

Westwood Income Opportunity Fund Commentary

1Q
2026

Performance Highlights

The first quarter of 2026 marked a sharp reversal from late-2025's broadly constructive risk environment, with commodities outperforming while equities and fixed income struggled. Markets were dominated by an energy-driven inflation shock following the escalation of the Middle East conflict and the effective disruption of oil flows through the Strait of Hormuz, forcing investors to rapidly reassess growth, inflation and policy assumptions. In this environment, the Westwood Income Opportunity Fund (Class I) returned 0.13%, outperforming the blended benchmark of 60% Bloomberg U.S. Aggregate Index/40% S&P 500 Index, which returned -1.76%.

Global equities declined over the quarter, with U.S. equities continuing to underperform international peers, as the S&P 500 decline of 4.33% marked the weakest quarter for U.S. large caps since 2022. In contrast, value stocks, small caps and energy-linked sectors outperformed, reflecting higher commodity prices and a rotation away from mega-cap technology exposures. Japanese equities were a notable regional outlier, supported by yen weakness and post-election fiscal stimulus expectations. Information technology stocks declined during the quarter, even as many companies reported solid revenue growth. Investors rotated toward AI infrastructure businesses such as semiconductors and data-center providers as concerns that generative AI could undermine the SaaS model that traditional software stocks in the industry have relied on for years.

Government bond markets sold off sharply as surging energy prices reignited inflation concerns and forced markets to abandon expectations for near-term rate cuts. U.S. Treasury yields rose across the curve, with longer-term yields reflecting higher-term premiums and persistent inflation risk. Credit markets weakened alongside rates, but spreads remained within longer-term ranges. Beyond energy, agricultural and industrial commodities also benefited from supply disruptions and higher transportation costs, demonstrating their role as an inflation hedge and geopolitical shock absorber within diversified portfolios. The U.S. dollar strengthened during the period, supported by safe-haven demand and the petro-dollar dynamics associated with rising energy prices. This environment created headwinds for gold late in the quarter, as higher real yields offset its safe-haven appeal.

The equity sleeve of the portfolio was the primary driver of outperformance relative to the benchmark in the quarter, with strong security selection and allocation within the asset class contributing meaningfully to relative performance. The fixed income sleeve of the portfolio modestly detracted from relative performance, primarily due to allocation to and within the asset class, in addition to the effect of changes in spreads during the period.

Within the equity sleeve, stock selection in common equity was the primary contributor to relative outperformance, with allocation to off-benchmark convertible securities also contributing meaningfully to outperformance. At the sector level, the top-performing sector on an absolute basis was the Energy sector, followed by Utilities, with the Information Technology and Health Care sectors contributing the most to relative performance. Selection in both Information Technology and Health Care was the largest contributor to relative performance, with an underweight allocation relative to the benchmark in Information Technology benefiting relative outperformance. Financials and Communication Services were the bottom-performing sectors on an absolute basis, with Financials and Materials as the largest detractors from relative performance. An overweight allocation to Financials and selection within Materials were the largest contributors to relative performance.



Among our top performers, Gilead Sciences Inc. (GILD) gained throughout the quarter after strategic acquisitions reinforced its long-term growth narrative, and FDA approval of the Yescarta label expansion strengthened its oncology revenue outlook. Shares of Micron Technology Inc. (MU) rose after reporting another quarter of record financial results, management attributing results to AI-driven demand for memory, tight supply and strong pricing power, as all of the company's high-bandwidth memory (HBM) is sold out through 2026. FedEx Corp. (FDX) advanced after reporting strong earnings, management raised full-year 2026 guidance and its DRIVE program's cost savings surpassed expectations.

Shares of Lockheed Martin Corp. (LMT) rose after reporting strong earnings, while also benefiting from a broad rotation into defense stocks amid global instability and policy momentum around a higher future U.S. defense budget. Johnson & Johnson (JNJ) rounded out the top contributors, benefiting from multiple FDA approvals and regulatory submissions, acceleration in its Innovative Medicine pipeline amid strong earnings and renewed interest in large-cap healthcare during market volatility.

Microsoft Corp. (MSFT) was the largest detractor from performance, falling despite strong headline earnings over investor concern regarding the cost, pace and risk of Microsoft's AI strategy. Shares of International Business Machines Corp. (IBM) declined despite solid earnings over heightened AI-disruption fears and renewed skepticism around cloud and consulting growth durability. Kratos Defense & Security Solutions Inc. (KTOS) fell after management issued weaker-than-expected near-term guidance despite earnings beats and heightened volatility stemming from dilution concerns over a large secondary equity offering.

Shares of Capital One Financial Corp. (COF) declined after an earnings miss and reports of a proposed 10% credit-card interest-rate cap, which would directly impact the company's core profit engine. Wells Fargo & Co. (WFC) rounded out the largest detractors from performance, falling after reporting an earnings miss and the company's exposure to a U.K. mortgage lender that collapsed during the period.

In the fixed income sleeve of the portfolio, corporate bonds were the largest detractor from performance, with investment grade corporate bonds underperforming relative to the benchmark due to changes in spreads throughout the quarter and the effect of a twist in the yield curve. A portion of the underperformance was offset by selection and the effect of parallel shifts in the yield curve that occurred during the period. High yield corporate bonds contributed positively to the portfolio, benefiting primarily from changes in spreads during the period. Allocation to an off-benchmark perpetuity and preferred security detracted from performance, with selection and the effect of a twist in the yield curve on treasuries offsetting the relative underperformance.

On a tactical level, the Fund has continued to maintain the overweight to equities, which has benefited portfolio performance as the equity sleeve continued to contribute positive returns during the quarter despite market volatility. The Fund continues to be overweight corporate credit and underweight treasury securities.

Performance Drivers

Top Contributors	Top Detractors
Micron Technology Inc.	Microsoft Corp.
Gilead Sciences Inc.	Capital One Financial Corp.
FedEx Corp.	International Business Machines Corp.
Lockheed Martin Corp.	Wells Fargo & Company
Johnson & Johnson	Alphabet Inc.



Top 10 Holdings as of 3/31/2026

5y T-Note Contract Expiring 6/26	Euro FX Contract Expiring 6/26
UST 0.000% Due 4/7/26	U.S. Ultra T-Bond Contract Expiring 6/26
2y T-Note Contract Expiring 6/26	Westwood Enhanced Income Opportunity ETF
Alphabet Inc.	Microsoft Corp.
Gilead Sciences Inc.	Johnson & Johnson

Top 10 Holdings represents 23.11% 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 March 31, 2026

Trailing Year Performance

	Inception Date	1Q26	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGIX (Class I)	12/19/2005	0.13%	0.13%	11.58%	9.35%	4.35%	6.27%	6.51%
WWAIX (Class A) **	12/31/2007	0.01%	0.01%	11.32%	9.15%	4.15%	6.03%	6.33%
WWIAX (Class A with Load) ***	12/31/2007	-2.99%	-2.99%	7.96%	8.05%	3.52%	5.71%	6.15%
WWICX (Class C)	9/03/2019	-0.17%	-0.17%	10.56%	8.36%	3.38%	--	4.96%
WHGOX (Class Ultra)	11/30/2022	0.08%	0.08%	11.68%	9.42%	--	--	8.76%
Russell 3000 Index	12/19/2005	-3.96%	-3.96%	18.09%	17.86%	10.87%	13.72%	10.36%
60% Bloomberg U.S. Aggregate Bond Index / 40% S&P 500 Index	12/19/2005	-1.76%	-1.76%	9.66%	9.42%	5.05%	6.77%	6.37%

*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 1.02% / 1.02%, Class C 1.77% / 1.77%, Class Ultra 0.77% / 0.77%.

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 April 2026

Operative Scenario – Navigating Crosscurrents

40% Probability

- Growth moderates as the oil shock and tariff uncertainty weigh on sentiment and spending.
- Federal Reserve holds rates steady through 2026, balancing inflation risk against softening growth.
- Earnings season provides a near-term anchor; companies with margin resilience outperform.



- Consumer under dual pressure from energy costs and tariff-driven price increases but labor market provides a floor.
- Geopolitical resolution and trade policy clarity needed to restore confidence and support risk assets.
- AI investment and hyperscaler capex continue to support select sectors and innovation themes.

Scenario #2 (Upside Risk) – Resolution Rally

25% Probability

- Iran conflict resolves; oil normalizes toward \$80-\$85/bbl, easing inflation pressure.
- The Fed resumes easing with cuts in the second half of the year.
- Earnings beat expectations as input cost fears prove transitory and margins hold.
- Consumer spending accelerates on lower energy costs and fiscal tailwinds.
- Global growth re-accelerates as geopolitical uncertainty lifts and trade clarity improves.

Scenario #3 (Downside Risk) – Stagflation Creep

35% Probability

- Oil remains above \$100; inflation re-accelerates above 3%. The Fed forced into extended hold with no rate relief.
- Global trade tensions intensify as tariff investigations broaden.
- Unemployment rises more quickly than expected; elevated borrowing rates lead to increased company defaults.
- Consumer recession as gas prices, tariffs and tighter financial conditions compound. Stagflation risk.
- Credit stress broadens from lower-quality borrowers; private credit faces real stress test with rising defaults.
- Housing continues to struggle amid elevated rates and a weakening employment picture.

Westwood Multi-Asset | Strategic Views

April 2026

Equities: Neutral Positioning

- Earnings growth intact but margin pressure rising from energy and input costs
- Valuation compressed but equity risk premium thin vs. bond yields
- Q1 earnings season a near-term catalyst; guidance matters more than beats

Credit: Cautious Positioning

- Credit spreads widening but not yet signaling systemic stress
- Elevated headline yields still offer risk management in a volatile environment
- Monitor the 2026-27 refinancing wall and private credit stress signals

Rates: Cautious Positioning

- Fed on hold keeps front-end anchored; growth scares support longer maturities
- Real yields elevated at ~2.1% offer genuine income; uncertainty premium in longer maturities
- “Insurance policy” of holding bonds tougher in inflationary environment

Thematic and Sector Outlook: Selective Positioning

- Energy and defense themes validated by conflict and spending increases



- AI infrastructure spend continues; hyperscaler capex approaching \$700B in 2026
- Consumer defensive positioning; value over growth near term
- Real assets benefit from both the AI buildout and oil shock dynamics

Market Review

Markets became volatile in 2026's first quarter, as investors increasingly focused on Middle East tensions following military actions by the U.S. and Israel against Iran. The conflict raised inflation concerns, as oil prices jumped dramatically in a short period. This caused some anxiety among fixed-income investors, leading to rising bond yields and slightly negative total returns in the bond market (bond prices fall as yields rise). By late February, the 10-year Treasury yield dropped below 4%, but it ended the quarter at 4.30%.

After reaching new all-time highs in late January, the S&P 500 faced more turbulence throughout the rest of the quarter. February's modest stock market decline accelerated in March following the start of military action. The large-cap S&P 500 fell 4.33% in the first quarter, erasing January's gains. Meanwhile, small-cap and mid-cap stocks posted modestly positive returns for the quarter. International stocks experienced strong gains in the first two months but suffered significant setbacks in March, finishing the quarter in negative territory.

A market rotation that first emerged in late 2025 continued. While technology stocks led markets in recent years, leadership has since shifted to other sectors. Energy stocks within the S&P 500, boosted by the jump in oil prices, gained more than 38% over the first three months. Other sectors that previously underperformed, like Materials, Utilities, Consumer Staples and Industrials, also posted positive returns. Amid ongoing geopolitical issues, investors continue to weigh mixed economic signals. Fourth quarter gross domestic product (GDP) growth, reported in the first quarter, came in at a disappointing 0.7% annualized rate. Job growth also slowed down. At the same time, inflation remains slightly above the Fed's 2% target, with living costs expected to rise as higher oil prices are incorporated into upcoming inflation data. The combination of slower growth and persistent inflation concerns led the Fed to keep the federal funds rate at the 3.50% to 3.75% range, where it stood at the end of 2025.

Outlook

Increased visibility of geopolitical issues adds to rising uncertainties that cloud the 2026 investment outlook. The most significant external factor is the impact of the Middle East conflict. Markets are especially focused on potential inflationary effects caused by recent oil price spikes since military actions began in late February. If inflation rises, the Fed may have less room to cut interest rates further to stimulate the economy and might even be forced to raise rates to combat inflation. Fed Chair Jerome Powell has indicated that both cuts and hikes are in play, given ongoing economic uncertainties. Fed interest rate policies and inflation trends will heavily influence bond investors. If bond yields keep rising, as they did in the first quarter, it could put additional downward pressure on stock prices, with investors increasingly seeking more attractive fixed income yields.

Investors are also closely monitoring the economy's trajectory. The fourth quarter's disappointing GDP growth and recent signs of job market weakness raise risks, as consumers are the main drivers of economic growth. So far, consumer spending has remained steady, but higher gas prices and slow job growth could lead to reduced spending, potentially challenging corporate profit forecasts. Earnings projections and results are key indicators for stock investors to watch. Investors will also be keeping an eye on whether the first-quarter trend favoring previously underperforming sectors like Energy, Utilities, Industrials and Materials continues. Technology stocks are trying to rebound after a tough first quarter that lowered overall market returns.



A potential positive outcome of the market's first-quarter decline is that investors are now better positioned to identify value opportunities. Many well-established companies with strong cash flow and solid balance sheets now offer more attractive entry points for investors. The number of stocks outperforming the S&P 500 has increased compared to recent years, indicating that investors are looking for better value opportunities. A quicker resolution to Middle East tensions could help reduce inflationary pressures and potentially set the stage for a market recovery. However, investors should stay prepared for ongoing uncertainty that might sometimes increase market volatility, as external events could continue to overshadow market and economic fundamentals. This environment may continue to create favorable value investing opportunities.

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. 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 appeal 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. **Earnings per Share (EPS)** is a company's net profit divided by its outstanding shares, indicating profitability on a per-share basis. **Gross Domestic Product (GDP)** is the total monetary value of all goods and services produced within a country's borders over a specific period, typically reported quarterly or annually. GDP is widely used as a comprehensive measure of a country's overall economic activity, growth and health. It includes consumer spending, business investment, government expenditures and net



exports (exports minus imports). **Capex**, or *capital expenditures*, refers to the funds a company uses to acquire, upgrade or maintain physical assets such as property, buildings, technology or equipment. These expenditures are typically made to support or expand the company's long-term operations and are recorded as assets on the balance sheet rather than expenses on the income statement. **Stagflation** is an economic condition characterized by the combination of sluggish economic growth, high unemployment and elevated inflation occurring at the same time. This environment is considered challenging because traditional policy tools used to address inflation may worsen unemployment, while measures used to stimulate growth may worsen inflation.

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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