

# NEBRASKA TAX-FREE INCOME FUND

Weitz | INVESTMENT  
MANAGEMENT

Portfolio Manager: Tom Carney, CFA

Investment Style: Municipal-State Bond

The Nebraska Tax-Free Income Fund returned +0.50% in the third quarter compared to a +1.28% return for the Bloomberg Barclays 5-Year Municipal Bond Index, the Fund's primary benchmark. Year to date, the Nebraska Tax-Free Income Fund's total return was +2.74% compared to a +3.49% return for the index. Our Fund's large weighting (approximately 52%) in investments under three years is the principal reason for underperformance in the quarter.

## Overview

Municipal bonds outperformed Treasuries for the quarter as yield ratios of municipal bonds relative to comparable U.S. Treasuries continued to move lower. The ratio of the 5-year AAA-rated municipal bond to the 5-year Treasury, for example, declined to 104% as of September 30 from 160% as of June 30. This ratio remains a reasonably useful tool in measuring the relative attractiveness of tax-free municipal bonds compared to U.S. Treasury bonds. All else being equal, the higher the ratio of municipal bond yields to U.S. Treasury yields, the more appealing municipal bonds become, given their tax-advantaged status. While it is historically unusual to have municipal bond yields (which are historically a reasonable predictor of forward returns) exceed Treasury yields, we are clearly living through *very unusual* times given the economic impact caused by responses to combat the COVID-19 pandemic. The budgetary impact to states, cities, counties and other municipal bond issuers has been dramatic, and its effects will continue to play out in the months and quarters ahead.

*Nominal* returns (based on coupon interest alone) for municipal bond investors continued to set lows in the quarter. The chart below depicting the yield to worst (YTW) of the Bloomberg Barclays U.S. Municipal Index, a broad index of long-term municipal bonds, illustrates the seemingly inexorable march lower of the return environment for tax-exempt municipal bonds (as measured by YTW) since 1979. Double-digit YTW starting points in the early 1980s (what some might call nostalgic) has shrunk to nearly a tenth of those levels in 2020.



Source: Bloomberg

## Surging Taxable Municipal Bond Issuance

The meaningful increase in *taxable* municipal bond issuance has been a distinguishing development in the municipal bond market in 2020. Historically low U.S. Treasury interest rates have prompted more and more issuers to elect a taxable versus tax-exempt means to raise capital. Why has this occurred? With the passage of the Tax Cuts and Jobs Act of 2017, municipal issuers were precluded from taking advantage of lower tax-exempt municipal bond interest rates by refinancing older, higher interest rate callable bonds, often several years ahead of their call dates. This is known as an “advance refunding”. The taxable market afforded issuers the ability to take advantage of advance refunding opportunities and the ability to seek funds for working capital and new projects without the restrictions of tax-exempt debt. The percent of municipal bonds being issued as taxable has steadily increased – from 8% of total municipal bond issuance (both taxable and tax-exempt) in 2018, to 16% in 2019, to 30% as of September 30. The increased supply of taxable municipal bonds has at least partially (if not one-for-one) reduced the amount of tax-exempt municipal supply for those investors seeking both federal and state tax exemption.

For more on our views regarding the fixed-income and equity markets, please read our quarterly [Fixed Income Insights](#) and [Value Matters](#).

### Top Quarterly Contributors

Leading segments included:

- Lease revenue bonds issued by Omaha Public Facilities Corporation (Omaha Baseball Stadium Project).
- Hospital revenue bonds issued by Douglas County (Nebraska Medicine, Madonna Rehabilitation and Nebraska Methodist) and Madison County Nebraska (Faith Regional Health Services).
- Higher education revenue bonds issued by Nebraska State College Facilities Corporation and University of Nebraska (Kearney Student Housing Project).
- School district general obligation bonds issued by Sarpy County, Nebraska; Bellevue School District; Buffalo County Nebraska School District; and Cass County, Nebraska, Weeping Water Public Schools.
- Combined utility bonds issued by Municipal Energy Agency of Nebraska and Metropolitan Utilities District of Omaha.
- Airport revenue bonds issued by Port of Seattle, Washington, and Austin, Texas

### Top Quarterly Detractors

- No segment detracted from results in the quarter.

Turning to portfolio metrics, the average effective duration and average effective maturity of the Fund were unchanged in the quarter at 3.5 years. Overall asset quality remains high, with approximately 84% rated A or better by one or more nationally recognized statistical rating organizations.

Following are additional details regarding the breakdown of our holdings. Our investments may be broad, but our philosophy is the same: we strive to own only those investments we believe compensate us for the incremental credit risk. Our overall goal is to invest in a portfolio of bonds of varying maturities that we believe offer attractive risk-adjusted returns, taking into consideration the general level of interest rates and the credit quality of each investment. We believe the Fund's investments of primarily high-quality general obligation and revenue bonds from fiscally strong entities will be able to manage through the ongoing economic storm our nation faces.

### Fixed Income Insights: Escaping the 'Math Problem'

The current fixed income environment is wrought with challenges, particularly for broad indexes and the funds that follow them. But we believe opportunities can be found by remaining flexible and searching outside of the indexes.

PORTFOLIO ALLOCATION		
% of Portfolio as of 09/30/2020		
<b>Revenue</b>		<b>59.5%</b>
Power	30.5%	
Hospital	18.8%	
General	11.3%	
Water/Sewer	8.8%	
Certificates of Participation	8.7%	
Higher Education	8.5%	
Lease	5.9%	
Airport/Transportation	4.3%	
Housing	3.2%	
<b>General Obligation</b>		<b>22.7%</b>
School District	47.6%	
City/Subdivision	32.7%	
County	17.2%	
Natural Resource District	2.5%	
<b>Pre-Refunded</b>		<b>8.5%</b>
<b>Cash Equivalents / Other</b>		<b>9.3%</b>

Source: Bloomberg Analytics

CREDIT QUALITY	
% of Portfolio as of 09/30/2020	
AAA	3.8%
AA	57.8%
A	22.6%
BBB	2.2%
BB	0.0%
B	0.0%
CCC	0.0%
Not Rated	5.2%
Cash Equivalents/Other	8.4%

Source: Bloomberg Analytics

# NEBRASKA TAX-FREE INCOME FUND

## Average Annual Total Returns

AS OF 09/30/2020									
	YTD	1-year	3-year	5-year	10-year	Since Inception	Inception Date	Net Expense	Gross Expense
Nebraska Tax-Free Income Fund (WNTFX)	2.74%	3.13%	2.42%	1.70%	1.79%	4.45%	10/01/1985	0.45%	1.10%
Bloomberg Barclays 5-Year Municipal Bond	3.49%	4.56%	3.28%	2.79%	2.79%	N/A	-	-	-

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 10/20/2020, 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](http://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.

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.

On 12/29/2006, the Nebraska Tax-Free Income Fund succeeded to substantially all of the assets of Weitz Income Partners Limited Partnership. The investment objectives, policies and restrictions of the Fund is materially equivalent to those of the Partnership, and the Partnership was managed at all times with full investment authority by the Investment Adviser. The performance information includes performance for the Partnership. The Partnership was not registered under the Investment Company Act of 1940 and, therefore, were not subject to certain investment or other restrictions or requirements imposed by the 1940 Act or the Internal Revenue Code. If the Partnership had been registered under the 1940 Act, the Partnership's performance might have been adversely affected.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The **Bloomberg Barclays 5-Year Municipal Bond** is a capitalization weighted bond index generally representative of major municipal bonds of all quality ratings with an average maturity of approximately five years.

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

The Fund receives credit quality ratings on portfolio securities when available from credit rating agencies. The Fund itself has not been rated by a credit rating agency. Ratings and portfolio credit quality may change over time. A security is "investment grade" when it has received a credit quality rating of at least BBB. If a security has received different ratings from more than one rating agency, then the highest rating is used.

**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. **Yield to worst (YTW)** is the lowest potential yield that can be received on a bond portfolio without the issuers actually 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. The Fund seeks income that is exempt from federal and Nebraska personal income taxes, but income from the Fund may be subject to federal alternative minimum tax and capital gains taxes. 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](http://weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

Weitz Securities, Inc. is the distributor of the Weitz Funds.

# NEBRASKA TAX-FREE INCOME FUND

## Schedule of Investments

September 30, 2020

### Municipal Bonds - 90.7%

	% of Net Assets	\$ Principal Amount	\$ Value		\$ Principal Amount	\$ Value
<b>Arizona</b>	<b>0.3</b>			Douglas County, Hospital Authority #2, Revenue, Madonna Rehabilitation Hospital Project, Series 2014, 5.0%, 5/15/26	500,000	565,570
Arizona Industrial Development Authority, Revenue, Lincoln South Beltway Project, Series 2020, 5.0%, 2/01/23		100,000	110,177	Refunding, Nebraska Medicine, Series 2016 5.0%, 5/15/30	140,000	167,754
<b>California</b>	<b>0.7</b>			4.0%, 5/15/32 <sup>(b)</sup>	700,000	786,856
San Diego County Regional Airport Authority, Subordinate Airport Revenue, Series 2017B, AMT, 5.0%, 7/01/25		200,000	236,800	Douglas County, Hospital Authority #3, Revenue, Refunding, Nebraska Methodist Health System, Series 2015		
<b>Colorado</b>	<b>0.3</b>			5.0%, 11/01/20	100,000	100,352
Colorado Bridge Enterprise, Senior Revenue, Central 70 Project, Series 2017, AMT, 4.0%, 12/31/23		100,000	109,962	5.0%, 11/01/21	100,000	104,698
<b>Nebraska</b>	<b>87.5</b>			5.0%, 11/01/22	250,000	272,472
Bellevue, General Obligation, Refunding, Series 2020A, 3.0%, 9/15/32		500,000	527,040	Fremont, Combined Utility Revenue, Series 2014B, 3.0%, 7/15/21	370,000	377,689
Blair, Water System Revenue, Series 2016, AMT, 2.65%, 12/15/24		100,000	101,008	Lancaster County, General Obligation, Refunding, Lincoln Public School District 0001, Series 2017, 4.0%, 1/15/33	250,000	300,485
2.85%, 12/15/25		100,000	101,100	Lincoln-Lancaster County, Public Building Commission, Lease Revenue, Series 2016, 3.0%, 12/01/25	500,000	562,290
3.0%, 12/15/26		100,000	101,004	Lincoln, Educational Facilities, Revenue, Refunding, Nebraska Wesleyan University Project, Series 2012, 2.5%, 4/01/21	425,000	428,727
3.1%, 12/15/27		100,000	100,880	Lincoln, Electric System Revenue, Refunding, Series 2012, 5.0%, 9/01/28, Pre-Refunded 9/01/22 @ 100	1,000,000	1,090,230
3.2%, 12/15/28		100,000	100,851	Lincoln, General Obligation, Highway Allocation Fund, Refunding, Series 2016		
Buffalo County, General Obligation, Kearney Public Schools District 0007, Series 2016, 3.0%, 12/15/24		250,000	276,842	5.0%, 5/15/22	100,000	107,859
Cass County, General Obligation, Refunding, Weeping Water Public School District 0022, Series 2017				5.0%, 5/15/23	135,000	152,086
2.05%, 12/15/25		375,000	383,760	Madison County, Hospital Authority #1, Revenue, Refunding, Faith Regional Health Services Project, Series 2017A		
2.2%, 12/15/26		250,000	255,980	5.0%, 7/01/21	475,000	488,452
Chadron, Sales Tax and General Obligation, Aquatic Center, Series 2016, 1.6%, 7/15/22		400,000	400,404	5.0%, 7/01/23	250,000	275,095
Columbus, Combined Revenue, Refunding, Series 2016, AGM Insured				Metropolitan Utilities District of Omaha, Gas System Revenue, Series 2018, 4.0%, 12/01/27	450,000	513,522
4.0%, 12/15/26		100,000	119,050	Municipal Energy Agency of Nebraska, Power Supply System Revenue, Refunding, 2012 Series A, 5.0%, 4/01/29	300,000	318,723
4.0%, 12/15/27		100,000	118,128	2016 Series A		
Series 2020, 4.0%, 6/15/33		200,000	243,530	5.0%, 4/01/21	250,000	255,860
Dawson Public Power District, Electric System Revenue, Refunding, Series 2016A				5.0%, 4/01/27	350,000	438,434
2.0%, 6/15/26		170,000	171,430	Nebraska, Certificates of Participation, Series 2018A, 2.1%, 7/15/21	860,000	872,074
2.1%, 6/15/27		105,000	105,814	Nebraska Cooperative Republican Platte Enhancement Project, River Flow Enhancement Revenue, Refunding, Series 2020A, 2.0%, 12/15/29	250,000	257,692
Series 2016B				Nebraska Educational, Health, Cultural, and Social Services Finance Authority, Revenue, Refunding, Immanuel Retirement Communities Obligated Group, Series 2019A, 4.0%, 1/01/34	110,000	124,233
2.5%, 6/15/28		135,000	136,440	Nebraska Investment Finance Authority, Single Family Housing Revenue, 2016 Series C, 1.85%, 3/01/23	100,000	102,938
3.0%, 6/15/29		245,000	248,388	2019 Series A, 2.05%, 9/01/24	120,000	125,958
3.0%, 6/15/30		355,000	359,537	2020 Series C, 2.0%, 9/01/35	325,000	321,159
Dodge County, General Obligation, Refunding, North Bend Central Public School District 0595, Series 2020, 1.9%, 6/15/32		200,000	202,982			
Douglas County, General Obligation, Bennington Public School District 0059, Refunding, Series 2015, 2.25%, 12/15/26		250,000	250,470			
Series 2020B, 3.0%, 12/15/32		100,000	107,295			
Omaha Public School District 0001, Series 2016, 5.0%, 12/15/29		350,000	438,504			
Westside Community School District 0066, Series 2015, 2.5%, 12/01/22		250,000	261,657			

	\$ Principal Amount	\$ Value
Nebraska Public Power District, Revenue, 2012 Series A 4.0%, 1/01/21 5.0%, 1/01/21	500,000 500,000	504,755 505,990
2015 Series A-2 5.0%, 1/01/24 5.0%, 1/01/24, Pre-Refunded 1/01/22 @ 100	225,000 25,000	238,174 26,507
2016 Series C, 5.0%, 1/01/35	480,000	569,966
Nebraska State Colleges, Facilities Corp., Deferred Maintenance Revenue, Refunding, Series 2016, AGM Insured, 4.0%, 7/15/28	750,000	859,515
North Platte, Sewer System Revenue, Refunding, Series 2015, 3.0%, 6/15/24	250,000	250,490
Omaha-Douglas County, General Obligation, Public Building Commission, Series 2014, 5.0%, 5/01/26, Pre-Refunded 5/01/22 @ 100 Series 2020B Bonds of the Series 2019B, 5.0%, 5/01/32	725,000 550,000	780,368 715,077
Omaha, General Obligation, Refunding, Series 2012B, 3.0%, 11/15/24 Various Purpose and Refunding, Series 2016A 4.0%, 4/15/22 4.0%, 4/15/23	400,000 315,000 185,000	421,716 333,651 202,653
Omaha Public Facilities Corp., Lease Revenue, Refunding, Omaha Baseball Stadium Project, Series 2016A, 4.0%, 6/01/28 Series 2019C 4.0%, 4/01/33 4.0%, 4/01/39	585,000 340,000 500,000	660,038 399,928 573,020
Omaha Public Power District, Electric System Revenue, 2015 Series A, 2.85%, 2/01/27 2015 Series C, 5.0%, 2/01/39	500,000 150,000	539,290 174,488
Omaha, Sanitary Sewerage System Revenue, Refunding, Series 2016 5.0%, 4/01/26 4.0%, 4/01/31 Series 2014, 5.0%, 11/15/22	250,000 350,000 200,000	311,483 405,857 220,274
Omaha, Special Tax Revenue Redevelopment, Series 2019A, 4.0%, 1/15/33	260,000	310,396
Papillion, General Obligation, Tax Supported Recreational Facilities, Series 2017, 3.0%, 9/15/24	420,000	436,918
Papillion-La Vista, General Obligation, Sarpy County School District #27, Refunding, Series 2017A 2.05%, 12/01/24 2.2%, 12/01/25 2.3%, 12/01/26	150,000 150,000 275,000	153,827 153,930 281,655
Papio-Missouri River Natural Resources District, General Obligation, Flood Protection and Water Quality Enhancement, Refunding, Series 2015 2.0%, 12/15/20 2.25%, 12/15/21 Series 2017, 5.0%, 12/15/26, Pre-Refunded 6/15/22 @ 100	100,000 100,000 185,000	100,136 100,141 200,187
Public Power Generation Agency, Revenue, Refunding, Whelan Energy Center Unit 2, 2015 Series A, 5.0%, 1/01/28 2016 Series A, 5.0%, 1/01/32	200,000 140,000	234,952 169,187
Sarpy County, General Obligation, Bellevue Public School District 0001, Series 2017, 5.0%, 12/15/29	550,000	692,439

	% of Net Assets	\$ Principal Amount or Shares	\$ Value
Sarpy County, Certificates of Participation, Series 2016, 1.75%, 6/15/26		500,000	505,595
Seward County, Limited Tax General Obligation, Refunding, Series 2019, 3.0%, 12/15/30		605,000	644,252
Southeast Community College Area, Certificates of Participation, Series 2018, 3.0%, 12/15/22		400,000	424,000
University of Nebraska, Facilities Corp., Revenue, Refunding, Health Center and College of Nursing Projects, Series 2016, 5.0%, 7/15/29		380,000	469,520
University of Nebraska, University Revenue, Kearney Student Housing Project, Series 2017, Escrowed to Maturity 3.0%, 7/01/25 2.5%, 7/01/26 3.0%, 7/01/27 Refunding, Lincoln Student Fees and Facilities Series 2012, 5.0%, 7/01/23, Pre-Refunded 7/01/22 @ 100 Refunding, Omaha Student Housing Project, Series 2017A, 5.0%, 5/15/30, Pre-Refunded 11/15/27 @ 100		100,000 210,000 100,000 250,000 100,000	112,767 235,794 117,655 271,058 132,585
Upper Republican Natural Resources District, Limited Obligation Occupation Tax, River Flow Enhancement, Refunding, Series 2017B, AGM Insured 4.0%, 12/15/25 4.0%, 12/15/27		245,000 395,000	263,713 423,942
Village of Boys Town, Revenue, Refunding, Boys Town Projects, Series 2017, 3.0%, 9/01/28 Series 2020, 3.0%, 7/01/35		700,000 325,000	797,517 357,763
			<b>30,506,471</b>
<b>Texas</b>	<b>0.9</b>		
Austin, Airport System Revenue, Series 2017B, AMT, 5.0%, 11/15/26		250,000	306,833
<b>Utah</b>	<b>0.3</b>		
Salt Lake City, Public Utilities Revenue, Series 2020, 5.0%, 2/1/35		100,000	130,145
<b>Washington</b>	<b>0.7</b>		
Port of Seattle, Intermediate Lien Revenue, Series 2017C, AMT, 5.0%, 5/01/26		200,000	241,806
<b>Total Municipal Bonds (Cost \$30,475,765)</b>			<b>31,642,194</b>

#### Cash Equivalents - 10.2%

State Street Institutional U.S. Government Money Market Fund - Premier Class 0.03% <sup>(a)</sup>	3,539,717	3,539,717
<b>Total Cash Equivalents (Cost \$3,539,717)</b>		<b>3,539,717</b>
<b>Total Investments in Securities (Cost \$34,015,482)</b>		<b>35,181,911</b>
Other Liabilities in Excess of Other Assets - (0.9%)		(314,164)
<b>Net Assets - 100%</b>		<b>34,867,747</b>
<b>Net Asset Value Per Share</b>		<b>10.22</b>

(a) Rate presented represents the annualized 7-day yield at September 30, 2020.  
(b) Security designated to cover unsettled bond purchases.

**This schedule of portfolio holdings is unaudited and is presented for informational purposes only. Portfolio composition is subject to change at any time and references to specific securities, industries, and sectors are not recommendations to purchase or sell any particular security. Current and future portfolio holdings are subject to risk.**