NEBRASKA TAX-FREE INCOME FUND

Portfolio Manager: Tom Carney, CFA
Investment Style: Municipal-State Bond

The Nebraska Tax-Free Income Fund returned -0.23% in the third quarter compared to +0.13% for the Bloomberg 5-Year Municipal Bond Index. Year-to-date, the Fund has returned -0.06% compared to +0.30% for the index. The Fund's quarterly and year-to-date underperformance principally resulted from Fund investments maturing 5 years and longer.

While the Fund has an overall duration that is comparable to the index, the Fund's investments are distributed across the yield curve, ranging from bonds maturing in less than a year to those with maturities longer than 10 years. The index only includes bonds that mature within 4 to 6 years.

Overview

Municipal bond returns largely tracked comparable Treasuries in the quarter. The ratio of the 5-year AAA-rated municipal bond to the 5-year Treasury, for example, increased only slightly from 55% on June 30, 2021, to 57% on September 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 very low level of municipal bond yields to U.S. Treasuries (57% as of September 30, 2021, versus over 300% in March of 2020 and a 20-plus year average of approximately 90%), it is likely that future returns will increasingly be a function of movement in the U.S. Treasury market and any potential tax law changes that would be beneficial for, or disadvantageous to, municipal bond investors. While municipal bond yields relative to Treasury yields are 'expensive' (i.e., low) by historical standards, municipal bonds, or 'munis,' still provide tax-efficient value, especially for investors in the highest tax brackets.

Investment activity in the quarter was modest, but one notable investment was an approximately 1% Fund position in 10-year general obligation bonds issued by Wayne County School District #595 for Winside Public Schools. The district is located approximately 12 miles from Wayne State College in an agricultural area in Nebraska, with significant economic activity drawn from farming and cattle feeding. The district serves over 235 pre-kindergarten to 12th grade students in its facility located in Winside. The bonds were issued to finance additions to the district's existing elementary and junior/senior high school buildings and related facilities – and are payable from ad valorem taxes, unlimited as to rate or amount, that will be levied against all taxable property located within the district. The financial position of the district is reasonable-to-good, like most school districts in Nebraska, with a ratio of total debt (direct, overlapping and underlying) to taxable valuation of 2.62% (as of 2021).

Top Quarterly Contributors

Leading segments included:

- General obligation bonds issued by Seward County, Nebraska

Top Quarterly Detractors

- School district general obligation bonds issued by Papillion-La Vista, Nebraska, School District; Wayne County, Nebraska; Winside Public Schools; and Lancaster County, Nebraska, School District
- Lease revenue bonds issued by Omaha, Nebraska, Public Facilities Corporation
- Revenue bonds issued by Boys Town Village, Nebraska (Boys Town Project)
- Electricity and public power revenue bonds issued by Nebraska Public Power

Turning to portfolio metrics, the average effective duration of the Fund decreased to 3.8 years on September 30, 2021, from 3.9 years on June 30, 2021. Average effective maturity increased to 3.6 years from 3.4 years over the same timeframe. Overall asset quality remains high, with approximately 92.2% 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.

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Weitz | INVESTMENT MANAGEMENT

PORTFOLIO ALLOCATION % of Portfolio as of 09/30/2021		
Revenue		**56.9**
Power	*14.8*	
Hospital	*9.4*	
Certificates of Participation	*4.7*	
Lease	*6.1*	
Higher Education	*4.4*	
Water/Sewer	*5.9*	
General	*6.7*	
Airport/Transportation	*3.1*	
Housing	*1.9*	
General Obligation		**27.2**
School District	*13.5*	
City/Subdivision	*7.3*	
County	*5.5*	
State/Commonwealth	*0.6*	
Natural Resource District	*0.3*	
Pre-Refunded		**10.6**
Cash Equivalents / Other		**5.4**

CREDIT QUALITY % of Portfolio as of 09/30/2021	
AAA	6.0
AA	65.6
A	20.6
BBB	0.8
BB	0.0
B	0.0
CCC	0.0
Non-Rated	2.6
Cash Equivalents	4.4

Average Annual Total Returns

AS OF 09/30/2021

	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Nebraska Tax-Free Income Fund	-0.06%	0.82%	3.00%	1.65%	1.60%	4.35%	10/01/1985	0.45%	0.98%
Bloomberg 5-Year Municipal Bond	0.30%	1.08%	3.86%	2.41%	2.52%	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 10/19/2021, 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.

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Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The **Bloomberg 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.

Income from municipal securities is generally free from federal taxes and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains, if any, will be subject to taxes. Income for some investors may be subject to the federal Alternative Minimum Tax (AMT).

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 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.

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