WESTWOOD FUNDS®

Westwood Income Opportunity Fund (WHGIX)

4Q16 Commentary

Investment Objective

The primary investment objective of the Westwood Income Opportunity Fund is to provide current income. A secondary objective of the Fund is to provide the opportunity for long-term capital appreciation.

Strategy Description

The Westwood Income Opportunity Fund seeks to provide a competitive level of income, along with the opportunity for long-term appreciation by investing in a diversified variety of higher-quality securities. The goal is to find the best relative value and solid dividend or interest paying securities including common and preferred stocks, corporate and government bonds, MLPs (Master Limited Partnership) and REITs (Real Estate Investment Trust).

Key Highlights

- Donald Trump's election victory produced the strongest post-election equity market rally in more than six decades, lifting major U.S. equity indices to all-time highs
- Oil prices rose over 7% as The Organization of the Petroleum Exporting Countries (OPEC) reached an agreement to cut oil production for the first time since 2008
- The U.S. trade-weighted dollar strengthened over 6% against major currencies
- The 10-year U.S. Treasury yield rose 0.85% to 2.44%, handing holders a loss of 6.8% for the quarter and making Fixed Income the worst-performing asset class
- Equities were the best-performing asset class

Market Overview

Looking back, 2016 — and in particular the fourth quarter — will be remembered as marking the beginning of a regime change in financial markets. For one, it appears U.S. monetary policy will finally get to pass the stimulus baton on to fiscal policy, making the Federal Reserve (Fed) the envy of most other major central banks around the world. While the fears of disinflation and low global growth that permeated financial markets earlier in the year were already easing prior to the U.S. election, the outcome of the election served to supercharge that improving sentiment and caused a powerful sector and asset class rotation. Among other things, investors moved further out on the risk spectrum and focused on companies with higher U.S. exposure, helping small-cap equity gains outpace large-cap equity gains by more than double. As expected, the Federal Reserve, citing higher inflation expectations and signs of a tightening labor market, raised its key interest rate by 0.25% in December. The U.S. unemployment rate continued to edge lower while wage growth continued to tick higher, helping to boost consumer confidence/sentiment readings to 15-year highs.

By the Numbers

Financial stocks, particularly banks such as US Bancorp and Wells Fargo, logged very strong gains on the anticipation of reduced regulatory headwinds, the expectation of higher interest rates improving net interest margins, and the rising potential for favorable corporate tax reform. Defense-related stocks such as General Dynamics and Boeing benefited from expectations that the Republican sweep will lead to higher defense spending. Time Warner rose dramatically on the announcement that AT&T had made an offer to acquire the company at a sizeable premium.

Becton Dickinson, CVS and Abbott Laboratories were weighed down by weakness in the Health Care sector, which was repeatedly bruised by headline-grabbing attacks on drug pricing from Donald Trump and Hillary Clinton in the run-up to the election. Additionally, despite posting better-than-expected results, Becton Dickinson's shares suffered as a result of several competitors posting weak results; CVS gave disappointing guidance for 2017 after losing two important contracts to Walgreens, raising investors' fear of worsening competition; and Abbott Laboratories saw decent quarterly results overshadowed by concerns regarding the company's possible acquisition of Alere. The significant rise in interest rates weighed meaningfully on higher-yielding securities such as the Preferred Stock of US Bancorp and REITs such as Boston Properties.

Summary and Positioning

Looking forward, 2017 has the potential to see several important regime changes unfold, including: fiscal policy replacing monetary policy; regulatory burdens decreasing rather than increasing; pricing power improving as disinflationary forces recede; and interest rates moving higher from historic lows. This represents a relatively encouraging backdrop for corporate earnings growth. Additionally, should interest rates increase further, higher quality businesses may start to be rewarded for their advantaged position over lower quality peers whose weaker business models have been shielded by historically low costs of capital. We continue to focus on identifying high-quality businesses with undervalued growth prospects and strong downside protection to protect client capital should volatility increase.

Our research process continues to find opportunities both across asset classes and within each asset class. As an illustration, we are currently finding the most attractive investment opportunities in high-quality dividend-paying Common Stock, and within that asset class we like exposure to U.S. banks. Household names we own such as US Bancorp, Wells Fargo and Bank of America stand to benefit from several tailwinds. Over the past several years, low and falling interest

Summary and Positioning *(continued)*

rates pressured banks' net interest margin (NIM). Recently, interest rates have begun to move higher and we expect that trend to continue, bolstering prospects for higher NIMs, which in turn should help drive earnings growth for banks. Potential corporate tax reform serves as another tailwind for U.S. banks given their largely domestic focus and high effective tax rates. Additionally, the incoming administration has indicated a desire to lower the regulatory burden on the U.S. banking system, which, if successful, would mark a significant change to the regulatory trend U.S. banks have faced since the global financial crisis.

We maintain modest exposure to government and corporate bonds; we will look for an increase in interest rates, combined with a widening in credit spreads, to create additional opportunities within the fixed income and fixed income-like markets. Our higher-than-normal cash position has continued to help serve as a cushion against market volatility and will give us the ability to acquire assets at more attractive levels as volatility and interest rates normalize.

During the quarter the team made several changes to the portfolio in order to improve our expected risk-adjusted return. Positions were initiated in the Common Stock of Home Depot, Bank of America, Booz Allen Hamilton and Union Pacific, in the short-dated Corporate Debt of AT&T, Chevron, Intel, MetLife and United Technologies, and in a Freddie Mac bond due 2017. Positions were exited in the Common Stock of CVS, in the Corporate Debt of Bank of America and in a Freddie Mac bond due 2019. Our U.S. Treasury bond due 2016 matured.

4Q16 Largest Contributors and Detractors

Five Largest Contributors	Five Largest Detractors
U.S. Bancorp	Becton Dickinson & Co.
Wells Fargo & Co.	US Bancorp Preferred
Time Warner Inc.	CVS Health Corp.
Boeing Co.	Boston Properties Inc.
General Dynamics Corp.	Abbott Laboratories

Westwood Income Opportunity Fund Performance as of 12/31/16

			Annualized			
	4th Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception*
Westwood Income Opportunity Fund	0.74%	6.66%	4.27%	6.98%	6.26%	6.74%

**Inception date is 12/19/05. The performance data quoted represents past performance. Past performance is not indicative of future results. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Total expense ratio for the Fund is 0.90%. The expense ratio does not reflect the ability of the Adviser to recover all or a portion of prior waivers, which would result in higher expenses for the investor. This option is available contractually to the Adviser until three years after the year in which the Adviser incurred the expense if the recoupment does not exceed the existing expense limitation. For performance data current to the most recent month end, please call 1-877-FUND-WHG or visit our website at www.westwoodfunds.com.*

WESTWOOD FUNDS®

Westwood Income Opportunity Fund (WHGIX)

4Q16 Commentary

Top 10 Holdings as of 12/31/16*	
Comcast Corp. Class A	Home Depot Inc.
U.S. Bancorp	Enterprise Products Partners L.P.
PepsiCo Inc.	Boston Properties Inc.
JPMorgan Chase & Co. Preferred	General Mills Inc.
Honeywell International Inc.	Alexandria Real Estate Equities Inc.

**Top 10 holdings represent 22.69% of the total portfolio. Holdings are subject to change. Current and future holdings are subject to risk.*

Large cap (sometimes "big cap") refers to a company with a market capitalization value of more than $5 billion. Large cap is a shortened version of the term "large market capitalization." Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

Small cap is a term used to classify companies with a relatively small market capitalization. A company's market capitalization is the market value of its outstanding shares. The definition of small cap can vary among brokerages, but it is generally a company with a market capitalization of between $300 million and $2 billion.

Mutual fund investing involves risk, including possible loss of principal. In addition to the normal risks associated with investing, bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. Investments in securities of MLPs involves risk that differ from investments in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP. MLP common units and other equity securities can be affected by economic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the energy sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer. In addition to the normal risks associated with investing, REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. There is no guarantee that the Fund will achieve its stated objective, which can be found in the prospectus, or that of the strategy.

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's summary or full prospectus, which may be obtained by calling 1.877.FUND.WHG (877-386-3944), or by visiting our website at westwoodfunds.com. Read the prospectus carefully before investing or sending money.

This material represents the manager's assessment of the market environment and should not be relied upon by the reader as research or investment advice regarding any security, nor is it intended to be a forecast of future events or a guarantee of future results.

The Westwood Funds are distributed by SEI Investments Distribution Co., which is not affiliated with the Westwood Management Corp.