

Westwood Alternative Income Fund
Commentary

Performance Highlights

In the first quarter of 2026, U.S. Convertibles outperformed large-cap equity indices, finishing the quarter up over 3% while the S&P 500 declined by 4.35%. Convertibles were buoyed by smaller-cap issuers, rising implied volatility and their asymmetric risk/reward profile — offering less downside than equities while retaining upside should markets resume their upward trajectory. In this environment, the Westwood Alternative Income Fund Institutional Shares returned 1.47%, outperforming the benchmark FTSE 1-Month Treasury Bill and adding to recent positive performance with a 7.14% gain over the trailing 12 months.

Smaller market cap companies, which are typical convertible issuers, were a notable bright spot relative to large caps in Q1. The Russell 2000 outperformed the S&P 500 by roughly 500 basis points year-to-date, with signs of a more sustained manufacturing cycle reinforcing small-cap leadership. Domestic-focused small-cap companies had more insulation from tariff concerns, and the Fed's rate-cutting cycle benefited smaller companies disproportionately given their greater financing needs. Large- and mega-cap stocks, on the other hand, were led lower by the Magnificent 7 as investors turned cautious on AI trade profitability questions.

Economic conditions became more uncertain in the first quarter of 2026, as tariff-related headwinds, elevated inflation and a late-quarter geopolitical shock converged to cloud the outlook. The Federal Reserve held rates steady at both its January and March meetings, with policymakers placing a premium on patience as headline PCE inflation remained at 2.8% year-over-year and core PCE at 3.0% — both above the Fed's 2% target. Treasury yields rose over the quarter, with the 10-year closing at 4.31% on March 31, up from approximately 4.15% at year-end 2025, reflecting persistent inflation concerns and a steepening curve amid Middle East-driven energy price pressures. U.S. economic growth slowed but remained positive, with the Atlanta Fed's GDP. Now models estimate Q1 real GDP growth of approximately 1.9% annualized — a small step down from the prior year's pace, weighed by slowing consumer spending and softer private investment late in the quarter. Consumer sentiment delivered a split verdict: The Conference Board's Consumer Confidence Index hit a 12-year low of 84.5 in January but sharply recovered to 91.8 by March. The University of Michigan Consumer Sentiment Index fell sharply to 53.3 — its lowest reading since late 2025 — driven by escalating gas prices and financial market instability following the onset of the conflict with Iran, with consumers' short-run economic outlook plunging 14% and year-ahead personal finance expectations falling 10%. The services sector slipped into contraction for the first time since early 2023, with the S&P Global PMI pointing to a near-stalled annualized growth rate of roughly 0.5% in March as the Middle East conflict compounded the ongoing drag from tariffs on new orders and business sentiment. Globally, a U.S. Supreme Court ruling invalidating some "reciprocal" tariffs offered modest relief, though trade uncertainty persisted, and geopolitical instability displaced trade policy as the top near-term market concern by quarter's end.

Fund performance was positively impacted by select long and short equity exposures, increased implied volatility, frequent gamma trading and conservative credit quality positioning. During the first two months of the quarter, U.S. equities were range-bound as markets digested Q4 2025 earnings, allowing the fund to actively rebalance equity exposures. In March, risk assets were better to sell as equities fell, rates rose and credit spreads widened following Middle East events. The fund was conservatively positioned ahead of those developments, with portfolio-level equity

exposure near 3%, average duration around one year, and an estimated BB+ equivalent credit quality. The VIX Index ended the quarter materially higher, spiking in March, but convertible investors largely absorbed the uncertainty, with the embedded call option volatility helping offset some of the credit spread widening and equity declines.

Convertible issuance remained strong during the first quarter of 2026. Thirty-eight new deals came to market with \$30.6 billion in proceeds, continuing the strong issuance pace from 2025. Issuers continued to monetize elevated volatility, capitalize on compressed credit spreads and lock in elevated equity prices. Issues were aggressively priced as underwriters took advantage of a hungry investor base. Convertible investors still have a strong appetite for new opportunities despite theoretical valuations near fully valued levels; we participated selectively, staying true to our long-term process.

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 matured or were called away. We prefer convertible arbitrage in this environment 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 5% short-duration yield opportunities, with the balance in tactical cash.

Within our convertible arbitrage holdings, we tightened our net delta exposure throughout the quarter and have low single digit equity exposure. With equities' strong performance over the previous seven months and geopolitical risk ever-present, we decreased select equity risk throughout the quarter. We continue to sift through the opportunity set and select those securities with the best risk/reward profiles. We have focused on solid business models, strong balance sheets and security selection that allow us to take advantage of 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 undervalued convertibles, but the opportunity set has gotten smaller. History suggests patience and keeping some dry powder 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 do not 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.



Performance Update

As of March 31, 2026

Annualized Returns

	Inception Date	1Q26	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WMNIX (Class I)	5/1/2015	1.47%	1.47%	7.14%	6.72%	4.28%	4.65%	4.14%
WMNAX (Class A) **	3/31/2020	1.34%	1.34%	6.92%	6.60%	4.13%	--	5.50%
WWACX (Class A with Load) ***	3/31/2020	-1.66%	-1.66%	3.73%	5.54%	3.50%	--	4.97%
WMNUX (Class Ultra)	5/1/2015	1.50%	1.50%	7.28%	6.87%	4.38%	4.76%	4.25%
FTSE 1-Month Treasury Bill Index	5/1/2015	0.91%	0.91%	4.18%	4.89%	3.44%	2.26%	2.07%
Bloomberg U.S. Aggregate Index	5/1/2015	-0.05%	-0.05%	4.35%	3.63%	0.31%	1.70%	1.80%

*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 1.10% / 0.90%, Class A 1.21% / 1.01%, Class Ultra 0.96% / 0.76%.

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 advisor has contractually agreed to reduce fees and reimburse expenses until March 1, 2027.

Past performance is not indicative of future results. Data Source: © 2026 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 first quarter of 2026, White House policy updates, new economic data and the Federal Reserve's policy response drove significant market volatility. The Fed's rate-cutting cycle continued to benefit smaller companies with greater financing needs, while geopolitical developments — including Middle East tensions in March — caused a late-quarter risk-off move in equities, widening credit spreads and lifting volatility.

The S&P 500 declined 4.35%, with the Magnificent 7 leading large-cap stocks lower. In contrast, the Russell 2000 outperformed the S&P 500 by roughly 500 basis points year-to-date, supported by domestic-focused business models less exposed to tariff risk and disproportionate benefit from the Fed's rate-cutting cycle. U.S. Convertibles, which skew toward smaller issuers, finished the quarter up over 3%.

Investors turned cautious on AI trade profitability, questioning which companies would profit most from the hundreds of billions of dollars committed to AI infrastructure. The VIX ended the quarter materially higher, spiking in March amid Middle East events. Convertible arbitrage strategies were well-positioned to capture these swings through gamma trading, which benefits when stocks move significantly in either direction.

Looking into 2026, GDP growth is projected to accelerate modestly to around 2.3%, supported by strong broad-based productivity gains, though employment growth is expected to remain well below the pace seen in the years prior to the pandemic. Consumer confidence, however, came under fresh pressure in Q1 2026, as rising oil prices driven by the U.S.-Israel military conflict with Iran strained household budgets, raising the cost of gasoline, shipping and products reliant on oil-based inputs.

Outside the U.S., Q1 2026 proved to be a tale of two trends: The year began with continued strength in international and emerging markets, but momentum stalled in March as geopolitical tensions and an energy spike altered the



landscape — with emerging markets ultimately finishing the quarter down roughly 10% for the month. The U.S. dollar, which weakened in 2025 and boosted overseas returns for domestic investors, faced renewed volatility amid the conflict.

Geopolitical risk took center stage in Q1 2026 following a joint U.S.-Israel military operation against Iran on February 28, which resulted in the death of Iran's Supreme Leader and triggered retaliatory missile strikes against U.S. bases across the Middle East. Stocks retreated and oil prices soared in the aftermath. Oil prices surged more than 28% above pre-war levels in the opening days of the conflict, and by March 9, Brent crude exceeded \$100 per barrel for the first time since 2022 — a stark contrast to the declining oil prices referenced in the prior period. The dominant themes shaping markets during Q1 were the Iran conflict, concerns around the AI boom and a broad market rotation: Growth funds stumbled while value funds shone and bond strategies more sensitive to interest rates moved into the red. For the full quarter, U.S. large-cap stocks fell 4.33%, while small-cap stocks edged up 0.89%, international developed stocks declined 1.12% and emerging markets finished nearly flat, down just 0.10%. The Russia-Ukraine conflict continued to simmer in the background, but the Iran war eclipsed it as the dominant geopolitical headline and the primary driver of market volatility entering Q2 2026.

Market Outlook

Westwood's base case projects real GDP growth of 2.3%, core inflation of 2.8% (above the Fed's target), no interest rate cuts, WTI oil at \$75/barrel and unemployment at 4.5%. Growth is expected to moderate as the oil shock and tariff uncertainty weigh on consumer sentiment and spending, while the Federal Reserve holds rates steady to balance inflation risk against a softening labor market. Corporate earnings, with S&P 500 operating EPS projected at \$309 (~11% growth), serve as the near-term anchor for markets, though geopolitical resolution and trade policy clarity are seen as prerequisites for restoring broader investor confidence. A less probable but still possible scenario of "Stagflation Creep" as our downside scenario warns of oil staying above \$100, inflation re-accelerating past 3%, rising unemployment and a potential consumer recession.

Across asset classes, Westwood recommends a selective and risk-aware posture. Equities are rated neutral, as earnings growth remains intact but margin pressure from energy and input costs is rising, and valuations, while undervalued (P/E compressed from 22x to ~20x), still carry elevated risk relative to bond yields. Credit and rates both warrant cautious positioning, with credit spreads widening and real yields elevated at approximately 2.1%. Sectorally, energy and defense are favored given the conflict backdrop, AI infrastructure spending remains a key theme with hyperscaler capital expenditures approaching \$700 billion in 2026 and value is preferred over growth in the near term.

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.

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