

Westwood Quality SmallCap Fund Commentary

4Q
2025

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. In this environment, the Westwood Quality SmallCap Fund (Class I) returned -2.61%, trailing the Russell 2000® Value benchmark, which returned 3.26%.
- 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 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 bps 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.
- The speculative trade dominated returns in the period, especially during the month of October. Biotechnology and Metals & Mining stocks were meaningful contributors to benchmark returns. The Fund trailed the benchmark primarily due to stock selection, while asset allocation was also a detracting factor.
- The leading detractors were the Health Care, Financials and Materials sectors, each driven by stock selection. In each case, the lack of exposure to a key industry negatively impacted relative performance — biotechnology in Health Care, cryptocurrency in Financials and mining in Materials. Contributing to performance were the Consumer Discretionary and Utilities sectors, driven by individual stock selection.

Performance Drivers

On an absolute basis, the only sectors with positive performance were the Utilities and Industrials sectors. Energy, Consumer Staples and Information Technology were the sectors with the greatest declines.

Top Contributors

- YETI Holdings Inc. (YETI) was the top contributor in the quarter, as the company reported earnings above consensus expectations. Stronger sales, continued international expansion, and product innovation—including new outdoor gear offerings—helped drive the stock higher.

- Thermon Group Holdings (THR) rose meaningfully during the quarter after reporting increased revenue, net income, and earnings. Strong demand across its electrification, decarbonization, and power segments supported the company's performance and boosted investor confidence.
- Moog Inc. (MOG.A) gained after delivering a sizable fourth-quarter revenue beat and posting solid backlog growth across its core aerospace and defense segments, reinforcing the company's momentum heading into the new fiscal year.
- Atmus Filtration Technologies Inc. (ATMU) advanced in the fourth quarter following an earnings report that exceeded consensus expectations. Management raised guidance, and news of a strategic acquisition that expands exposure to attractive industrial filtration end markets provided additional support.
- NorthWestern Energy Group Inc. (NWE) moved higher after reporting earnings that reflected growth driven by increased utility rates and operational enhancements. The announcement of an impending merger with Black Hills Corp. also contributed positively to the stock's performance.

Top Detractors

- SM Energy Company (SM) was the leading detractor for the quarter, as shares declined amid economic headwinds and operational pressures. The company's proposed merger with Civitas Resources was poorly received by the market, further weighing on performance. The position was sold during the quarter.
- Blue Bird Corp. (BLBD) moved lower in the quarter, primarily due to profit-taking after a strong year of stock appreciation. This occurred despite the company delivering robust quarterly results, including 17% year-over-year sales growth and a 50% increase in earnings versus the prior year.
- Hawkins Inc. (HWKN) declined after reporting results below expectations in its Water Treatment and Industrial segments. Softer performance in these areas contributed to the stock's pullback during the quarter.
- Baldwin Insurance Group, Inc. (BWIN) weakened as slowing organic growth and broad-based industry headwinds—affecting rate trends, exposure growth, and competitive dynamics—pressured performance. The company did report improved free cash flow and continued investment in technology and distribution networks, which support longer-term prospects.
- Alamo Group Inc. (ALG) declined after reporting year-over-year earnings pressure. Divergent end-market trends weighed on results, as softness in the Vegetation Management division offset growth in the Industrial Equipment business.

Performance Update

As of December 31, 2025

Trailing Years Performance

	Inception Date	4Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGSX (Class I)	4/02/2007	-2.61%	-0.06%	-0.06%	7.06%	6.57%	8.25%	7.25%
WHGAX (Class A) *	9/03/2019	-2.65%	-0.19%	-0.19%	6.91%	6.43%	--	7.22%
WHGAX (Class A with Load) **	9/03/2019	-6.53%	-4.18%	-4.18%	5.46%	5.56%	--	6.52%
WHGCX (Class C)	9/03/2019	-2.82%	-0.92%	-0.92%	6.10%	5.63%	--	6.43%
WWSYX (Class Ultra)	3/31/2020	-2.58%	0.07%	0.07%	7.17%	6.70%	--	13.76%
Russell 2000 Value Index	4/02/2007	3.26%	12.59%	12.59%	11.73%	8.88%	9.27%	6.61%
Russell 3000 Index	4/02/2007	2.40%	17.15%	17.15%	22.25%	13.15%	14.29%	10.57%

*Annualized

* Excludes sales charge. ** Reflects effects of the fund's maximum sales charge of 4.00%. Total Annual Fund Operating Expenses by Share Class (gross / net): Class I 1.04% / 0.90%, Class A 1.18% / 1.04%, Class C 1.93% / 1.79%, Class Ultra 0.93% / 0.79%. The Advisor has contractually agreed to waive fees and reimburse expense until March 1, 2026. In the absence of current fee waivers total return and yield would be reduced.



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.

Calendar Year Returns

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WHGSX	23.23%	-1.40%	18.13%	49.39%	6.05%	-5.94%	28.33%	12.36%	-14.16%	27.13%	2.16%	27.93%	-12.46%	17.17%	4.80%	-0.06%
Russell 2000 Value Index	24.50%	-5.50%	18.05%	34.52%	4.22%	-7.47%	31.74%	7.84%	-12.86%	22.39%	4.63%	28.27%	-14.48%	14.65%	8.05%	12.59%
Russell 3000 Index	16.93%	1.03%	16.42%	33.55%	12.56%	0.48%	12.74%	21.13%	-5.24%	31.02%	20.89%	25.66%	-19.21%	25.96%	23.81%	17.15%

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.

Potential Risks

Mutual fund investing involves risk, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objectives. There are specific risks inherent in small cap investing such as greater share price volatility as compared to other funds that invest in stocks of companies with larger and potentially more stable market capitalizations.

Top 10 Holdings as of 12/31/2025

Urban Edge Properties	Hayward Holdings Inc.
Prestige Consumer Healthcare Inc.	Blue Bird Corp.
Four Corners Property Trust Inc.	Avista Corp.
Northern Oil and Gas Inc.	Atmus Filtration Technologies Inc.
Simmons First National Corp.	Century Communities Inc.

Top 10 Holdings represents 20.63% 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.

Fund Positioning and Trade Rationale

Positions were initiated in the following companies:

- Addus HomeCare Corporation (ADUS) is an in-home care provider that stands to benefit from secular growth tailwinds, including aging demographics and policy shifts toward lower cost of care settings. We believe the company can leverage technology to better manage medical care and outcomes, to gain market share in a fragmented industry.
- Lindsay Corporation (LNN) makes agricultural irrigation and infrastructure equipment and technology. The company offers a long-term buying opportunity for a high-quality agricultural equipment manufacturer, trading at a historical trough multiple after a recent pullback in stocks due to poor agricultural sentiment.
- Magnolia Oil & Gas Corp. Class A (MGY), an oil and gas producer with assets in the Eagle Ford Shale and Austin Chalk formation, was purchased based on asset quality, balance sheet and management team.
- MDU Resources Group, Inc. (MDU) is a small-cap utility that is simplifying its structure and sharpening its focus. Management has outlined a clear investment plan to support steady growth across its businesses while maintaining a strong balance sheet. The shares trade at a modest premium, reflecting higher growth expectations.



- MYR Group Inc. (MYRG) is a specialized electrical contractor positioned to benefit from long-term demand tied to grid upgrades and data center construction. After a difficult period, the business is stabilizing and improving execution.
- Power Integrations, Inc. (POWI) designs power chips used across consumer, industrial and computing markets. The company is shifting toward higher-value, higher-power products, including advanced GaN solutions. This transition positions the business to benefit from long-term demand tied to electric vehicles, data centers and power infrastructure.
- XPEL, Inc. (XPEL) is an automotive aftermarket supplier and service provider of paint protection film, window tint, ceramic coatings and related tools and equipment. Xpel has faced temporary pressures from weaker auto sales, excess inventory and uneven international demand, all of which appear to be easing. As conditions normalize, cash generation should improve.

The following positions were sold from the portfolio:

- Bank of N.T. Butterfield & Son Limited (NTB): Sold to reallocate capital toward other regional banks with more favorable geographic exposure.
- CONMED Corporation (CNMD): Eliminated from the portfolio following a change in the company's product line that resulted in a material shift to the original investment thesis.
- Plymouth Industrial REIT, Inc. (PLYM): Position sold after the company received an unsolicited takeover bid that represented a fair valuation and was unlikely to be exceeded.
- SM Energy Company (SM): Sold as the company's planned merger with Civitas Resources was expected to be unfavorable relative to standalone prospects.

Market Review

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-surging Technology sector started to appear in December. While much of the recent stock market rally is attributed to enthusiasm for advances in artificial intelligence (AI), late in the year, investors shifted focus away from AI's potential toward 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.

Markets were boosted by the Federal Reserve's late-year interest rate cuts. From September to December, the Fed lowered the influential federal funds rate by 0.75%. Unlike in previous periods, Fed policymakers are less unified in their monetary policy stance, with some expressing caution about how much further the Fed should cut rates.

The Fed's actions had little 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%.



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.

Outlook

Following three straight years of double-digit returns, a key question for 2026 is whether equity markets can sustain positive momentum and what will continue to drive a rally. Although issues like high inflation and rising unemployment could pose economic challenges, the economy remains poised for modest, near-term growth. On the surface, at least, this provides a supportive foundation for stocks.

The latest inflation figures showed the Consumer Price Index for the past 12 months, ending in November, falling below 3%. While government shutdown-related data interruptions might have temporarily skewed the trend, it provided some reasons for optimism about inflation's direction. Consumers' ability to sustain reasonable spending growth remains uncertain. A slowing labor market raises concerns that consumers may become more cautious, potentially hindering economic growth.

Following three rate cuts in late 2025, Federal Reserve policymakers indicated a more cautious approach moving forward. Fed Chair Jerome Powell's second term concludes in June, with President Donald Trump expected to select a replacement soon. Whether this change signifies a major shift in monetary policy remains unclear, as many voting members of the Federal Open Market Committee will continue to serve.

A key question for stock investors is whether the AI-driven rally that supported the market's multi-year rise risks turning into a bubble that could burst, leading to a market decline. Although technology stocks, which benefited significantly from increased AI investment, weathered volatility in 2025, the outlook remains ambiguous. If investors become more cautious about stock valuations, other sectors beyond Communication Services and Information Technology might emerge as market leaders. Evidence of broader market participation emerged in 2025, a trend that may persist if concerns about inflation and technology stock valuations materialize.

A new year is a good time to assess not just the past year but also where the most attractive opportunities might lie ahead. In the current environment, investors appear increasingly focused on key fundamental factors such as the strength of the underlying economy, Fed monetary policy and stock valuations. And in this environment, we believe stock pickers and quality companies will prevail.

As investors broaden their focus, we believe high-quality stocks with low levels of debt, high return on invested capital and strong management teams will be seen favorably. With market valuations at an all-time high, we believe companies trading at a discount to the market or their peers will be resilient and offer greater returns than the broader market. Historically, those companies trading at the intersection of quality and value have outperformed.



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 1.877.FUND.WHG (877-386-3944), or by visiting our website at westwoodfunds.com. Read the prospectus carefully before investing or sending money.

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 **Russell 2000® Value Index** measures the performance of those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. 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. 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. **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 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. **Meme stocks** is a stock that has seen an increase in volume not because of how well the company performs, but rather because of hype on social media and online forums. **Yen** is the national currency of Japan. **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.

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