

## 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.

## Market Commentary

2016 has been a bit of a disappointment for the convertible asset class. Performance has lagged expectations due to sector exposure and as valuations have cheapened. This cheapening should be viewed as an opportunity, as we believe convertible asset prices will revert to fair value over time, creating a tailwind to forward returns. The Thomson Reuters Global Focus Convertible Index has declined 65 basis points (bps) for the year. This compares to the 66 bps advance for the MSCI World Index. Historically, convertibles capture approximately 70% of the upside of equities, while only participating in 50% of the downside. We believe the risk-adjusted return nature of the global convertible asset class is important in all market cycles, but with the added level of volatility in today's environment, the asymmetric profile of balanced, global convertible bonds should provide further support to returns moving forward.

## Positioning

Absolute performance for the quarter was down slightly, as equity market volatility impacted results, and was in-line relative to the benchmark as negative currency effects offset solid security selection and regional positioning. The fund's overweight delta position was a small positive as a late June rally pushed returns into positive territory for stocks. The overweight positioning in U.S. names aided performance as did an underweight in Europe, while an underweight to Japan was a drag on performance during the quarter.

Security selection, from both an absolute and relative return perspective, was positive as a number of portfolio holdings performed well such as Crown Castle and NuVasive. Positive security selection was slightly offset by our position in Bottomline Technologies, which was a drag on performance. The fund aims to create alpha through security selection and at times currency exposures will be over/under the respective benchmark weights due to the bottom-up process. In the current quarter, an underweight Japanese Yen (JPY) and overweight Great British Pounds (GBP) detracted from performance.

From a delta standpoint, at quarter end, the fund is 7.8% overweight versus the benchmark. As a result, the portfolio has a moderately higher level of equity sensitivity when compared to the benchmark as we have a moderately favorable view toward equity markets on a medium-term basis. Regionally, at quarter end, the fund is overweight the U.S. (39.8% of the fund) by 10.6%, while Asia including Japan is underweight (23.2%) by 5.8%, and Europe (35.9%) is underweight by 6.3%. The portfolio's U.S. overweight is based on favorable convertible metrics in the U.S. market relative to Europe, Asia and Japan.

With our unconstrained approach to investing, we believe security selection will be the main driver of fund return. Secondary factors of delta positioning and regional allocation are also contributing factors, but to a smaller degree. Credit spreads and interest rates also affect convertible returns. We would highlight the short duration nature of the asset class and even more so the portfolio, as any change in inflation and rate expectations by the market will create significant risk in other asset classes, but we believe should be muted to a large degree within the fund.

**Westwood Strategic Global Convertibles Fund as of 6/30/16**

|  | <b>2<sup>nd</sup> Quarter</b> | <b>1 Year</b> | <b>Annualized<br/>Since Inception*</b> |
|--|-------------------------------|---------------|--|
| Westwood Strategic Global Convertibles Fund                | -0.52%                        | -3.52%        | -4.37%                                 |
| <i>Thomson Reuters Global Focus Convertible Bond Index</i> | -0.52%                        | -2.27%        | -3.94%                                 |

*\*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: 3.02%. The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2017. 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 [www.westwoodfunds.com](http://www.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".

Alpha is a measure of performance on a risk-adjusted basis. Alpha, often considered the active return on an investment, gauges the performance of an investment against a market index used as a benchmark, since they are often considered to represent the market's movement as a whole. The excess returns of a fund relative to the return of a benchmark index is the fund's alpha.

MSCI World Index Net captures large and midcap representation across 23 Developed Market countries. With 1,653 constituents, the index covers approximately 85% of the free adjusted market capitalization in each country.

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. 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 [www.westwoodfunds.com](http://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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