WESTWOOD FUNDS®

Westwood Global Equity Fund (WWGEX)

4Q16 Commentary

Investment Objective

The investment objective of the Westwood Global Equity Fund is to seek long-term capital appreciation.

Strategy Description

The Westwood Global Equity Fund primarily invests in the common stocks of well established companies around the world. The strategy uses a bottom-up stock selection process and has diversified exposure to the best global investment opportunities with risk controls at the country, sector, and individual security level. The strategy invests in sound businesses that are mispriced and that can generate sustainable and/or growing economic growth.

Key Highlights

- Global equity markets (as measured by the MSCI ACWI USD) rose almost 5% in the quarter, led by Emerging Markets with a YTD gain of almost 14%
- Within the portfolio, Financials, Information Technology and Utilities contributed, while Materials detracted. At the country level, positioning in the U.S., Taiwan, South Korea and Hong Kong were positive, while Japan, Switzerland and Thailand detracted
- The growing divergence in growth prospects and economic performance of global equities should present new opportunities for investors through prudent allocation and stock selection

Market Overview

Global equity markets (as measured by the MSCI ACWI USD) were flat for the fourth quarter, closing the year with a return of 6%. Emerging Markets fell against the developed world as the U.S. dollar jumped to its highest level since 2003, spurred by possible interest rate hikes from the Federal Reserve, as bond yields rose sharply from growth optimism, in expectation of greater fiscal spending and reduced regulatory headwinds under the Trump presidency. Copper, West Texas Intermediate (WTI) crude oil and European financials led returns, while gold, silver and interest-rate sensitive corporate and sovereign bonds underperformed. From a sector perspective, Financials, Energy and Materials outperformed, while defensives such as Consumer Staples, Health Care and Utilities lagged.

North America outperformed as both the U.S. and Canada rose. The surprise election outcome was viewed positively by investors as a new period of anti-regulation and pro-growth stimulus policy, particularly in the banking, health care and energy sectors, that would reignite domestic growth and fuel inflation. The TSX in Canada was one of the best-performing markets in the developed world amid hopes that energy exports will accelerate.

Europe was mixed, as Italy rose sharply following the rejection of the Senate reform referendum and better than expected manufacturing PMI (Purchasing Manager's Index) at 53.2, while in Austria, the populist movement failed to capture the general election. The rest of the region was weak amid questions regarding the future of the European Union (EU), as Belgium, Denmark and Finland led losses. The UK declined about 2% as discussions continue in the post-Brexit era.

Asia ex-Japan underperformed with a loss of almost 7% for the quarter as New Zealand, Hong Kong/China and particularly the ASEAN region declined against U.S. dollar resurgence and uncertainty regarding current trade agreements and future growth prospects. China saw a tightening of liquidity available on concerns that a depreciating yuan would trigger outflows, while Korean equities suffered from the depreciation in the won as the country continues to experience political turmoil following the impeachment of President Park.

Emerging Markets (EM) declined in the fourth quarter but retained a healthy return of 9% for the year. The rotation out of EM assets was compounded by currency declines in most markets, particularly in the Turkish lira, Mexican peso and the Egyptian pound. Asia equities fell almost 6% in aggregate as Philippines and Malaysia underperformed. Indian equities were neutral as the RBI kept interest rates unchanged, providing some time to gauge the impact of the demonetization drive of the government. The Europe, Middle East and Africa (EMEA) region benefited from a recovery in Russia as oil prices rose, offsetting renewed losses in Turkey and stagnation in South Africa. Returns in Latin America were muted as rising commodity prices helped to offset the impact of rising treasury yields. Weakness in the Mexican peso from growth uncertainty remained a headwind for investors, as the currency posted its worst total return in five years.

Macroeconomic data in retail sales and industrial production showed a continued contraction in economic activity in Brazil, but the approval by the senate of a 20-year government expenditure-cap bill to control the widening budget deficit provided optimism for further policy reform and potential economic recovery.

By the Numbers

Within the portfolio, positive allocation effect was offset by detraction in security selection. Utilities, Consumer Discretionary and Financials were the leading sector detractors. At the country level, positioning in Japan, China, Egypt, Hong Kong and the Philippines detracted, while Argentina, Austria and Switzerland were positive.

In Utilities, CT Environmental Group, an industrial waste water treatment company in China, detracted as shares fell substantially

By the Numbers *(continued)*

before being temporarily halted from trading in early December. Allegations of questionable practices regarding asset valuation, reporting and conflict of interest were published by an investment firm based in California, whose short-position in CT Environmental was itself a questionable motive. We held several rounds of discussions with company management and cross-checked our findings with sell-side analysts as well as other major shareholders of the company, and found no basis for the allegations and/or evidence of fraud and/or misconduct. We will continue to press for greater transparency in data and more comprehensive disclosure and communication, given the complexity of its business, and management has conceded that steps to improve corporate governance will be taken. Fundamentally, the company has reiterated its long-term strategy of achieving growth organically (from existing projects) and from potential merger and acquisition transactions.

Consumer Discretionary detracted primarily from security selection, in particular, Hanon Systems and Samsonite International. Despite the short-term selloff in price primarily due to a correction in the broader Korean equity market, Hanon remains a long-term holding and the investment thesis includes industry leading climate-control technology, ongoing restructuring and market dominance that should continue to drive pricing power, new business opportunities (particularly from regulation and the proliferation of electronic vehicles) and long-term growth prospects. Samsonite International, the leading global luggage brand which has been under some pressure from a slowdown in tourism particularly in Asia, also detracted, but the company is focused on cost efficiency and operating leverage as it continues to rationalize its product lines, including the newly-acquired Tumi business luggage brand.

Positive contribution from U.S. holdings such as JPMorgan, MetLife and Capital One was not enough to offset overall negative security selection in Financials. Commercial International Bank of Egypt was the highest detractor, as valuation was adversely impacted by Egypt's decision to move to a free floating currency regime, leading to a massive devaluation in the pound. In local currency terms, however, the stock has since recovered over 30% from the trough, driven by strong fundamentals. Reported 3Q earnings were up 28% year over year from higher net interest margins and deposit growth reached 15% this year. Moody's detracted amid the overhang of potential litigation from the Department of Justice, but we remain positive on the company's business model and long-term growth outlook, as demonstrated by strong Q3 results that show attractive operating leverage. AIA detracted from ongoing policy risks in mainland China to curb capital outflows, as new restrictions were announced on insurance products purchased through UnionPay, Visa and MasterCard. Meanwhile, sales in Southeast Asia have been adversely impacted by volatile equity markets, and weaker local currencies could have a negative translation impact in the near-term.

4Q16 Largest Contributors and Detractors

Five Largest Contributors	Five Largest Detractors
JPMorgan Chase & Co. – U.S.	Commercial International Bank SAE – Egypt
MetLife Inc. – U.S.	Moody's Corp. – U.S.
Capital One Financial Corp. – U.S.	CT Environmental Group Ltd. – China
BNP Paribas SA – France	Hanon Systems – Korea
Tenaris SA – Argentina	Ayala Land Inc. – Philippines

Top 10 Holdings as of 12/31/16*

JPMorgan Chase & Co.	Omnicom Group Inc.
Honeywell International Inc.	Chubb Ltd.
Moody's Corp.	Roche Holding Ltd.
Raytheon Co.	Microsoft Corp.
Dun & Bradstreet Corp.	Kraft Heinz Co.

**Top 10 holdings represent 26.22% of the total portfolio. Holdings are subject to change. Current and future holdings are subject to risk.*

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Westwood Global Equity Fund Performance as of 12/31/16

			Annualized	
	4th Quarter	**1 Year**	**3 Years**	**Since Inception***
Westwood Global Equity Fund	-1.97%	7.57%	0.94%	5.00%
MSCI All Country World Index (ACWI)	*1.30%*	*8.48%*	*3.69%*	*8.36%*

**Inception date is 12/26/12. 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 1.68% (gross) and 1.00% (net). The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2017. In the absence of current fee waivers, total return and yield would be reduced.) For performance data current to the most recent month end, please call 1-877-FUND-WHG or visit our website at westwoodfunds.com.*

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indices comprising 23 developed and 23 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The Benchmark Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance does not reflect any management fees, transaction costs or expenses. The Benchmark Index is unmanaged and investors cannot invest directly in the an index.