

Westwood Alternative Income Fund
Commentary

Performance Highlights

Equities continued a year of strong performance in the fourth quarter, but a rotation away from mega-cap tech stocks could portend changes to market leadership ahead. The bond market held up its end of the bargain, gaining ground as interest rates declined to provide stability against a volatile backdrop. In this environment, the Westwood Alternative Income Fund Institutional Shares returned 1.15%, outperforming the benchmark FTSE 1-Month Treasury Bill, which gained 1.02%, and the Bloomberg U.S. Aggregate Bond Index, which added 1.10%.

U.S. equity markets ended 2025 at record levels, though fourth-quarter performance reflected growing dispersion and moderation in returns. The S&P 500 gained 2.7% and finished the year with a gain of 17.9%, with large-cap stocks again materially outperforming small- and mid-cap equities. Signs of fatigue emerged in the Technology sector late in the year as investors tempered enthusiasm for artificial intelligence (AI) and refocused on quality characteristics such as earnings growth and cash flow. While Communication Services and Information Technology remained the top-performing sectors for the full year, their leadership narrowed in the fourth quarter. Defensive positioning increased as concerns around an “AI bubble” surfaced, benefiting Health Care in particular. Value modestly outperformed growth during the quarter, though growth retained a clear advantage for the year. Emerging market equities also strengthened late in the year, aided by a softer U.S. dollar.

Economic conditions remained constructive but increasingly mixed. The Federal Reserve cut the federal funds rate by a total of 75 basis points between September and December, though internal policy consensus weakened, introducing uncertainty around the path of future easing. Treasury yields were largely rangebound, with the 10-year Treasury ending the year near 4.2%, while bond markets delivered solid gains overall. U.S. economic growth was supported by resilient consumer spending, with third-quarter GDP rising at a 4.3% annualized pace, despite weakening labor market trends and persistently low consumer confidence. Data visibility was partially impaired by an October government shutdown. Globally, China showed unexpected resilience despite structural headwinds, while geopolitical risks remained elevated but secondary to fundamentals. A firmer global growth backdrop and easing financial conditions supported a generally favorable investment environment.

Fund performance was positively impacted by long equity, increasing convertible valuations and credit spread exposures. U.S. equity indexes saw strong gains throughout the quarter as markets put global trade concerns on the back burner and focused on AI technology and the related increased capital investment announcements. FOMO, or Fear of Missing Out, has made a resurgence and investors are bidding up implied volatilities in the options and convertible marketplaces. 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. 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. Convertible investors still have a strong appetite for new opportunities in the U.S. convertible market despite theoretical valuations that were stretched, while we did participate and were selective buyers as we stuck to our long-term process. We would anticipate that as the newness will eventually wear off and as Q3 earnings start to be released, valuations will bring the marginal issues back to reality.

Portfolio Update

Since the beginning of the year, we have focused on adding to the convertible arbitrage portion of the portfolio via inflows and from short-duration yield opportunities that were maturing or being called away. We prefer convertible arbitrage because it tends to benefit from periods of volatility due to its embedded options and from the ability to add value by frequently rebalancing 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 our convertible arbitrage holdings, we loosened our net delta exposure throughout the quarter and have high single digit equity exposure. As the anxiety surrounding trade negotiations, inflation and the global economy is dissipating, we feel more confident that selective risk will be rewarded. We continue to sift through the opportunity set and select those securities with attractive risk/reward profiles. We have focused on solid business models, strong balance sheets and security selection that allows us to take advantage of the market uncertainty and be able to sleep at night.

The convertible market has remained very liquid with increasing trading volume. Secondary valuations increased following the primary market's lead as investor interest in the convertible asset class increased. We have been able to source theoretically cheap convertibles, but the opportunity set has gotten smaller. History suggests patience and keeping some powder dry will be rewarded.

Within our short-duration yield holdings, we have let bonds mature or be called away without replacing as credit spreads have remained compressed and no longer offer enough return to compensate for potential liquidity events should the global economy stumble or falter. We want to be a liquidity provider and be compensated appropriately through an appropriate discount to fair value and those opportunities have not yet appeared.

Looking forward, we are optimistic about the convertible market's prospects, and the portfolio's total return profile. We believe that robust supply and demand activity, short duration, asymmetric risk reward and low correlations to both equities and traditional fixed income provide investors an opportunity to obtain a steady and predictable total return.

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 will be rewarded. We continue to sift through the opportunity set and select those securities with the best risk/reward. We have focused on solid business models, strong balance sheets and security selection that allows us to take advantage of the market uncertainty and be able to sleep at night.

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 may provide investors an opportunity set to obtain a steady and predictable total return.



Performance Update

As of December 31, 2025

Annualized Returns

	Inception Date	4Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WMNIX (Class I)	5/1/2015	1.15%	7.55%	7.55%	6.78%	4.39%	4.38%	4.10%
WMNAX (Class A) **	3/31/2020	1.12%	7.57%	7.57%	6.69%	4.27%	--	5.50%
WWACX (Class A with Load) ***	3/31/2020	-1.90%	4.32%	4.32%	5.62%	3.64%	--	4.95%
WMNUX (Class Ultra)	5/1/2015	1.18%	7.70%	7.70%	6.93%	4.49%	4.49%	4.21%
FTSE 1-Month Treasury Bill Index	5/1/2015	1.02%	4.35%	4.35%	4.95%	3.25%	2.17%	2.03%
Bloomberg U.S. Aggregate Index	5/1/2015	1.10%	7.30%	7.30%	4.66%	-0.36%	2.01%	1.85%

*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

In the fourth quarter, Federal Reserve interest rate policy and pronouncements drew significant investor attention. The Fed followed a 0.25% September interest rate cut with similar cuts in October and December. Notably, by year's end, Fed policymakers were unusually divided on whether rate cuts should continue in early 2026 or if monetary policy should hold steady pending more clarity around economic data.

The Fed's actions appeared to have a limited impact on the benchmark 10-year Treasury bond yield. In late October, yields briefly fell below 4% before rising to nearly 4.2% by year-end. Shorter-term yields also declined, mostly tracking with Fed rate cuts. For the year, bond markets, supported by declining yields, mostly generated positive total returns, with the Bloomberg Aggregate Bond Index gaining more than 7%.

Although key equity market indices, including the S&P 500, reached new records in late 2025, the fourth quarter saw investors pulled in different directions. The stock market maintained some momentum from the second and third quarters, although gains were muted. The S&P 500 was up less than 3% for the quarter, ending the year with an 18% gain. Small- and mid-cap stocks retreated modestly in the fourth quarter. As in 2023 and 2024, large-cap stocks comfortably outpaced small- and mid-cap stocks.

Signs of fatigue in the long-surgingly Technology sector started to appear in December. While much of the recent stock market rally is attributed to enthusiasm for advances in AI, late in the year, investors shifted focus from AI's potential to more tangible financial results. This led technology stocks to give back some of their gains later in the year. However, as in the prior two years, for all of 2025, the Communication Services and Information Technology sectors easily outperformed the rest of the market. Industrials, Utilities, Financials and Health Care also delivered strong returns but lagged behind the leading sectors.



In the fourth quarter, investors wary of a potential “AI bubble” turned to more defensive stocks. The Health Care sector was a beneficiary, generating double-digit returns. Communication Services stocks were the only other sector to outpace the broader market’s quarterly return. Value stocks modestly outperformed growth stocks in the fourth quarter, but for all of 2025, growth stocks maintained a solid edge.

The U.S. economy experienced modest growth, although data releases were disrupted by October’s federal government shutdown, leaving an incomplete picture. The nation’s unemployment rate continued to climb, reaching 4.6% in November, while job growth decelerated. Consumers stayed resilient, however, as retail sales maintained steady, if modest, growth. Consumers continued to drive economic growth, with the nation’s Gross Domestic Product (GDP) increasing at an annualized 4.3% in the third quarter. Still, as has been the case for much of 2025, measures of consumer confidence remained near all-time lows.

Despite facing economic headwinds from increased U.S. tariffs and a persistent property overhang, China’s economy showed unexpected resilience. Emerging market stocks gained, outperforming other equity segments. In the final months of 2025, the dollar weakened, boosting overseas investment returns for domestic investors.

Investors seemed to focus primarily on fundamental factors such as corporate earnings and consumer spending. Geopolitical tensions took a back seat, although many issues remain. The ongoing Russia-Ukraine conflict and increasing U.S. military actions against Venezuela remain key headline concerns. Although Venezuela is a significant oil producer, U.S. disruptions of oil shipments did not seem to prevent oil prices from declining. A stronger-than-expected global economy provided the underpinning for a generally favorable investment environment.

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. 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 **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.

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.

Mutual fund investing involves risk, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. 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 REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. The fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. With short sales, you risk paying more for a security than you received from its sale. Short sales losses are potentially unlimited, and the expenses involved with the shorting strategy may negatively impact the performance of the fund. There can be no assurance that the Portfolio will achieve its stated objectives.

The Westwood Funds are distributed by Ultimus Fund Distributors, LLC (Member FINRA). Ultimus Fund Distributors and Westwood Funds (or Westwood Holdings Group, Inc.) are separate and unaffiliated.

