Westwood **Quality SMidCap Fund**

Commentary

3Q
2026

Performance Highlights

Equity markets were unsettled during the quarter, with small- and mid-cap stocks underperforming other segments. The Westwood Quality SMidCap Fund (Class I) returned -9.44%, trailing the Russell 2500® Value Index, which returned -4.36%.

While key market indices, such as the S&P 500®, reached record levels in August amid reports of strong corporate earnings growth and steady economic expansion, the average stock pulled back in September, with the equal-weight S&P 500 down 5.2% for the month. The primary driver of the retreat was a sudden surge in bond yields. The 10-year U.S. Treasury yield jumped from 4.63% in early August to 5.29% by the quarter's end. Higher yields across the board dampened equity momentum, as bonds became more competitive with stocks and higher borrowing costs threatened to crimp corporate capital spending.

For the quarter, most of the S&P 500's positive return (the index was up 2.3%) came from the Information Technology sector. Only three other sectors posted narrow gains — Health Care, Energy and Communication Services. Performance was even choppier within the Russell 2500 Value benchmark. Industrial stocks posted the most pronounced decline (-10.6%), with the Consumer Discretionary sector experiencing a similar setback (-9.8%). The Utilities (-8.7%) and Real Estate (-8.1%) sectors also posted meaningful declines. Energy (+10.8%) and Health Care (+7.0%) were the only sectors with meaningful gains, while the Information Technology sector rose modestly during the quarter.

Performance Drivers

Top Contributors

- Royal Gold Inc. (RGLD), a precious metals royalty and streaming company focused on acquisitions, reported solid year-over-year growth in second-quarter earnings and revenue. Although revenue fell short of market expectations, the company increased its dividend for the 25th consecutive year and authorized a share buyback program.
- Marex Group Ltd. (MRX), a diversified financial services and commodities market platform, reported second-quarter earnings that beat consensus expectations. Its prime brokerage business doubled year over year, and the company's Clearing and Market Making segments continue to benefit from elevated market volatility.
- Permian Resources Corp. (PR), a leading independent Permian Basin oil and gas producer, reported second-quarter earnings and revenue growth that beat analysts' projections. The firm forecasts a 10% increase in oil production in 2026 compared with previous years and is implementing operational efficiencies to keep production costs in line.
- Chord Energy Corp.(CHRD), a leading oil and gas exploration and production company, sold a significant asset at a substantial markup above analysts' expectations. The divestiture allows the firm to focus on its Williston Basin operations and reduce annual capital expenditures.

- Semtech Corp. (SMTC), a leading provider of semiconductors and IoT solutions, reported a 33% year-over-year revenue increase and earnings growth of 73%. Data center revenue is accelerating, and in the third quarter, the company is projecting a 54% year-over-year increase.

Top Detractors

- Regal Rexnord Corp. (RRX), a leading provider of sustainable power and motion solutions, reported second-quarter earnings that beat analysts' expectations, but revenue growth was disappointing. Its Power Efficiency Solutions segment recorded a 6.6% organic sales decline.
- Modine Manufacturing Co. (MOD), a manufacturer of thermal management solutions and an engineering innovator, is expected to see flat year-over-year sales growth in fiscal 2027. Supply chain disruptions have led to component shortages, reducing production efficiency and near-term margins.
- IPG Photonics Corp. (IPGP), a leading developer and manufacturer of high-power fiber lasers, is facing larger-than-expected margin pressure from tariffs. Elevated capital expenditures are also straining free cash flow.
- Boot Barn Holdings Inc. (BOOT), a western and work-lifestyle specialty retail chain, reported first-quarter revenue growth and beat earnings-per-share expectations, in part due to tariff refunds. However, the company's second-quarter revenue guidance fell short of analysts' estimates, and inventory levels increased, raising overstocking concerns.
- AAR Corp. (AIR), a leading provider of commercial aviation aftermarket products and services, posted solid first-quarter earnings, but a recent acquisition required the company to take on more than $2 billion in new debt, significantly increasing its net leverage. The company also faces potential headwinds from higher jet fuel costs, which could lead to an increase in aircraft retirements and lower aftermarket spend from airlines.

Performance Update

As of September 30, 2026

Trailing Years Performance

	Inception Date	3Q26	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGMX (Class I)	12/19/2005	-9.44%	6.85%	7.03%	12.81%	7.27%	8.95%	9.00%
WWSMX (Class Ultra)	7/31/2020	-9.40%	7.06%	7.27%	13.07%	7.48%	--	12.42%
Russell 2500 Value Index	12/19/2005	-4.36%	18.75%	22.49%	19.12%	9.76%	10.12%	8.69%
Russell 3000 Index	12/19/2005	1.41%	12.42%	15.13%	22.26%	12.64%	14.73%	10.93%

*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 9/30/2026

IDACORP Inc.	BJ's Wholesale Club Holdings Inc.
Glacier Bancorp Inc.	Landstar System Inc.
Piper Sandler Cos.	EastGroup Properties Inc.
Sensient Technologies Corp.	Hubbell Inc.
Trex Co. Inc.	SouthState Bank Corp.

Top 10 Holdings represents 22.57% 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:

- Dynatrace Inc. (DT), a leading AI-powered software intelligence and observability platform, is poised to report accelerating revenue growth supported by a strong renewal cycle and healthy platform consumption rates. Additionally, Dynatrace recently announced acquisition of Arize AI, which brings a complementary asset in deep AI observability, a faster growing market that addresses agentic monitoring and how they interact with applications, where DT's APM platform has long-standing incumbency with its enterprise customers.
- Encompass Health Corp. (EHC), a leading provider of rehabilitation hospital services, has seen occupancy at its facility climb north of 80%, with a third of units above 90%, supporting its capacity growth strategy. We see revenue growth of 8% to 10% and improving ROIC. Additionally, removal of restrictions in North Carolina presents a meaningful growth opportunity, similar to what the company experienced during its expansion into Florida in the early 2020s.
- Urban Outfitters Inc. (URBN) is a lifestyle retail brand targeting young urban consumers. Its three core brands (Urban Outfitters, Anthropologie and Free People) are complemented by two of the best growth stories in the

industry with FP Movement and Nuuly. The strength and resilience of this diversified platform support durable growth and market share gains, improving profitability and long-term earnings potential that are underappreciated by the market.

- Armstrong World Industries Inc. (AWI), a leading manufacturer of ceiling and flooring solutions, is one of the most profitable and high-returning companies in the building products sector. Its consistently strong pricing (6% CAGR since the GFC) — boosted by new products — has driven 30%+ EBITDA margins in its core Mineral Fibers segment. In Architectural Specialties, an active M&A strategy, internal market share growth and TAM expansion has resulted in a 22% topline CAGR over the past decade. The stock has seen multiple contractions alongside the increase in interest rates, presenting an attractive reward/risk ratio.
- RB Global Inc. (RBA), a salvage auto and heavy equipment auction house, has been regaining market share from competitor Copart in the salvage auto business after several years of underinvestment under prior ownership (KAR Auction Services). RBA's market share in the insurance salvage auction industry is 35% to 40% and is expected to grow to 50% in the coming years as its largest customer, Progressive, continues to gain market share and as IAA wins incremental volume from other insurance carriers as contracts come up for renewal.
- Toll Brothers Inc. (TOL) is a luxury home builder and real estate developer. While current housing conditions are difficult, long-term fundamentals remain positive with significant pent-up demand after a decade of underbuilding. For Toll, its position as the only truly national luxury builder reduces its competition, as well as leverages it to a lower risk customer base. Company-specific initiatives, such as expanding to the affordable luxury segment, increasing its spec sales, boosting its percentage of land held by option, and simplifying its floorplan options/design centers, have significantly boosted returns over the past decade and has led management to guide to sustained robust long-term gross margins.
- Landstar System Inc. (LSTR), a leading asset-light third-party transportation and logistics management provider, effectively leverages a vast network of independent sales agents, third-party capacity providers and owner-operators. It can rapidly scale capacity up or down to match shifting freight demand and is seeking to create efficiencies by using automation and AI. We believe there is upside to earnings estimates and the P/E multiple as the spot market recovers.

The following positions were sold from the portfolio:

- Vail Resorts Inc. (MTN), a leading operator of premier mountain resort destinations, saw its ski pass sales decline in 2026 due to unfavorable weather. We believe the disappointing 2026 ski season will pressure pass sales in the coming season.
- MSA Safety Inc. (MSA), a leading developer and manufacturer of professional safety equipment, recently reported strong financial results. However, instability in the Middle East disrupted fixed gas detection sales, and its current stock price raises valuation concerns.
- Verra Mobility Corp. (VRRM), a leading provider of smart mobility technology solutions, faces potential revenue stability and margin pressures as its customers bring some of Verra's services in-house. It recently renewed contracts with two of its major car rental customers on less favorable terms, raising questions about the future economics of the business.
- York Space Systems Inc. (YSS), a space and defense prime systems operator, is successfully placing satellites in orbit. However, the Department of War has been awarding an increasingly large share of contracts to SpaceX, which is a formidable competitor, leading to concerns about future revenue growth and returns.
- Advanced Drainage Systems Inc. (WMS), a leading manufacturer of water management drainage solutions and products, is likely to see its earnings (before interest, taxes, depreciation and amortization) margin decline in the near term due to higher resin and transportation costs. The company is also highly dependent on residential and non-residential construction, both of which have been weak (save for data centers).

- Builders FirstSource Inc. (BLDR), a leading supplier of building materials and construction services, saw a meaningful decline in core organic net sales. Slower activity reflects weaker housing starts and affordability pressures.

Market Review

Equity markets were mixed in the third quarter, with large-cap stocks posting modest gains while mid-cap and small-cap stocks lost ground. The S&P 500 reached new all-time highs in August but experienced a modest selloff in the quarter's closing weeks.

Investors weighed countervailing forces, as steady economic growth and impressive corporate earnings expansion were offset in part by rising oil prices and surging bond yields. The S&P 500 rose 2.3% for the quarter, losing modest ground in September to close out the period. Conditions were less favorable for other parts of the market. The Russell Midcap Index® returned -3.0%, and the small-cap Russell 2000® Index declined 7.2%. Globally, developed market stocks also fell by about 3%.

Within the S&P 500, only a narrow group of sectors benefited, most notably energy stocks, which rose more than 17% in the third quarter and are up more than 40% year to date. Energy stocks capitalized on the oil price surge stemming from the Middle East conflict and restrictions on oil shipments in that region. Information Technology and Communication Services stocks continued to benefit from the ongoing artificial intelligence (AI) buildout. Mega-cap stocks, which dominated in previous years but struggled recently, regained ground in the quarter.

Solid economic growth, exceeding an annualized rate of 2% in the first half of the year, provided a solid underpinning for the markets. Inflation remains elevated, a persistent concern driven largely by higher energy prices.

The Federal Reserve (Fed) raised the short-term federal funds rate in September for the first time since 2023. Bond markets emerged as potential headwinds for stocks, with the benchmark 10-year Treasury yield topping 5% for the first time since 2007. By the quarter's end, the 10-year yield was just shy of 5.3%, the highest level since 2002.

Outlook

Broad U.S. and international indices enter the fourth quarter having already achieved double-digit returns for the year. The question is whether markets can build on that success. While a generally favorable economic backdrop persists, some overhanging issues warrant attention.

The most prominent issue is the sudden upward trend in interest rates. Bond investors appear to be signaling concerns about stubborn inflation and growing federal government debt, which now tops $40 trillion. Bond yields may be reaching levels that are more attractive to investors, which could result in a shift of assets out of equity markets. In addition, higher interest rates impact corporate borrowing costs, potentially reducing earnings, at least in the short term. It's unclear whether such lofty (by recent standards) bond yields are sustainable, but the bond market is likely to remain much in focus in the near term.

Other economic news remains constructive. Initial jobless claims numbers held at reduced levels over the summer, and the unemployment rate remains near historic lows, in the 4% range. When initial readings are released in the third quarter, gross domestic product (GDP) growth is expected to improve from prior quarters. While consumer sentiment is in decline, due in part to persistently high gas prices, consumers aren't acting on that negative sentiment. Spending growth remains steady, with the upcoming holiday season a key test of consumer spending power.

Meanwhile, inflation remains a key indicator. Core inflation has remained modest given the recent rise in energy costs, though massive AI spending is likely helping keep inflation elevated. Investors are watching whether the Fed will be compelled to further raise the fed funds rate to try to mitigate ongoing inflation risks.

Markets remain attuned to an unsettled geopolitical environment. The U.S. conflict with Iran remains unresolved. Military activity has been limited, and oil shipments through the Strait of Hormuz have reportedly rebounded. However, confrontations between the Yemeni-based Houthis and Saudi Arabia have also disrupted Red Sea oil shipments. As a result, oil prices remain elevated. The Russia-Ukraine war continues to drag on, with both sides inflicting serious damage. Fears of escalation could create new global economic risks.

Domestically, focus is increasing on the U.S. midterm elections. Democrats have an opportunity to take control of the narrowly divided U.S. House, currently led by Republicans. Many Senate races appear closely contested, another challenge to Republican control in that chamber. Markets may need to assess the potential consequences of divided power in Washington.

Even amid what some may view as an unsettled environment, our focus remains on identifying small-cap stocks with strong cash flows, identifiable and recurring earnings, low leverage and strong corporate management. By focusing on attractively valued, high-quality companies, we believe our portfolio is positioned to generate competitive potential returns regardless of underlying market and economic conditions.

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. **Return on Invested Capital (ROIC)** is the percentage return that a company makes over its invested capital.

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