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 +2.21% for the second quarter compared to +1.83% for the Bloomberg Barclays U.S. Aggregate Bond Index. Year to date, the Fund's Institutional Class returned +1.46% compared to -1.60% for the index. Outperformance during the quarter was driven by strong sector and security selection, which more than offset our lower-than-index duration positioning.

The Fund's overall yield to worst (YTW) declined to 2.0% as of June 30, 2021, from 2.4% as of March 31, 2021. 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 favorable compared to the index's YTW of 1.5% despite our fund having a shorter average effective duration of 4.7 years compared to 6.5 years for the index (by definition, the shorter a fund's duration, the less sensitive it will be to shifts in interest rates, whether up or down).

After performing extremely well since the pandemic lows over a year ago, our appetite for credit risk has waned. Just how far and how fast we have come is illustrated in the chart to the right with total return and yield-to-worst data for various Bloomberg Barclays US Fixed Income indices going back to the peak of pandemic fear on March 31, 2020. The Fed's success in pushing risk taking is clearly shown in the relative results between the quantitative easing-driven Treasury & agency mortgage-backed securities (MBS) markets, and the riskier fare of U.S. investment-grade and U.S. high-yield corporates. Most glaring is the relative underperformance of U.S. Treasuries versus U.S. investment-grade and U.S. high-yield corporate debt over the past five quarters, lagging by a whopping 15% and 30%, respectively. This outperformance in credit was driven by a precipitous drop in credit spreads, which has driven forward-looking yields to very low levels. Conversely, yields on "risk-free" Treasuries and lower-risk agency MBS are higher today, creating potential for a better relative value setup.

BLOOMBERG BARCLAYS FIXED INCOME DATA, 03/31/2020-06/30/2021

	Total Return	YTW (03/31/20)	YTW (06/30/21)	Change in YTW
Treasury	-2.8%	0.58%	0.95%	0.37%
Agency Mortgage-Backed (MBS)	0.3%	1.34%	1.77%	0.43%
Aggregate	2.6%	1.59%	1.50%	-0.09%
Investment-Grade Corporate	12.6%	3.43%	2.04%	-1.39%
High-Yield Corporate	27.1%	9.44%	3.75%	-5.69%

Portfolio Positioning

The table below shows how we have allocated portfolio capital to various sectors, from the time periods of June 30, 2021, to March 31, 2021, and from June 30, 2020, to June 30, 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)

	06/30/2021	03/31/2021	Qtr Over Qtr Change	06/30/2020	Year Over Year Change
Corporate Bonds	30.3	33.4	-3.1	37.8	-7.5
Corporate Convertible Bonds	1.0	1.2	-0.2	1.6	-0.6
Asset-Backed Securities (ABS)	20.4	25.5	-5.1	29.1	-8.7
*Corporate Collateralized Loan Obligations (CLOs)**	*7.2*	*6.9*	*+0.3*	*0.0*	*+7.2*
Commercial Mortgage-Backed Securities (CMBS)	10.1	8.1	+2.0	9.4	+0.7
Agency Mortgage-Backed (MBS)	0.3	0.5	-0.2	1.2	-0.9
Non-Agency Mortgage Backed (RMBS)	0.5	0.8	-0.3	2.2	-1.7
Non-Convertible Preferred Stock	1.1	1.3	-0.2	0.0	+1.1
Taxable Municipal Bonds	0.0	0.0	+0.0	0.4	-0.4
U.S. Treasury	30.0	20.7	+9.3	16.6	+13.4
Common Stocks	0.0	0.2	-0.2	0.2	-0.2
Cash & Equivalents	6.3	8.3	-2.0	1.5	+4.8
Total	100.0	100.0		100.0	
High Yield**	15.0	16.8	-1.8	15.1	-0.1
Effective duration (years)	4.7	4.5	+0.2	4.7	+0.0
Effective maturity (years)	6.4	6.3	+0.1	5.8	+0.6

*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 06/30/2021) consists of investments in the Corporate, Corporate Convertible, ABS, and CMBS sectors.

A significant increase in our U.S. Treasury position led second quarter investment activity. Purchases were weighted in intermediate-term (4-to-7 year) maturities, with approximately 70% of our purchases having maturities of seven years or less. As a result, the duration of our Treasury portfolio declined to 10 years from 13 years as of March 31. While absolute U.S. Treasury yields remain low, yields have increased significantly since the beginning of the year and may offer some risk-off protection and provide us significant capacity to recycle into credit should market conditions change.

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We also identified favorable CMBS from sponsors we have partnered with previously (e.g., Granite Point, Varde, and Loancore). The portfolio's CMBS investments, including our recent additions, are backed by a diverse mix of property types from multifamily, mixed-use, industrial, hotel and office properties. Additionally, these floating rate investments currently represent the senior-most layer of securitizations which generally provide the highest credit rating and largest credit support.

The corporate CLO segment increased as well in the quarter as we identified a new sponsor, Maranon Capital, to partner with. Maranon Capital is a private credit manager, headquartered in Chicago, focused exclusively on the U.S. middle market. Our corporate CLO segment now represents slightly more than 7% of assets across 10 different sponsor groups comprising primarily middle market loans.

As of June 30, 2021, our high-yield exposure as a percent of net assets was 15.0%, down from 16.8% on March 31, 2021, (the portfolio's high-yield limit is 25%). In terms of overall portfolio metrics, the average effective maturity increased to 6.4 years from 6.3 years, and the average effective duration increased to 4.7 years from 4.5 years over the same timeframe. 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).

Fixed Income Insights: When "Boring" Isn't Boring

Will inflation accelerate? Will the Fed tighten monetary policy? Will the stock market continue to fly into record territory? If there's anything certain in today's marketplace, it's that nothing is certain. In challenging fixed income environments like this one, the benefits of flexible, security-by-security investing are on full display.

Top Quarterly Contributors

Our overweight in credit, particularly the out-of-index exposure to high yield, along with strong security selection, were the key drivers of performance.

- **Corporate Bonds:** Our corporate bond portfolio, led by high yield, was the largest positive contributor during the quarter as credit spreads tightened, particularly in cyclical sectors such as energy, airlines, leisure, and retail.
- **U.S. Treasury Bonds:** Our U.S. Treasury holdings performed well as the curve flattened considerably. With a starting effective duration of approximately 13 years, our Treasury portfolio benefited from declining longer-term (20-30 year) interest rates as the yield curve flattened during the quarter.
- **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 all the while exhibiting strong credit performance.

Top Quarterly Detractors

No sector materially detracted from performance during the second quarter.

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 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 06/30/2021	YTD	1-year	3-year	5-year	10-Year	Since Inception	Inception Date	Net Expense	Gross Expense
Core Plus Income Fund - Investor (WCPNX)	1.33%	6.16%	6.84%	4.48%	N/A	4.49%	07/31/2014	0.50%	1.18%
Core Plus Income Fund - Institutional (WCPBX)	1.46%	6.34%	6.99%	4.67%	N/A	4.69%	07/31/2014	0.40%	0.80%
Bloomberg Barclays U.S. Aggregate Bond	-1.60%	-0.33%	5.34%	3.02%	N/A	3.35%	-	-	-

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 07/22/2021, 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. 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 07/31/2022 (and in the case of the Core Plus Fund Institutional Class, through 07/31/23).

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. 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.

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