1Q 2024

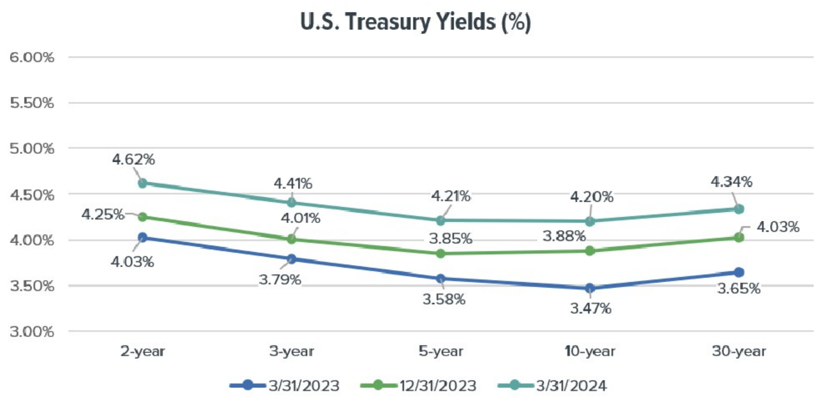
SHORT DURATION INCOME FUND

Portfolio Managers: Tom Carney, CFA® & Nolan Anderson
Investment Style: Short-Term Bond

Weitz | INVESTMENT MANAGEMENT

The Short Duration Income Fund's Institutional Class returned +1.16% in the first quarter compared to a +0.45% return for the Bloomberg U.S. Aggregate 1-3 Year Index. For the one-year period ended March 31, 2024, the Fund's Institutional Class returned +5.46% compared to a +3.56% return for the index. Given the investment challenges of the past year, we are pleased to report positive absolute results and good relative results for the quarter and year.

After a stunning "everything rally" in the fourth quarter, U.S. fixed income markets took a breather to start 2024. As illustrated in the chart below, interest rates increased across the yield curve, as investors dialed back expectations of significant Federal Reserve interest rate cuts in 2024. The result was modest gains for shorter-duration and more credit-sensitive sectors of the market and small to moderate losses for intermediate and longer-duration bonds.



Source: Bloomberg

FIXED INCOME INSIGHTS:

Great Expectations

In a fixed income environment defined by volatility and uncertainty, we continue to approach the bond markets with a wide net and aim to take advantage of the best risk-adjusted opportunities wherever we can find them.

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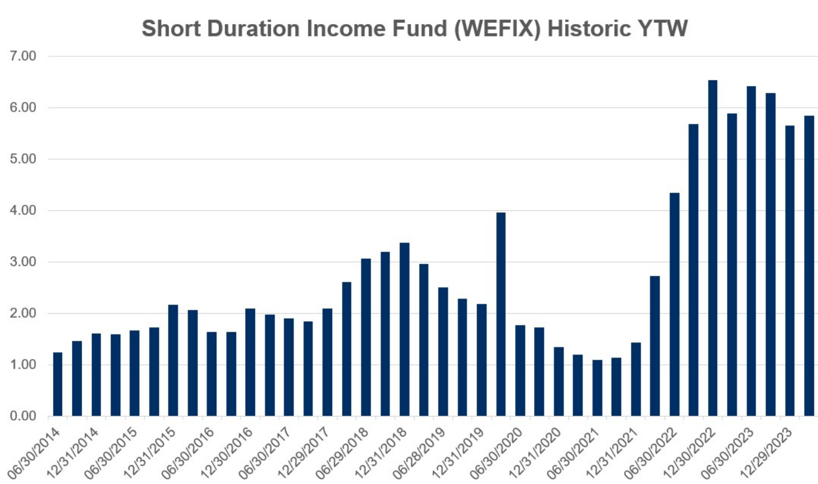
While interest rates increased during the first quarter, risk assets continued their torrid rally. In hindsight, last November's long-awaited Fed 'pivot' or pause in its monetary tightening policy, was akin to the Fed announcing the "all-clear" signal, giving investors confidence that everything is (finally) just right. The U.S. Treasury added to the excitement by aggressively shifting the expected mix of government funding toward T-Bills, and away from longer-term coupon issuance (lower-than-expected coupon issuance may provide technical support for longer-term yields). Interestingly, the announcement coincided with 10-year and 30-year Treasury bond rates briefly eclipsing 5% for the first time in more than 16 years.

As previously mentioned, credit spreads continued their descent in the first quarter and now sit near 10-year lows. Broad investment-grade spreads declined from 106 basis points to 93 basis points. High yield spreads declined from 339 basis points to 312 basis points. Investor behavior in both the primary and secondary markets suggests there is simply not enough supply of credit to keep up with demand. We are witnessing signs of investor complacency with indiscriminate buying, record levels of new issue subscription (both in corporate bonds and securitized products), and significant flattening in credit curves (i.e., the extra compensation you receive to lend further out the interest rate curve).

The chart to the right provides a long-term view (10-year) of the Short Duration Income Fund's forward return prospects, or yield-to-worst (YTW). YTW has historically been a reasonable predictor of forward returns. Until the first quarter of 2022 (right-hand side of the bar chart below), the Fund's YTW had never breached 4%. It has now exceeded 5.5% for seven consecutive quarters. Given the 10-year average of 2.8%, today's forward return prospects as measured by a YTW of 5.7% on March 31, 2024, as compared to 4.9% for the index, reinforce the improved role fixed income has in an overall asset allocation framework.



Portfolio Positioning

The table below shows the change in allocation to various sectors, from the prior quarter and from the prior year. This summary provides a view over time of how we have allocated capital. Since our goal is to invest in sectors that we believe offer the best risk-adjusted returns, our allocations may change significantly over time.

SECTOR ALLOCATION (% of net assets)

	3/31/2024	12/31/2023	Qtr Over Qtr Change	3/31/2023	Yr Over Yr Change
Corporate Bonds	10.4	10.2	+0.2	13.0	-2.6
Corporate Convertible Bonds	1.1	1.1	0.0	1.1	0.0
Asset-Backed Securities (ABS)	39.9	41.2	-1.3	41.1	-1.2
*Corporate Collateralized Loan Obligations (CLOs)**	*11.6*	*12.2*	*-0.6*	*13.2*	*-1.6*
Commercial Mortgage-Backed Securities (CMBS)	6.8	7.5	-0.7	9.4	-2.6
Agency Mortgage-Backed (MBS)	5.1	3.4	+1.7	3.6	+1.5
Non-Agency Mortgage Backed (RMBS)	7.8	5.5	+2.3	5.7	+2.1
U.S. Treasury	26.1	26.7	-0.6	25.0	+1.1
Cash & Equivalents	2.8	4.4	-1.6	1.1	+1.7
TOTAL	100	100		100	
High Yield**	2.7	2.8	-0.1	3.8	-1.1
Average Effective Duration	1.4	1.4	0.0	1.5	-0.1
Average Effective Maturity	3.6	3.5	+0.1	2.9	+0.7

**Corporate CLOs are included in the ABS segment in the Fund's schedule of investments but are additionally called out separately for the purposes of the discussion. **For the current period, high yield exposure consists of investments in the Corporate, Corporate Convertible, ABS, and CMBS sectors.*

Investment activity remained strong in the first quarter as we sourced a little more than $90 million in new investments for the Fund. This helped offset the typical (and by-design) feature of monthly/quarterly paydowns and maturities of securities (approximately $60 million in the first quarter). About a quarter of the Fund's holdings paydown or mature in any given year, allowing us to frequently reinvest investor capital into areas of the fixed income market that we believe provide the best current relative value opportunities. While this continuous reinvestment had been a headwind when rates fell to historic lows during the Federal Reserve's near decade of zero interest-rate policy (ZIRP), it has afforded us the opportunity to increase the Fund's forward return prospects.

Noteworthy additions in the first quarter included:

- **Non-agency Mortgage-Backed securities (RMBS)** issued by JP Morgan, Chase, and Sequoia. These are senior-most securities issued from a pool of super prime, jumbo loans (too large to be sold to the Federal agencies like Freddie Mac or Fannie Mae). In our assessment, these securities have meaningful credit enhancement, shorter average lives (2-3 years based upon initial prepayment assumptions), solid cash flow characteristics (6% coupons), and superior spread metrics relative to corporate bonds of similar credit quality/maturity.
- **Agency mortgage-backed securities (MBS)** 15-year pass-through mortgage securities backed by Fannie Mae and Freddie Mac as well as collateralized mortgage obligations (CMOs) with short average lives backed by Fannie Mae.
- **Asset-backed securities (ABS)** issued by Pagaya (consumer), SAFCO (auto), and Foundation Finance (home improvement). SAFCO, or Southern Auto Finance Company, is a new issuer for the Fund as of the first quarter of 2024. SAFCO, headquartered in Florida, specializes in auto finance for first-time buyers, people who want to build their credit, and those with hard-to-verify income, like the self-employed. For SAFCO, the ability to pay back a loan starts with credit score but is enhanced by artificial intelligence (A.I.) and many other data points to identify creditworthiness. The Fund's investment consists of the senior-most investment having a short average life expected to be approximately one year.
- **Corporate collateralized loan obligations (CLOs)** issued by New Mountain Capital in the form of a **rated feeder**. While only a few broadly syndicated, publicly rated transactions have been issued in the capital markets, rated feeders have been in existence for a number of years and serve to provide investors access to direct lending credit funds. In the case of our investment, we partnered with New Mountain Capital for their second broadly syndicated rated feeder transaction that priced in the first quarter. Founded in 1999, New Mountain Capital is an alternative investment manager with approximately $50 billion in assets under management (AUM). New Mountain Capital has a long-term track record of investing in “defensive growth” businesses, utilizing deep fundamental research. Established in 2008, New Mountain Capital's credit platform has approximately $11 billion in AUM. Much like a CLO, rated feeder transactions invest primarily in senior secured floating rate loans and utilize tranched-out capital structures, which helps make the fund accessible to a broad range of investors depending on their risk/return objectives. Importantly, New Mountain's general partner equity commitment in the fund will serve as the equity in the transaction, which creates a strong alignment of interest. In addition, unlike many direct lending vehicles, the New Mountain fund is unlevered, which we believe is a significant credit positive. Our Fund participated in the

senior-most security of New Mountain's $300 million rated feeder issuance which we believe will generate favorable floating rate coupon income.

- **Infrastructure/Project CLOs** issued by Starwood Capital. In 2018, Starwood Property Trust acquired a vertically integrated energy infrastructure platform from General Electric for $2.5 billion and renamed it Starwood Infrastructure Finance (SIF). Since the acquisition, SIF has invested over $3.6 billion and currently has an approximately $2.6 billion portfolio of first-lien senior-secured loans diversified across energy infrastructure and power generation assets within the U.S. As part of its long-term financing strategy, SIF has issued three infrastructure/project finance CLOs, the latest of which priced in the first quarter. Our Fund participated in the senior-most security of Starwood's $400 million issuance. We are pleased to partner with a high-quality sponsor like Starwood for our first infrastructure/project finance CLO investment. We believe this serves as yet another example of our ability to source high-quality bonds in off-benchmark sectors that generate attractive coupon income and provide diversification benefits to shareholders.

In terms of overall portfolio metrics, from December 31, 2023, to March 31, 2024, average effective maturity increased from 3.5 to 3.6 years, and average effective duration stayed steady at 1.4 years. These measures provide a guide to the Fund's interest rate sensitivity. A higher average effective maturity and longer average effective duration increase the Fund's price sensitivity to changes in interest rates (either up or down). Another portfolio attribute to highlight is the Fund's investments in floating-rate securities (mainly middle-market CLOs and CRE CLOs). As of March 31, 2024, more than 19% of Fund assets were represented by floating-rate securities. We don't invest based on any wager that the Fed will raise or lower short-term interest rates — as each investment is vetted based on its individual merits (relative risk/reward) and the expected future nominal return contributions each can make to the Fund.

Top Quarterly Contributors

- All segments contributed to results in the quarter. CLOs (both corporate and commercial real estate); a broad segment of ABS; select corporate bonds issued by real-estate investment trusts; agency and RMBS; and U.S. Treasuries were the main contributors to Fund performance in the quarter.

Top Quarterly Detractors

- No segment detracted from Fund performance in the quarter.

One-Year Results

Results for the past 12 months were aided by nearly all segments — led by the Fund's CLOs (both middle-market and commercial real estate), ABS, and select corporate bond investments in the retail segment, U.S. Treasury and both agency and non-agency mortgage-backed securities. The sole detractor for the past 12 months was one non-agency commercial mortgage-backed security (CMBS) investment in a single asset, single borrower (SASB) security backed by two very large convention center hotels in San Francisco and operated as part of the Hilton lodging brand. In June 2023, the owner, Park Hotels and Resorts, ceased making payments on the CMBS loan secured by these two hotels. Interest payments continue to be made by the special servicer (Wells Fargo) whose role will be to work on behalf of CMBS investors to resolve this situation. We have been and will continue to be monitoring developments, which are minimal to date, and we will work toward the best outcome possible.

The Value of Diversification in Fixed Income

Our investment approach focuses on casting a wider net across the fixed income landscape, seeking out the most attractive risk-adjusted opportunities both within and outside the benchmark categories. We believe a diversified portfolio encompassing broad market exposure, including benchmark and non-benchmark, fixed and floating rate, is a competitive advantage in today's environment. How so? Our current asset allocation reflects not only our efforts to focus on sector and security selection, investing in assets one at a time in those areas that we believe have the most favorable risk/reward outcomes, but to weather different macro environments.

For example, if continued economic strength results in a steepening yield curve/increase in term premiums and higher longer-term yields, allocations to newer vintage agency and non-agency mortgages (our coupon stack consists of newer vintage 4.5% to 6.5% coupons) should benefit from attractive coupon income and slower prepayment speeds. Moreover, these MBS investments differ from what is broadly represented in the benchmark indices like the Agg, which largely consists of low coupon (2-3%), lower dollar price MBS that was originated during the post COVID/Fed QE 2020-2022 period. A scenario where inflation remains stickier than expected, forcing the Federal Reserve to hold short-term interest rates higher than what is discounted in the front end of the Treasury curve, may benefit floating rate securities (commercial mortgage-backed securities, corporate and infrastructure CLOs). Higher for longer short-term rates may also benefit shorter duration asset-backed securities (auto, consumer, equipment) given their 1-2 year weighted average life profile and amortization feature, allowing for the reinvestment of monthly interest and principal payments. Conversely, should the U.S. economy suffer unexpected weakness or experience an exogenous shock, U.S. Treasuries may provide downside protection, serve as a natural hedge to MBS exposures, and provide a key source of liquidity to take advantage of market opportunities that may arise from unexpected economic turbulence. Regardless of the macro environment to come, we believe our active, flexible approach will allow us to deliver value to shareholders.

Fund Strategy

Our approach consists primarily of investing in a diversified portfolio of high-quality bonds while maintaining an overall portfolio average effective duration of 1.0 to 3.5 years. We may invest up to 15% in fixed income securities that are not considered investment grade (such as high yield and convertible bonds), and we do so when we perceive the risk/reward characteristics to be favorable.

We do not, and will not, try to mimic any index as we construct our portfolio. We believe our flexible mandate is a differentiator that allows us to navigate any environment. The last few years have reinforced our conviction about the strength of our flexible mandate. We utilize a bottom-up, research-driven approach and select portfolio assets one security at a time based on our view of opportunities in the marketplace. Our fixed income research is not dependent on, but often benefits from, the due diligence efforts our equity teammates conduct on companies and industries.

Overall, we strive to be adequately compensated for the risks assumed while seeking to maximize investment (or reinvestment) income and avoid making interest-rate bets, particularly ones that depend on interest rates going down.

Our goal is to (a) preserve capital, (b) maintain a strong liquidity position, (c) understand evolving risks and opportunities, (d) conduct consistent/thorough credit surveillance, and (e) selectively take advantage of favorable risk/reward opportunities. We remain ready to take advantage of any further valuation disparities that may develop and will strive to continue to earn your trust.

RETURNS (%)

	TOTAL RETURNS		AVERAGE ANNUAL TOTAL RETURNS							Since Fund Inception		
	QTR	YTD	1-YR	3-YR	5-YR	10-YR	20-YR	30-YR	35-YR	(12/23/1988)	Net Expense	Gross Expense
WEFIX Institutional Class	1.16	1.16	5.46	1.64	2.31	2.05	2.93	4.11	4.63	4.65	0.45	0.60
WSHNX Investor Class	1.14	1.14	5.40	1.55	2.22	1.88	2.82	4.04	4.57	4.59	0.55	0.86
Bloomberg U.S. Agg 1-3 YR Index	0.45	0.45	3.56	0.26	1.31	1.27	2.09	3.39	n/a	n/a	-	-

YIELDS (%)

	30-DAY SEC YIELD		
	Subsidized	**Unsubsidized**	**Distribution Yield**
WEFIX	5.15	4.97	4.37
WSHNX	5.05	4.75	4.29

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

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. **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. **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.

Data is for the quarter ending 03/31/2024. 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 04/20/2024, 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.

Short Duration Income Fund's inception date is 12/28/1988. Performance quoted for Investor Class shares before their inception (08/01/2011) is derived from the historical performance of the Institutional Class shares and has not been adjusted for the expenses of the Investor Class shares, had they, returns would have been different.

Effective 12/16/2016, the Fund revised its principal investment strategies. Since that time the Fund has generally maintained an average effective duration between one to three and a half years. Prior to that date, the Fund maintained a dollar-weighted average maturity of between two to five years. Performance prior to 12/16/2016 reflects the Fund's prior principal investment strategies and may not be indicative of future performance results.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The **Bloomberg 1-3 Year U.S. Aggregate index** is generally representative of the market for investment grade, U.S. dollar denominated, fixed-rate taxable bonds with maturities from one to three 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. **Basis point (BPS)** refers to a unit of measurement that is equal to 1/100th of 1%, or 0.01%. **Commercial real estate collateralized loan obligations (CRE CLOs)** are a type of asset-backed security backed by a pool of commercial loans. Spreads are measured by **ICE BofA** which is a group of indexes that track the performance of U.S. dollar-denominated debt issued in the U.S. domestic market. **Investment Grade Bonds** are those securities rated at least BBB- by one or more credit ratings agencies. Middle market refers to smaller companies, generally with earnings before interest, taxes, and amortization of generally less than $75 million. **Middle market** refers to smaller companies, generally with earnings before interest, taxes, and amortization of generally less than $75 million. **Non-Investment Grade Bonds** are those securities (commonly referred to as “high yield” or “junk” bonds) rated BB+ and below by one or more credit ratings agencies. A **Rated Feeder** is a type of a traditional feeder fund (an investment fund that collects investor capital and invests it into a master fund) that issues both rated debt and equity. In each case, the equity provides the subordination required to support the ratings of the debt. **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.

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