

Westwood Quality SMidCap 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 SMidCap Fund (Class I) returned 0.16%, underperforming the Russell 2500® Value benchmark, which returned 3.15%.
- U.S. equity markets ended 2025 at record levels, though fourth-quarter performance reflected growing dispersion and moderation in returns. The S&P 500® Index gained 2.7% and finished the year with a gain of 17.9%, with large-cap equities 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 artificial intelligence (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.
- Stock selection was the primary detractor from performance, though asset allocation was also a headwind. For most of the quarter, better-than-expected economic data and easing financial conditions supported smaller-cap stocks, particularly those with negative earnings or those tied to the boom in AI. Our emphasis on quality factors such as cash flow and profitability have generally kept us out of these companies.
- The top-performing sectors in the quarter were Materials and Consumer Discretionary, driven primarily by stock selection. An overweight position in the Materials sector was beneficial; when combined with stock selection, the result was a positive interaction effect.
- Detracting from performance were the Health Care, Information Technology and Industrials sectors, each driven by security selection. In each case, however, the story was more about the industries we avoided rather than those we held, in particular, the biotechnology industry in Health Care, which accounted for a significant portion of the total return of the index.



Performance Drivers

The top-performing sectors on an absolute basis were Materials and Energy, as miners provided significant support in the Materials sector. The Consumer Staples and Communication Services sectors were the laggards in the period.

Top Contributors

- Pan American Silver Corp. (PAAS) was the leading contributor in the quarter, as shares surged on rising gold and silver prices alongside increased production. The company also lowered its sustaining costs per ounce, highlighting ongoing operational efficiency and further supporting the stock's strong performance.
- Cameco Corp. (CCJ) advanced after investors reacted positively to news of an \$80 billion agreement between Westinghouse and Brookfield to design and build nuclear reactors, a development that is expected to support long-term uranium demand.
- CACI International (CACI) gained following a strong earnings report that showed year-over-year revenue growth and earnings 27% above expectations. Multiple contract wins during the quarter highlighted a robust and visible backlog, reinforcing confidence in sustained demand across its defense and intelligence businesses.
- Timken Company (TKR) moved higher after reporting strong revenue, earnings, and free cash flow. Management also raised full-year earnings guidance, supporting investor optimism regarding the company's operational momentum.
- Permian Resources Corp. (PR) appreciated amid higher production levels and improved adjusted cash flow, signaling enhanced cost efficiency. The company's ongoing management reorganization also contributed to expectations for improved future performance.

Top Detractors

- Integer Holdings Corp. (ITGR) was the leading detractor in the quarter, as the stock declined following a "messy" earnings report. While quarterly earnings exceeded expectations, lower forward guidance and rising debt levels weighed on investor sentiment.
- Interparfums Inc. (IPAR) weakened after management issued initial 2026 guidance that came in below Street expectations. Management emphasized a stronger outlook for 2027, but near-term caution contributed to the stock's pullback.
- Blue Bird Corp. (BLBD) declined primarily due to profit-taking following significant gains earlier in the year. This occurred despite the company reporting robust quarterly results, including 17% year-over-year sales growth and a 50% increase in earnings versus the prior year.
- Eagle Materials (EXP) moved lower as earnings growth decelerated amid a slowdown in single-family housing construction, tempering investor enthusiasm relative to prior periods of stronger demand.
- Kratos Defense & Security Solutions (KTOS) gave up some earlier gains as investors took profits after the stock rose nearly 400% from February to August. Management maintained expectations for earnings growth of 15–20% in 2026, but the magnitude of prior gains drove near-term volatility.



Performance Update

As of December 31, 2025

Trailing Years Performance

	Inception Date	4Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGMX (Class I)	12/19/2005	0.16%	8.45%	8.45%	12.14%	8.93%	8.64%	8.99%
WWSMX (Class Ultra)	7/31/2020	0.20%	8.57%	8.57%	12.33%	9.13%	--	12.82%
Russell 2500 Value Index	12/19/2005	3.15 %	12.73%	12.73%	13.21%	10.02%	9.72%	8.10%
Russell 3000 Index	12/19/2005	2.40%	17.15%	17.15%	22.25%	13.15%	14.29%	10.71%

*Annualized. Total Annual Fund Operating Expenses by Share Class (gross/net): Class I 1.07% / 0.90%, Class Ultra 0.87% / 0.70%. 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.

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.

Calendar Year Returns

	2025	2024	2023	2022	2021	2020	2019	2018	2017
WHGMX	8.45%	10.42%	17.78%	-10.36%	21.31%	5.40%	29.40%	-11.47%	10.39%
Russell 2500 Value Index	12.73%	10.98%	15.98%	-13.08%	27.78%	4.88%	23.56%	-12.36%	10.36%
Russell 3000 Index	17.15%	23.81%	25.96%	-19.21%	25.66%	20.89%	31.02%	-5.24%	21.13%
	2016	2015	2014	2013	2012	2011	2010	2009	
WHGMX	12.04%	-3.18%	4.85%	33.80%	12.88%	-2.29%	26.38%	34.27%	
Russell 2500 Value Index	25.20%	-5.49%	7.11%	33.32%	19.21%	-3.36%	24.82%	27.68%	
Russell 3000 Index	12.74%	0.48%	12.56%	33.55%	16.42%	1.03%	16.93%	28.34%	

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. REITs are subject to changes in economic conditions, credit risk and interest rates. International investing may involve risk of capital loss from unfavorable currency fluctuations, differences in generally accepted accounting principles or from social, economic or political instability in other nations.



Top 10 Holdings as of 12/31/2025

SouthState Bank Corp.	Modine Manufacturing Co.
IDACORP Inc.	Packaging Corp. of America
Cullen/Frost Bankers Inc.	Permian Resources Corp.
Wintrust Financial Corp.	Sensient Technologies Corp.
Avista Corp.	Lithia Motors Inc.

Top 10 Holdings represents 22.36% 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:

- **Avantor, Inc. (AVTR):** Initiated as a manufacturer of specialty chemicals and equipment serving biopharma, medical device, and industrial customers. The company benefits from high-quality recurring revenue streams, as its products are customized and deeply embedded in customer workflows. Shares trade at just over half their 52-week high, offering an attractive entry point.
- **BlackLine Inc. (BL):** Added as a leading SaaS provider focused on automating financial close and intercompany accounting for large enterprises. The business is anchored by a high-quality customer base, with strong retention and predominantly recurring revenue from complex organizations. A strategic shift toward enterprise customers and expanded channel partnerships is improving growth durability and unlocking underappreciated margin potential.
- **Lattice Semiconductor (LSCC):** Added for its strong position as a high-quality FPGA provider with durable competitive advantages in low- and mid-power devices. Growing data-center demand—especially for AI-related applications where Lattice products act as effective companion chips—is becoming a larger driver of growth. Strength across communications and computing, along with a recovery in industrial and automotive markets, positions the company for accelerating revenue and earnings beyond the near-term cycle.
- **Vail Resorts (MTN):** Initiated for its unique portfolio of world-class mountain resorts supported by the Epic Pass, which enhances returns and reduces weather-related volatility. Shares have declined materially from pre-COVID levels due to weak execution under prior leadership. The return of Founder-CEO Rob Katz marks a strategic reset centered on pricing, marketing, and guest experience. With expectations reset and valuation depressed, shares offer attractive upside as execution improves.

The following positions were sold from the portfolio:

- **American Healthcare REIT, Inc. (AHR):** Sold after the stock appreciated beyond the target price, resulting in a reward-to-risk profile that was no longer compelling.
- **CACI International Inc. Class A (CACI):** Exited after the share price exceeded the target valuation and the reward-to-risk tradeoff became less attractive.
- **Cameco Corporation (CCJ):** Sold as the stock appreciated beyond the target price, reducing the expected forward return relative to risk.



- SM Energy (SM): Shares were sold in response to the weak market reaction to the company's proposed merger with Civitas Resources (CIVI).
- TopBuild Corp. (BLD): Removed from the portfolio after the stock appreciated and the reward-to-risk profile no longer aligned with portfolio requirements.

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 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 whether technology will maintain leadership. 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 May, 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 equity 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 outsized AI investment and technology 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 and full prospectuses, which may be obtained by calling 877.FUND.WHG, or by visiting our website at westwoodfunds.com. Read the prospectus carefully before investing or sending money.

The **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 2500® Value Index** measures the performance of those Russell 2500® 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. **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. **SMid cap** is a term used to refer to a company with a market capitalization value ranging between \$50 million to \$14.6 billion. A company's market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. **Magnificent 7** refers to seven major U.S. technology companies: Apple, Microsoft, Alphabet (Google), Amazon, NVIDIA, Meta (formerly Facebook), and Tesla.

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