

ULTRA SHORT GOVERNMENT FUND

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

The Ultra Short Government Fund returned +0.81% in the fourth quarter compared to a +0.96% return for the ICE BofAML U.S. 6-Month Treasury Bill Index (6-Month Treasury). For the full calendar year, the Fund returned +1.24% compared to a +1.34% return for the index. In an otherwise dismal year for investors, equity and fixed income, a bright spot has been the performance of our Ultra Short Government. The Fund has weathered the historic pace of fiscal tightening (increases in short-term interest rates) conducted by the Federal Reserve. Black ink (positive results) was very difficult to come by in 2022 — and we are pleased to report positive, albeit modest, full year results. As importantly, forward return prospects have not been this promising in over a decade, which provides an encouraging outlook for 2023. This can be seen in the Fund's improved yield-to-worst (YTW) metric. As a reminder, YTW has historically been a reasonable predictor of forward returns. The Fund's YTW increased from 2.7% on September 30, 2022, to 4.1% on December 31, 2022.

Overview

The Federal Reserve delivered a fourth-consecutive super-sized 0.75% interest rate hike to the federal funds rate in November before slowing its pace to an increase of 0.50% in December, resulting in a 4.25-4.50% target rate by year-end. In the minutes released from the Fed's December 2022 meeting, Federal Open Market Committee (FOMC) members' projections (known as the 'dot plot') showed a median year-end 2023 estimate for the federal funds rate target of 5.125%, with an upward skew to that median (17 of the 19 committee member estimates were above 5%).

It's worth noting that despite the economic data at the Fed's disposal (arguably vastly superior to all market participants), their 'crystal ball' is as cloudy as everyone else's. Case in point, in the Fed minutes from December 2021, 16 of 18 FOMC members had projected end-of-year 2022 'dots' below 1% (with a median dot for end-of-year 2024 of 2.1%). There were even a number of people still thinking inflation would prove 'transitory.' So much for forecasts. More evidence of why we eschew making too many (if any).

Whether accurately forecast or not, 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 a result, our 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. As of December 31, 2022, 88.5% of our portfolio was invested in U.S. Treasury notes, 3.7% in investment-grade asset-backed securities, and 7.8% in a high-quality money market fund and cash equivalents. The average effective duration as of December 31, 2022, increased to 0.3 years from 0.1 years as of September 30, 2022. The Fund's 30-day yield decreased approximately 151 basis points in the quarter to 3.99% as of December 31, 2022. Given that the Fed appears intent on continuing to raise short-term interest rates in 2023 (albeit modestly from current levels), the Fund's 30-day yield may rise 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 higher total returns 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 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 in managing the Ultra Short Government Fund on behalf of shareholders.



FIXED INCOME INSIGHTS: Bonds are Back / Return of Income

The past 12 months have been challenging for fixed income investors. But as we enter 2023, the bond landscape is no longer an environment of 'return-free risk.' Rather, it is filled with new opportunities to generate income from a portfolio of fixed income securities.

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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	(8/1/1991)		
SAFEX Institutional Class	0.81	1.24	1.24	0.76	1.28	0.73	1.13	2.12	2.20	0.20	0.68
ICE BofA US 6-Month Treasury Bill Index	0.96	1.34	1.34	0.82	1.39	0.91	1.49	2.61	2.72	-	-

YIELDS (%)			
	30-DAY SEC YIELD		Dividend Yield
	Subsidized	Unsubsidized	
SAFEX	3.99	3.65	4.16

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

Data is for the quarter ending 12/31/2022. 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 01/20/2023, 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 07/31/2023.

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.

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.

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- by one or more credit ratings agencies. **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.

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.