WESTWOOD FUNDS®

Westwood Emerging Markets Fund

1Q17 Commentary

Investment Objective

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

Strategy Description

The Westwood Emerging Markets Fund Primarily invests in the common stocks of companies located (or with primary operations) in emerging markets. The strategy has diversified exposure to the best global investment opportunities, located or primarily engaged in emerging market countries, with risk controls limiting position sized and country exposure. The strategy invests in businesses that we believe are mispriced and that can generate positive and sustainable earning growth which could enable superior economic profits over time.

Market Overview

Global equity markets rose in the first quarter of the year, amid renewed optimism towards economic growth prospects, as Emerging Markets (EM) outperformed the developed world. A stabilization of growth in China, improved global industrial activity, abating deflationary pressures, and continued economic expansion in the U.S. provided a favorable backdrop for financial assets and risk appetite among investors. However, the quarter ended on a cautious note as policy uncertainty and doubts as to the sustainability of recent market optimism led to broad selloffs across regional markets. Precious metals including gold, silver and copper, all posted gains, while oil prices fell amid supply concerns from shale production and a possible delay in Organization of the Petroleum Exporting Countries (OPEC) production cuts. From a sector perspective in EM, Information Technology, Industrials, Consumer Discretionary and Materials led returns, while Energy and Health Care lagged on a relative basis.

Asian equity markets rose across the region, led by India, South Korea and China. Foreign inflows propelled returns in India following the ruling party's victory in key state elections, while the Cabinet approved four draft laws on the pending Goods and Services Tax, which will be the largest tax regime change in the country's history. In South Korea, political and constitutional reform in advance of the upcoming election following the impeachment of former President Park on charges of bribery and abuse of power, provided hope for economic stability. China's official Purchasing Manager's Index stood at 51.8 in March, beating consensus, as the People's Bank of China signaled a shift away from its current accommodative stance. Meanwhile, the central government approved 18 large fixed asset investment projects totaling USD$22B to boost economic growth through infrastructure investment, and a fund has been established to boost higher-value services exports in technology, finance and culture. Taiwan benefited from a rise in the Technology sector, in anticipation that the new iPhone will drive revenue growth of component suppliers. The Assoc. of Southeast Asian Nations (ASEAN) region was also positive as governments and central banks maintained a pro-growth stance in monetary policy and fiscal stimulus.

Latin America advanced as Chile and Mexico recovered strongly, the latter being one of the best-performing markets in EM as the peso recovered. Mexico's central bank raised its benchmark target rate by 25 basis points to anchor inflation expectations as the 2017 growth forecast was lowered amid uncertainty regarding U.S. trade policy intentions. Central banks in Chile and Colombia lowered their respective benchmark interest rates by 25 basis points to support growth. Brazil lost some of its gains in March as Q4 Gross Domestic Product (GDP) growth fell below expectations to a deepening recession, adding pressure on policymakers to deliver growth and implement reforms.

The Europe, Middle East and Africa (EMEA) region underperformed as a decline in Russia offset gains in Poland, Turkey and South Africa. A recovery in the ruble and recent disinflation prompted the central bank to cut rates by 25 basis points. Rising political uncertainty in South Africa as the President reshuffled his cabinet led to further weakness in the rand. Turkey advanced from an appreciation in the lira, which recovered from all-time lows due to actions from the central bank. Poland rose sharply as the government approved an economic plan to invest over PLN2 trillion into the economy by 2020 from public and private funds to boost national savings and investments, and the government projected that GDP growth will reach over 3.0% this year.

By the Numbers

Within the portfolio, security selection was the key driver of return during the period. Consumer Staples, Materials and Energy contributed, while Real Estate detracted. At the country level, exposure to Taiwan, Mexico, India and China/HK was positive, while South Korea and Indonesia detracted.

Consumer Staples contributed, led by Korea Kolmar, which beat consensus in operating profits by 14% in the most recent quarter, up 46% from the previous year, attributable to sales growth. Domestic sales grew 33%, dispelling recent concerns of weakness from competitive pressures, while exports exceeded with 48% growth as China achieved 22% sales growth despite ongoing changes in mainland tourist regulation. Existing holdings in Mexico which were under selling pressure last quarter amid U.S. trade policy uncertainty - Walmex, FEMSA and Kimberly-Clark de Mexico - rebounded strongly as the peso regained most of its losses, and underlying domestic macroeconomic conditions remain favorable for the outlook of all of these established companies. Thai Union Group detracted as the company faced short-term challenges from a slowdown in the salmon business and weakness in tuna prices, however earnings quality and balance sheet remain solid. Through Merger & Acquisition transactions over the past few years, including an investment stake in the Red Lobster restaurant franchise most recently, the company has increased diversification in its business portfolio and incorporated higher-margin product innovation to supplement its traditional frozen seafood business.

The main driver of contribution in Materials was security selection. Vale SA was positive as the company proved to be well-positioned to capture pricing premiums in its iron ore contracts. This should translate to higher earnings and free cash flow as fixed costs remain limited. Anhui Conch contributed amid improving domestic growth sentiment and demand for building materials in China. Holdings in South Africa, Randgold and Impala Platinum, detracted from political developments in the country. Impala has suffered from several years of a protracted cycle in platinum prices, but we believe is now poised to benefit from a recovery in global platinum demand trends as one of the top platinum mining firms in the world based on assets and production.

By the Numbers *(continued)*

Positive security selection in Energy was led by Reliance Industries. Investors reacted positively to news that the company's telecom segment, Reliance Jio (RJIO), would introduce a competitive pricing strategy and start to charge its initial customers, a long-anticipated and delayed move that would recoup costs and produce recurring revenue following years of overinvestment in capex to build up the network. RJIO remains a key catalyst for the company's future outlook, and share price has underperformed despite strong operating earnings from its core refining segment, and anticipated growth from core projects in the gasifier, cracker and ethane industries. Turkiye Petrol Rafinerileri, one of the world's highest complexity refiners based in Turkey, contributed, while oil exploration tubular equipment supplier, Tenaris, detracted amid concerns of a potential slowdown in its order book. Global energy supply concerns also weighed on exploration companies CNOOC and Petrobras.

Detraction in Real Estate was attributable to Emlak Konut in Turkey as the company reported disappointing operating results and expectations of further challenges ahead this year. Despite slower than expected sales growth and higher selling costs, the company has maintained a unique business model that limits development lag and financial risk, combined with a strong level of cash flow generation that provides almost 6% in dividend yield, yet trades at a current discount of almost 58% on a price to Net Asset Value (NAV) basis.

1Q17 Largest Contributors and Detractors

Five Largest Contributors	Five Largest Detractors
Titan Industries – India	VTech Holdings Ltd. – China/H.K.
Vale SA Preferred – Brazil	Bidvest Group – South Africa
Largan Precision Co. Ltd. – Taiwan	Emlak Konut Gayrimenkul Yatirim Ortakligi AG – Turkey
Catcher Technology Co. Ltd. – Taiwan	PT Perusahaan Gas Negara Tbk. – Indonesia
ASM Pacific Technology Ltd. – China/H.K.	Tenaris SA ADR – Argentina

Westwood Emerging Markets Fund Performance as of 3/31/17

			Annualized	
	1st Quarter	1 Year	3 Years	Since Inception*
Westwood Emerging Markets Fund	3.42%	18.00%	2.15%	-1.18%
MSCI Emerging Markets Index (Net)	*2.52%*	*17.21%*	*1.18%*	*0.30%*

**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 1.27% (gross) and 1.20% (net). The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2018. 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 Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indices: 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.

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Top 10 Holdings as of 3/31/17*	
Tripod Technology Corp.	Anhui Conch Cement Co. Ltd.
Largan Precision Co. Ltd.	Kimberly-Clark de Mexico SAB
Catcher Technology Co. Ltd.	BGEO Group Plc.
Reliance Industries	Samsonite International SA
Petroleo Brasileiro SA	Taiwan Semiconductor Manufacturing Co. Ltd.

**Top 10 holdings represent 18.15% of the total portfolio. Holdings are subject to change. Current and future holdings are subject to risk.*

Mutual fund investing involves risk, including possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. The Fund uses derivatives. The primary risk of derivative instruments is that changes in the market value of securities held by the Fund and of the derivative instruments relating to those securities may not be proportionate. Derivatives are also subject to illiquidity and counterparty risk. In addition, REIT investments are subject to the changes in economic conditions, credit risk and interest rate fluctuations. Investments in smaller companies typically exhibit higher volatility. There can be no assurance 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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