

# ULTRA SHORT GOVERNMENT FUND

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The Ultra Short Government Fund returned +1.46% in the fourth quarter compared to a +1.49% return for the ICE BofAML U.S. 6-Month Treasury Bill Index (6-Month Treasury). For the calendar year, the Fund returned +4.97% compared to a +5.14% return 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.

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, 2023, 89.3% of our portfolio was invested in U.S. Treasury notes, 1.2% in investment-grade asset-backed securities, and 9.5% in a high-quality money market fund and cash equivalents. The average effective duration as of December 31, 2023, was unchanged from September 30, 2023, at 0.5 years. The Fund’s 30-day yield declined modestly in the quarter to 4.92% as of December 31, 2023. Given the Fed’s potential pause and possible reduction in short-term interest rates in 2024, the Fund’s 30-day yield may 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 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 remain providing current income, protecting principal, and providing liquidity.



### 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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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	1.46	4.97	4.97	2.06	1.91	1.22	1.35	2.19	2.29	0.33	0.64
ICE BofA US 6-Month Treasury Bill Index	1.49	5.14	5.14	2.17	2.02	1.40	1.68	2.66	2.79	-	-

YIELDS (%)	30-DAY SEC YIELD		
	Subsidized	Unsubsidized	Distribution Yield
	SAFEX	4.92	4.70

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](https://www.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.

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. **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. **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. **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. **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.

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.

**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](https://www.weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

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