3Q 2026 | WSDB

Short Duration Bond ETF

Portfolio Managers: Tom Carney, CFA® & Nolan Anderson
Investment Style: Short-Term Bond

Weitz | INVESTMENT MANAGEMENT

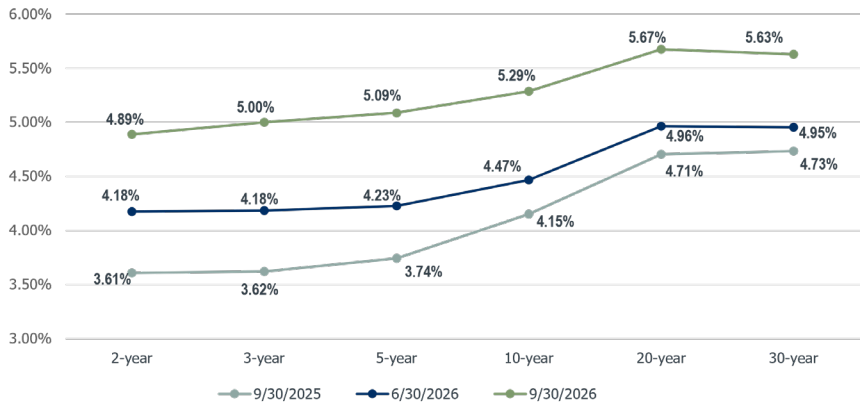
The Short Duration Bond ETF returned -0.63% for NAV and -0.79% for Market Price for the third quarter, versus -0.17% for the Bloomberg U.S. Aggregate 1-3 Year Index. Coupon income was slightly more than offset by unrealized price depreciation resulting from rising interest rates across the U.S. Treasury yield curve. Since the launch of the Fund's inception on March 31, 2026, it has returned-0.07% for NAV and -0.03% for Market Price, versus +0.32 for the index. While the Fund has been operating for only six months, early results have been disappointing. The key culprit has been the Fund's U.S. Treasury positioning, which was disproportionately impacted by the rise in Treasury yields during the quarter.

Overview

Rising interest rates and their effects on bond prices were the theme in the third quarter. The chart below provides a view of U.S. Treasury yields across the yield curve, comparing quarter-end and year-over-year levels. The 10-year Treasury yield, for example, climbed 82 basis points during the quarter, from 4.47% to 5.29%, its largest quarterly increase since 1994. The 2-year yield rose from 4.18% to 4.89%, while the 30-year yield increased from 4.95% to 5.63%. Unlike the bear flattening of the second quarter, yields rose sharply across the curve, with the long end also pressured by resilient growth, heavy government borrowing and substantial demand for capital to fund artificial-intelligence infrastructure.

While the move in yields was impressive, the composition of the move matters. Inflation expectations rose far less than nominal yields, leaving higher real yields to do much of the work. In other words, the market was not simply pricing an inflation accident. It was also pricing an economy capable of sustaining stronger real growth, heavier investment demand and a higher real cost of capital. That is an encouraging signal about the durability of U.S. economic growth, but a challenging one for holders of long-duration assets.

U.S. Treasury Yields



Source: Bloomberg as of 9.30.2026

The rise in Treasury yields has not translated into broad credit weakness. Investment-grade corporate spreads ended September at approximately 84 basis points, still near historically tight levels. High-yield spreads finished near 312 basis points. Those levels were wider than at midyear, particularly in the riskier portions of the market, but the adjustment was modest relative to the sharp rise in Treasury yields.

This apparent disconnect is less surprising than it first appears. According to Wells Fargo Research, the absolute level of the 10-year Treasury yield has historically been a poor standalone predictor of corporate spreads. Credit markets tend to care more about the pace and volatility of rate changes, expectations for Federal Reserve policy, the shape of the yield curve, corporate fundamentals and the availability of financing. During much of the quarter, continued economic growth and strong demand for income helped keep corporate spreads relatively stable despite rising Treasury yields.

Portfolio Positioning

The table below shows the change in allocation to various sectors from the prior quarter. This summary provides a view over time of how we have allocated capital. Since our goal is to invest in sectors that we believe offer the best risk-adjusted returns, our allocations may change significantly over time.

Sector Allocation (%)

	9/30/2026	6/30/2026	Qtr Over Qtr Change	9/30/2025	Yr Over Yr Change
Corporate Bonds	10.0	6.3	3.7		
Asset-Backed Securities (ABS)	16.5	14.1	2.4		
Corporate Collateralized Loan Obligations (CLOs) [1,3]	*5.1*	4.0	1.1		
Commercial Mortgage-Backed Securities (CMBS)[3]	1.7	0.4	1.3		
Agency Mortgage-Backed (MBS)	8.0	5.3	2.6		
Non-Agency Mortgage Backed (RMBS)	19.9	17.2	2.7		
U.S. Treasury	24.0	41.5	-17.5		
Cash & Equivalents	20.0	15.2	4.8		
TOTAL (not including CLO line)	100.0	100.0			
High Yield[2]	2.2	1.8	0.4		
Average Effective Duration	2.6	2.6	0.0		
Average Effective Maturity	3.8	3.5	0.3		

[1]Corporate CLOs are included in the ABS segment in the Fund's schedule of investments but are additionally called out separately for the purposes of the discussion. [2]High-Yield exposure (as of 9/30/2026) consists of investments in the Corporate sectors. [3]Corporate CLOs and CMBS may include private credit investments.

During the third quarter, the Fund repositioned its portfolio toward securitized assets and liquidity while reducing its allocation to U.S. Treasuries. Treasury exposure declined 17.5 percentage points to 24.0% of net assets, while cash and equivalents increased 4.8 points to 20.0%. Non-agency residential mortgage-backed securities (RMBS) rose 2.7 points to 19.9%, agency mortgage-backed securities (MBS) increased 2.6 points to 8.0%, and asset-backed securities (ABS) gained 2.4 points to 16.5%, including a 1.1-point increase in CLOs. Corporate bond exposure also increased 3.7 points to 10.0%, while high-yield exposure edged up to 2.2%.

The portfolio's average effective duration remained unchanged at 2.6 years, while average effective maturity increased modestly from 3.5 to 3.8 years. Overall, the portfolio reflects a meaningful shift away from Treasuries toward securitized credit and cash, while maintaining a stable interest-rate sensitivity profile.

Top Quarterly Contributors

The CLO (Collateralized Loan Obligation) segment, including both middle-market and commercial real-estate CLOs, was the largest contributor during the quarter, as the floating-rate nature of these investments and stable valuations provided favorable interest income.

Top Quarterly Detractors

U.S. Treasuries, agency mortgage-backed securities (MBS) and non-agency residential mortgage-backed securities (RMBS) were the top detractors in the quarter.

Fund Strategy

Our approach consists primarily of investing in a diversified portfolio of high-quality bonds while maintaining an overall portfolio average effective duration of 1.0 to 3.5 years. We may invest up to 15% in fixed-income securities that are not considered investment-grade (such as high-yield and convertible bonds) and we do so when we perceive the risk/reward characteristics to be favorable.

Overall, we strive to be adequately compensated for the risks assumed while seeking to maximize investment (or reinvestment) income and avoid making interest-rate bets, particularly ones that depend on interest rates going down.

Our goals remain the same. Namely (a) preserve capital, (b) maintain a strong liquidity position, (c) understand evolving risks and opportunities, (d) conduct consistent, thorough credit surveillance, and (e) selectively take advantage of favorable risk/reward opportunities.

We believe our ability to cast a wider net across the fixed-income landscape remains a meaningful advantage in today's environment, particularly across securitized products that offer significant structural enhancements and higher income relative to benchmarks. We are thankful for the trust and partnership so many have placed in our firm and its investment process.

Returns (%) AS OF 9.30.2026

	TOTAL RETURNS		AVERAGE ANNUAL TOTAL RETURNS		Since Inception	Net Expense	Gross Expense
	QTR	YTD	1 YR	5 YR	(3/31/2026)		
WSDB NAV	-0.63	N/A	N/A	N/A	-0.07	0.45	5.69
WSDB MARKET PRICE	-0.79	N/A	N/A	N/A	-0.03	-	-
Bloomberg U.S. 1-3 Year Agg Bond Index	-0.17	N/A	N/A	N/A	0.32	-	-

Yields (%) AS OF 9.30.2026

	30-DAY SEC YIELD Subsidized	Unsubsidized	Distribution Yield
WSDB	4.44	1.36	4.05

IMPORTANT DISCLOSURES

This material must be preceded or accompanied by a prospectus or summary prospectus.

For additional details, including the fund's most recently reported holdings, please visit our website, weitzinvestments.com, then click Products and ETFs via the top navigation.

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. NAV Return represents the closing price of underlying securities. Market Return is calculated using the price which investors buy and sell ETF shares in the market. Please visit weitzinvestments.com for the most recent month-end performance.

Data is for the quarter ending 9/30/2026. 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 10/12/2026, 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.

30-Day SEC Yield represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. **Subsidized yield** reflects fee waivers and/or expense reimbursements during the period. Without such fee waivers and/or expense reimbursements, if any; yields would have been lower. **Unsubsidized yield** does not adjust for any fee waivers and/or expense reimbursement in effect. **Distribution yield** measures the annualized cash distributions paid by a fund relative to its NAV. This rate does not represent the total return of a fund. Distribution Yield is calculated by annualizing the fund's most recent distribution and dividing it by the fund's NAV as of the date of the distribution. Because the calculation is based on the most recent distribution, it may not be indicative of future distributions or the fund's long-term yield. The distribution yield calculation does not include long-term or short-term capital gains distributions.

Investment results reflect applicable fees and expenses and assume all distributions are reinvested but do not reflect the deduction of taxes an investor would pay on distributions or share redemptions. Net and Gross Expense Ratios are as of the Fund's most recent prospectus. Certain Funds have entered into fee waiver and/or expense reimbursement arrangements with the Investment Advisor. In these cases, the Advisor has contractually agreed to waive a portion of the Advisor's fee and reimburse certain expenses (excluding taxes, interest, brokerage costs, acquired fund fees and expenses and extraordinary expenses) to limit the total annual fund operating expenses of the Class's average daily net assets through 9/30/2027.

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, if any; total returns would have been lower had there been no waivers or reimbursements.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

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

Definitions: Average effective duration provides a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. **Average effective maturity** is the weighted average of the maturities of a fund's underlying bonds. **CRE CLOs** refer to commercial real estate collateralized loan obligations backed by a pool of commercial loans. **Investment Grade Bonds** are those securities rated at least BBB- by one or more credit ratings agencies. **Middle market CLOs** refer to collateralized loan obligations backed by loans made to smaller companies, which companies generally have earnings before interest, taxes, and amortization of less than $75 million. **Non-Investment Grade Bonds** are those securities (commonly referred to as "high yield" or "junk" bonds) rated BB+ and below by one or more credit ratings agencies. **Yield to worst (YTW)** is the lowest potential yield that can be received on a bond portfolio without the underlying issuers defaulting. **Basis point (bps)** refers to a unit of measurement that is equal to 1/100th of 1%, or 0.01%. **Mark-to-market gains** are the increase in an asset's value that is calculated at its current market price, even if it hasn't been sold yet. **Preferred stock** is a type of equity that represents ownership in a company but combines features of both stocks and bonds. **Convertible preferred stock** is a hybrid investment that combines the steady income of preferred stock with the growth potential of common stock.

Consider these risks before investing: All investments involve risks, including possible loss of principal. Market risk includes political, regulatory, economic, social and health risks (including the risks presented by the spread of infectious diseases). Changing interest rates may have sudden and unpredictable effects in the markets and on the Fund's investments. The Fund may purchase lower-rated and unrated fixed-income securities, which involve an increased possibility that the issuers of these may not be able to make payments of interest and principal. See the **Fund's prospectus** for a further discussion of risks.

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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