

Investment Objective

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

Strategy Description

The Westwood SmallCap Fund pursues long-term capital growth by investing in small companies that trade on U.S. stock exchanges.

Key Highlights

- Technology posted strong positive stock selection contributing to relative performance
- Consumer Discretionary hurt relative performance due to negative stock selection
- Utilities aided relative performance due to our underweight
- Financial Services and Energy were the best-performing sectors in the Russell 2000 Value Index while Health Care and Real Estate Investment Trusts (REITs) were the worst-performing sectors

Market Overview

Looking back, 2016 and more specifically, the fourth quarter, will be remembered for the beginning of the regime change in the markets and the optimism that unfolded post-election within equities. The confidence altered many investor paradigms which had previously centered on concerns over the economy and replaced them with the hope for a better growth environment going forward. As a result of the shift, investors moved further out on the risk spectrum pushing small-cap stocks up more than large-caps, although both posted strong absolute gains for the quarter. As expected, the Federal Reserve (Fed) hiked rates in December on the back of a brighter outlook for growth and rising prospects for inflation. The U.S. Dollar appreciated during the period as well as crude oil prices, which rallied strongly on the back of an agreement by the Organization of the Petroleum Exporting Countries (OPEC) to reduce supply. Consumer confidence hit the highest level for the year in December as did the Institute of Supply Management (ISM) Manufacturing Purchasing Managers Index (PMI) as sentiment surged into year-end with employment continuing to remain strong.

By the Numbers

Regional banks broadly were bid higher during the quarter as rising interest rates were seen by investors as drivers for better net interest margins to come in conjunction with potential corporate tax reform to further complement fundamentals. A more favorable regulatory environment for regional banks was seen as an incremental positive for several quality franchises we own that were notable contributors to performance including Columbia Banking System, LegacyTexas Financial and Berkshire Hills

Bancorp. We continue to view the group favorably and believe high-quality franchises that are growing and taking market share can thrive regardless of the interest rate environment. Employers Holdings also benefited from rising interest rates given the long-tailed nature of workers' compensation policies. Synergy Resources posted a slightly better than expected quarter with continued solid execution and rallied as crude oil prices moved higher on OPEC's agreement to reduce their supply into the global market.

We saw weakness in several names including Time, which faced continued pressures on the top line related to declines in print media. Oxford Industries declined as their Tommy Bahama franchise saw traffic declines during the quarter leading to a reduction in their guidance. Their Lilly Pulitzer brand continued posting strong returns. Omnicell moved lower as shares reacted to missing earnings expectations and a reduction in guided revenue growth as more sales growth would occur in the later part of 2017. TrueBlue fell as the company continued to see pressures on their top line from a major customer insourcing more employees. This also caused the company to miss earnings expectations as they were not able to cut costs fast enough to offset the declines. Opus Bank shares sold off as credit issues emerged with their loan book. Their recent growth appeared to have come at the cost of quality of the underlying borrowers.

Summary and Positioning

Look forward, 2017 could see several important regime changes unfolding including: fiscal policy replacing monetary policy as the stimulant to the economy, regulatory burdens decreasing rather than increasing, pricing power expanding as disinflationary forces recede and interest rates moving higher from historic lows. The backdrop could provide for improving top-line growth for corporations who should see profits accelerate in tandem. Generational tax reform could also add an incremental tailwind, though, not without some potential offsets. High-quality business models should benefit as higher costs of capital helps differentiate their advantaged position versus lesser peers. We continue to focus on identifying high-quality businesses with what we believe are undervalued growth prospects and the potential to reduce downside risk in order to protect client capital should volatility increase.

One such opportunity we view are regional banks. High-quality franchises like Glacier Bancorp and Chemical Financial appear poised to benefit from rising interest rates as well as market share gains from growth in their respective local economies. Falling rates over the past few years have pressured banks' net interest margin (NIM), which is the spread between what they earn in interest from making loans and the cost they pay to depositors. Higher NIM should aid returns and drive better earnings at banks going forward. Corporate tax reform could also serve as a tailwind for many of these banks given their high effective tax rates. Harder to quantify, but an important factor for the group, will be to what extent the incoming administration will be able to lower the regulatory burden for the banking system. With a clear pro-business set of appointees so far, the

4Q16 Largest Contributors and Detractors

Five Largest Contributors

Columbia Banking System Inc.
LegacyTexas Financial Group Inc.
Berkshire Hills Bancorp Inc.
Synergy Resources Corp.
Wintrust Financial Corp.

Five Largest Detractors

Opus Bank
TrueBlue Inc.
Omnicell Inc.
Oxford Industries Inc.
Time Inc.

Summary and Positioning *(continued)*

Trump administration likely provides a more favorable backdrop relative to the post-financial crisis era.

The team made changes to the portfolio to improve expected risk-adjusted return by shifting exposures within Energy and Financial Services, adding a

shopping center REIT, adjusting cyclical exposure away from temporary employers to, adding to our exposure in high-quality bank franchises, and adding to our cyclical exposures in industrials and building materials. The team also exited a name that agreed to be acquired at a significant premium.

Westwood SmallCap Fund Performance as of 12/31/16

	4 th Quarter	1 Year	Annualized		
			3 Years	5 Years	Since Inception*
Westwood SmallCap Fund	13.23%	28.33%	8.58%	17.70%	8.22%
Russell 2000 Value Index	14.07%	31.74%	8.31%	15.07%	6.22%

**Inception date is 4/2/07. 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 1.09%. Westwood Management Corp. (the Adviser) has contractually agreed to reduce fees and reimburse expenses in order to keep Total Annual Fund Operating Expenses (excluded expenses) from exceeding 1.10% of the Funds average daily net assets until February 28, 2017. Absent these waivers, total return 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 Russell 2000 Value Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. 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 into an index.

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.

Top 10 Holdings as of 12/31/16*

Apogee Enterprises Inc.	Littelfuse Inc.
Summit Hotel Properties Inc.	Synergy Resources Corp.
STAG Industrial Inc.	Callon Petroleum Co.
Ramco-Gershenson Properties Trust	Columbia Banking System Inc.
Interface Inc.	Great Western Bancorp Inc.

**Top 10 Holdings represent 21.24% of the total portfolio and represent the ten largest portfolio positions by market value in the Fund as of the period end date. Each quarter, the Westwood Funds use this same objective, non-performance based criteria to select the ten largest holdings. Holdings are subject to change. Current and future holdings are subject to risk.*

The Westwood SmallCap Fund was formerly known as the SmallCap Value Fund.

Mutual fund investing involves risk, including possible loss of principal. There are specific risks inherent in small-cap investing, such as greater share price volatility, as compared to other funds that invest in stocks of companies with larger and potentially more stable market conditions. 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.

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