# Westwood Worldwide Income Opportunity Fund (WWIOX)

## 1Q17 Commentary

### Investment Objective

The investment objective of the Westwood Worldwide Income Opportunity Fund is to seek to provide total return, through a combination of current income and capital appreciation, with a lower level of volatility than traditional equity-oriented strategies.

### Strategy Description

The Westwood Worldwide Income Opportunity Fund has a dual mandate to earn an attractive total return, while maintaining a low volatility profile. The Fund will invest in a broad opportunity set including global dividend paying stocks, global preferred stocks, global convertible securities, global Real Estate Investment Trusts (REITs), Master Limited Partnerships (MLPs), Royalty Trusts, global fixed income and cash. Utilizing a flexible tactical allocation, the fund will be able to adjust its asset allocation and investment positions as risk, return and income characteristics change.

### Key Highlights

- Despite elevated policy uncertainty that, among other things, featured an intense focus on “Affordable Care Act (ACA) Repeal and Replace” efforts in the U.S. and the associated implications for U.S. tax reform, global developed equities enjoyed one of their least volatile quarters on record. Realized volatility for the MSCI World Index was a mere 5.7%
- 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%, while 10-year Japan Government Bonds and German Bund yields rose modestly

### Market Overview

Looking back, global developed equities 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 2016. As expected, the Federal Reserve raised its benchmark rate in March by 25 basis points, but remained committed to a gradual pace of rate hikes going forward. Global interest rates remained relatively steady over the quarter. Global investors remain keenly focused on fiscal policies as the U.K. officially triggered Article 50 to begin the process of separating itself from the European Union and the Republican Party in the U.S. suffered a setback regarding its plan to reform health care. While these policies will continue to garner headlines, the underlying fundamentals for businesses remains healthy. Soft data, such as sentiment-based survey data like consumer confidence, remains very strong across most regions and some signs of improvements in hard data have emerged as well.

### By the Numbers

Shares of SAP enjoyed steady support after the company raised its targets for 2020, reflecting management’s greater optimism for expected growth in SAP’s cloud business. Keyence, which posted particularly strong growth in overseas markets, benefited from expectations for rising global capital expenditures. Abbott Laboratories rose on better-than-expected earnings and the approval of the company’s new MRI-safe pacemaker.

Energy and energy-related names such as Occidental Petroleum, Royal Dutch Shell 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 significantly.

### 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 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 attempt to limit downside risk in order 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 and Wells Fargo, saw onerous regulations put in place as a response to the Great Financial Crisis. The easing of these regulatory burdens would be 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

**Summary and Positioning** *(continued)*

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 should 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: Positions were initiated in the short-dated Bonds of Apple, Novartis, Poland and Vale, as well as in the Preferred Stocks of General Electric and Wells Fargo; we exited our position in a Freddie Mac Bond, while positions in an ING Preferred Stock and a Royal Philips Bond were redeemed.

## 1Q17 Largest Contributors and Detractors

| Five Largest Contributors | Five Largest Detractors |
|---|---|
| SAP SE ADR | Occidental Petroleum Corp. |
| Keyence Corp. | General Electric Co. |
| Abbott Laboratories | Royal Dutch Shell Plc. ADR Class A |
| Comcast Corp. Class A | Vale Overseas Ltd. 5.625% Due 09/15/19 |
| Boeing Co. | Novartis Securities Inv. Ltd. 5.125% Due 02/10/19 |

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

| | | | Annualized |
|---|---|---|---|
| | 1st Quarter | 1 Year | Since Inception* |
| Westwood Worldwide Income Opportunity Fund | 3.40% | 6.83% | -0.05% |

**Inception date is 5/1/15. 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. Expense ratio is 1.00% (net), 2.22% (gross). The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2018. 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*

| | |
|---|---|
| Comcast Corp. Class A | Boston Properties Inc. |
| Nippon Telegraph and Telephone Corp. ADR | SAP SE ADR |
| U.S. Bancorp | Honeywell International Inc. |
| Anheuser-Busch InBev SA ADR | Osterreichische Kontrollbank AG 1.125% Due 05/29/18 |
| Wells Fargo & Co. | KFW Bankengruppe 0.875% Due 04/19/18 |

**Top 10 holdings represent 23.16% of the total portfolio. Holdings are subject to change. Current and future holdings are subject to risk.*

MSCI World Index  is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World benchmark does not offer exposure to emerging markets.

The Westwood Worldwide Income Opportunity Fund is distributed by SEI Investments Distribution Co., 1 Freedom Valley Dr., Oaks, PA 19456 which is not affiliated with the Adviser. 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. High yield bond funds are speculative and carry a greater degree of risk. 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. Investments in smaller companies typically exhibit higher volatility. The Funds may invest in derivatives, which are often more volatile than other investments and may magnify a Fund's gains or losses. There is no guarantee that the Fund will achieve its stated objective, which can be found in the prospectus.

***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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