

NEBRASKA TAX FREE INCOME FUND

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The Nebraska Tax-Free Income Fund returned +5.58% in the fourth quarter compared to a +5.22% return for the Bloomberg 5-Year Municipal Bond Index. For the calendar year, the Fund's total return was +3.78% compared to +4.31% for the index.

Overview

(from [Fixed Income Insights: Bonds are Back, Redux](#))

A year ago, we penned a piece titled “Bonds Are Back / Return of Income” after a brutal 2022. It seems fitting to revisit since, for much of 2023, fixed income investors were smarting from a seemingly relentless increase in U.S. Treasury interest rates across the yield curve (as well as other segments of the bond market) as the Federal Reserve instituted four additional short-term rate hikes to combat declining-but-still-high inflation readings. Broad interest rate declines in early 2023, accelerated by historic regional bank failures that caused massive deposit flight, reversed by mid-year and began a climb that saw trough-to-peak changes in U.S. Treasury interest rates of approximately 1.5% (150 basis points) across the yield curve, from 2-year to 30-year bonds. In October 10-year and 30-year Treasury bond rates briefly breached 5% for the first time in more than 16 years. However, midway through the fourth quarter, ebbing inflation levels, a slower pace of employment growth, and the long-forecasted Fed “pivot” or pause in its monetary tightening policy, propelled a powerful fixed income rally. By year-end, fixed income *and* equity investors were seeing strong overall returns, as the growth below highlights. Treasuries managed to avoid a three-year negative return record by posting modest positive results – with every other credit-sensitive asset class (e.g., investment-grade and high-yield corporate bonds as well as leveraged loans) generating solid results.



FIXED INCOME INSIGHTS: Bonds Are Back, Redux

With memories of “zero interest-rate policy” still fresh in fixed income investors’ minds - we believe a return to an environment in which rates are less manipulated by central banks could prove beneficial to investors.

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Top Quarterly Contributors

- School district general obligation bonds issued by Wayne County, Nebraska, School District; Papillion-La Vista, Nebraska, School District; Dodge County, Nebraska, School District; Douglas County, Nebraska, School District (Omaha); and Cass County, Nebraska, School District (Weeping Water Public Schools)
- City general obligation bonds issued by Norfolk, Bellevue, and Blair, Nebraska
- Tax-supported lease revenue bonds issued by Omaha, Nebraska, Public Facilities Corporation; Papillion, Nebraska, Municipal Facilities Corporation; and Sarpy County, Nebraska, certificates of participation
- Combined utility revenue bonds issued by Dawson, Grand Island, Columbus, and Municipal Energy Agency of Nebraska
- General revenue bonds issued by Boys Town Village

Top Quarterly Detractors

- No segment generated negative results in the quarter

Turning to portfolio metrics, the average effective duration of the Fund decreased in the quarter to 3.1 years on December 31, 2023, from 3.9 years on September 30, 2023. Average effective maturity decreased to 3.5 years from 5.1 years over the same time period. Overall asset quality remains high, with approximately 92.6% rated A or better by one or more of the nationally recognized statistical rating organizations.

Normal for Longer?

A significant amount of press has focused on the possibility of interest rates staying “higher for longer.” Having painful memories of what approximated ‘zero forever’ during the ZIRP (zero interest-rate policy) days, we’d welcome a return of some semblance of normalcy to interest rates overall, where rates are determined in a world less manipulated by central banks. This would benefit investors and decision makers of all types, from savers in money market funds to investors of capital all along the yield curve. And ultimately, it would lead to more rational investment decisions à la philosopher/economist Adam Smith’s “invisible hand” (metaphor describing unseen forces of self-interest that impact free markets).

As we embark on a new year where everyone’s investment results are reset to zero, it certainly is plausible that the strong bond market rally to end 2023 may have borrowed from 2024 returns (the first week of the new year seems to support this). Either way, we believe the prospects for fixed-income investors coupled with an easing (if not plateauing) inflationary backdrop continue to provide a compelling environment for both nominal and, in particular, real (after inflation) return opportunities. If this describes “normal for longer,” we can be tempted to reiterate, cliché or not, that ‘bonds are back’ – especially from an income perspective.

Portfolio Details

The 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.

Portfolio Allocation (% of Portfolio)		
Revenue		62.4
Power	16.7	
Hospital	11.7	
Water/Sewer	7.0	
General	6.4	
Lease	5.8	
Certificates of Participation	5.0	
Housing	3.7	
Airport/Transportation	3.6	
Higher Education	2.5	
General Obligation		28.4
School District	15.0	
City/Subdivision	10.1	
County	2.5	
State/Commonwealth	0.8	
Escrow/Pre-Refunded		3.3
Cash Equivalent/Other		5.9

CREDIT QUALITY (% of Portfolio)	
AAA	6.1
AA	60.6
A	25.9
BBB	0.6
BB	0.0
B	0.0
CCC	0.0
Not Rated	2.0
Cash Equivalents	4.8

RETURNS (%)													
	TOTAL RETURNS		AVERAGE ANNUAL TOTAL RETURNS								Since Inception	Net Expense	Gross Expense
	QTR	YTD	1-YR	3-YR	5-YR	10-YR	20-YR	30-YR	35-YR	(10/1/1985)			
WNTFX	5.58	3.78	3.78	-0.30	1.34	1.20	2.13	3.14	3.74	4.07	0.46	0.96	
Bloomberg 5-Year Municipal Bond Index	5.22	4.31	4.31	-0.28	1.75	1.87	2.89	3.73	4.45	n/a	-	-	

YIELDS (%)			
	30-DAY SEC YIELD		Distribution Yield
	Subsidized	Unsubsidized	
WNTFX	2.46	1.71	2.02

This material must be preceded or accompanied by a [prospectus or summary prospectus](#).

Data is for the quarter ending 12/31/2023. 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 01/20/2024, 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 07/31/2024.

The Gross Expense Ratio reflects the total annual operating expenses of the fund before any fee waivers or reimbursements. 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. The net expense ratio represents what investors are ultimately charged to be invested in a mutual fund.

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 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: 30-Day SEC Yield represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. **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. **Distribution yield** is a measure of yield calculated by taking a fund's most recent income distribution payment divided by its net asset value (NAV) and expressed as an annual rate. **Subsidized yield** reflects fee waivers and/or expense reimbursements during the period. Without such fee waivers and/or expense reimbursements, if any; yields would have been lower. **Unsubsidized yield** does not adjust for any fee waivers and/or expense reimbursement in effect.

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.