

Performance Highlights

- Equity markets rebounded strongly from a tariff-induced selloff in early April to post strong gains for the quarter, driven mainly by growth and technology stocks. In this environment, the Westwood Alternative Income Fund returned 1.82%, compared to the benchmark FTSE 1-Month Treasury Bill, which returned 1.08%. For the past 12 months, the Fund has returned 8.00%, compared to 4.80% for the index.
- The second quarter was highly volatile but ultimately strong, driven by tariff policy reversals. The quarter began with a steep decline in early April when the Trump administration announced “Liberation Day” tariffs and other retaliatory measures. The S&P 500 fell more than 12% in just a week and the 10-year Treasury yield spiked 40 basis points. Markets reversed course after the administration announced a 90-day tariff pause. Equities subsequently rallied sharply from their April lows, with the S&P 500 gaining 10.9% for the quarter, up 25% from its April low, despite the earlier volatility. The Russell 1000 Growth rose 17.8% versus just 3.8% for the Russell 1000 Value. Small- and mid-cap growth stocks also significantly outperformed their value counterparts. Information Technology (23.7%) and Communication Services (18.5%) led sectors, while Energy and Health Care lagged. Corporate fundamentals remain solid despite policy uncertainty. According to Factset’s Q1 2025 earnings analysis, earnings were strong, with 78% of S&P 500 companies beating expectations for the first quarter of 2025 and overall index-level earnings growth reaching 12.9%. Despite solid results, 80% of companies cited tariffs as a key concern, leading to more cautious guidance for second quarter.
- Markets soared despite mixed economic signals. While first quarter GDP contracted, the decline was largely an anomaly due in part to front-loaded imports ahead of tariff implementation. Projections for second quarter GDP remain modest, and full-year growth estimates are weakening due to tariff uncertainty, slowing job growth, and tighter credit conditions. Jobless claims rose notably in June, with small business employment in particular showing weakness. The Federal Reserve held rates steady in both May and June, though expectations for 2025 rate cuts have increased, with Goldman Sachs now projecting three cuts this year. In the bond market, Treasury yields also experienced volatility, briefly dropping before rebounding. The 10-year Treasury closed at 4.24%, while the 2-year Treasury yield fell. High yield and corporate credit outperformed government bonds, and global bonds performed well alongside risk assets like gold and bitcoin.
- Returns were driven primarily by strong performance in our convertible arbitrage and corporate fixed income holdings as risk appetites increased. While our long equity and credit exposure contributed positively, performance was muted by declining volatility. Both realized and implied volatility declined because of increased optimism following the Trump administration’s decision to pause tariff implementation plans 90 days. Our interest rate hedge detracted from performance.
- Convertible issuance rebounded in the second quarter with 36 new issues raising nearly \$31 billion as companies capitalized on elevated volatility, tight credit spreads and recovered equity prices. New issues were aggressively priced as underwriters took advantage of strong investor demand. While our long-term investment process allowed us to participate selectively, many other convertible investors overlooked rich valuations.
- The convertible market has remained very liquid with increasing volumes, but it experienced broad weakness in valuations due to pressures in the primary market. This created opportunities to purchase theoretically cheap

convertibles from investors rebalancing their portfolios to accommodate new issues — situations that typically offer the best long-term value when markets stabilize.

- Since the beginning of the year, we have continued to build our convertible arbitrage allocation utilizing both new inflows and proceeds from maturing/called away short-duration investments. We prefer convertible arbitrage for its ability to capitalize on volatility through the embedded options and active delta management. The portfolio now consists of 90% convertible arbitrage, 8% short-duration yield opportunities, and tactical cash.
- Within the convertible arbitrage strategy, we increased our net delta exposure to high single digits as uncertainty surrounding the trade negotiations, inflation and the global economy subsides. Our security selection focuses on solid business models and strong balance sheets, allowing us to identify opportunities to capitalize on market uncertainty while maintaining prudent risk levels.
- Within the yield sleeve, we have let bonds mature or be called away without replacement, as compressed credit spreads no longer offer adequate compensation for potential liquidity risks should the global economy stumble. We are waiting for appropriate discounts to fair value before resuming activity in this segment.
- Looking forward, we remain optimistic about convertible market prospects and our total return profile, supported by robust market activity, short-duration characteristics, asymmetric risk/reward profiles, and low correlation to both equities and traditional fixed income.

Performance Update

As of June 30, 2025

Annualized Returns

	Inception Date	2Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WMNIX (Class I)	5/1/2015	1.82%	3.72%	8.00%	6.38%	5.05%	4.01%	3.94%
WMNAX (Class A) **	3/31/2020	1.68%	3.67%	7.81%	6.25%	4.89%	--	5.30%
WWACX (Class A with Load) ***	3/31/2020	-1.35%	0.54%	4.58%	5.17%	4.25%	--	4.70%
WMNUX (Class Ultra)	5/1/2015	1.74%	3.68%	8.04%	6.48%	5.14%	4.10%	4.03%
FTSE 1-Month Treasury Bill Index	5/1/2015	1.08%	2.17%	4.80%	4.69%	2.83%	1.95%	1.92%
Bloomberg U.S. Aggregate Index	5/1/2015	1.21%	4.02%	6.08%	2.55%	-0.73%	1.76%	1.63%

*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 markets in 2025 have been the very definition of a “roller coaster ride” — a slow, steady ascent to peaks in February, followed by a scary drop in early April, and then a quick rally back to new highs by the end of the second quarter.



After a decline to end the first quarter, the second quarter opened with weakness across equity markets, as the announcement of “Liberation Day” tariffs and further retaliatory measures caused the continuation of extreme volatility and downside momentum. This triggered, in early April, the worst two-day market drawdown since March 2020. The S&P 500 fell more than 12% over the following week, while the 10-year Treasury yield soared nearly 40 bps.

A week later, the stock market rallied after the administration announced that the tariffs would be delayed for 90 days. The S&P 500 jumped almost 10% immediately and climbed through the end of the quarter, gaining nearly 25% from April’s lows. For the quarter, the S&P 500 finished with a gain of +10.9%, and the S&P and Nasdaq indexes both reached new all-time highs. Investors took a “risk-on” approach from the bottom and growth stocks handily outperformed value for the quarter; the Russell 1000 Growth gained 17.8%, while the Russell 1000 Value added 3.8%. Small- and mid-cap growth stocks outperformed their value counterparts by approximately 1,300 and 700 bps, respectively. At the sector level, the top performer in the S&P 500 was the Information Technology sector, gaining 23.7%, while the Telecommunication Services sector added 18.5%, and Energy (-8.6%) and Health Care (-7.2%) posted negative returns.

At the company level, 78% of S&P 500 companies reported quarterly earnings above expectations, surpassing the five-year quarterly average of 77%. Earnings growth for the index was 12.9%, the second straight quarter of double-digit earnings growth. More than 80% of companies mentioned the word “tariffs” during their quarterly conference calls, meaning managements are taking macroeconomic challenges seriously. Looking ahead, 68 companies issued negative guidance for the second quarter, above the five-year average. And estimated earnings growth for the second quarter was just 5%, well below the first quarter growth rate.

Global equities have done quite well this year, surpassing the gains of the S&P 500 in the quarter and calendar year. The MSCI ACWI ex-US Index, which measures global equities excluding the United States, gained 12.0% in the quarter and has advanced 17.9% for the year, both figures ahead of domestic equities. In the quarter, Emerging Markets (MSCI EM, +12.0%) led both European equities (MSCI Europe, +11.4%) and Asia (MSCI Far East, +11.6%), while for the calendar year to date, European equities have a substantial lead.

Within the bond market, the profile was somewhat similar. Yields on treasury bonds collapsed in the immediate aftermath of the tariff announcements, as investors bid up bonds amid concerns of the impact of tariffs on economic growth, inflation and currencies. The bond rally was short-lived, as the 10-year Treasury closed the quarter higher by just 1 basis point at 4.24%, and the 2-year Treasury finished lower by 17 basis points at 3.72%. Looking closer at sub-components of the bond market, high yield and corporate credit outperformed government debt, with municipal bonds trailing. Global bonds held up better than U.S. bonds as the Global Aggregate led the U.S. Aggregate. The dollar declined relative to global currencies and gold and bitcoin both gained ground.

While domestic tariff policy took up most of the headlines, the U.S. economy was showing some signs of stress. First quarter GDP contracted, owing in part to an acceleration of imports prior to the imposition of tariffs. Meanwhile, estimates for second quarter GDP show small gains in line with previous expectations. However, GDP growth estimates for the full calendar year have been declining, in part due to tariff uncertainty, slowing employment and tightening credit conditions. Jobless claims have been rising this year, showing a significant increase in June. Layoffs at larger companies seem to be holding relatively steady, but employment at smaller companies — those with 50 or fewer employees — has been declining, a worrisome sign. The Federal Reserve held interest rates steady at both the May and June meetings, though the expectation for future rate cuts has moved from just one in 2025 to as many as three, according to a Goldman Sachs forecast.



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. **The MSCI Emerging Markets Index** captures large and mid-cap representation across emerging market countries. **The MSCI Europe Index** captures large and mid-cap representation across developed European markets. **The MSCI Far East Index** captures large and mid-cap representation across developed Asian markets excluding Japan. All MSCI indices are maintained by MSCI Inc. and are reviewed quarterly. 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 in 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.

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. **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. **Correlation** measures the degree to which two investments move in relation to each other, ranging from -1 to +1. A correlation of +1 indicates perfect positive correlation (both move in the same direction), -1 indicates perfect negative correlation (they move in opposite directions), and 0 indicates no correlation. Correlation does not imply causation. **Volatility** measures the degree of variation in an investment's price over time, typically expressed as a percentage. Higher volatility



indicates greater price fluctuations and increased investment risk, while lower volatility suggests more stable price movements. Historical volatility does not predict future performance.

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