

Investment Objective

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

Strategy Description

The Westwood SMidCap Fund pursues long-term capital growth by investing in securities with market capitalizations of \$500 million to \$10 billion that trade on U.S. stock exchanges.

Key Highlights

Technology detracted from relative performance due to negative stock selection and being underweight. Despite the discord coming from Washington, the markets posted another strong gain with the S&P 500 now up for the sixth straight quarter and the Russell 2000 up for the fourth straight quarter in a row.

- Consumer Staples added to relative performance due to positive stock selection
- Financial Services weighed on relative performance due to negative stock selection
- Consumer Discretionary aided relative performance due to positive stock selection
- Health Care and Technology were the best-performing sectors in the Russell 2500 while Energy and Consumer Staples were the worst-performing sectors

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 United Kingdom officially triggered Article 50 to begin the process 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, started to be seen as well.

By the Numbers

Albemarle rose as their lithium business continued posting strong growth from the secular demand growth for lithium-ion batteries and electric vehicles. Lithium is expected to make up

nearly half of their operating profits in 2017. Teleflex shares gained as the benefits of their diversification helped drive strong organic growth and set the stage for management guidance above estimates for the upcoming year. They also closed their acquisition of Vascular Solutions ahead of expectations which should be an important driver for their growth in the years to come. Energizer Holdings moved higher as organic sales benefited from distribution gains and incremental holiday buying. Equifax posted strong organic revenue driven by innovation as their customers, such as banks, looked to improve efficiencies through additional tools and analytics. Helen of Troy shares appreciated as their HydroFlask business posted better than expected results while other areas faced headwinds. Management also increased their revolver which gives them additional capital to make acquisitions.

Energy faced a challenging quarter as commodity prices declined for both crude oil and natural gas. This was the worst-performing sector and negatively impacted several holdings including PDC Energy, Parsley Energy and RSP Permian. The rising production coming from the U.S. shale producers was a driver for the decline in prices, despite producers' positive returns even at these price levels. Curtiss-Wright moved lower as their guidance fell short of expectations and concerns arose regarding the impact from Westinghouse's bankruptcy on Curtiss' business as Curtiss sells pumps to utilities for their nuclear power plant designs. Cardtronics shares suffered as guidance for the upcoming fiscal years disappointed street expectations as they are faced with offsetting the loss of a material contract.

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 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 positioned and equipped to manage through the shifting environment than others. 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 lesser 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.

One opportunity we view in the market today is with domestic manufacturing and building products companies. We believe the domestic economy remains a bright spot globally with a strong consumer backdrop and continued strength in the

Summary and Positioning *(continued)*

construction cycle, both residential and commercial. While sentiment across the country by small-businesses has improved, companies are starting to hear and talk about seeing some incremental demand emerge as customers feel better about future growth prospects.

Inflation rising also provides pricing power to advantaged models; that has been a missing link for most of the recovery since the financial crisis. Fiscal policies could be further tailwinds for many of these businesses, should they get relief on

the regulatory and tax front or incremental spending for infrastructure in the U.S. while valuations remain attractive with or without help from Washington.

The team made changes to the portfolio to improve expected risk-adjusted return, some of which included shifting exposures within utilities and financial services, adding to our domestic manufacturing exposures, exiting a REIT, and adding a high-quality exploration and production company.

1Q17 Largest Contributors and Detractors
Five Largest Contributors

Energizer Holdings Inc.
Teleflex Inc.
Albemarle Corp.
Patterson Companies Inc.
Equifax Inc.

Five Largest Detractors

PDC Energy Inc.
Cardtronics Plc. Class A
Parsley Energy Inc. Class A
RSP Permian Inc.
Curtiss-Wrights Corp.

Westwood SMidCap Fund Performance as of 3/31/17

	Annualized					
	1 st Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception*
Westwood SMidCap Fund	2.50%	16.69%	4.11%	9.77%	7.97%	9.60%
Russell 2500 Index	3.76%	21.53%	7.43%	12.60%	7.71%	8.57%

**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 0.98%. 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 2500 Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index, which represents approximately 16% of the total market capitalization of the Russell 3000 Index. 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 3/31/17*

Amdocs Ltd.	Wintrust Financial Corp.
Chemical Financial Corp.	Great Western Bancorp Inc.
Western Alliance Bancorp	Alliant Energy Corp.
j2 Global Inc.	RSP Permian Inc.
Teleflex Inc.	IDACORP Inc.

**Top 10 Holdings represent 23.09% 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.*

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. 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.

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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