

Westwood Quality SMidCap Fund Commentary

1Q
2026

Performance Highlights

The stock market showed small gains through February, then declined through the end of the quarter as volatility increased following the launch of attacks in the Middle East by the U.S. and Israel. In this environment, the Westwood SMidCap Value Fund (Class I) returned 5.51% in the quarter, outperforming the Russell 2500 Value Index, which added 4.77%.

Small- and mid-cap stocks led the way through February, as investors rotated away from 2025's winners, large-cap technology, expansive growth and low-quality stocks. Leading the way were small-cap stocks, as well as value-oriented companies with quality factors. Through the end of February, small-cap stocks (represented by the Russell 2000 Index) outperformed large-cap stocks (Russell 1000 Index) by more than 500 basis points (bps); small-cap value outperformed large-cap growth by nearly 1,400 bps. Certain sectors were hard hit in the quarter, as previously irreplaceable processes, knowledge bases or competitive moats were suddenly seen as obsolete thanks to advances in artificial intelligence. Volatility surged in March, following U.S. and Israeli attacks on Iranian military and political targets. Stocks began to sell off, and inflationary fears surged amid higher oil and natural gas prices. Hostilities were ongoing as the quarter ended, putting economic growth forecasts in flux.

The Industrials sector provided a significant portion of the portfolio's total return in the quarter, led by a diverse array of stocks, including defense contractors and a school bus manufacturer. The industrial economy has been supported by tax breaks, including bonus depreciation and tariff policy, and companies throughout the sector have benefited from the moves. Energy stocks also gained ground, as investors sought E&P companies with domestic exposure amid supply concerns from the Middle East.

On a relative basis, stock selection was a benefit, while asset allocation detracted from performance; the factors essentially cancelled each other out. The primary contributor to performance was the interaction effect, the combination of selection and allocation in individual sectors.

Cyclical sectors contributed to relative outperformance, as the Industrials, Financials and Consumer Discretionary sectors led, each supported by favorable stock selection. Within the Consumer Discretionary sector, an underweight to the sector was supportive.

Detracting from performance were the Information Technology and Communication Services sectors, as well as the Materials sector. In each case, stock selection was the primary concern, though an underweight position to technology was also a detracting factor.

Performance Drivers

Relative to the benchmark, the portfolio is positioned with a clear cyclical bias. The Fund holds meaningful overweights in Industrials, Utilities, Consumer Staples, and Materials, emphasizing companies tied to domestic investment, infrastructure activity, and earnings stability. Financials are held near benchmark weight. Underweights to Information Technology, Health Care, Energy, and Communication Services reduce exposure to higher valuation growth areas and more benchmark concentrated sectors, while maintaining broad diversification across the portfolio.



Top Contributors

- Shares of Modine Manufacturing Company (MOD) surged following continued strong earnings momentum and sustained demand for thermal management solutions tied to data center and AI infrastructure. The company reported results above expectations, with revenue growth driven by its Climate Solutions segment and expanding margins. Investors focused on accelerating data center exposure, where cooling demand remains robust. The performance reinforced confidence in Modine's positioning as a key supplier to high-growth AI and industrial end markets.
- Shares of Permian Resources Corp. (PR) gained as investors responded to strong operational execution and improving sentiment toward energy markets. The company reported oil production of approximately 181,800 barrels per day for 2025, exceeding guidance, while maintaining disciplined capital spending. Investors focused on cost efficiencies and strong free cash flow generation across its Delaware Basin assets. The performance reinforced confidence in the company's ability to deliver shareholder returns despite commodity price volatility.
- Shares of Chord Energy Corp. (CHRD) rose following strong operational performance and favorable commodity price dynamics during the quarter. The company reported oil production of approximately 168,000 barrels per day, exceeding expectations, alongside continued capital discipline. Investors focused on Chord's ability to generate significant free cash flow and return capital through dividends and share repurchases. The performance reinforced the company's positioning as a leading operator in the Williston Basin with a shareholder-friendly capital allocation strategy.
- XPO Inc. (XPO) advanced following strong quarterly results and continued execution within its North American less-than-truckload business. The company reported adjusted EPS of \$0.88 and highlighted meaningful operating ratio improvement driven by pricing and network efficiency initiatives. Investors focused on margin expansion and market-share gains in a tightening freight environment. The performance reinforced confidence in XPO's structural earnings power and its ability to drive profitability through operational discipline.
- Shares of AAR Corp. (AIR) advanced following solid earnings results and continued recovery in commercial aviation demand. The company reported revenue growth driven by its aviation services segment, supported by increased maintenance, repair and overhaul activity. Investors focused on expanding margins and strong backlog visibility tied to global airline fleet utilization. The performance reinforced AAR's positioning as a key beneficiary of sustained recovery in air travel and ongoing supply chain constraints in aerospace.

Top Detractors

- Shares of Verra Mobility Corp. (VRRM) declined following quarterly results where revenue exceeded expectations, but earnings came in below consensus. The company delivered solid top-line growth driven by government and commercial services, but margins compressed due to higher implementation and operating costs. Investors focused on the earnings miss and reduced profitability outlook. The reaction reflected concerns about near-term margin pressure despite continued demand growth across automated enforcement and mobility solutions.
- Shares of Lithia Motors Inc. (LAD) declined following mixed quarterly results that missed earnings expectations despite solid revenue performance. The company continued to benefit from stable new vehicle demand but faced pressure in used vehicle pricing and margins. Investors focused on affordability constraints and slowing unit growth as interest rates remained elevated. The reaction reflected broader concerns about normalization in auto retail demand following several years of elevated pricing and strong volumes.
- Pegasystems Inc. (PEGA) shares declined amid broader weakness across enterprise software and software-as-a-service (SaaS) providers despite generally solid operating performance. The company delivered results in line with expectations, supported by recurring revenue growth and cloud adoption. However, investors focused on evolving competitive dynamics as AI-driven automation tools raise questions about long-term demand for workflow software. The reaction reflected a broader rotation away from SaaS models perceived as vulnerable to emerging AI disruption.



- Shares of Warner Music Group Corp. (WMG) declined following quarterly results that exceeded revenue expectations but highlighted continued margin pressure. The company benefited from growth in streaming and recorded music, but profitability remained constrained by higher investment in content and artist development. Investors focused on limited operating leverage despite strong top-line trends. The reaction reflected concerns about the sustainability of margin expansion within the evolving music streaming ecosystem.
- Shares of BlackLine Inc. (BL) declined following quarterly results that met expectations but included a more cautious forward outlook. The company continued to generate steady revenue growth in financial automation software, but investors focused on slowing growth rates and increased competition. The reaction reflected broader weakness across SaaS providers, as investors reassessed valuations and potential disruption from AI-driven automation tools impacting traditional enterprise software demand.

Performance Update

As of March 31, 2026

Trailing Years Performance

	Inception Date	1Q26	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGMX (Class I)	12/19/2005	5.51%	5.51%	20.51%	12.90%	7.81%	9.40%	9.16%
WWSMX (Class Ultra)	7/31/2020	5.64%	5.64%	20.81%	13.14%	8.02%	--	13.32%
Russell 2500 Value Index	12/19/2005	4.77%	4.77%	25.43%	14.46%	7.64%	9.87%	8.24%
Russell 3000 Index	12/19/2005	-3.96%	-3.96%	18.09%	17.86%	10.87%	13.72%	10.36%

*Annualized. Total Annual Fund Operating Expenses by Share Class (gross/net): Class I 1.07% / 0.85%, Class Ultra 0.90% / 0.68%. The Advisor has contractually agreed to waive fees and reimburse expenses until March 1, 2027. 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	2016
WHGMX	8.45%	10.42%	17.78%	-10.36%	21.31%	5.40%	29.40%	-11.47%	10.39%	12.04%
Russell 2500 Value Index	12.73%	10.98%	15.98%	-13.08%	27.78%	4.88%	23.56%	-12.36%	10.36%	25.20%
Russell 3000 Index	17.15%	23.81%	25.96%	-19.21%	25.66%	20.89%	31.02%	-5.24%	21.13%	12.74%
	2015	2014	2013	2012	2011	2010	2009			
WHGMX	-3.18%	4.85%	33.80%	12.88%	-2.29%	26.38%	34.27%			
Russell 2500 Value Index	-5.49%	7.11%	33.32%	19.21%	-3.36%	24.82%	27.68%			
Russell 3000 Index	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 3/31/2026

Modine Manufacturing Co.	National Fuel Gas Co.
Cullen/Frost Bankers Inc.	Avista Corp.
IDACORP Inc.	Packaging Corp. of America
SouthState Bank Corp.	Royal Gold Inc.
AAR Corp.	BJ's Wholesale Club Holdings Inc.

Top 10 Holdings represents 22.92% 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:

- Builders FirstSource Inc. (BLDR) is a scaled, high-quality building products platform with an increasing mix of value-added offerings that improve builder efficiency and help address persistent labor shortages. Through disciplined execution, strategic acquisitions and expanded digital capabilities, the company has structurally improved the profitability and durability of its core business. Current market sentiment reflects near-term housing challenges while overlooking Builders FirstSource's competitive advantages and long-term growth potential across residential end markets.
- EastGroup Properties Inc. (EGP) is a high-quality industrial REIT with a differentiated focus on infill Sunbelt markets and shallow-bay distribution assets, which face structurally lower supply risk than large-box industrial peers. The portfolio has delivered consistently high occupancy and steady same-store growth through multiple cycles. Embedded rent mark-to-market opportunities, a strong balance sheet and a sizeable land bank support durable cash-flow growth with a lower overall risk profile.
- IPG Photonics Corp. (IPGP) is a vertically integrated laser technology leader with strong competitive differentiation and improving fundamentals. Following an extended cyclical downturn, the company has returned to organic growth as end-market utilization normalizes. A higher-margin mix driven by advanced manufacturing and emerging defense applications supports earnings durability and margin expansion, while a strong balance sheet and under-earning core business provide attractive long-term value and recovery optionality.
- Kirby Corp. (KEX) offers a differentiated combination of cyclical recovery and secular growth exposure. Its marine transportation business benefits from a favorable supply-demand backdrop, with constrained capacity supporting utilization and pricing as industrial activity improves. At the same time, the Distribution & Services segment provides long-term growth tied to rising power generation demand from data centers. Strong cash generation underpins increasing shareholder returns over time.
- Pool Corp. (POOL) is a high-quality market leader in pool supply distribution, supported by dominant market share, strong service capabilities and a resilient aftermarket revenue stream tied to a large installed base. While new pool construction remains cyclical, the core business benefits from nondiscretionary repair and maintenance demand. Current conditions reflect a cyclical trough, offering exposure to long-term compounding and recovery upside.
- Rayonier Inc. (RYN) was added to the portfolio as part of its merger with longtime holding PotlatchDeltic Corp. (PCH), resulting in ownership of the combined company.



- Skyward Specialty Insurance Group Inc. (SKWD) operates a differentiated specialty insurance platform with a scalable business model and an increasing mix of fee-based revenues that enhance earnings stability. A recent acquisition meaningfully expands growth opportunities while improving profitability, yet valuation remains compressed relative to earnings potential. The combination of underwriting discipline, acquisitive growth and an underappreciated earnings profile presents an attractive long-term entry point.
- Solventum Corp. (SOLV) is a diversified medical device company with a broad portfolio spanning MedSurg, Dental and Health Information Services. Following its spin from 3M, the company has demonstrated consistent execution, with improving organic growth and expanding margin potential. An experienced management team, a more focused operating model and opportunities for operational efficiency position Solventum for durable earnings growth as the standalone transition progresses.
- Trex Company Inc. (TREX) is the category-defining leader in composite decking, supported by a premier brand, unmatched distribution and long-standing cost and margin advantages versus competitors. Recent share price weakness reflects cyclical pressure in residential repair and remodel activity and heightened promotional intensity rather than erosion of franchise value. As end-market demand normalizes, Trex is well positioned to restore margins, generate strong free cash flow and compound value over the long term.
- York Space Systems Inc. (YSS) is a vertically integrated, low-cost satellite prime positioned to benefit from accelerating demand across national security and commercial space markets. Recent concerns surrounding backlog have eased following strong execution, reinforcing growth visibility. Structural cost advantages, a recurring revenue model and exposure to expanding defense budgets support a compelling margin inflection, with scalable production driving earnings potential above current expectations.

The following positions were sold from the portfolio:

- Avantor Inc. (AVTR) manufactures and distributes chemicals, reagents and laboratory supplies. The stock was sold after the original investment thesis broke down and no longer supported a compelling long-term outlook.
- Axalta Coating Systems Ltd. (AXTA) agreed to be acquired by AkzoNobel in a November 2025 “merger of equals” at a 13% premium to the prior closing price. While we believed superior offers were possible and were initially dissatisfied with the transaction terms, no alternative bids emerged, leading us to exit the position.
- BlackLine Inc. (BL) develops enterprise software designed to manage complex accounting and financial close processes. The stock was sold due to growing concerns about the potential impact of AI on SaaS business models and long-term competitive dynamics.
- Boise Cascade Co. (BCC), a manufacturer of wood products, was sold to reallocate capital toward higher-conviction opportunities within the housing sector.
- Crown Holdings Inc. (CCK) manufactures packaging solutions for consumer products, including steel and aluminum cans for food and beverages. The stock was sold after valuation reached the high end of its historical range, prompting a reallocation to opportunities with a more attractive reward-to-risk profile.
- Domino’s Pizza Inc. (DPZ) was sold as the thesis that the business would benefit from consumers trading down to lower-priced food options failed to materialize as expected.
- Integer Holdings Corp. (ITGR), a medical device manufacturer, was sold from the portfolio following a decline in confidence surrounding the durability of the investment thesis.
- PotlatchDeltic Corporation (PCH) was removed from the portfolio following its acquisition by Rayonier Inc. (RYN).
- Rayonier Inc. (RYN), an international forestry products company operating as a timber REIT, was added to the portfolio as a result of its acquisition of PotlatchDeltic Corporation. However, given an unfavorable analyst assessment of the combined entity, the position was subsequently sold.
- Rexford Industrial Realty Inc. (REXR), an industrial REIT focused on the Southern California market, was sold in order to reallocate capital to stocks where our analyst maintains higher conviction.



- Teleflex Inc. (TFX) manufactures medical technology products, primarily single-use devices used in therapeutic and diagnostic procedures. The stock was sold following a breakdown in the underlying investment thesis.

Market Review

After reaching new all-time highs in late January, the S&P 500 faced more turbulence throughout the rest of the quarter. February's modest market decline accelerated in March following military actions by the U.S. and Israel against Iran. The immediate economic effect was a sharp rise in oil prices, which increased economic uncertainty. Equity market volatility heightened, with investors often reacting daily to developments related to the conflict, which has spread to other parts of the Middle East.

The large-cap S&P 500 fell 4.33% in the first quarter, erasing January's gains. Meanwhile, small-cap and mid-cap stocks posted modestly positive returns for the quarter. International stocks experienced strong gains in the first two months but suffered significant setbacks in March, finishing the quarter in negative territory.

A market rotation that first emerged in late 2025 continued. While technology stocks led markets in recent years, leadership has since shifted to other sectors. Energy stocks within the S&P 500, boosted by the jump in oil prices, gained more than 38% over the first three months. Other sectors that previously underperformed, like Materials, Utilities, Consumer Staples and Industrials, also posted positive returns.

Amid ongoing geopolitical issues, investors continue to weigh mixed economic signals. Fourth quarter GDP growth, reported in the first quarter, came in at a disappointing 0.7% annualized rate. Job growth also slowed down. At the same time, inflation remains slightly above the Fed's 2% target, with living costs expected to rise as higher oil prices are incorporated into upcoming inflation data. The combination of slower growth and persistent inflation concerns led the Fed to keep the federal funds rate at the 3.50% to 3.75% range, where it stood at the end of 2025. Bond market total returns were slightly negative in the first quarter as bond yields edged higher (bond prices fall when yields rise). By late February, the 10-year Treasury yield dropped below 4%, but it ended the quarter at 4.30%.

Outlook

Increased visibility of geopolitical issues adds to rising uncertainties that cloud the 2026 investment outlook. The most significant external factor is the impact of the Middle East conflict. Markets are especially focused on potential inflationary effects caused by recent oil price spikes since military actions began in late February. If inflation rises, the Fed may have less room to cut interest rates further to stimulate the economy and might even be forced to raise rates to combat inflation. Fed Chair Jerome Powell has indicated that both cuts and hikes are in play, given ongoing economic uncertainties.

Investors are also closely monitoring the economy's trajectory. The fourth quarter's disappointing GDP growth and recent signs of job market weakness raise risks, as consumers are the main drivers of economic growth. So far, consumer spending has remained steady, but higher gas prices and slow job growth could lead to reduced spending, potentially challenging corporate profit forecasts. Earnings projections and results are key indicators for stock investors to watch.

Investors will also be keeping an eye on whether the first-quarter trend favoring previously underperforming sectors like Energy, Utilities, Industrials and Materials continues. Technology stocks are trying to rebound after a tough first quarter that lowered overall market returns. In the bond market, Fed interest rate policies and inflation trends will heavily influence investors. If bond yields keep rising, as they did in the first quarter, it could put additional downward pressure on stock prices, with investors increasingly seeking more attractive fixed income yields.



A potential positive outcome of the market's first-quarter decline is that investors are now better positioned to identify value opportunities. Many well-established companies with strong cash flow and solid balance sheets now offer more attractive entry points for investors. The number of stocks outperforming the S&P 500 has increased compared to recent years, indicating that the market has broadened as investors seek better value opportunities.

In an uncertain environment, we believe our focus on high-quality businesses with strong cash flow, high return on invested capital, low leverage and sound management teams will be seen favorably. As volatility accelerates, we believe companies trading at a discount to the market or their peers will be resilient and may offer greater returns than the broader market. Historically, those companies trading at the intersection of quality and value have performed well in difficult market environments.

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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