

Performance Highlights

Rate Euphoria Rewards Riskiest Companies, Beta...

- U.S. stocks experienced a robust Q3 2025, with all major indices posting strong gains and many reaching new all-time highs. The long-awaited rotation of leadership from large-cap giants to smaller companies was also notable in the quarter. In the third quarter, the Russell 2000 Index, a benchmark for small-cap stocks, surged an impressive 12.4%. This decisively outpaced the 8.0% gain of the large-cap Russell 1000 Index; the smallest companies performed even better, with the Russell Microcap Index soaring 17.0%. In this environment, the Westwood Quality SmallCap Fund gained 4.63%, underperforming the benchmark Russell 2000 Value Index, which gained 12.60%.
- Despite lingering uncertainties, including a looming 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.
- As seasoned value investors, we strive to unlock opportunities in mispriced, misunderstood, and often less popular names. We realize that a euphoric, near parabolic market, driven by high-risk valuations and ideas, has not always been a place where tried and true quality value outperforms. In fact, it's in these moments when fundamentals are commonly brushed aside, allowing for investor emotion and momentum to dominate. And while we know our philosophy is sound, we also realize that certain environments pose deeper challenges, and we can better adapt.
- To improve outcomes, Westwood is increasing flexibility, refining our approach, and expediting idea deployment to better compete in what's been an unbalanced, unsteady marketplace that could shift quickly. Our holdings did not align with market beta as effectively as they could have, but we do believe that risk is mispriced now, and we are cautious with deploying too much risk at this moment. On a positive note, we were able to add quality equities during the current lag period and cut several underperformers to ameliorate potential risk-adjusted returns.
- For the quarter, the interaction effect was a contributor, while asset allocation and stock selection were detractors. Interaction effect was largest in the Health Care sector, where we were underweight and underperformed. Consumer Discretionary and Energy also had similar drivers of interaction effect.
- The Real Estate sector was the largest single contributor to relative performance due to an overweight position and strong stock selection. The interaction of these led to the sector being the top contributor on a relative basis and among the top contributors on an absolute basis. Stock selection was also strong in the Information Technology sector, while allocation was most beneficial in the Financials and Materials sectors.. The Health Care sector was the largest detractor where an underweight position hurt, our holdings lagged and not owning a handful of stocks that soared in the quarter held results back against the benchmark. Stock selection in the Energy, Materials, Consumer Staples, and Consumer Discretionary sectors drove their relative underperformance.
- We increased the allocation to the Industrials and Materials sectors in the quarter and reduced exposure to the Utilities, Information Technology and Financials sectors.

Performance Drivers

On an absolute basis, the Industrials, Real Estate and Information Technology sectors were the best contributors in the third quarter, while Health Care and Consumer Staples were the weakest-performing sectors.

Top Contributors

- Rambus Inc. (RMBS) was the top contributor to the fund, gaining on strong earnings results. The company saw strong growth across all key measures compared to the same period last year. The company's backlog also grew 40.5% year-over-year, signaling robust future revenue potential. Management reaffirmed 2025 guidance, citing strong execution and long-term customer relationships, along with favorable trends in data center expansion and electric grid modernization.
- Real estate investment company Plymouth Industrial (PLYM) surged after receiving an unsolicited takeover offer at \$24.10 per share, representing a 65% premium to the prior day's close.
- Veeco (VECO) rallied nearly 50% in the quarter driven by better-than-expected 2Q results in August, followed by market appreciation of the AI-enabling technology offered by Veeco's semiconductor portfolio in September.
- Blue Bird (BLBD) traded higher during the quarter after reporting strong results in August, which showed top-and bottom-line beats, market share gains, and an improved long-term profitability outlook. Peers all maintain a strong buy rating on the stock as we continue to hold the position.
- Everus (ECG) rallied steadily during the 3Q supported by a favorable for Everus's end market growth and strong quarterly results, where revenue was 24% ahead of expectations and EBITDA margins beat by 26%. As an AI infrastructure play, the company is well-positioned and is keeping investor expectations low.

Top Detractors

- Baldwin Insurance Group Inc. (BWIN) traded lower after revising guidance in August. Shares were under pressure as concerns about economic growth and a slowing economy have caused investors to reduce their growth estimates for the insurance broker.
- Interparfums (IPAR) stock declined in Q3 2025 after the company issued conservative forward guidance during its Q2 earnings call in early August. While quarterly results were solid, the outlook for the remainder of the year was weaker than analysts anticipated, raising concerns about slowing growth and margin pressures from inflation. This cautious forecast, coupled with broader market volatility and worries about consumer spending on discretionary luxury items, prompted a sell-off from investors.
- Prestige Consumer Healthcare (PBH) shares were under pressure in the quarter after reporting earnings that were just shy of consensus expectations. In order to temper investor expectations amid tariff unknowns, the company lowered its FY26 sales expectations. Similar to other companies navigating through tariffs, Prestige reduces the expected near-term performance of its Eye Care category due to supply chain shortfalls.
- Natural gas E&P Infinity Natural Resources (INR) underperformed in the third quarter as pressure on natural gas prices continued for most of the period. Infinity reported mixed results; production results looked solid, but the company saw lower realized natural gas prices and higher production tax expenses than expected, which also weighed the performance.
- Alamo Group (ALG) gave back some of its strong Q2 gains and traded lower in the quarter. The manufacturer's Q2 earnings report, though relatively strong, was accompanied by a cautious outlook from management. They cited moderating order rates and economic uncertainty, raising investor concerns about future growth and margin pressure from normalizing demand. Similarly, while orders improved for the fifth consecutive month, the total backlog was reduced due to improving lead times.



Performance Update

As of September 30, 2025

Trailing Years Performance

	Inception Date	3Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGSX (Class I)	4/02/2007	4.63%	2.62%	0.25%	12.68%	12.20%	8.72%	7.51%
WHGAX (Class A) *	9/03/2019	4.60%	2.53%	0.10%	12.55%	12.06%	--	8.00%
WHGAX (Class A with Load) **	9/03/2019	0.44%	-1.57%	-3.89%	11.03%	11.15%	--	7.28%
WHGCX (Class C)	9/03/2019	4.37%	1.96%	-0.65%	11.68%	11.23%	--	7.21%
WWSYX (Class Ultra)	3/31/2020	4.63%	2.72%	0.37%	12.81%	12.34%	--	14.98%
Russell 2000 Value Index	4/02/2007	12.60%	9.04%	7.88%	13.56%	14.59%	9.23%	6.52%
Russell 3000 Index	4/02/2007	8.18%	14.40%	17.41%	24.12%	15.74%	14.71%	10.58%

*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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
WHGSX	-32.11%	20.42%	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%
Russell 2000 Value Index	-28.92%	20.58%	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%
Russell 3000 Index	-37.31%	28.34%	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%

High short-term performance of the fund is unusual and investors should not expect such performance to be repeated. **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 9/30/2025

Everus Construction Group Inc.	Hayward Holdings Inc.
Avista Corp.	Moog Inc.
Banner Corp.	Urban Edge Properties
Veeco Instruments Inc.	Piper Sandler Cos.
BlackLine Inc.	Sensient Technologies Corp.

Top 10 Holdings represents 20.84% 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

The following positions were added in the third quarter:

- Newmark (NMRK), a commercial real estate services company involved in every phase of the property life cycle was added to the portfolio in Q3. Newmark is well positioned to gain market share, benefit from increasing capital markets activity, and grow its more stable and recurring property management services.
- We initiated a position in Standex (SXI), a diversified small cap industrial manufacturing company. The current management team has been repositioning the company toward faster growth, higher margin end markets. The company recently completed a \$460M acquisition to establish a new growth platform in low- and medium-voltage electrical transformers. We think the company has the opportunity to simplify its portfolio, drive strong growth, and materially improve its margin structure.
- We purchased Knife River (KNF) which is an aggregates-led construction materials provider that spun out of MDU resources in 2023 and operates in Western US markets. We think the fundamentals of the aggregates industry provide for attractive long-term economic returns. Knife River enjoys dominant market share in many small high growth areas. At the time of purchase, the stock had sold off on concerns about a funding shortfall by the Oregon Department of Transportation, which our analyst noted as an attractive buying opportunity.
- FB Financial (FBK) was added in the quarter. FBK is a community bank that operates in smaller markets in the southeastern US. We think FBK will benefit from improving loan growth after the closing of the Southern States' acquisition. Additionally, we expect that FBK may benefit from the merger of Pinnacle Financial with Synovus, which also operates in southeastern US markets.

The following positions were sold from the portfolio:

- GMS Inc. (GMS) was the target of a recent acquisition announced in Q2. In late June, GMS received an unsolicited cash offer by QXO at \$95.20 per share, a 36% premium to the prior day's close. Shortly after, Home Depot's SRS division submitted a separate offer valuing the company 16% higher at \$110 per share, driving strong share performance into quarter end. We sold the stock as the takeover validated our investment thesis.
- Vital Energy (VTLE) had seen pressure in its stock price due to lower crude oil prices this year, driven largely by OPEC's production increases. We decided to exit the position in August to fund more attractive opportunities.
- TXNM Energy (TXNM) was another acquisition target in the portfolio. TXNM was acquired by Blackstone at a small premium. We exited the position as we did not expect anyone would submit a substantially improved offer.



- After a string of analyst upgrades, Rambus (RMBS) showed strong performance in the quarter and into September, reaching a market cap of \$11B. We exited the position to capture the strong price appreciation and maintain market cap discipline within the portfolio.
- Sitio Royalties (STR) was removed from the portfolio early in the quarter, as it was acquired in August by Viper Energy (VNOM). Viper is a much larger company, outside the market cap range of our small-cap portfolio. We sold the stock following the acquisition announcement and deployed the proceeds to higher conviction ideas.

Market Review

The year has proved to be a pivotal and often perplexing period for US 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 artificial intelligence, 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. Conversely, sectors like Consumer Staples, Real Estate, and Materials lagged as investor capital rotated towards 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 continued to be highly concentrated in a handful of mega-cap technology stocks, especially those with exposure to Artificial Intelligence.

The Federal Reserve finally continued its easing cycle in the third quarter, cutting interest rates by 25 basis points in September after some relatively poor employment reports. In the bond market, this pivot sent Treasury yields lower, as the 10-year Treasury yield fell from a mid-July high of 4.50% to close 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.

Domestic economic comments frequently highlighted the resilience of the US consumer, albeit with increasing signs of strain. Retail sales figures, while positive, showed a clear shift towards 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 US 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. Economists expect GDP growth for the quarter to decelerate, with the slowdown 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 have the side benefit of benefitting small cap stocks.

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 concerning, with the unemployment rate slightly higher at around 4.3%, and job growth is clearly slowing. 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 build-out of Artificial Intelligence. 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 healthcare, 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.

Small caps are well positioned to benefit from lower interest rates. On average, small cap companies carry two times higher debt levels than large cap peers on a net debt/EBITDA basis. Further, small caps excluding financials carry about 40% of their debt in floating rate structures, compared to less than 10% for large caps, so lower interest rates may provide an immediate benefit to earnings.

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.

There is a shifting dynamic between growth and value stocks that supports our overall approach. The Russell 2000 Value Index edged out its growth counterpart in the third quarter, 12.6% to 12.2%, which is unusual for what some might call an "early phase" of a market upswing, where growth typically leads.

In this environment, we will continue to focus on the things we know and adapt to new norms. History shows that high quality and attractive relative value have consistently outperformed over long durations across market cycles.



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.

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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