ULTRA SHORT GOVERNMENT FUND

Weitz | INVESTMENT MANAGEMENT

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

The Ultra Short Government Fund returned +0.03% in the first quarter compared to a +0.04% return for the ICE BofA US 6-Month Treasury Bill Index (6-Month Treasury). For the fiscal year ending March 31, 2021, the Fund returned +0.29% compared to a +0.16% return for the index. Given the short duration nature of the Fund, fiscal year performance consisted exclusively of coupon income on investments. Overall Fund returns have been greatly reduced as a result of the Federal Reserve's monetary policy of keeping short-term interest rates at/near zero.

Overview

The Federal Reserve (Fed) made no changes in short-term monetary policy during the quarter (leaving rates at/near zero). Fixed income investors are still grappling with the impact of the Fed's new monetary policy framework and quantitative easing (QE) program on the overall level of interest rates, but the impact on short-term rates remains clear: zero interest-rate policy (ZIRP) is here to stay for at least the next few years. The unprecedented amount of QE *and* fiscal spending will have repercussions down the road, and one potential consequence could be higher-than-anticipated inflation.

Longer-term interest rates will react to expectations of higher, or actual, inflation. But the Fed has telegraphed that they intend to wait for the proverbial 'whites of inflation's eyes' (using a Bunker Hill analogy) before making any changes to short-term interest rates. Our Fund's yield and return will invariably follow the path dictated by the Fed's monetary policy, as we frequently reinvest maturities with holdings that mature in a short period of time. But *lower* (short-term interest rates) for *longer* (maybe much longer) appears to be the path of returns for our Ultra Short Government Fund.

Fixed Income Insights: What a Difference a Year Makes

The old saying "what a difference a year makes," might be a cliché, but it accurately reflects the great disparity from the chaos of 2020 to the optimism of 2021. But with a future still filled with uncertainty, we continue to move our fixed income funds forward on a defensive path.

The Fed's monetary policy decisions (e.g., changes in short-term interest rates) will continue to affect all investments within our opportunity set. As of March 31, 2021, 80.3% of our portfolio was invested in U.S. Treasury notes, 15.3% in investment-grade asset-backed securities, 1.4% in investment-grade commercial mortgage-backed securities, 0.6% in investment-grade corporate bonds, and 2.4% in a high-quality money market fund and cash equivalents. The average effective duration on March 31, 2021, was unchanged from the previous quarter at 0.4 years. The Fund's 30-day yield decreased approximately 3 basis points in the quarter to 0.20% as of March 31, 2021. Given that the Fed is likely to hold short-term interest rates at or near zero for the foreseeable future, the Fund's 30-day yield will likely continue to decline in the months and quarters to follow.

Under normal market conditions, the Fund will invest at least 80% of its net assets in obligations issued or guaranteed by the U.S. government and its government-related entities. The balance of Fund assets may be invested in U.S. investment-grade debt securities. Additionally, the Fund will maintain an average effective duration of one year or less. Duration is a measure of how sensitive the portfolio may be to changes in interest rates. All else being equal, a lower-duration bond portfolio is less sensitive to changes in interest rates than a bond portfolio with a higher duration. Over time, this shorter-term focus (duration of less than one year) is intended to generate total returns that are higher than cash or money market funds, while also taking less interest rate risk than a bond portfolio with a higher duration.

The Fund's principal investment strategies and objectives of providing current income, protecting principal and providing liquidity remain our primary goals. While the Fund's current income will likely remain pressured (i.e. drift lower) by the current ultra-low nominal reinvestment environment, we believe we can continue to add value via security selection in the U.S. investment-grade debt segment. However, protecting principal and providing liquidity will always come first.

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Average Annual Total Returns

AS OF 03/31/2021	YTD	1-year	3-year	5-year	10-Year	Since Inception	Inception Date	Net Expense	Gross Expense
Ultra Short Government Fund (SAFEX)	0.03%	0.29%	1.63%	1.22%	0.62%	2.29%	08/01/1991	0.20%	0.71%
ICE BofA US 6-Month Treasury Bill	0.04%	0.16%	1.75%	1.40%	0.81%	2.84%	-	-	-

30-Day SEC Yield

AS OF 03/31/2021	Subsidized Yield	Unsubsidized Yield
Ultra Short Government Fund (SAFEX)	0.20%	-0.41%

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 04/22/2021, 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 07/31/2021.

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.

The Fund’s Investment Advisor may also voluntarily waive fees from time to time. For example, the Advisor may voluntarily undertake to waive fees in the event that fund yields drop below a certain level. Once started, there is no guarantee that the Advisor would continue to voluntarily waive a portion of its fees. Such voluntary waiver is not reflected in the Fund’s Net Expense Ratio but may impact the Fund’s performance.

Effective 12/16/2016, the Ultra Short Government Fund revised its principal investment strategies. Prior to that date, the Fund operated as a “government money market fund” and maintained a stable net asset value of $1.00 per share. 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 **ICE BofA 6-Month Treasury Bill** index is generally representative of the market for U.S. Treasury Bills.

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: 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. **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. **Investment Grade Bonds** are those securities rated at least BBB-. **Non-Investment Grade Bonds** are those securities (commonly referred to as “high yield” or “junk” bonds) rated BB+ and below.

Consider these risks before investing: All investments involve risks, including possible loss of principal. Market risk includes political, regulatory, economic, social and health risks (including the risks presented by the spread of infectious diseases). Changing interest rates may have sudden and unpredictable effects in the markets and on the Fund’s investments. See the Fund’s prospectus for a further discussion of risks.

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.