

## 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 the Russell 2000 Index surged an impressive 12.4%, decisively outpacing the 8.0% gain of the large-cap Russell 1000 Index. Risk was certainly “on” in the quarter as investors rotated away from large-cap quality into smaller, riskier equities, while quality factors struggled relative to high beta and low profitability. In the bond market, corporate credit showed resilience as investment grade and high yield issues outperformed government bonds. In this environment, the Westwood Income Opportunity Fund gained 5.04%, outperforming its benchmark—the 60% Bloomberg U.S. Aggregate Index / 40% S&P 500 Index—which returned 4.44%.
- 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, or at least the perception of it, 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 months data revised lower; remarkably similar to the August 2024 report that preceded the Fed’s 50-basis-point cut last year. 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 concerning 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, despite lingering inflation concerns. The quarter culminated with the Fed delivering a 25-basis-point rate cut in the fed funds rate 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.
- Both the equity and fixed income sleeves of the Income Opportunity Fund contributed to our outperformance in the quarter. Allocation and security selection proved beneficial in both the equity and fixed income sleeves. An overweight in the equity sleeve was beneficial as equity markets soared, while an emphasis on corporate bonds was beneficial in the fixed income sleeve.
- Within the equity sleeve, our stock selections outperformed, while our convertible securities allocation was a drag on relative performance. At the sector level, the top contributor to performance was the Industrials sector, followed by Materials and Financials. Detracting from performance were the Information Technology, Consumer Discretionary, Real Estate and Energy sectors.

- Among our top performers, Kratos Defense & Security Solutions (KTOS) doubled on the strength of numerous new contracts for the drone manufacturer. Barrick Mining Corp. (B) surged on higher gold prices, while Alphabet Inc. (GOOGL) and Micron Technology Inc. (MU) both advanced as investors appreciated the implications of artificial intelligence (AI) for Google's ad business and Micron Technology's semiconductors. Insurer Mercury General Corp. (MCY) gained as the company shook off the street's concerns about slowing consumer spending impacting insurers.
- Intel Corp. (INTC) was the leading detractor among equity securities in the quarter, as investors raised concerns about whether the company missed the AI trade, despite the announcement of a number of significant new investments. Honeywell International (HON) declined amid weak demand in its Industrial Automation segment, as well as concerns over a planned reorganization. Philip Morris (PM) also was a leading detractor, falling on lower revenue despite stable earnings, while Salesforce Inc. (CRM) declined amid general weakness in the software sector, tied to the spread of AI. Finally, Energy Transfer LP (ET) declined due to soft oil prices, which have impacted the entire Energy sector.
- In the fixed income sleeve, our corporate bonds were the largest contributor to both relative and absolute performance, as both our high yield and investment grade selections gained ground. In the treasury portfolio, both short and long-dated bonds gained ground as interest rates declined in the quarter; our allocation to longer-dated bonds increased to about 5% of assets and provided a lift to performance.
- On a tactical level, we have maintained our overweight to equities since the mid-April market bottom, a position that has benefited the portfolio as equities have enjoyed a strong run. We are overweight corporate credit, though at a lower position than in previous years, as Treasury bonds remain a good value. We are neutral to the benchmark on a duration basis.

Top Contributors	Top Detractors
Kratos Defense & Security Inc.	Kratos Defense & Security Solutions Inc, Call Expiring 11/25 \$65
Alphabet Inc.	Micron Technology Inc. Call Expiring 11/25 \$145
Barrick Mining Corp.	Intel Corp.
Micron Technology Inc.	Kratos Defense & Security Solutions Inc. Call Expiring 11/25 \$52.50
Mercury General Corp.	Honeywell International Inc.

## Top 10 Holdings as of 9/30/2025

Alphabet Inc.	Wells Fargo & Co.
Microsoft Corp.	NVIDIA Corp.
Gilead Sciences Inc.	JPMorgan Chase & Co.
Energy Transfer LP	Micron Technology Inc.
Kratos Defense & Security Solutions Inc.	Capital One Financial Corp.

Top 10 Holdings represents 16.89% of the total portfolio and represents the ten largest portfolio positions by market value in the Fund as of the period end date. Each quarter, the Westwood Funds use this same objective, non-performance based criteria to select the ten largest holdings. Holdings are subject to change. Current and future portfolio holdings are subject to risk.



## Performance Update

As of September 30, 2025

### Trailing Year Performance

	Inception Date	3Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGIX (Class I)	12/19/2005	5.04%	9.13%	8.23%	11.87%	5.91%	6.49%	6.54%
WWAIX (Class A) **	12/31/2007	5.00%	9.00%	8.15%	11.69%	5.71%	6.25%	6.36%
WWIAX (Class A with Load) ***	12/31/2007	1.82%	5.73%	4.88%	10.54%	5.07%	5.93%	6.18%
WWICX (Class C)	9/03/2019	4.83%	8.45%	7.30%	10.85%	4.93%	--	5.02%
WHGOX (Class Ultra)	11/30/2022	5.15%	9.20%	8.42%	--	--	--	9.36%
Russell 3000 Index	12/19/2005	8.18%	14.40%	17.41%	24.12%	15.74%	14.71%	10.72%
60% Bloomberg U.S. Aggregate Bond Index / 40% S&P 500 Index	12/19/2005	4.44%	9.69%	8.73%	12.71%	6.23%	7.30%	6.54%

\*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 0.84% / 0.84%, Class A 1.01% / 1.01%, Class C 1.76% / 1.76%, Class Ultra 0.76% / 0.76%.

Blended Benchmark is 40% S&P 500 / 60% Bloomberg Barclays U.S. Aggregate Bond Index. Russell 3000 Index is a market capitalization-weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. The index is composed of the 3,000 largest U.S. companies and represents approximately 98% of the investable U.S. equity market.

***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.***

## Westwood Multi-Asset | Capital Markets Outlook

As of October 2025

### Operative Scenario – Goldfinger

50% Probability

- Near-term sub-trend economic growth as we work through higher uncertainties' impact on sentiment.
- The Federal Reserve cuts are here to support sub-trend growth and administration goals.
- Financial conditions stable for companies as we see lower policy uncertainty.
- Continued inflation monitoring, though targeted tariff negotiations and clarity reduce risk.
- Resilient earnings growth, as margins have held in better than expected despite revenue growth a touch lower. Earnings growth outstrips expectations.
- Lower consumer sentiment until wages catch up to tariff-adjusted prices.

### Scenario #2 (Upside Risk) – Tomorrow Never Dies

25% Probability

- The Fed lowers rates faster/more than current market expectations.
- Unemployment doesn't rise and wage inflation catches up.
- International economy resilient and consumption demand remains strong.



- Turning consumer confidence leads to continued spending and more CapEx.
- Global economic growth picks up quickly with dropping global rates, and commodities cycle resumes.
- Catalysts for the bounce? The Art of the Deal. Trade negotiations start; extension of tariff dates; tax cut extension.

## Scenario #3 (Downside Risk) – Dr. No

### 25% Probability

- Rising inflation drives cost-cutting to maintain margins. The Fed has to stop cutting rates to control inflation.
- Global trade war (re)escalates.
- Unemployment rises more quickly than expected, and coupled with elevated borrowing rates, leads to increased company defaults.
- Economic output drops while inflation remains elevated. Stagflation and Hard landing.
- Promise of AI bubble deflates some as the ROI from capital spending doesn't materialize.
- Housing continues to struggle with home prices falling more broadly in response to a worsening jobs picture and elevated rates.

Base Case Outlook – End of 2025	Our View	Consensus View
Real GDP	+1.8%	1.8%
Core Inflation	2.9%	2.8%
Fed Funds Rate	3.75%	4.25% current Three rate cuts
Oil (WTI)	\$60/bl 2025 e	
Unemployment Rate	4.4%	4.3%
S&P 500	\$270 EPS (2025 year-end)	

## Westwood Multi-Asset | Strategic Views

October 2025

**Equities: Neutral** Fed easing; patient capital with select opportunities during economic adjustment

- Below-trend growth but divergence potential for selection
- Labor market signs of incremental weakness
- Resilient consumption reliant on lower income improvement

**Credit: Negative** Elevated yields still attractive, but broad credit compensation low

- Credit spreads reflect easy environment
- Can still find good balance sheets and elevated headline yield protection
- Offers decent risk-return in a low(er) growth environment
- Closely monitor credit conditions

**Rates: Neutral Duration –** Curve steepening; 2- to 5-year yields drop; 10-year yields range-bound

- Fed rate accommodative, but less so
- Impact of monetary action and fiscal inaction impacts intermediate (10-year+) rates
- “Insurance policy” of holding duration valuable and good income



**Thematic and Sector Outlook:** Gene editing, digital currencies, quantum computing, AI plays in industrials: Quality/Value orientation

- AI theme spreads, broadening to small and mid cap
- Chip supply/demand imbalance = long-term demand
- Weight loss innovation continues to impact
- U.S. manufacturing partners

## Market Review

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.

## Outlook

Below-trend growth, sticky inflation and hazy economic data create a complex backdrop for the stock market. Real GDP growth for the quarter is projected to decelerate to a subdued 1.0% to 1.5%. This slowdown is primarily driven by a weakening consumer facing historically low real disposable income growth, elevated borrowing costs and the drag from resumed student loan payments. Those burdens could be reduced if rates come down, which would also benefit small caps greatly.

Inflation remains the critical economic headwind. Core inflation is proving persistent near 3.0%, largely complicated by a significant rise in the effective U.S. tariff rate to an estimated 17%. This trade-policy-driven price pressure limits the Federal Reserve's flexibility. The labor market is cooling, with the unemployment rate slightly higher around 4.3%, and job growth is narrowing. Tighter immigration policies are acting as a structural constraint on the labor supply, helping to underpin wages in labor-intensive sectors and lowering the overall potential growth rate of the economy.

In response to the softening labor data, the Federal Reserve is expected to continue its easing cycle, with a high probability of one or two additional 25-basis-point rate cuts before year-end, following its initial September move. The policy path is fraught with risk, however, as cutting too quickly while inflation remains above target could jeopardize the Fed's credibility.

Stocks, in general, are trading at a premium, with market valuation slightly above fair value and concentration high in a handful of mega-cap technology stocks tied to the buildout of AI. This narrow, highly valued rally leaves little margin for error. Consequently, investment opportunities are shifting. Undervalued segments, specifically small-cap stocks (trading at a double-digit discount to fair value) and the broader value style, are becoming increasingly attractive. On a sector basis, professional outlooks highlight value in real estate, energy and health care, which are currently trading below their estimated intrinsic value, suggesting a necessary rotation for investors seeking returns in an otherwise fully priced market. The core risk remains the adverse feedback loop of tariff-led inflation, delaying the necessary monetary easing.

At the same time, due to the economic outlook described above, it would be prudent to be increasingly selective, investing in high-quality undervalued companies due to economic bifurcation and to account for the risk of potential deterioration as the Fed attempts to thread the needle with a soft landing.

From our lens, we also see increasing warning signs in the economy that point to America being further along in the traditional cycle than markets are pricing in. Obviously, with artificial intelligence acting as such a catalyst, investors are launching into risk assets with little concern and eschewing the lure of sound balance sheets and any company that might be negatively impacted by AI. We see the value proposition continuing to garner favor, as it's already begun doing in the Russell 2000.

Though some headlines might suggest otherwise, the market remains heavily concentrated. The "Magnificent 7" stocks, along with Taiwan Semiconductor and Broadcom, now constitute 35% of the S&P 500's total market capitalization, giving them an outsized influence on the index's performance.

As markets evolve, we continue to focus on the things we know and adapt to new norms. We believe that companies with high-quality fundamentals and attractive relative valuations may have the potential to perform well over longer time horizons and across varying market conditions.





## 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 or full prospectus, which may be obtained by calling 877.FUND.WHG (877-386-3944), or by visiting our website at westwoodfunds.com. Read the prospectus carefully before investing or sending money.*

Mutual fund investing involves risk, including possible loss of principal. Bonds and bond funds are subject to interest rate risk and will decline 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. Convertible securities are influenced by changes in interest rates (with investment value declining as interest rates increase) and the credit standing of the issuer. The price of a convertible security will also normally vary in some proportion to changes in the price of the underlying common stock. There is no guarantee that the Fund will achieve its stated objective, which can be found in the full and summary prospectus.

The **Russell 3000 Index** is a market capitalization-weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. The index is composed of the 3,000 largest U.S. companies and represents approximately 98% of the investable U.S. equity market. The **Bloomberg U.S. Aggregate Bond Index** is a broad base bond market index representing intermediate term investment grade bonds traded in the United States. The **S&P 500 Index** is a market value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation, with each stock's weight in the Index proportionate to its market value. The **Russell 1000 Growth Index** is a market-capitalization-weighted index of U.S. large-cap companies from the Russell 1000 that exhibit growth characteristics like higher price-to-book ratios and forecasted growth. Index performance does not reflect any management fees, transaction costs or expenses. The **Russell 1000 Index** is an unmanaged market index that measures the performance of the 1000 largest companies in the Russell 3000. The **Russell 2000 Index** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. **CapEx** are the funds companies allocate to acquire, upgrade, and maintain essential physical assets like property, technology, or equipment, crucial for expanding operational capacity and securing long-term economic benefits. **Stagflation** combines stagnant economic growth, high unemployment, and persistent inflation. Expressed as a percentage, **return on investment (ROI)** is a financial ratio that measures the profit generated by an investment relative to its cost. **Mega-cap** is a designation for the largest companies in the investment universe as measured by market capitalization. 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. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Growth** is a term used to refer to a share in a company that is anticipated to grow at a rate significantly above the average for the market. **Value** is a term used to refer to a company that tends to trade at a lower price relative to its fundamentals, such as dividends, earnings and sales, making them appealing to value investors. **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 cap** is a term used to refer to a company with a market capitalization value of more than \$10 billion. A company's market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. **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. **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. **Earnings per Share (EPS)** is a company's net profit divided by its outstanding shares, indicating profitability on a per-share basis. **Headline yield protection** is a strategy that protects fixed-income investments against inflation by adjusting the principal amount based on changes in a specified inflation index.

Diversification does not protect against market loss.

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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