

Investment Objective

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

Strategy Description

The Westwood SmallCap Fund pursues long-term capital growth by investing in small companies that trade on U.S. stock exchanges.

Key Highlights

Real Estate Investment Trusts (REITs) were a primary contributor to relative performance driven by stock selection. Several names in the space saw positive fundamental developments that were well-received by the markets. Equities continued their march higher posting gains across the board. The trends from last year continued unwinding as large-cap stocks and growth stocks outpaced small-caps and value stocks.

- Energy detracted from relative performance due to being overweight and modest negative stock selection
- Health Care added to relative performance due to positive stock selection
- Producer Durables weighed modestly on relative performance due to negative stock selection
- Health Care and Producer Durables were the best-performing sectors in the Russell 2000 Value while Energy and Consumer Staples were the worst-performing sectors

Market Overview

Looking back, the stock market produced another solid gain for the second quarter. Large-caps continued to beat small-caps and growth stocks outperformed value, which has been the case for both since the beginning of the year. The Federal Reserve (Fed) raised the benchmark rate in June by 25 basis points as expected, but, also indicated their intent to reduce the size of their balance sheet later this year by not reinvesting the proceeds as their bond holdings mature.

Taken together, these actions to unwind the Fed's asset purchases, shrinking their balance sheet, and raising extremely low rates put in place after the 2008-2009 financial crisis will continue to shift monetary policy back to more "normalized" levels. Global markets moved higher as economic conditions appeared stable to improving in many areas of the world.

Political noise remained high and investors continued to discount meaningful legislative impacts on businesses given the discourse so far this year. Noteworthy, most companies' outlooks were positive as their fundamentals came through strongly during the most recent quarterly earnings season.

By the Numbers

Novanta shares appreciated as management continued posting better organic revenue than expected driven by new design and product wins. Summit Materials rose as their results boded well for volume growth and pricing trends in their cement and aggregates business for the balance of the year and management boosted guidance. Terreno Realty moved higher as their results reflected strong demand for industrial real estate in their core six coastal markets and were ahead of expectations. Summit Hotel Properties rallied as results were strong and the company began construction of a new hotel for the first time as a public company in addition to upgrading the existing portfolio through acquisitions and divestitures. Merit Medical Systems appreciated on strong results as they continued to focus on driving revenue growth with new products over time.

However, weakness continued for several names in the Energy sector as commodity prices continued to fall during the quarter with both natural gas and crude oil now down over 10% year-to-date. This was again the worst-performing sector and negatively impacted several holdings including Resolute Energy, SRC Energy and Callon Petroleum. Fears over rising shale production in the U.S. and persistent global petroleum product imbalances have weighed heavily on investors' perception of prices. Gorman-Rupp declined as results were inline but management commentary was more cautious on their exposures to the agricultural and petroleum markets.

2Q17 Largest Contributors and Detractors

Five Largest Contributors	Five Largest Detractors
Novanta Inc.	Resolute Energy Corp.
Terreno Realty Corp.	SRC Energy Inc.
Summit Materials Inc. Class A	Callon Petroleum Co.
Summit Hotel Properties Inc.	Gorman-Rupp Co.
Merit Medical Systems Inc.	AMERISAFE Inc.

By the Numbers (continued)

KapStone Paper and Packaging moved lower as the company saw some execution issues arise at a facility despite the improving industry fundamentals as pricing is firming and volumes are growing.

Summary and Positioning

Looking forward, companies both domestically and abroad are seeing improvements in their fundamental prospects even as political uncertainty remains elevated. While Washington headline noise appears unlikely to abate in the near-term, the more important regime change continues to be progressing as monetary policy becomes less accommodative in conjunction with improving economic indicators. Fundamentally, investors continue to forecast strong earnings growth. The upcoming second quarter 2017 earnings season for the S&P 500 is expected to be the fourth consecutive quarter of year-over-year improvement after a streak of four declines prior. Given the changes underway from both fiscal and monetary policies, dispersion remains a key watch item as different companies are better situated to cope with the changing landscape. 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 versus 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 so far this year.

One opportunity we view in the market today is within the domestic cement business. Cement is consumed in regional markets within the U.S. by three primary end-markets: highways/infrastructure, residential construction and non-residential construction. The passage of a federal transportation bill provides a commitment that supports states to engage in building multi-year infrastructure projects and helping to drive a cyclical demand increase. Supply is constrained by secular forces limiting permits for construction of new cement plants due to environmental concerns as well as a “not in my backyard” (NIMBY) element for concerned local residents. Given the housing market remains strong, underpinned by the solid labor markets, the outlook appears favorable for potential price increases over the next several years as cement consumption increases amidst limited supply growth domestically. The combination of cyclical inflection and secular tailwinds make this group an attractive opportunity.

The team made changes to the portfolio to seek to improve expected risk-adjusted return, some of which included shifting exposures within financials, to add a high-quality, rural-focused community bank and exit an insurance business, and cyclicals, to add an emerging composites producer and an engineered products manufacturer. The team also reduced consumer exposure by exiting an office furnishing company and an operator of country clubs.

Westwood SmallCap Fund Performance as of 6/30/17

	Annualized					
	2 nd Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception*
Westwood SmallCap Fund	2.48%	26.11%	8.57%	16.40%	7.72%	8.06%
Russell 2000 Value Index	0.67%	24.86%	7.02%	13.39%	5.92%	5.97%

**Inception date is 4/2/07. 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. For performance data current to the most recent month end, please call 1-877-FUND-WHG or visit our website at westwoodfunds.com.*

The gross expense ratio for the fund is 1.11%. The Advisor has agreed to reduce fees and reimburse expenses in order to keep the total expense ratio for WHGSX from exceeding 1.10%. Fee waivers are contractual and available to the Advisor until February 28, 2018.

The Russell 2000 Value Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. 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.

The Westwood SmallCap Fund was formerly known as the SmallCap Value Fund.

Top 10 Holdings as of 6/30/17*

Resolute Energy Corp.	Continental Building Products Inc.
Douglas Dynamics Inc.	Summit Materials Inc. Class A
Glacier Bancorp Inc.	Comfort Systems USA Inc.
Apogee Enterprises Inc.	Kaman Corp. Class A
SRC Energy Inc.	Trex Co. Inc.

**Top 10 Holdings represent 21.61% 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.*

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.

A growth stock refers to a share in a company whose earnings are expected to grow at an above-average rate relative to the market.

A value stock refers to a stock that tends to trade at a lower price relative to its fundamentals and thus considered undervalued by a value investor.

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. 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 www.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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