



## Westwood Quality Value 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 Value Fund (Class I) returned 0.49%, underperforming the Russell 1000® Value benchmark, which returned 3.81%.
- 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 stocks 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 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 basis points 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 gross domestic product (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, while asset allocation was a smaller headwind. For most of the quarter, speculative spirits supported the stock market, particularly companies tied to the boom in artificial intelligence. Our emphasis on quality factors such as cash flow and profitability have generally kept us out of these companies.
- The top contributors to relative performance were the Real Estate and Energy sectors, in both cases driven by stock selection. Real estate was helped by an improving backdrop for industrial realty, as vacancy rates may have peaked as companies make leasing decisions. The Energy sector gained as our holdings benefitted from stable prices and strong production figures.
- Detractors to performance included the Information Technology, Financials and Communication Services sectors. Stock selection was the key factor in each sector – within technology, we held bellwether names and did not own more volatile artificial intelligence companies; in Financials, regional banks struggled as interest rates declined; and in Communication Services mobile carriers declined amid competitive pressures.
- During the quarter, exposure to the Information Technology, Health Care and Financials sectors increased, while the Communication Services, Consumer Discretionary and Real Estate sectors were reduced.



## Performance Drivers

### Top Contributors

- Alphabet Inc. (GOOGL) was the top contributor to absolute returns in the fourth quarter, supported by strong execution across its core digital advertising and cloud businesses. The company reported revenue and earnings above expectations, with Search and YouTube ad growth remaining resilient despite broader macro moderation. Google Cloud also posted sequential expansion, driven by increased enterprise adoption and differentiated AI-enabled offerings. Alphabet's continued advances in generative AI integration across ads, search, and productivity tools enhanced monetization and customer engagement. Robust free cash flow generation and a strong balance sheet further bolstered investor confidence during the period.
- Thermo Fisher Scientific Inc. (TMO) shares advanced as the company delivered solid quarterly results highlighted by healthy revenue growth and expanding operating margins. Strength across consumables, pharma services, and biologics workflow solutions contributed to broad-based performance. Management's ongoing investment in R&D and capacity supported long-term growth initiatives, while recurring revenue from service contracts reinforced durable earnings visibility. These factors contributed to improving valuation multiples and stronger investor sentiment.
- Merck & Co. Inc. (MRK) performed well in the quarter, driven by strong commercial execution and favorable clinical and regulatory developments. Recent financial results highlighted continued momentum in the company's oncology portfolio, where elevated demand and expanded indications supported both top-line growth and improved gross margins. Merck's robust free cash flow generation facilitated ongoing share repurchases and dividends. Positive late-stage pipeline updates strengthened confidence in future growth prospects, while disciplined cost management supported operating leverage.
- Amazon.com Inc. (AMZN) gained following a quarterly earnings report that exceeded revenue expectations, supported by accelerating Prime engagement and strong holiday sales. While some discretionary categories were pressured by macro trends, Amazon's diversified revenue streams and disciplined cost management drove meaningful earnings improvement. Strength across e-commerce, advertising, and AWS contributed to investor optimism.
- Prologis (PLD) shares rose during the period as the company reported strong net effective rent growth and occupancy gains across U.S. and global markets. Demand for logistics space remained healthy, enabling Prologis to leverage its scale in development and land positions to capture attractive cap rates and deliver accretive growth. The company also generated robust fee revenue and maintained disciplined capital recycling, reinforcing balance sheet strength and supporting distribution coverage.

### Top Detractors

- O'Reilly Automotive (ORLY) was the leading detractor to performance, as shares retreated from all-time highs at the start of the quarter despite the company reporting comparable store sales growth and revenue expansion in 2025. Management delivered solid increases in both sales and diluted earnings per share (EPS), and full-year guidance called for healthy store openings, stable gross profit margins, and strong free cash flow. However, broader concerns around consumer discretionary spending and rising cost pressures weighed on the stock during the period.
- Arthur J. Gallagher (AJG) declined during the quarter as near-term execution challenges pressured the stock. While the company continues to demonstrate underlying strength across its brokerage and risk-management franchises, mixed quarterly results and market caution surrounding earnings trajectories contributed to relative underperformance.
- T-Mobile US (TMUS) shares moved lower despite the company delivering continued subscriber growth and service-revenue expansion. Recently reported results showed rising core adjusted EBITDA, and management



emphasized its network leadership and strategic broadband positioning. Nonetheless, decelerating earnings trends, competitive wireless pricing dynamics, and investor caution ahead of upcoming earnings contributed to the stock's decline.

- Home Depot (HD) weakened during the period after reporting modest sales growth and only nominal comparable-sales gains. Earnings came in slightly below prior-year levels, and guidance indicated a small decline in EPS for the full year. Persistent macro headwinds in discretionary spending and variable demand across categories weighed on top-line momentum, while mixed performance across the professional and DIY segments tempered investor sentiment.
- Dell Technologies Inc. (DELL) declined despite reporting solid fiscal-year results, including record annual and fourth-quarter non-GAAP EPS growth and mid-single-digit revenue increases. The company benefited from strength in servers and networking driven by robust AI-related demand. However, ongoing challenges in consumer products amid heightened competitive pricing, along with market skepticism around the sustainability of hardware-cycle strength, contributed to share weakness during the quarter.

## Performance Update

As of December 31, 2025

### Trailing Years Performance

	Inception Date	4Q25	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGLX (Class I)	6/28/2006	0.49%	5.78%	5.78%	8.40%	8.26%	9.38%	7.93%
WWLAX (Class A) **	12/31/2007	0.43%	5.61%	5.61%	8.21%	8.04%	9.13%	7.06%
WWLAX (Class A with Load) ***	12/31/2007	-2.58%	2.44%	2.44%	7.12%	7.38%	8.80%	6.88%
WHGQX (Class Ultra)	11/30/2022	0.49%	5.80%	5.80%	8.36%	--	--	6.43%
Russell 1000 Value Index	6/28/2006	3.81%	15.91%	15.91%	13.90%	11.33%	10.53%	8.29%
Russell 3000 Index	6/28/2006	2.40%	17.15%	17.15%	22.25%	13.15%	14.29%	11.00%

\*Annualized \*\* Excludes sales charge. \*\*\* Reflects effects of the fund's maximum sales charge of 3.00%. Total Annual Fund Operating Expenses by Share Class (gross / net): Class I 0.69% / 0.62%, Class A 0.87% / 0.80%, Class Ultra 0.62% / 0.55%. The Advisor has contractually agreed to waive fees and reimburse expenses until March 1, 2026. In the absence of current fee waivers, total return 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WHGLX	12.11%	-0.91%	16.10%	30.03%	11.85%	-0.36%	10.93%	20.85%	-6.04%	27.36%	2.73%	23.79%	-5.66%	8.91%	10.56%	5.78%
Russell 1000 Value Index	15.51%	0.39%	17.51%	32.53%	13.45%	-3.83%	17.34%	13.66%	-8.27%	26.54%	2.80%	25.16%	-7.54%	11.46%	14.37%	15.91%
Russell 3000 Index	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%	17.15%

### 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. Portfolio holdings are subject to change and should not be considered a recommendation to buy individual securities. The Fund pursues a "value style" of investing. If the Adviser's assessment of market conditions, or a company's value or prospects for meeting or exceeding earnings expectations is inaccurate, the Fund could suffer losses or produce poor performance relative to other funds or market benchmarks. In addition, "value



stocks" can continue to be undervalued by the market for long periods of time and may never achieve the Adviser's expected valuation.

## Top 10 Holdings as of 12/31/2025

Amazon.com Inc.	CSX Corp.
NextEra Energy Inc.	Progressive Corp.
Alphabet Inc.	Meta Platforms Inc.
JPMorgan Chase & Co.	Merck & Co. Inc.
Apple Inc.	MSCI Inc.

Top 10 Holdings represents 24.92% 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:

- Dell Technologies, Inc. (DELL): A leading computer hardware manufacturer with strong competitive positioning in both general-purpose and AI-optimized servers. As AI infrastructure demand expands from hyperscalers to enterprise and public-sector customers, Dell is positioned to capture incremental revenue growth from AI systems. While AI servers currently carry lower margins, increasing enterprise and government adoption should improve mix and profitability over time. A cyclical recovery in general-purpose servers and stabilization in the PC business provide additional earnings leverage, supporting a credible path to sustained double-digit EPS growth over the next three years.
- Entergy Corp. (ETR): A regulated electric utility serving roughly three million customers across Arkansas, Louisiana, Mississippi, and Texas, with a differentiated growth profile anchored by large-scale data-center demand. The company operates approximately 24 GW of generation capacity and has identified a 7–12 GW data-center pipeline led by hyperscale operators such as Meta, AWS, and Google. This demand underpins a \$41 billion capital investment plan through 2029 and supports expected EPS growth among the highest in the regulated utility sector. Given the visibility and durability of this growth trajectory, Entergy warrants a premium valuation relative to peers.
- J.B. Hunt Transport Services, Inc. (JBHT): A high-quality transportation company with a strong record of growth and consistently high returns on invested capital. A new pricing regime could enhance earnings leverage in a freight recovery, and transcontinental shipping presents an additional avenue for long-term growth.
- Merck & Co., Inc. (MRK): Added for its progress toward approval of a subcutaneous version of Keytruda, the company's leading therapy. Recent increases in R&D and manufacturing investment have the potential to generate meaningful upside, supporting an enhanced growth outlook for the portfolio.
- MSCI Inc. (MSCI): A global provider of indices, analytics, and data across public and private markets, with approximately \$16.9 trillion benchmarked to its indices. After several years of slowing growth and multiple compression amid weaker asset-manager demand and concerns around AI disruption, valuation now reflects tempered expectations for index subscription growth. This discount overlooks improving fundamentals. MSCI stands to benefit from rising allocations to non-U.S. equities, particularly through passive ETFs that generate



high-margin asset-based fees. Accelerating growth in Private Assets and AI-enabled product development represents underappreciated incremental upside.

- Qnity Electronics (Q): A semiconductor-chemical supplier with deep customer integration and a global region-for-region manufacturing footprint, making it a critical partner in advanced chip production. Shares trade at a dislocated valuation, further pressured by a late-year pullback in AI-related equities. The company is structurally levered to leading-edge semiconductors, which account for a disproportionately large and growing share of revenue. This positioning supports above-market growth potential and the prospect of multiple expansion as valuation normalizes.

The following positions were sold from the portfolio:

- Agree Realty Corporation (ADC): Eliminated from the portfolio to reallocate capital toward positions with a more attractive reward-to-risk profile.
- TopBuild Corp. (BLD): Sold after a strong period of performance brought the shares closer to our price target. Proceeds were redeployed into opportunities offering a more compelling reward-to-risk balance.
- The Walt Disney Company (DIS): Removed from the portfolio following a strong gain in the stock this calendar year, with capital shifted to higher reward-to-risk opportunities elsewhere in the portfolio.

## 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-surmging Technology sector started to appear in December. While much of the recent stock market rally is attributed to enthusiasm for advances in artificial intelligence (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 U.S. 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 what will continue to drive a rally. 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 June, 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 stock 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 Communications 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 inflation and technology stock 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 or full prospectus, which may be obtained by calling 1.877.FUND.WHG (877-386-3944), or by visiting our website at [westwoodfunds.com](http://westwoodfunds.com). Read the prospectus carefully before investing or sending money.

The **S&P 500® Index** is a market capitalization-weighted index that measures the performance of 500 leading publicly traded companies in the U.S. equity market. The index is designed to represent the large-cap segment of the U.S. market and covers approximately 80% of available market capitalization. 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 1000® Value Index measures the performance of those **Russell 1000® Index** companies with lower price-to-book ratios and lower forecasted growth values. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based benchmark that measures the performance of the U.S. investment-grade, fixed-rate bond market. The index includes U.S. Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. 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. **Small cap** is a term used to refer to a company with a market capitalization typically between approximately \$300 million and \$2 billion. A company's market capitalization is calculated by multiplying the number of its shares outstanding by its stock price per share. **Mid cap** is a term used to refer to a company with a market capitalization generally between approximately \$2 billion and \$10 billion. These companies are often considered to be in a transitional phase between small, early-stage firms and larger, more established large-cap companies. **Large cap** is a term used to refer to a company with a market capitalization value of more than \$10 billion. A company's market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. **Earnings per Share (EPS)** is a company's net profit divided by its outstanding shares, indicating profitability on a per-share basis. **Gross Domestic Product (GDP)** is the total monetary value of all goods and services produced within a country's borders over a specific period, typically reported quarterly or annually. GDP is widely used as a comprehensive measure of a country's overall economic activity, growth and health. It includes consumer spending, business investment, government expenditures and net exports (exports minus imports).

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