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 -3.95% in the first quarter compared to a -5.10% return for the Bloomberg 5-Year Municipal Bond Index. For the fiscal year ended March 31, 2022, the Fund's total return was -3.08% compared to a -4.48% return for the index. Negative absolute results (unrealized mark-to-market declines) are never pleasant to report despite the solid relative results. While the past quarter's unrealized decline/markdown was undesirable, we believe it has set the stage for more favorable forward returns. The Fund's increased yield-to-worst (YTW) highlights the improved forward potential, with YTW increasing from 0.8% at year-end to 2.0% as of March 31, 2022. As a reminder, YTW has historically been a reasonable predictor of forward returns.

Overview

Inflationary pressures, which have been building for the past 12 months, showed no signs of abating in the first quarter. These pressures precipitated a large upward move in interest rates during the first quarter, particularly in short-term rates. For example, the Consumer Price Index (CPI) release in February showed prices increasing at an annualized reading of 7.5%. This resulted in an historic move upward in the 2-year Treasury rate, marking the biggest "shock" since October 1979, as measured by standard deviation of daily moves. The shock in 1979 happened to occur when then Fed Chairman Paul Volcker announced to the world a new policy framework to combat the inflation of the 1970s/early 1980s. Today's board members at the Federal Reserve, which controls short-term interest rates by means of the Federal Funds Rate, had long dubbed the current inflation environment as "transitory" (not permanent). However, those same members now appear resolved to adjust monetary policy by raising short-term interest rates (possibly at each Fed meeting in 2022) and by slowly shrinking the Fed's sizable balance sheet of approximately $9 trillion.

The fixed-income markets reacted to the policy shift by re-pricing the yield curve in anticipation of a meaningful Fed tightening cycle. The yield on the 2-year Treasury ended the quarter at 2.3%, up more than 3X from year-end. Since the Great Financial Crisis (GFC) of 2008/2009, the 2-year Treasury has rarely ended a quarter above 2% (only 5 other observances) and has averaged less than 1% since the Fed embarked on its first iteration of zero-interest policy (ZIRP).

WEITZ INVESTMENT INSIGHTS
FIXED INCOME INSIGHTS:
Navigating Turbulent Times

Fixed income investors are navigating skyrocketing inflation, a surge in volatility, and the start of what could be the fastest rate-hiking cycle in decades. With multiple rate increases already priced into the market, we break down how we are reinvesting cash flows at higher base rates while continuing to move forward with patience and flexibility to take advantage of new credit opportunities.

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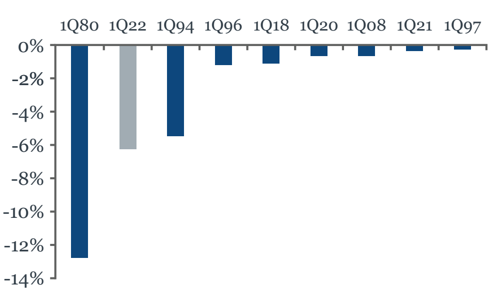
The dramatic increases in U.S. Treasury bond yields pulled prices for most other fixed income asset classes lower in the first quarter, including municipal bonds. In addition, municipal bonds meaningfully underperformed Treasuries as yield ratios of municipal bonds relative to comparable U.S. Treasuries moved dramatically higher. This Municipal/Treasury ratio (M/T ratio), which is now below its 10-year average, measures the relative attractiveness of tax-free municipal bonds; all else equal, the higher the ratio, the more appealing municipal bonds become, given their tax-advantaged status. For example, the ratio of the 5-year AAA-rated municipal bond to the 5-year Treasury increased from 46% on December 31, 2021, to 81% on March 31, 2022.

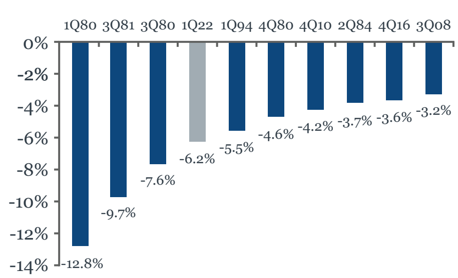
Historically Challenging First Quarter

Treasury bond price declines and poor relative performance of the municipal bond market resulted in the lowest first quarter returns for the municipal bond market since 1980 and ranks among the four worst overall quarters in the same timeframe. Typically, first quarters have been favorable for municipal bond performance, driven primarily by a positive supply-demand dynamic that is particularly felt in January and February, helped by heavy redemptions and relatively low supply; and net issuance tends to be negative early on in most years. As a result, first-quarter returns tend to be positive and have been negative less than 20% of the time, as illustrated in the charts below.



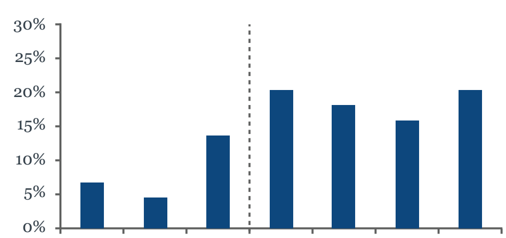
Years of Negative 1Q Performance for IG Munis, 1980-2022

Index inception in 1980.
Source: Bloomberg Fixed Income Indices



1Q22 Ranks in the Top-Four Worst Overall Quarters for Bloomberg Municipal Bond TR Index, 1980-2022

Index inception in 1980.
Source: Bloomberg Fixed Income Indices



1Q Performance: Frequency of Negative and Positive Performance for Bloomberg Municipal Bond TR Index, 1980-2022

For first quarters going back to 1980.
Source: Bloomberg Fixed Income Indices

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Potentially Brighter Outlook

Borrowing the phrase "it's always darkest before the dawn," and certainly realizing history is a very imperfect guide – after a negative first quarter, performance for municipal bonds has tended to be positive for the remainder of a year.

Performance After Negative 1Q

Index	Q1 2022 Return	Worst 1Q Return (excl. current)	Total Return for Remain-der of Calendar Year Fol-lowing Worst 1Q Return	Average Return for Remain-der of Calendar Year After Any Negative 1Q Performance*
Bloomberg Investment Grade Municipal Bond Index	-6.2%	-12.8% (1Q80)	4.4%	3.5%
Bloomberg High Yield Municipal Bond Index	-6.5%	-6.9% (1Q20)	12.6%	3.6%
Bloomberg Municipal Tax-able Bond Index	-9.6%	-4.4% (1Q21)	6.1%	4.2%

**Represents total returns for the three quarters following a negative performance in 1Q.*
Source: Bloomberg Fixed Income Indices.
Data time range: 1/1/1980- 3/31/2022

Top Quarterly Contributors

- No segment generated positive results in the quarter.

Top Quarterly Detractors – every segment detracted from results in the quarter. Notable examples include:

- School district general obligation bonds issued by Sarpy County; Bellevue, Nebraska, Public Schools; Papillion-La Vista, Nebraska, School District; and Wayne County, Nebraska, School District.
- Tax supported lease revenue bonds issued by Omaha, Nebraska; Public Facilities Corporation; and Gretna, Nebraska, certificates of participation.
- Higher education revenue bonds issued by Nebraska State College Facilities Corporation, and University of Nebraska Facilities Corporation (Health Center and College of Nursing Projects).
- Combined utility revenue bonds issued by Municipal Energy Agency of Nebraska, and Columbus Combined Revenue.
- General revenue bonds issued by Boys Town Village.
- Electricity and public power revenue bonds issued by Nebraska Public Power District and Public Power Generation Agency, Nebraska, Whelan Energy Center.

Fiscal Year Performance

For the fiscal year, nearly all segments contributed to negative Fund results. Largest declining segments included school district, tax supported lease revenue, higher education, general revenue, and electricity and public power bonds. Two segments contributed positively to fiscal year results – certain government and ad valorem lease revenue bonds.

Portfolio Metrics

Turning to portfolio metrics, the average effective duration of the Fund was unchanged in the quarter at 3.6 years on March 31, 2022. Average effective maturity was also unchanged at 3.6 years on March 31. Overall asset quality remains high, with approximately 92% rated A or better by one or more of the nationally recognized statistical rating organizations.

Following are additional details regarding the breakdown of our holdings. Our investments are broad, and they are all 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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PORTFOLIO ALLOCATION % of Portfolio as of 03/31/2022		
Revenue		**59.4**
Power	*14.2*	
Hospital	*9.2*	
Certificates of Participation	*4.8*	
Lease	*8.8*	
Higher Education	*4.3*	
Water/Sewer	*5.9*	
General	*7.3*	
Airport/Transportation	*3.0*	
Housing	*1.9*	
General Obligation		**27.5**
School District	*13.4*	
City/Subdivision	*5.2*	
County	*8.3*	
State/Commonwealth	*0.6*	
Pre-Refunded		**7.4**
Cash Equivalents / Other		**5.7**

Source: Bloomberg Analytics

CREDIT QUALITY % of Portfolio as of 03/31/2022	
AAA/Aaa	6.1
AA/Aa	65.9
A	19.8
BBB/Baa	0.8
BB/Ba	0.0
B	0.0
CCC	0.0
Non-Rated	2.6
Cash Equivalents	4.8

Source: Bloomberg Analytics

Average Annual Total Returns (%)

AS OF 03/31/2022

	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Nebraska Tax-Free In-come Fund	-3.95	-3.08	0.68	1.08	1.05	4.19	10/01/1985	0.45%	0.98%
Bloomberg 5-Year Mu-nicipal Bond	-5.10	-4.48	0.85	1.51	1.78	N/A	-	-	-

This material must be preceded or accompanied by a **prospectus or summary prospectus**.

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 04/21/2022, 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.