Weitz | INVESTMENT MANAGEMENT

A Different Starting Point for Bonds



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After the sharp bond market losses of 2022, many investors remain skeptical about the role bonds can play in a diversified portfolio. The Bloomberg U.S. Aggregate Bond Index (the Agg) has recently moved into negative territory for the year, while Treasury yields have pushed higher. Together, those developments have prompted questions about the outlook for fixed income in a higher-rate environment.

A more complete view includes both the price movement investors have experienced and the income available going forward. Rate volatility remains a real risk, but higher starting yields provide more income and more attractive levels at which to reinvest portfolio cash flows.

Bond prices can decline when yields rise. At the same time, higher starting yields allow income to contribute more meaningfully to total return. Yields at current rates mean investors face a materially different return equation now, than they did when entering 2022.

A Different Starting Point

The bond market entered 2022 with historically low yields and limited income. When the Federal Reserve began its most aggressive tightening cycle in decades, the decline in bond prices quickly overwhelmed the income portfolios were earning. The result was an unusually difficult year for the Agg and for high-quality fixed income more broadly.

Today, the broad fixed income market offers both higher yields and higher coupons. Income, or carry, can once again be a meaningful contributor to expected returns, while the higher-rate environment has expanded the range of potential risk-adjusted opportunities.

We believe that distinction is important. In a low-yield market, future return potential depends more heavily on favorable price movement. At today's higher yields, income can once again do more of the work.

Income Can do More More of the Work

A bond portfolio's total return reflects both changes in market value and the income earned while securities are held. While rate movements affect market value, coupons and principal payments can continue to generate cash. At today's yields, those contractual cash flows can represent a more meaningful source of return.

The comparison below highlights how active portfolio construction can produce a different balance of income and interest-rate risk than the benchmark. As of June 30, 2026, the Weitz Core Plus Income Fund offered a higher yield to worst and average coupon than the Agg, while maintaining modestly lower effective duration.

These differences reflect distinct portfolio compositions and risk exposures. The Fund's higher yield is not without additional risk, but it demonstrates that investors do not necessarily need to accept the benchmark's precise mix of income, duration and sector exposure.

	Core Plus Income Fund	Bloomberg US Aggregate Bond Index
Yield to worst	5.8%	4.7%
Average Effective Duration	5.4 Years	5.9 Years
Average Coupon	5.3%	3.8%

Data as of 6.30.2026

Reinvestment is part of the opportunity

The impact of higher rates also extends beyond near-term price changes. Our portfolios continually receive cash from coupon payments, maturities, calls and principal payments from mortgage-backed securities. Those cash flows give us the ability to reinvest as market opportunities evolve.

If rates remain elevated or move higher, that cash can be put to work at more attractive yields, increasing a portfolio's future earning power. This ability to reinvest at higher yields is one reason we view volatility as more than a source of risk. It can also create opportunities to improve income and upgrade portfolio positioning.

The benefit does not appear all at once. It builds as income is collected and capital is recycled through the portfolio. Over a full market cycle, those cash flows can become a meaningful component of total return.

The Agg is a benchmark, not an opportunity set

The Agg remains an important measure of the investment-grade bond market, but it is not designed to identify the most attractive risk-adjusted opportunities. Its weights are driven by the amount of debt outstanding, and its eligibility rules exclude significant portions of the fixed income market, including many floating-rate and securitized investments.

At Weitz, we are not required to accept the index's duration, sector weights or sources of risk. We can compare opportunities across the broader market, adjust interest-rate exposure and allocate capital where we believe the compensation is most attractive.

That flexibility is particularly important today. Yields are elevated, but credit spreads remain tight in many areas. Attractive headline income should not be confused with attractive value in every part of the market. Our focus is not simply on maximizing yield; it is on determining which risks we are being paid to take.

What matters from here

The possibility of higher rates deserves consideration, but it is only one part of the fixed income outlook. Starting yield, duration, credit compensation, portfolio liquidity and reinvestment opportunities all influence how a portfolio may perform.

Another sharp move higher in interest rates would likely put downward pressure on bond prices and near-term total returns. In that environment, today's higher-income starting point would provide more support than investors had entering 2022, while ongoing cash flows could be reinvested as opportunities develop.

For us, the relevant question is not simply whether rates may rise. It is whether a portfolio is earning enough income for the risks it carries and has the flexibility to respond as market conditions change.

Returns (%) AS OF 6.30.2026

	AVERAGE ANNUAL TOTAL RETURNS			
	1 YR	3 YR	5 YR	10 YR
WCPBX Institutional Class Expense Ratio: 0.45% (net) | 0.49% (gross)	4.79	5.19	1.73	3.19
Bloomberg U.S. Aggregate Bond Index	3.79	4.16	0.08	1.54

Yields (%) AS OF 6.30.2026

	30-DAY SEC YIELD		
	Subsidized	Unsubsidized	Distribution Yield
WCPBX	5.34	5.29	5.17

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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 07/31/2027.

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, if any; total returns would have been lower had there been no waivers or reimbursements.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

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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