WESTWOOD FUNDS®

Westwood Income Opportunity Fund (WHGIX)

1Q17 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

- Despite elevated policy uncertainty that featured an intense focus on "Affordable Care Act (ACA) Repeal and Replace" efforts and the associated implications for tax reform, U.S. equities enjoyed one of their least volatile quarters on record. Realized volatility for the S&P 500 was 6.7%, making it the least volatile first calendar quarter since 1965
- Oil prices declined roughly 10% and natural gas prices declined roughly 14%
- The 10-year U.S. Treasury yield declined 0.06% to 2.39%

Market Overview

Looking back, the stock market produced a strong quarterly gain to start the year. Large-caps led small-caps and growth stocks led value in a reversal of the trend seen in the prior year. The Federal Reserve raised the benchmark rate again in March by 25 basis points as expected, but remained committed to a gradual pace of rate hikes going forward. Interest rates remained relatively steady, declining modestly into the end of March. Global markets continue to remain keenly focused on fiscal policies as the U.K. officially triggered Article 50 to begin the process of separating themselves from the European Union and the Republican Party in the U.S. suffered a setback regarding their plan to reform health care. While these policies will continue to garner headlines, the underlying fundamentals of domestic businesses remains healthy. Soft data, such as sentiment-based survey data like consumer confidence, remains very strong and some signs of improvements in hard data, such as quantitative-based metrics like durable goods orders, were seen as well.

By the Numbers

Several Common Stock holdings saw strong gains unfold during the quarter as a result of company-specific developments. Oracle rose as strong quarterly results provided incremental evidence of an inflection point in the company's transition to a cloud-focused strategy. Home Depot moved higher as the company's same-store comparisons came in ahead of expectations and management raised their full year guidance due to confidence in their outlook for the housing market. Boeing rallied on continued strong earnings and cash flow results; the company also won several new orders, including one from Singapore Airlines, further bolstering Boeing's impressive backlog.

Shares of General Mills came under pressure on the combination of a somewhat lackluster earnings release together with reduced Merger & Acquisition speculation. The company continues to achieve good operating margin expansion, which is helping to offset weak sales, and management is making some adjustments to help drive growth in the upcoming quarters. Energy and energy-related names such as Occidental Petroleum and General Electric - which recently agreed to merge its oil and gas business with Baker Hughes, thereby creating one of the world's largest oilfield services and equipment companies - saw weakness as both oil and natural gas prices fell markedly. Shares of Booz Allen Hamilton experienced modest profit taking as investors reassessed their expectations for an increase in Defense spending in light of the failed "ACA Repeal and Replace" effort.

Summary and Positioning

Looking forward, markets will continue grappling with uncertainty on the fiscal front. More importantly, however, a key focus for equities will be nominal Gross Domestic Product (GDP) growth returning to more normalized levels as a driver for the earnings improvement that has been absent the past several years and should create more dispersion in performance of companies, as some are better equipped than others to manage through the shifting environment. Higher levels of inflation and interest rates should further help to reduce correlations within the equity markets. This should also raise the cost of capital, with high-quality business models being better able to offset the rising costs vs. their weaker peers. We continue to focus on identifying high-quality businesses with undervalued growth prospects and strong downside protection to protect client capital should volatility increase from the low levels seen in the first quarter.

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 continue to like exposure to U.S. banks. Household names we own such as US Bancorp, Wells Fargo and Bank of America saw onerous regulations put in place as a response to the Great Financial Crisis. The easing of these regulatory burdens would be

Summary and Positioning *(continued)*

meaningful to their profits due to lower compliance costs as well as easing capital constraints. Ultimately, many of these rules are handled at an agency or regulator level and therefore do not require congressional approval in order to change. Valuations across the group reflect some optimism; however, the regulatory tailwind could be strengthened by several other positive developments including a lower tax rate and improved loan demand from a strengthening economy.

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 the following changes to the portfolio in order to improve our expected risk-adjusted return: A position was initiated in TE Connectivity and we exited our position in Occidental Petroleum.

1Q17 Largest Contributors and Detractors

Five Largest Contributors	Five Largest Detractors
Oracle Corp.	General Mills Inc.
Abbott Laboratories	General Electric Co.
Comcast Corp. Class A	Booz Allen Hamilton Holdings Corp. Class A
Home Depot Inc.	Occidental Petroleum Corp.
Boeing Co.	TE Connectivity Ltd.

Westwood Income Opportunity Fund Performance as of 3/31/17

			Annualized			
	1st Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception*
Westwood Income Opportunity Fund	3.77%	8.97%	4.67%	6.88%	6.27%	6.94%

**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 0.86%. 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 westwoodfunds.com.*

Top 10 Holdings as of 3/31/17*

PepsiCo Inc.	Home Depot Inc.
Bank of America Corp.	Oracle Corp.
Comcast Corp. Class A	Enterprise Products Partners L.P.
U.S. Bancorp	JPMorgan Chase & Co. Preferred
Honeywell International Inc.	Boston Properties Inc.

**Top 10 holdings represent 23.32% 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.

S&P 500 is the Standard & Poor's 500 Index 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists.

Growth stocks - a growth stock is a share in a company whose earnings are expected to grow at an above-average rate relative to the market. A growth stock usually does not pay a dividend, as the company would prefer to reinvest retained earnings in capital projects. Growth investors choose stocks based on the potential for capital gains, not dividend income, so they can be risky.

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.

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