

NEBRASKA TAX-FREE INCOME FUND

Portfolio Manager: Tom Carney, CFA

Investment Style: Municipal-State Bond

The Nebraska Tax-Free Income Fund returned +0.73% in the second quarter compared to a +0.48% return for the Bloomberg Barclays 5-Year Municipal Bond Index. For the first six months of the year, the Fund's total return was +0.17% compared to a +0.17% return for the index. While the Fund has a comparable overall duration to the index, the Fund's investments are distributed across the yield curve, with bonds maturing in less than a year as well as those with maturities longer than 10 years. The index only includes bonds that mature within 4 to 6 years.

Overview

Most municipal bond investors experienced price gains in the second quarter of 2021 as U.S. Treasury bond yields (the base rate from which all other fixed-income markets take their pricing cues) declined (and prices increased). Municipal bonds modestly underperformed Treasuries in the quarter as yield ratios of municipal bonds relative to comparable U.S. Treasuries edged up from multi-decade lows. The ratio of the 5-year AAA-rated municipal bond to the 5-year Treasury, for example, increased from 54% on March 31, 2021, to 57% on June 30, 2021. This ratio remains reasonably useful 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. Given the still near historic low level of municipal bond yields to U.S. Treasuries (57% as of June 30 versus over 300% in March of 2020 and a 20-plus year average of over 90%), it is likely that future returns will increasingly be a function of movement in the U.S. Treasury market.

Investment activity in the quarter included 4-year bond anticipation notes issued by Norfolk, Nebraska, and 6-year airport revenue bonds issued by Lincoln, Nebraska. We also added several investments often described as 'kicker' bonds. These bonds pay an above-market coupon and are callable, often several years before their maturity. These callable 'kicker' bonds often allow us to earn more yield/income as compensation for the uncertainty as to whether they will be called/redeemed earlier than their maturity dates. They get their name because the yield/return received increases, or 'kicks' (often meaningfully), if the issuer declines to buy them back when their call date arrives. Currently, these investments also afford better return prospects to their call dates (should they be called) than we could earn on comparable quality municipal bonds whose maturity date corresponded to the call dates of these 'kicker' investments.

Top Quarterly Contributors

- Hospital revenue bonds issued by Nebraska Medicine and Madonna Rehabilitation Hospital
- School district general obligation bonds issued by Papillion-La Vista, Nebraska, School District and Sarpy County, Nebraska, Bellevue Public Schools
- Combined utility revenue bonds issued by Columbus Combined Revenue and Grand Island Combined Utilities
- Higher education revenue bonds issued by Nebraska State College Facilities Corporation; Saline County, Nebraska, Educational Facilities (Doane University Project); and University of Nebraska Facilities Corporation (Health Center and College of Nursing Projects)
- City general obligation bonds issued by Bellevue and Omaha, Nebraska
- Lease revenue bonds issued by Omaha, Nebraska, Public Facilities Corporation
- Tax-supported lease revenue bonds issued by Omaha, Nebraska, Public Facilities Corporation (Omaha Baseball Stadium Project) and Gretna, Nebraska, Certificates of Participation
- Electricity and public power revenue bonds issued by Nebraska Public Power District and Public Power Generation Agency (Whelan Energy Center Unit 2)

Top Quarterly Detractors

No segment detracted from results in the quarter.

Turning to portfolio metrics, the average effective duration of the Fund increased to 3.9 years on June 30, 2021, from 3.8 years on March 31, 2021. Average effective maturity increased to 3.8 years from 3.7 years over the same timeframe. Overall asset quality remains high, with approximately 91.6% 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 are broad, and they are backed by a consistent philosophy: 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.

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.

NEBRASKA TAX-FREE INCOME FUND

PORTFOLIO ALLOCATION		
% of Portfolio as of 06/30/2021		
Revenue		61.5%
<i>Power</i>	26.2%	
<i>Hospital</i>	17.2%	
<i>Certificates of Participation</i>	10.7%	
<i>General</i>	10.6%	
<i>Water/Sewer</i>	8.9%	
<i>Higher Education</i>	11.4%	
<i>Lease</i>	7.9%	
<i>Airport/Transportation</i>	4.0%	
<i>Housing</i>	3.1%	
General Obligation		21.0%
<i>School District</i>	56.0%	
<i>City/Subdivision</i>	24.7%	
<i>County</i>	18.0%	
<i>Natural Resource District</i>	1.3%	
Pre-Refunded		10.5%
Cash Equivalents / Other		7.0%

Source: Bloomberg Analytics

CREDIT QUALITY	
% of Portfolio as of 06/30/2021	
AAA	3.7%
AA	62.6%
A	21.8%
BBB	2.1%
BB	0.0%
B	0.0%
CCC	0.0%
Not Rated	3.9%
Cash Equivalents/Other	5.9%

Source: Bloomberg Analytics

NEBRASKA TAX-FREE INCOME FUND

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
Nebraska Tax-Free Income Fund (WNTFX)	0.17%	1.56%	2.99%	1.64%	1.79%	4.39%	10/01/1985	0.45%	1.10%
Bloomberg Barclays 5-Year Municipal Bond	0.17%	2.24%	3.75%	2.38%	2.71%	-	-	-	-

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.

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** index 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.

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. **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. 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.

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