CORE PLUS INCOME FUND

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

The Core Plus Income Fund's Institutional Class returned -0.73% for the first quarter compared to -3.37% for the Bloomberg Barclays U.S. Aggregate Bond Index. For the fiscal year ending March 31, 2021, the Fund's Institutional Class returned +12.88% compared to +0.71% for the index. Our significantly lower-than-index duration profile of 4.5 years, versus 6.3 years for the index, drove outperformance, while strong sector and security selection, led by high-yield securities, drove our strong absolute and relative performance over the past 12 months.

Given the significant rise in longer-term interest rates during the quarter, the Fund's overall yield to worst (YTW) declined to 2.4% as of March 31, 2021, from 2.7% as of December 31, 2020. As a reminder, YTW has historically been a reasonable predictor of forward returns. And while prospective returns in fixed income remain challenging, our YTW at quarter-end remains quite favorable compared to the index's YTW of 1.6%.

Last quarter we discussed the myriad of challenges fixed income investors faced with near-record-low yields across U.S. fixed income markets. Moreover, we discussed the risk/return imbalance in the U.S. corporate bond market given its 20-year high sensitivity to movements in interest rates while the compensation in yield hit an all-time record low of less than 1.75%. While the timing was not expected, we are not surprised that U.S. corporate bonds – as measured by the Bloomberg Barclays U.S. Investment Grade Corporate Bond Index – had their worst quarter of performance since the Great Financial Crisis with a return of -4.65%. Positively, rising interest rates have led to a greater than 50 bps increase in the YTW for the Bloomberg Barclays U.S. Investment Grade Corporate Bond Index, ending the quarter at 2.28%. Despite this improvement, the overall investment-grade market remains far from a target-rich environment.

Fixed Income Insights: What a Difference a Year Makes

The old saying "what a difference a year makes," might be a cliché, but it accurately reflects the great disparity from the chaos of 2020 to the optimism of 2021. But with a future still filled with uncertainty, we continue to move our fixed income funds forward on a defensive path.

Portfolio Positioning

The table below shows how we have allocated portfolio capital to various sectors, from the time periods of December 31, 2020, to March 31, 2021, and from March 31, 2020, to March 31, 2021. 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 (% of Net Assets)

	03/31/2021	12/31/2020	Qtr Over Qtr Change	03/31/2020	Year Over Year Change
Corporate Bonds	33.4	35.4	-2.0	35.0	-1.6
Corporate Convertible Bonds	1.2	1.4	-0.2	1.2	+0.0
Asset-Backed Securities (ABS)	25.5	26.1	-0.6	28.8	-3.3
*Corporate Collateralized Loan Obligations (CLOs)**	*6.9*	*3.8*	*+3.1*	*0.0*	*+6.9*
Commercial Mortgage-Backed Securities (CMBS)	8.1	7.5	+0.6	11.0	-2.9
Agency Mortgage-Backed (MBS)	0.5	0.7	-0.2	1.6	-1.1
Non-Agency Mortgage Backed (RMBS)	0.8	1.3	-0.5	2.6	-1.8
Non-Convertible Preferred Stock	1.3	1.5	-0.2	0.0	+1.3
Taxable Municipal Bonds	0.0	0.0	+0.0	0.4	-0.4
U.S. Treasury	20.7	15.2	+5.5	18.1	+2.6
Common Stocks	0.2	0.2	+0.0	0.1	+0.1
Cash & Equivalents	8.3	10.7	-2.4	1.2	+7.1
Total	100.0	100.0		100.0	
High Yield**	16.8	14.8	+2.0	12.5	+4.3
Effective duration (years)	4.5	4.2	+0.3	4.6	-0.1
Effective maturity (years)	6.3	5.3	+1.0	5.8	+0.5

*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.

**High-Yield exposure (as of 03/31/2021) consists of investments in the Corporate, Corporate Convertible, ABS, and CMBS sectors.

First quarter investment activity was led by U.S. Treasuries and corporate (CLOs). The largest declines in sector allocation were asset-backed securities (ABS), cash , and corporate bonds. Given the material increase in interest rates during the quarter, we increased our allocation to intermediate and longer-term U.S. Treasuries. Within corporate CLOs, we added to our middle-market CLO positions, which now represents approximately 7% of assets. We invested in AA-rated tranches issued by Blackstone, Cerberus, Fortress, and Golub. We also participated in two broadly syndicated loan transactions, purchasing the AA-rated tranches issued by Fidelity and Palmer Square. We maintain a positive view on investment-grade CLO tranches and believe the risk/reward remains attractive, especially relative to short-intermediate duration corporate bonds.

As of March 31, 2021, our high-yield exposure as a percent of net assets was 16.8%, up from 14.8% on December 31, 2020, (the portfolio's high-yield limit is 25%). In terms of overall portfolio metrics, the average effective maturity increased to 6.3 years from 5.3 years, and the average effective duration increased to 4.5 years from 4.2 years on December 31, 2020. These measures provide a guide to the Fund's interest rate sensitivity. A lower average effective maturity and shorter average effective duration reduce the Fund's price sensitivity to changes in interest rates (either up or down).

Top Quarterly Contributors

Sector allocation and security selection were the key drivers of performance.

- **High-Yield Corporate Bonds:** Our high-yield corporate bond segment was the largest positive contributor during the quarter as credit spreads tightened, particularly in cyclical sectors such as energy, airlines, leisure, and retail. NGL Energy was the largest positive contributor, followed by American Airlines, VistaJet, and Limited Brands.
- **Commercial Mortgage-Backed Securities (CMBS):** Our CMBS segment experienced modest price appreciation and solid coupon income in the quarter as overall credit performance remains solid across our various commercial real estate CLOs and single-asset, single-borrower holdings.
- **Asset-Backed Securities (ABS):** Our ABS investments across all categories (e.g., auto, consumer, equipment, and fleet lease) provided solid coupon income and capital appreciation while also continuing to exhibit better-than-anticipated credit performance.

Top Quarterly Detractors

- **U.S. Treasury Bonds:** Our U.S. Treasury holdings were the primary detractor to performance. With an effective duration of approximately 13 years, our Treasury portfolio was negatively impacted by rising longer-term (20-30 year) interest rates as the yield curve steepened during the quarter.

Top Fiscal Year Contributors

- **Corporate Bonds:** Our investments in a wide variety of corporate bonds, including high yield, were the largest positive contributors to performance during the fiscal year ending March 31, 2021.
- **Asset-Backed Securities (ABS):** Our ABS investments across all categories (e.g., auto, consumer, equipment, fleet lease) provided solid coupon income and capital appreciation while also continuing to exhibit better-than-anticipated credit performance.
- **Commercial Mortgage-Backed Securities (CMBS):** Our CMBS segment experienced modest price appreciation and solid coupon income in the fiscal year as overall credit performance remains solid across our various commercial real estate CLOs and single-asset, single-borrower holdings.

Top Fiscal Year Detractors

- **U.S. Treasury Bonds:** Our U.S. Treasury holdings were the primary detractor to performance during the fiscal year ending March 31, 2021. With an effective duration of approximately 13 years, our Treasury portfolio was negatively impacted by rising longer-term (20-30 year) interest rates as the yield curve steepened.

Fund Strategy

Our approach consists primarily of investing in a diversified portfolio of high-quality bonds while maintaining an overall portfolio average duration of 3.5 years to 7 years. Our goal is to capture attractive coupon income and potential price appreciation by investing in longer-duration and lower-quality bonds when attractively priced. We may invest up to 25% in fixed-income securities that are not considered investment-grade (such as high-yield and convertible bonds as well as preferred and convertible preferred stock) but have favorable risk/reward characteristics.

We do not, and will not, try to mimic any particular index as we construct our portfolio. We believe our flexible mandate and concentrated portfolio will benefit investors over the long term. We utilize a bottom-up, research-driven approach and select portfolio assets one security at a time based on our view of opportunities in the marketplace. Our fixed income research is not dependent on, but often benefits from, the due diligence work our equity teammates conduct on companies and industries.

Overall, we strive to be adequately compensated for the risks assumed in order to maximize investment (or reinvestment) yield and to avoid making interest rate bets, particularly ones that depend on interest rates going down. We have often maintained a lower duration profile than the index, particularly in very low-yield environments. Our shorter duration profile has benefited shareholders in periods of rising interest rates.

Maintaining a diversified portfolio and liquidity reserves is a key element of our risk management approach. As a result, we have not held back from owning U.S. Treasury bonds, and at times like now, ample cash reserves. We believe this approach has served clients well, particularly in extreme market environments like the pandemic brought upon us in March 2020.

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Average Annual Total Returns

AS OF 03/31/2021

	YTD	1-year	3-year	5-year	10-Year	Since Inception	Inception Date	Net Expense	Gross Expense
Core Plus Income Fund - Investor (WCPNX)	-0.84%	12.79%	6.21%	4.83%	N/A	4.32%	07/31/2014	0.50%	1.18%
Core Plus Income Fund - Institutional (WCPBX)	-0.73%	12.88%	6.40%	5.03%	N/A	4.52%	07/31/2014	0.40%	0.80%
Bloomberg Barclays U.S. Aggregate Bond	-3.37%	0.71%	4.65%	3.10%	N/A	3.20%	-	-	-

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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. 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 07/31/2021 (and in the case of the Core Plus Fund Institutional Class, through 7/31/23).

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 Barclays 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.

Credit ratings are assigned to underlying securities utilizing ratings from a Nationally Recognized Statistical Rating Organization (NRSRO) such as Moody's and Fitch, or other rating agencies and applying the following hierarchy: security is determined to be Investment Grade if it has been rated at least BBB- by one credit rating agency; once determined to be Investment Grade (BBB- and above) or Non-Investment Grade (BB+ and below) where multiple ratings are available, the lowest rating is assigned. Mortgage-related securities issued and guaranteed by government-sponsored agencies such as Fannie Mae and Freddie Mac are generally not rated by rating agencies. Securities that are not rated do not necessarily indicate low quality. Ratings are shown in the Fitch scale (e.g., AAA). Ratings and portfolio credit quality may change over time. The Fund itself has not been rated by a credit rating agency.

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. **Investment Grade Bonds** are those securities rated at least BBB-. **Non-Investment Grade Bonds** are those securities (commonly referred to as "high yield" or "junk" bonds) rated BB+ and below. **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. **Yield to worst (YTW)** is the lowest potential yield that can be received on a bond portfolio without the underlying issuers defaulting.

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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