Make Your Move: From Parked Cash to Productive Income

Weitz | INVESTMENT MANAGEMENT

KEY POINTS:

- With Fed rate cuts now underway, future returns on cash are likely to decline.
- Short and intermediate bond funds offer higher yield-to-worst (YTW) potential.
- Powell's reminder that policy is "far from predetermined" reinforces the need for real yield awareness and portfolio flexibility.

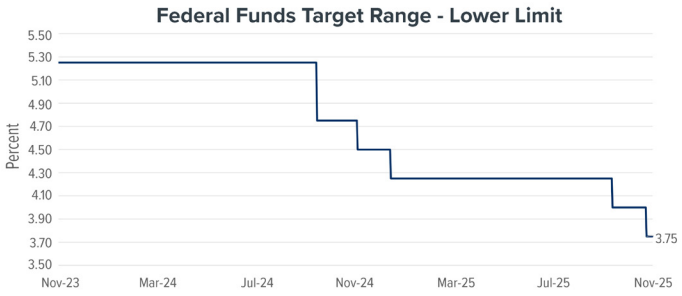
In today's fixed income market, investors are back at the game board. The dice have been rolled, and the Federal Reserve's first rate cuts mark a clear turn in this monetary cycle. For much of the past two years, "parking" cash felt like a winning move—collecting high yields while others navigated rate volatility. But with Powell emphasizing that policy is "far from predetermined," the next few turns may be less linear than expected.

Just as in Monopoly, the spaces that once felt like "Free Parking" no longer provide easy rewards. As cash yields slip, the challenge is finding productive income opportunities without landing on the wrong square.

FREE PARKING? NOT ANYMORE .

The Federal Reserve's first two rate cuts of this cycle have set a new tone for markets, even as Chair Powell emphasized that the path forward remains data-dependent. While the easing trend through 2026 is still the base case, recent comments highlight that monetary policy decisions will hinge on incoming inflation and labor data—not a preset trajectory.

This nuance matters. The initial rate cuts have already pushed front-end yields lower, narrowing the once-attractive gap between cash returns and inflation. For investors, that means the era of effortless yield in money market funds—what many viewed as "free parking"—is beginning to fade.



Source: Board of Governors of the Federal Reserve System via FRED

STILL IN THE GAME: INFLATION MATTERS MORE THAN EVER

Inflation remains stubbornly above target. With the September inflation report now released, the Bureau of Labor Statistics reported headline CPI up 3.0% year-over-year and 0.3% month-to-month, while Core CPI decreased slightly to 3.0%[1]. These readings underscore the slow progress toward the Fed's 2% objective— and remind investors that even modest inflation can erode real returns on cash. Meanwhile, the ongoing government shutdown has disrupted the regular flow of official data, complicating the Fed's ability to assess both labor conditions and price pressures.

That uncertainty leaves policymakers cautious: a softer inflation trend may justify continued gradual easing, but **persistent core inflation and limited data visibility** could prompt patience—or even a pause—in future cuts. Either way, the situation underscores the importance of **real return awareness**, as policy visibility remains clouded and markets recalibrate in real time.

THE REAL VS. NOMINAL YIELD EQUATION

It's understandable that investors have grown comfortable holding cash after two years of elevated short-term yields. But as the Fed eases, those yields will likely reset lower, even as inflation quietly diminishes their purchasing power. By comparison, short and intermediate bond funds offer the potential for:

- **Higher real income** over time
- **Income generation through credit spread and carry**, not just policy rates
- **Capital preservation** within a measured duration framework

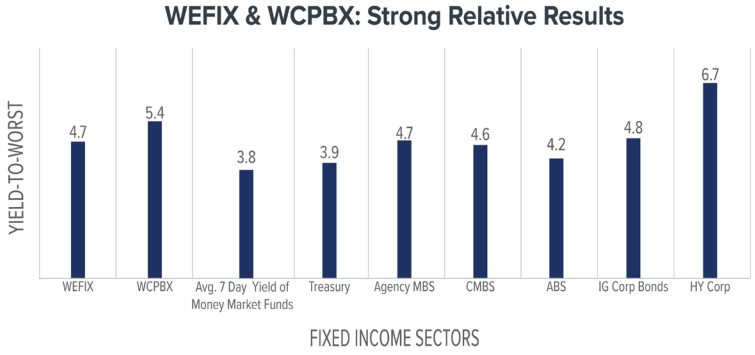
Recent market shifts have widened the **yield-to-worst gap** between cash and quality fixed income, presenting opportunities to improve portfolio efficiency without taking on excessive risk.

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ADVANCE STRATEGICALLY: SHORT AND INTERMEDIATE OPPORTUNITIES

Investors who are hesitant to extend fully into long-duration core bonds may find balance in **short or intermediate strategies**.

- **Short Duration Funds** (1–3 year duration) can help cushion against rate volatility while maintaining attractive yields.
- **Intermediate Core Plus Funds** incorporate spread sector and government security investments. This provides the potential for enhanced yields, while positioning investors to benefit from potential duration tailwinds, as rates move lower. (or something to this effect).



Source: Bloomberg as of 9/30/2025

For instance, the **Weitz Short Duration Income Fund (WEFIX)** with its disciplined approach to income and preservation. Meanwhile, strategies such as the **Weitz Core Plus Income Fund (WCPBX)** may offer greater upside potential if the easing cycle unfolds as expected.

THE GAME HAS CHANGED: PLAY FOR REAL RETURNS

Cash had its moment. But as rate cuts take effect and inflation lingers, investors face a new reality: the purchasing power of idle cash is quietly shrinking.

In this environment, **real yield and flexibility**—not simply nominal yield—should guide portfolio positioning. Whether through short-duration strategies for caution or intermediate funds for balance and opportunity, stepping out of cash

RETURNS (%)

	AVERAGE ANNUAL TOTAL RETURNS 1 YR	3 YR	5 YR	10 YR	Net Expense	Gross Expense
WEFIX Institutional Class	4.96	5.88	3.06	2.76	0.45	0.54
WSHNX Investor Class	4.75	5.72	2.95	2.60	0.62	0.87
WCPBX Institutional Class	3.74	6.03	2.01	3.53	0.45	0.52
WCPNX Investor Class	3.53	5.89	1.90	3.38	0.65	0.78
Bloomberg U.S. Agg 1-3 YR Index	4.14	4.70	1.78	1.92	-	-
Bloomberg U.S. Agg Bond Index	2.88	4.92	-0.45	1.84	-	-

YIELDS (%)

	30-DAY SEC YIELD Subsidized	Unsubsidized	Distribution Yield
WEFIX	4.65	4.60	4.58
WSHNX	4.45	4.26	4.38
WCPBX	5.14	5.10	5.05
WCPNX	4.94	4.85	4.85

[1]U.S. Bureau of Labor Statistics. Consumer Price Index Summary – September 2025. Released October 24, 2025. bls.gov

IMPORTANT DISCLOSURES

Data is quoted as of 9/30/2025 unless otherwise indicated. 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.

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 10/30/2025, 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.

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

Effective 12/16/2016, the Short Duration Income 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.

The Short Duration Income Fund has entered into a fee waiver and/or expense reimbursement arrangement with the Investment

Advisor by which 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 Fund's average daily net assets through 7/31/2026. 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 fee waiver and/or expense reimbursement. The net expense ratio represents what investors are ultimately charged to be invested in a mutual fund.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The Short Duration Income Fund has compared its performance to the **Bloomberg 1-3 Year U.S. Aggregate Index**, which is generally representative of the market for investment grade, U.S. dollar denominated, fixed-rate taxable bonds with maturities from one to three years. The Short Duration Income Fund has also selected the **Bloomberg U.S. Aggregate Bond Index** as its broad-based index for regulatory requirements.

Holdings are subject to change and may not be representative of the Fund's current or future investments.

Definitions: **Yield to Worst (YTW)** is the lowest potential yield that can be received on a bond portfolio without the issuers actually defaulting. Average Coupon is the weighted average coupon rate of each bond in the portfolio. **The Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by consumers for a representative basket of consumer goods and services. The CPI measures inflation as experienced by consumers in their day-to-day living expenses.

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. The Fund may purchase lower-rated and unrated fixed-income securities, which involve an increased possibility that the issuers of these may not be able to make payments of interest and principal. See the Fund's prospectus for a further discussion of risks.

Investors should consider carefully the investment objectives, risks, and charges and expenses of the Funds before investing. This and other important information is contained in the prospectus and summary prospectus, which may be obtained at weitzinvestments.com.

Weitz Securities, Inc. is the distributor of the Weitz Funds.