

## Performance Highlights

- Stocks posted strong gains in the third quarter, with many major indexes reaching new all-time highs. The long-awaited rotation of leadership from large-cap giants to smaller companies was notable in the quarter, as well as a preference for lower-quality speculative issues like meme stocks and unprofitable small-caps over quality factors like return on invested capital. In the bond market, corporate credit showed resilience as investment grade and high yield issues outperformed government bonds. In this environment, the Westwood Alternative Income Fund returned 2.52%, outperforming the FTSE 1-Month Treasury Bill, which returned 1.10% and the Bloomberg U.S. Aggregate Index, which returned 2.03%.
- Despite lingering uncertainties, including a federal government shutdown, a quickly deteriorating labor market and mixed data on manufacturing and consumer confidence, the U.S. economy demonstrated durability. The primary catalyst was the moderation of interest rates. After a period of restrictively high rates to combat inflation, a more stable, and now falling rate environment provided crucial relief to both businesses and consumers. For companies, particularly small-cap or leveraged businesses with significant floating-rate debt, this translated into lower borrowing costs and wider access to capital. This financial relief, combined with steady consumer spending, allowed the economy to continue growing, defying expectations of a slowdown and fostering a confident environment for investors.
- There was a decisive shift in Federal Reserve policy, as deteriorating labor market conditions compelled the central bank to resume its easing cycle after a prolonged pause. The August jobs report showed the unemployment rate rising to 4.2% and prior month's data revised lower. The September payroll report was similarly downbeat, revealing anemic job growth of just 22,000, versus expectations of 75,000, pushing the unemployment rate to 4.3%. The three-month average for payroll growth collapsed to 29,000, down sharply from levels above 100,000 that had persisted for years. These developments prompted Fed Chair Powell to adopt a newly dovish tone at the Jackson Hole Symposium on August 22, where he emphasized the need to move rates closer to neutral in light of labor market weakness. The quarter culminated with the Fed delivering a 25-basis-point rate cut at their September 17 meeting, bringing the target range to 4.0%-4.25%, with the updated Summary of Economic Projections indicating a median expectation of two additional cuts in 2025.
- Convertible arbitrage performed well during the quarter, contributing the bulk of the performance. In addition, our fixed income performed well. Our interest rate hedge was flat for the quarter as short-term interest rates were largely unchanged. Fund performance was positively impacted by our net long equity exposure, increasing convertible valuations and credit spread exposures.
- Investors put global trade concerns on the back burner and focused on artificial intelligence (AI) and the related increased capital investment announcements. The VIX Index (CBOE Volatility Index) was unchanged despite equity markets moving higher. Typically, equity prices and volatility move in opposite directions, but the fear of missing out on AI-related trades has many investors bidding upside call options beyond historical norms. Convertible investors were no exception, as both primary and secondary valuations increased in the chase for equity upside.

- Convertible issuance accelerated from an already robust pace in the third quarter. Issuers sought to monetize elevated volatility, capitalize on compressed credit spreads and lock in elevated equity prices. Fifty-two new convertibles came to the U.S. market with total proceeds of over \$34 billion. Issues were very aggressively priced as underwriters took advantage of a hungry investor base. We were selective buyers as we stuck to our long-term process, anticipating that valuations will bring the marginal issues back to reality.
- Since the beginning of the year, we have focused on adding to the convertible arbitrage strategy via inflows and from short duration yield opportunities that were maturing or being called away. We prefer convertible arbitrage as it thrives on bouts of volatility through the embedded options and the ability to add value through frequent rebalance of the net equity position. The portfolio now consists of 92% convertible arbitrage and 6% short duration yield opportunities, with the balance in tactical cash.
- Within the convertible arbitrage strategy, we loosened up our net delta exposure throughout the quarter and have high single digit equity exposure. As anxiety surrounding trade negotiations, inflation and the global economy is dissipating, we feel more confident that taking selective risk may be rewarded. We continue to select securities that we believe offer favorable risk/reward profiles, focusing on solid business models, strong balance sheets and security selection that allows us to take advantage of market uncertainty.
- Within the yield bucket, we have let bonds mature or be called away without replacement, as credit spreads have remained compressed and no longer offer enough return to compensate us for potential liquidity events should the global economy stumble or falter. We want to be a liquidity provider and be compensated through an appropriate discount to fair value, and those opportunities have not yet appeared.
- Looking forward, we are optimistic about convertible market prospects and the portfolio's total return profile. Robust supply and demand activity, short duration and asymmetric risk/reward, and low correlations to both equities and traditional fixed income provides investors an opportunity set that seeks attractive risk-adjusted returns.

## Performance Update

As of September 30, 2025

### Annualized Returns

	Inception Date	3Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WMNIX (Class I)	5/1/2015	2.52%	6.33%	6.96%	7.06%	4.86%	4.15%	4.09%
WMNAX (Class A)**	3/31/2020	2.61%	6.37%	6.88%	6.97%	4.74%	--	5.54%
WWACX (Class A with Load)***	3/31/2020	-0.52%	3.16%	3.65%	5.89%	4.11%	--	4.97%
WMNUX (Class Ultra)	5/1/2015	2.67%	6.44%	7.12%	7.20%	4.98%	4.26%	4.20%
FTSE 1-Month Treasury Bill Index	5/1/2015	1.10%	3.29%	4.54%	4.90%	3.05%	2.07%	1.98%
Bloomberg U.S. Aggregate Index	5/1/2015	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%	1.78%

\*Annualized \*\* Excludes sales charge. \*\*\* Reflects effects of the fund's maximum sales charge of 3.00%. Total Annual Fund Operating Expenses by Share Class (gross / net): Class I 1.22% / 0.99%, Class A 1.33% / 1.10%, Class Ultra 1.08% / 0.85%.

Bloomberg U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment-grade, fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

**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 877.FUND.WHG. The adviser has contractually agreed to reduce fees and reimburse expenses until March 1, 2026.**

**Past performance is not indicative of future results.** Data Source: © 2025 FactSet Research Systems Inc. All Rights Reserved. Please see appendix for full performance disclosures. Disclosures are also available online at <http://westwoodgroup.com/disclaimers.pdf>. The disclosures provided are considered an integral part of this presentation.



## Market Commentary

The Federal Reserve initiated an easing cycle last year, but started up again in September, adopting a “wait-and-see” approach that tempered expectations for the pace of future cuts. In the bond market, this pivot sent Treasury yields lower. The 10-year Treasury yield ended the quarter at 4.16%, reflecting both the rate cut and rising concerns about an economic slowdown. High-yield and corporate credit outperformed government bonds as recession fears eased. Gold rallied through \$4,000 on the prospect of lower real yields and global U.S. dollar weakness, while global bonds also saw positive returns.

The year has proved to be a pivotal and often perplexing period for U.S. financial markets, characterized by a delicate dance between persistent inflation, evolving monetary policy and an increasingly complex global economic landscape. Both equity and fixed-income markets experienced significant volatility, forcing investors to re-evaluate long-held strategies and adapt to a new paradigm without precedent.

In the third quarter, a broad market rally saw cyclical sectors significantly outperform defensive ones. This surge was primarily fueled by sustained enthusiasm for AI, strong corporate earnings and a pivotal interest rate cut by the Federal Reserve. The Information Technology and Communication Services sectors led the gains driven by the AI boom. Financials also advanced, supported by a favorable regulatory environment, while the Energy sector posted strong returns. Conversely, sectors like Consumer Staples, Real Estate and Materials lagged as investor capital rotated toward growth-oriented opportunities in the positive economic climate.

Strength in cyclical areas like Industrials and Consumer Discretionary pointed to widespread confidence in economic growth. In sharp contrast, the gains in the large-cap space were highly concentrated in a handful of mega-cap technology stocks, especially those with exposure to AI. This narrow leadership was evident in the 11.4% rise of the tech-heavy Nasdaq Composite.

Domestic economic comments frequently highlighted the resilience of the U.S. consumer, albeit with increasing signs of strain. Retail sales figures, while positive, showed a clear shift toward essential goods over discretionary purchases. The labor market, though still historically tight, has begun to show significant cracks, which we believe are deeper than most peers are modeling. Corporate investment remained robust, but only in certain strategic areas, particularly in AI and renewable energy. Overall capital expenditure growth slowed as companies faced higher financing costs.

China’s economic performance was a significant swing factor. After an initially strong post-reopening rebound, the Chinese economy faced headwinds from a struggling property sector and weaker global demand. Any signs of slowdown in China rippled through commodity markets and global supply chains, impacting inflation expectations and risk sentiment worldwide. Emerging markets, while offering attractive growth prospects, also experienced increased volatility due to a stronger dollar and higher borrowing costs.

Geopolitical events, particularly ongoing tensions in Eastern Europe and the Middle East, added another layer of complexity. Spikes in oil prices due to supply concerns directly impacted U.S. inflation and consumer sentiment, further influencing the Fed’s decisions and market reactions. The interplay of these international factors — global inflation, synchronized monetary policy and geopolitical instability — created a complex web of interconnectedness, demonstrating that no major market operates in isolation.

### Important Information

**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 and full prospectuses, which may be obtained by calling 877.FUND.WHG, or by visiting our website at [westwoodfunds.com](https://westwoodfunds.com). Read the prospectus carefully before investing or sending money.**



The FTSE 1-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 1-Month Treasury Bill issue. Index performance does not reflect any management fees, transaction costs or expenses. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

*Diversification does not ensure a profit or guarantee against a loss.*

The **VIX Index (CBOE Volatility Index)** measures the market's expectation of 30-day volatility based on S&P 500 index options. Often called the market's "fear gauge," the VIX rises when investors anticipate greater market volatility. The **S&P 500® Index** is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general. The **Russell 1000 Value Index** is a market-capitalization-weighted index of U.S. large-cap companies from the Russell 1000 that exhibit value characteristics like lower price-to-book ratios and lower forecasted growth. **Russell 1000 Growth Index** is a stock market index that tracks large U.S. companies exhibiting growth characteristics, typically those with higher price-to-book ratios and higher forecasted growth values. Index returns do not reflect any management fees, transaction costs or expenses. 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. **Small Cap** is a term used to refer to a company with a market capitalization between \$300 million and \$2 billion. A company's market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. **Mid Caps** are companies with market capitalizations typically between \$2 billion and \$10 billion, representing medium-sized businesses that fall between small- and large-cap companies. **Large Caps** are companies with market capitalizations typically above \$10 billion, representing the biggest and often most established businesses in the market. **SMid Cap** market is a market segment comprising both small-cap and mid-cap companies, typically with market capitalizations between \$2 billion and \$10 billion. **Delta** is the ratio that compares the change in the price of an asset, usually marketable securities, to the corresponding change in the price of its derivative. A derivative is a financial security with a value that is reliant upon or derived from an underlying asset or group of assets. **Convertible Arbitrage** is the simultaneous purchase and sale of an asset to profit from an imbalance in price. It is a trade that profits by exploiting the price differences of identical or similar financial instruments on different markets or in different forms. **Short-Duration Yield Convertible** is a short-term convertible bond. A convertible bond is a fixed-income corporate debt security that yields interest payments but can be converted into a predetermined number of common stock or equity shares. **Earnings per Share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. **Basis Points (bps)** are a unit of measurement equal to 1/100th of 1% (0.01%); commonly used to express changes in interest rates and financial metrics. The **Magnificent 7** is a group of leading tech stocks consisting of Apple, Microsoft, Alphabet, Amazon, NVIDIA, Meta and Tesla that have significantly influenced market performance since 2023. **Yield Sleeve** refers to a specific portion or segment of a fixed-income investment portfolio that targets a particular yield or return objective. **Credit Spread** is the difference in yield between two bonds of similar maturity but different credit quality. **Convertibles** (or convertible bonds) are corporate bonds that can be converted into a predetermined number of shares of the company's common stock at the bondholder's option. They are hybrid securities that combine features of both bonds and stocks — offering regular interest payments like bonds, with the potential to participate in stock price appreciation. **Volatility** is a statistical measure of the dispersion of returns for a given security or market index, typically measured by standard deviation or variance, where higher volatility indicates greater price fluctuations and is often associated with higher risk. **Correlation** is a statistical measure that describes the degree to which two securities or asset classes move in relation to each other, ranging from -1 (perfect inverse relationship) to +1 (perfect positive relationship), where a correlation of 0 indicates no relationship between the movements of the assets.

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