WESTWOOD FUNDS®

Westwood Strategic Global Convertibles Fund (WSGCX)

1Q17 Commentary

Investment Objective

The investment objective of the Westwood Strategic Global Convertibles Fund is to seek to provide total return through a combination of capital appreciation and current income.

Strategy Description

The Westwood Strategic Global Convertibles Fund primarily invests in global convertible securities with attractive valuations to provide equity-like returns with lower volatility through a disciplined investment process. We believe the convertible markets are inefficient and opportunities exist to benefit from pricing anomalies. Utilizing both quantitative and fundamental analysis to identify securities that meet our criteria, the strategy's asymmetric reward/risk profile of balanced convertible bonds has the potential to provide superior risk-adjusted returns over medium to long-term time horizons.

Key Highlights

- The fund outperformed the benchmark during the quarter, due mainly to active security selection in the Asia and North America regions
- Regional positioning was beneficial given the strength in U.S. markets, as the strategy remained overweight the U.S., and underweight both Europe and Asia
- Delta positioning compared to the index was in-line for the U.S. and Asia, while overweight in Europe, as the most attractive risk-adjusted opportunities in that region continue to be in higher-delta convertibles
- Strong selection in Health Care, Consumer Discretionary and Real Estate names were positives for fund performance, while the fund lagged the index in the Technology and Materials sectors

Market Overview

The first quarter of 2017 saw robust returns in global equities and continued strength in corporate credit spreads, which provided a healthy backdrop for the global convertible bond market. As a result, convertibles performed well, trailing only global equities during the period, and the longer-term health of the asset class was reinforced by the stronger issuance quarter since 1Q15, with $24.3 billion of new issuance in the quarter, led by $13 billion in the U.S. While the primary market year to date has been largely characterized by repeat issuers and relatively tight pricing, new supply should help create opportunities within the existing universe of securities, and the specter of rising rates combined with strong equity valuations should provide for ample rationale for companies to continue to access the market, to the benefit of discerning investors.

By the Numbers

Trading activity was centered on consistently deploying capital into balanced convertibles which offered an asymmetric risk-return exposure to high-quality issuers. Sector weightings changed modestly as a result of portfolio shifts, with the Energy and Industrial sectors moving from slightly overweight to slightly underweight during the quarter. Materials are now slightly overweight, as are Financials. Real Estate exposure was somewhat reduced due to a lack of attractive convertible profiles in the sector. Health Care and Technology remained the largest sector holdings of the fund, as the ability to source exposure to high-quality earnings growth within these sectors remained strong. Relative to the index, we remained most significantly underweight Utilities and Consumer Discretionary, while overweight Health Care, Information Technology and Financials converts.

Regional allocations and delta weightings continued to differ significantly from the benchmark. During the quarter, the delta overweight to the U.S. region was brought in-line, a result of benchmark delta increasing and our delta weighting consciously being reduced. We remain overweight the U.S. in terms of portfolio mix due to the attractive investment opportunities to be found in the region, but this overweight was reduced somewhat, with some of those funds being reallocated into Asia. While Asia remains underweight, we increased delta within the region to be in-line with benchmark, as we have found sufficient opportunities for such investments and are constructive on certain countries within the region. Europe remains the largest underweight of the fund versus the index, but this underexposure is offset somewhat by a higher delta weighting in Europe as compared to the benchmark. This is a function of the more attractive company exposure being available in Europe in higher-delta converts, and also due to the relative attractiveness in terms of cheapness to be found there, as compared to lower-delta bonds within the European convertible universe.

The resulting portfolio continues to be overweight delta on a global basis at the end of the quarter, and we continue to be constructive on global markets despite being cognizant of potential economic and political risks throughout the world.

Strategy and Positioning

As we move into the second quarter of 2017, concerns over potential global political issues stand in contrast with a worldwide economic backdrop which appears healthy and improving by most measures. Capital markets appear healthy and functioning ably, and we continue to find a reasonable opportunity set with which to express a constructive view within the global convertibles market. While we remain attune

Summary and Positioning *(continued)*

to risks that may appear, a benefit of a balanced convertible bond portfolio is the opportunity to reposition the portfolio dynamically in response to market volatility both amongst regions and on a global basis. Over a long time horizon, the portfolio strategy may provide for the opportunity for strong risk-adjusted exposure to equity market upside.

The strong issuance market seen thus far in 2017 is encouraging, and if it continues it should allow the fund to diversify the portfolio both on a regional and sector basis. Such issuance should also eventually yield more compelling valuations for existing convertibles, which should serve to enhance the relative attractiveness of the asset class on a risk-adjusted basis.

The strategy continues to adhere to a bottom-up selection approach with convertibles, and maintain significant active share through exposure to non-index convertibles. These under-followed securities have continued to provide a means for the fund to seek to outperform the benchmark while keeping risk exposure below that of the typical basket of benchmark names. The dynamic nature of the asset class has continued to provide an opportunity for outperformance through the active management of a diversified portfolio of balanced convertible bonds.

Westwood Strategic Global Convertibles Fund as of 3/31/17

			Annualized
	1st Quarter	1 Year	Since Inception*
Westwood Strategic Global Convertibles Fund	4.51%	6.18%	0.69%
Thomson Reuters Global Focus Convertible Bond Index	*3.83%*	*4.21%*	*-0.02%*

**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. Institutional Share Class net expense ratio: 0.85%, gross expense ratio: 2.48%. The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2018. 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. Performance data source: SEI Investments Co.*

Thomson Reuters Global Focus Convertible Bond Index which represents the global convertible asset class, targeting larger convertibles. It is balanced across regions and is limited in number of constituents to ensure breadth and manageability. Net total return indexes reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Delta is the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative. Sometimes referred to as the "hedge ratio". Diversification does not ensure a profit or guarantee against a loss.

Mutual fund investing involves risk, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. The value of a convertible security in which the Fund invests is influenced by changes in interest rates, the credit standing of the issuer and the price of the underlying common stock. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from 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 may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. Diversification does not ensure a profit or guarantee against a loss. There can be no assurance that the Portfolio will achieve its stated objectives.

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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