrated, multi-sector portfolio that is conscious of asset capacity.

Bottom-up driven, top-down aware

- Human behavior and market sentiment are more volatile than the intrinsic value of a business.
- With consideration to economic and fixed income market drivers, we build the portfolio using a bottom-up research driven approach.

Emphasis on downside risk management

- Credit investing is asymmetric in nature, and attempting to forecast interest rates is speculative.
- The credit quality allocation of the fund may vary over time, but our core philosophy remains focused on managing downside risks.
- We seek to avoid investments that rely soley on making a correct interest rate forecast.

CONCLUSION

Pagaya's ABS platform has allowed us to apply our fixed income process from origination through ongoing monitoring. Its frequent issuance and secondary market activity provide consistent opportunities to evaluate relative value. This underscores our philosophy of disciplined underwriting, patience, and active management in generating long-term value.

IMPORTANT DISCLOSURES

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

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 8/26/2025, they 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.

As of 6/30/2025, the following portfolio companies constituted a portion of the net assets of Core Plus Income Fund and Short Duration Income Fund:

- Pagaya Technologies Ltd 0.74%, 1.53%

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.

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