

## Performance Highlights

- Equities rebounded sharply from a tariff-induced selloff in early April to post strong gains in a quarter where returns were driven primarily by growth and technology stocks. In this environment, the Westwood Quality SMidCap Fund returned 6.65%, trailing the representative benchmark Russell 2500 Value Index, which returned 7.29%
- The second quarter was highly volatile, but finished strong, driven by tariff policy reversals. The quarter began with a steep decline in early April when the Trump administration announced “Liberation Day” tariffs and other retaliatory measures. The S&P 500 fell more than 12% in just a week and the 10-year Treasury yield spiked 40 basis points. Markets reversed course after the administration announced a 90-day tariff pause. Equities subsequently rallied sharply from their April lows, with the S&P 500 gaining 10.9% for the quarter, up 25% from its April low, despite the earlier volatility. The Russell 1000 Growth rose 17.8% versus just 3.8% for the Russell 1000 Value. Small- and mid-cap growth stocks also significantly outperformed their value counterparts. Information Technology (23.7%) and Communication Services (18.5%) led the sectors, while Energy and Health Care lagged. Corporate fundamentals remain solid despite policy uncertainty. Earnings were strong, with 78% of S&P 500 companies beating expectations and overall index-level earnings growth reaching 12.9%. Despite solid results, 80% of companies cited tariffs as a key concern, leading to more cautious guidance for second quarter.
- Markets soared despite mixed economic signals. While first quarter GDP contracted, the decline was largely an anomaly due in part to front-loaded imports ahead of tariff implementation. Projections for second quarter GDP remain modest, and full-year growth estimates are weakening due to tariff uncertainty, slowing job growth and tighter credit conditions. Jobless claims rose notably in June, with small business employment in particular showing weakness. The Federal Reserve held rates steady in both May and June, though expectations for 2025 rate cuts have increased, with Goldman Sachs now projecting three cuts this year. In the bond market, Treasury yields also experienced volatility, briefly dropping before rebounding. The 10-year Treasury closed at 4.24%, while the 2-year Treasury yield fell. High yield and corporate credit outperformed government bonds, and global bonds performed well alongside risk assets like gold and bitcoin.
- The Fund’s underperformance in the quarter was about equally driven by stock selection and asset allocation, with the interaction effect offering a positive contribution.
- The Industrials sector was the top relative contributor, as both stock selection and our overweight allocation were positive factors. The Materials and Consumer Staples sectors were also contributors with strong stock selection driving results. Health Care was the largest detractor, while Energy and Financials were also detractors. In all three cases, stock selection was the most prominent factor.
- While several stocks were removed or added, sector weights remained largely unchanged in the portfolio. Both the Consumer Discretionary and Materials sectors increased, with Consumer Discretionary moving up to an overweight position relative to the index. The Real Estate and Utilities sectors both declined relative to the benchmark, with Utilities now in an underweight position.

## Performance Drivers

- On an absolute basis, the Industrials, Information Technology and Materials sectors were the best performers in the second quarter. The Health Care and Energy sectors were the strategy's weakest performing sectors.
- Shares of Cameco Corp. (CCJ) gained after the announcement of multiple executive orders aimed at expanding U.S. nuclear production capacity. The company reported strong growth in earnings and revenue, and a surge in gross profit. Guidance for 2025 remained unchanged, and the company reported strong production in both its uranium and fuel services segments. The company highlighted its strategy of securing long-term contracts, which helped it receive higher realized prices even as uranium spot prices fell 30% year-over-year.
- BWX Technologies Inc. (BWXT) rose after reporting strong growth in revenue and earnings, receiving positive analyst reporting coverage and new strategically important wins. BWX was awarded a joint venture strategic petroleum reserve contract, completed the acquisition of Kinectrics, finalized a strategic lang acquisition and announced that a BWX team was awarded a multi-year contract to manage Canadian Nuclear Laboratories.
- Shares of defense contractor Kratos Defense & Security Solutions Inc. (KTOS) gained after the company announced it had secured a five-year, \$1.45 billion contract for hypersonic testing under the MACH-TB 2.0 program, the largest award in company history. The company also delivered strong first-quarter results, with revenue and adjusted EBITDA both exceeding estimates and showing a year-over-year increase.
- Pegasystems Inc. (PEGA) rose after reporting strong earnings, revenue and net income growth. The company also received positive analyst coverage, with many outlooks highlighting PEGA's strong fundamentals, AI-driven growth and expanding enterprise adoption. Last, Pegasystems' inclusion in the S&P MidCap 400 Index in May underscores its expanding market presence.
- Rambus Inc. (RMBS), also gained on strong reported earnings, with both revenue and earnings beating estimates. On a year-over-year basis, revenue and net income increased on the back of demand for memory interface chips. The company continued to receive positive analyst coverage, and provided second-quarter guidance detailing further expected increases in product revenue.
- Allegro Microsystems (ALGM) was the largest detractor to performance for the period, declining after reporting falling net sales, gross profit and net income on a year-over-year basis. In addition, Onsemi withdrew its \$6.9 billion all-cash acquisition proposal, citing the board's reluctance to engage. The stock was sold during the quarter.
- Shares of Avantor Inc. (AVTR) fell after missing earnings as revenue and organic sales declined, with both the Laboratory Services and the Bioscience Production segments reporting declines in revenue. Analysts downgraded Avantor, citing growth concerns in Laboratory Solutions, and the stock was sold during the quarter.
- Northern Oil and Gas Inc. (NOG) declined after flat production rates and rising capital expenditure forecasts impacted the share price. The stock was sold during the quarter.
- Shares of PotlatchDeltic Corp. (PCH) fell despite relatively positive earnings. The company reported a decline in Southern sawlog prices, due to a higher proportion of smaller diameter logs in their mix. This shift could put pressure on profit margins in the segment. Additionally, muted Timberland M&A activity and high interest rates impacting housing affordability present ongoing challenges with the potential to further suppress lumber demand.
- Cooper Companies Inc. (COO) shares declined despite a relatively positive earnings report. Potential risks mentioned in earnings calls included macroeconomic pressures and foreign exchange headwinds, significant as EMEA and Asia Pacific account for 38.6% of revenue, which could pressure sales and earnings.



## Performance Update

As of June 30, 2025

### Trailing Years Performance

	Inception Date	2Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGMX (Class I)	12/19/2005	6.65%	1.26%	8.52%	12.32%	12.99%	6.83%	8.85%
WWSMX (Class Ultra)	7/31/2020	6.73%	1.33%	8.82%	12.56%	--	--	12.63%
Russell 2500 Value Index	12/19/2005	7.29%	1.03%	10.47%	10.69%	13.96%	7.73%	7.71%
Russell 3000 Index	12/19/2005	10.99%	5.75%	15.30%	19.08%	15.96%	12.96%	10.42%

\*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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
WHGMX	34.27%	26.38%	-2.29%	12.88%	33.80%	4.85%	-3.18%	12.04%	10.39%	-11.47%	29.40%	5.40%	21.31%	-10.36%	17.78%	10.42%
Russell 2500 Value Index	27.68%	24.82%	-3.36%	19.21%	33.32%	7.11%	-5.49%	25.20%	10.36%	-12.36%	23.56%	4.88%	27.78%	-13.08%	15.98%	10.98%
Russell 3000 Index	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%

### 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 6/30/2025

Rambus Inc.	Interparfums Inc.
AAR Corp.	Verra Mobility Corp.
IDACORP Inc.	MSA Safety Inc.
Hubbell Inc.	Lithia Motors Inc.
Wintrust Financial Corp.	Domino's Pizza Inc.

Top 10 Holdings represents 21.46% 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:

- We initiated a position in Avista (AVA), a regulated utility currently under-earning due to disruption from a failed acquisition. We believe improved execution will enable the company to move closer to its allowed return on equity. While Washington's regulatory environment is challenging, it remains supportive enough for Avista to earn competitive returns over time.
- We bought shares in Evercore Inc. (EVR), a leading investment bank, based on our expectation for a recovery in M&A activity. Despite strong nominal GDP and rising equity market capitalization, the past two years have been among the weakest for M&A since 2009. With financial conditions easing and the Federal Reserve shifting from a restrictive to a more neutral stance, we believe deal activity should rebound, positioning Evercore to benefit from improved advisory volumes and earnings growth.
- Gulfport Energy (GPOR) is a natural gas-focused exploration and production company with underappreciated asset quality in the Utica Basin. Gulfport operates with strong capital efficiency, a solid balance sheet and consistent free cash flow generation. The company is well positioned to benefit from rising natural gas prices while remaining resilient in weaker pricing environments. With a disciplined strategy focused on modest production growth and shareholder returns via buybacks, we view Gulfport as an attractive opportunity within the Energy sector.
- We initiated a position in Henry Schein, Inc. (HSIC), a leading distributor of dental and medical products, based on our outlook for margin expansion. Growth in higher-margin segments — Specialty, Value-Added Services (VAS) and Technology — is expected to improve overall profitability. In addition, increased private equity involvement should accelerate private label growth, helping to further enhance margins and supporting long-term earnings growth.
- Marex Group plc (MRX) is a futures commission merchant benefiting from secular growth in futures volumes and rising market share. As banks retreat from clearing and execution, Marex is successfully onboarding larger clients. The firm's ongoing product and geographic expansion seeks to enhance platform value, pricing power and revenue per client. Management has a strong track record of executing strategic, accretive acquisitions and is positioned to accelerate inorganic growth, further supporting the company's long-term earnings potential.
- We initiated a position in Modine Manufacturing (MOD), a leader in heat-transfer and thermal management systems, based on its successful business transformation and accelerating growth outlook. By applying 80/20 principles, Modine exited low-margin automotive businesses and shifted focus to higher-value systems. This has driven substantial EBITDA margin expansion and positioned the company to benefit from strong demand in data center cooling, vehicle electrification and indoor air quality. With rising AI-related infrastructure needs and tightening environmental regulations, Modine is gaining share and expanding capacity, supporting its target of 16%–18% EBITDA margins by FY27.
- MSA Safety (MSA) is a leader in mission-critical safety products with dominant market positions and strong recurring revenue. The company has generated among the top margins and returns, supported by pricing power and a focused strategy. Firefighter safety equipment is expected to return to mid-single-digit growth after difficult FY24 comps, while gas detection systems continue to grow steadily. MSA's consistent free cash flow and under-levered balance sheet provide flexibility for share repurchases and strategic M&A, reinforcing its long-term growth outlook.
- We opened a position in Pan American Silver (PAAS), which now derives about 75% of its revenue from gold, making it well-positioned to benefit from the recent surge in gold prices. Silver is another significant revenue driver, and the company has significant volume upside potential from its Escobal and Navidad assets, which could meaningfully boost silver production. With a debt-free balance sheet, progressive dividend policy and history of



share repurchases, PAAS offers an attractive combination of financial strength and commodity-linked earnings growth.

- We initiated a position in Pinnacle Financial Partners (PNFP), a community bank with a differentiated model focused on hiring experienced bankers and delivering exceptional customer service. This strategy has driven consistent, peer-leading growth with lower credit risk. Amid slowing economic conditions, PNFP's relationship-driven approach is expected to fuel continued market share gains and position the bank for an accelerated rebound as loan demand recovers. Additionally, its Southeastern U.S. footprint stands to benefit meaningfully from long-term onshoring trends.
- We initiated a position in Sensient Technologies Corp. (SXT) this quarter. The company produces natural food coloring and flavoring and is well-positioned to benefit from the growing shift toward natural ingredients, particularly in its Colors segment, which generates nearly half of its earnings. Natural colors command premium pricing and are supported by favorable long-term demand trends and recent regulatory catalysts, such as the FDA's Red 3 ban. Management's guidance appears conservative, and early performance has been strong, aided by supportive health policy signals from the Trump administration that reinforce the company's growth trajectory.
- We initiated a position in US Foods (USFD), attracted by its domestic focus, margin expansion potential and share repurchase strategy. The company is executing internal initiatives expected to improve profitability and drive \$2 billion in buybacks over three years. USFD continues to gain market share in the growing "food away from home" segment, benefiting from scale advantages over smaller competitors.

The following positions were sold from the portfolio:

- We sold our position in AGCO Corporation (AGCO) due to concerns about the sustainability of the agricultural cycle.
- We eliminated a position in Allegro MicroSystems, Inc. (ALGM), which makes advanced semiconductor devices primarily for cars, due to concerns about auto sales and pricing, particularly with regard to tariffs.
- Americold Realty Trust, Inc. (COLD) provides temperature-controlled food distribution services. The shares were sold as the key catalyst of occupancy recovery appears unlikely in the near term.
- Avantor, Inc. (AVTR) manufactures and distributes chemicals, reagents and laboratory supplies. The stock was sold after an earnings miss. Funds were deployed to higher-conviction ideas within health care.
- We sold Cogent Communications Holdings Inc. (CCOI) from the portfolio in the quarter, as the company had relatively high debt and did not seem to be repositioning wireline fiber assets well. We sold our position to invest in higher reward-to-risk ideas.
- Constellium SE Class A (CSTM), which makes aluminum products for use in automotive, aerospace, defense and electronics markets, was sold due to concerns about exposure to weakening European auto markets and the lack of clear catalysts.
- We exited a position in Hexcel Corporation (HXL) during the quarter. Hexcel reports an earnings miss driven by weaker commercial aerospace results and supply chain issues.
- We exited our position in International General Insurance (IGIC) following a weaker-than-expected quarter and rising liquidity concerns. Although IGIC maintains a diversified specialty insurance portfolio, recent results raised questions about underwriting consistency and capital flexibility. Given these concerns, we chose to reallocate capital toward higher-conviction positions with more predictable fundamentals and stronger balance sheet quality.
- J & J Snack Foods Corp. (JJSF) manufactures, markets and distributes snack foods and beverages. The company offers soft pretzels, frozen carbonated beverages, juice bars, churros, funnel cakes and other food products. The stock was sold due to signs that execution was not meeting expectations.
- We exited our position in LPL Financial Holdings (LPLA) primarily due to its large market capitalization size, which limited the stock's fit within our portfolio size parameters. While LPL's proprietary technology and comprehensive custody and clearing platforms support a leading position in retail brokerage and financial advice, the company's



scale no longer aligned with our investment focus. We chose to redeploy capital into smaller, higher-conviction opportunities with greater growth potential and portfolio diversification benefits.

- We sold shares of Merchants Bancorp (MBIN) due to a lack of conviction in the investment thesis. Despite its diversified lending across multi-family housing, health care, mortgage warehousing, agriculture and community banking, we found limited catalysts and insufficient differentiation to justify continued exposure. The decision reflects a strategic reallocation toward ideas with clearer growth drivers and stronger fundamental support.
- Northern Oil and Gas, Inc. (NOG) engages in the acquisition, exploration, development, and production of oil and natural gas properties. The stock was sold to fund higher-conviction ideas in the Energy sector.
- TXNM Energy (TXNM), a utility in Texas and New Mexico, was sold from the portfolio after it was announced that the company was being sold to Blackstone for a 20% premium.
- Weatherford International (WFRD) provides oil field services and equipment. The company offers drilling solutions, gas well unloading, restoration and other related activities. The stock was sold due to concerns about the outlook for international oil field services.

## Market Review

The markets in 2025 have been the very definition of a “roller coaster ride” — a slow, steady ascent to peaks in February, followed by a scary drop in early April, and then a quick rally back to new highs by the end of the second quarter.

After a decline to end the first quarter, the second quarter opened with weakness across equity markets, as the announcement of “Liberation Day” tariffs and further retaliatory measures caused the continuation of extreme volatility and downside momentum. This triggered, in early April, the worst two-day market drawdown since March 2020. The S&P 500 fell more than 12% over the following week, while the 10-year Treasury yield soared nearly 40 bps.

A week later, the stock market rallied after the Trump administration announced that the tariffs would be delayed for 90 days. The S&P 500 jumped almost 10% immediately and climbed through the end of the quarter, gaining nearly 25% from April's lows. For the quarter, the S&P 500 finished with a gain of +10.9%, and the S&P and Nasdaq indexes both reached new all-time highs. Investors took a “risk-on” approach from the bottom and growth stocks handily outperformed value for the quarter; the Russell 1000 Growth gained 17.8% while the Russell 1000 Value added 3.8%. Small- and mid-cap growth stocks outperformed their value counterparts by approximately 1300 and 700 bps, respectively. At the sector level, the top performer in the S&P 500 was the Information Technology sector, gaining 23.7%, while the Telecommunication Services sector added 18.5%, and Energy (-8.6%) and Health Care (-7.2%) posted negative returns.

At the company level, 78% of S&P 500 companies reported quarterly earnings above expectations, surpassing the five-year quarterly average of 77%. Earnings growth for the index was 12.9%, the second straight quarter of double-digit earnings growth. More than 80% of companies mentioned the word “tariffs” during their quarterly conference calls, meaning managements are taking macroeconomic challenges seriously. Looking ahead, 68 companies issued negative guidance for the second quarter, above the five-year average. And estimated earnings growth for the second quarter was just 5%, well below the first quarter growth rate.

Global equities have done quite well this year, surpassing the gains of the S&P 500 in the quarter and calendar year. The MSCI ACWI ex-US Index, which measures global equities excluding the United States, gained 12.0% in the quarter and has advanced 17.9% for the year, both figures ahead of domestic equities. In the quarter, Emerging Markets (MSCI EM, +12.0%) led both European equities (MSCI Europe, +11.4%) and Asia (MSCI Far East, +11.6%), while for the calendar year to date European equities have a substantial lead.





Within the bond market, the profile was somewhat similar. Yields on treasury bonds collapsed in the immediate aftermath of the tariff announcements, as investors bid up bonds amid concerns of the impact of tariffs on economic growth, inflation and currencies. The bond rally was short-lived, as the 10-year Treasury closed the quarter higher by just 1 basis point at 4.24% and the 2-year Treasury finished lower by 17 basis points at 3.72%. Looking closer at sub-components of the bond market, high yield and corporate credit outperformed government debt, with municipal bonds trailing. Global bonds held up better than U.S. bonds as the Global Aggregate led the U.S. Aggregate. The dollar declined relative to global currencies and gold and bitcoin both gained ground.

While domestic tariff policy took up most of the headlines, the U.S. economy was showing some signs of stress. First quarter GDP contracted, owing in part to an acceleration of imports prior to the imposition of tariffs. Meanwhile, estimates for second quarter GDP show small gains in line with previous expectations. However, GDP growth estimates for the full calendar year have been declining, in part due to tariff uncertainty, slowing employment and tightening credit conditions. Jobless claims have been rising this year, showing a significant increase in June. Layoffs at larger companies seem to be holding relatively steady, but employment at smaller companies — those with 50 or fewer employees — has been declining, a worrisome sign. The Federal Reserve held interest rates steady at both the May and June meetings, though the expectation for future rate cuts has moved from just one in 2025 to as many as three, according to a Goldman Sachs forecast.

## Outlook

The cracks in the economic foundation that began to show in the first quarter became more pronounced in the second, though there is still no firm consensus on which direction we may be heading.

Labor markets are continuing to weaken, though at a relatively modest pace. Employment is like any other market, with supply and demand components. There has been a sharp decline in labor supply, due to a reduction in immigration and discouraged job seekers. Demand has also declined, with lower hiring rates, amidst weakening wage growth and longer hours for employees. This combination of slow hiring and weakening labor supply has kept the unemployment rate relatively low, but a small increase in layoffs among large employers could cause the unemployment rate to surge. Most importantly, a weak job market, along with the potential for tariff-driven price increases, could serve to restrain consumer spending and place a limit on economic growth.

Within tariff and trade policy, the tariffs announced on April 2 were, for the most part, postponed until July. Since then, several countries have attempted to discuss trade arrangements with the Trump administration, with mixed results. The key uncertainty centers on what happens after the 90-day pause expires. Will the administration allow the hefty tariffs to be implemented, or will they decide to extend the delay again? We expect that negotiations will continue, prolonging the uncertainty that has caused businesses to limit investment, hiring and growth plans.

The Federal Reserve has held interest rates steady for its last two meetings, resisting very public pressure from the White House. Fed Chair Jerome Powell seems to be unswayed by White House criticisms. Despite this, investors expect the Fed to begin cutting the benchmark federal funds rate before the end of the year. Ten-year Treasury rates have remained flat over the last 12 months, and stubbornly high interest rates could slow economic growth.

Our primary concern is investor exuberance, and the risk of disappointment and retrenchment should economic conditions deteriorate. Any one of the aforementioned challenges could impact markets: weakening employment, slowing consumer spending, increasing tariffs and higher interest rates. While any single factor poses risks, their combined effect could trigger a significant slowdown. This concern is amplified by current market conditions, as stock markets sit at all-time highs and valuations are stretched, reflecting a prolonged “risk-on” appetite.



When fundamentals matter more, quality wins. If earnings growth begins to slow and market leadership broadens, company fundamentals will become the driver of returns. In these environments, companies that show reliable cash flow, reasonable valuations and proven business models tend to outperform. History shows that companies possessing both quality characteristics and attractive valuations have consistently outperformed across full market cycles, particularly during periods of economic uncertainty.

### 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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