

Performance Highlights

- The third quarter saw a continued rally in equity markets, though it was not without excitement. In this atmosphere the Westwood Quality Value Fund trailed the representative benchmark, returning 5.89% compared to 9.43% the representative benchmark Russell 1000 Value Index. The primary benchmark, Russell 3000 Index, returned 6.23% for the quarter.
- In the third quarter, the U.S. stock market maintained its upward trajectory, but the nature of the rally shifted as it broadened. Small-cap stocks led a brief surge in early July, with the Russell 2000 Index gaining more than 10% in a single week. However, the Bank of Japan's decision to raise interest rates, ending the Yen carry trade, triggered a temporary market decline, causing the S&P 500 to fall by 8.5% over three weeks. Stocks quickly rebounded, pushing domestic equity indices to new highs as the quarter closed. Small- and mid-cap stocks outperformed large-caps, while value stocks outshined growth, which lagged as the previously dominant "Magnificent 7" tech companies underperformed. On a sector level, Utilities and Real Estate surged due to their interest rate sensitivity, while Information Technology, Telecommunications and Energy struggled. Utilities edged ahead of tech stocks for the year-to-date, though Information Technology still led on a one- and two-year basis.
- The U.S. economy continued its growth trend, despite some mixed signals. Inflation, as measured by the Consumer Price Index (CPI), trended downward, with the August reading at 2.5%, a significant drop from 3.7% a year ago and the 9% high seen in mid-2022. However, the employment situation raised concerns, as unemployment edged up slightly and new jobless claims rose. Other economic indicators, like manufacturing health, new orders and personal bankruptcies, were also troubling. In response, the Federal Reserve cut its benchmark fed funds rate by 0.50%, a widely anticipated move. The Fed noted that while inflation was nearing its 2% target, job growth had slowed, making the rate cut necessary to balance economic risks.
- Within the portfolio, our relative performance was impacted negatively by stock selection. The largest detractor to relative performance was the Financials sector, while Consumer Staples and Industrials were also detractors, all driven by stock selection. The top-performing sector was Utilities, followed by Health Care, both benefiting from positive stock selection.
- We are currently overweight to the Information Technology sector, and we increased our overweight position in the Industrials sector. We reduced our exposure to Financials, selling two positions, which minimizes our exposure to companies that could be negatively impacted by lower interest rates. We have reduced the number of holdings overall, focusing on names that we know well and have confidence in their performance. We feel we are well positioned with a lower risk portfolio as we anticipate more volatility in the coming months.

Performance Drivers

- Our top-performing sector was Utilities, where our holdings gained nearly 20% in the quarter, followed by Real Estate. Lagging sectors were Communication Services and Energy, both of which posted negative returns in the period.
- Two utilities were among the top five performers in the quarter, and both added over 20%. WEC Energy Group (WEC) rose following a strong earnings report that beat expectations by lower operating expenses and strong demand. NextEra Energy (NEE) gained on the strength of an expanded renewable energy footprint, affirming an increased dividend and higher EPS guidance through 2027.
- Boise Cascade Co. (BCC) was a notable contributor in the quarter, gaining ground amid increased demand for housing and construction. UnitedHealth (UNH) advanced amid strong earnings growth and increased guidance for

the full year. Pharmaceutical giant Johnson & Johnson (JNJ) rose after a strong earnings report that indicated higher sales and new approvals in their product pipeline.

- A couple of notable detractors were sold from the portfolio. Dollar General Corp. (DG) declined following a disappointing earnings report, with lower than expected revenue, same-store sales and margins, and higher costs. We sold the position following the results. Charles Schwab Corp. (SCH) declined following a report that indicated slowing new asset growth, heightening concerns that margins would shrink. We sold the stock to fund stronger opportunities.
- Elsewhere, Microchip Technology Corp. (MCHP) declined in the quarter, beset by concerns over lower net sales, rising inventory and softening demand for the company's products. Alphabet Inc. (GOOGL) declined despite strong results, while FedEx Corp. (FDX) fell after reporting flat revenue and earnings below their previous estimates; the company cited lower demand for priority shipping due to macroeconomic uncertainty.

Performance Update

As of September 30, 2024

Trailing Years Performance

	Inception Date	3Q24	YTD	1 Year	3 Year*	5 Year*	10 Year*	Since Inception*
WHGLX (Class I)	6/28/2006	5.89%	12.52%	22.35%	8.16%	9.19%	9.48%	8.27%
WWLAX (Class A) *	12/31/2007	5.86%	12.44%	22.11%	7.94%	8.95%	9.23%	7.38%
WWLAX (Class A with Load) **	12/31/2007	2.70%	9.05%	18.44%	6.85%	8.29%	8.90%	7.18%
WWLCX (Class C)	3/31/2020	5.65%	11.79%	21.24%	7.12%	--	--	14.56%
WHGQX (Class Ultra)	11/30/2022	5.83%	12.46%	22.20%	--	--	--	8.79%
Russell 1000 Value Index	6/28/2006	9.43%	16.68%	27.76%	9.03%	10.69%	9.23%	8.13%
Russell 3000 Index	6/28/2006	6.23%	20.63%	35.19%	10.29%	15.26%	12.83%	10.67%

*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): 0.70% / 0.62%, Class A 0.88% / 0.80%, Class C 1.63% / 1.55%, Class Ultra 0.63% / 0.55%.

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.

Calendar Year Returns

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
WHGLX	-31.81%	13.84%	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%
Russell 1000 Value Index	-36.85%	19.69%	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%
Russell 3000 Index	-37.31%	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%

Inception date is 6/28/06. **The performance data quoted represents past performance. 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.** Expense ratio for the fund is 0.70% (gross) and 0.62% (net). The Advisor has contractually agreed to waive fees and reimburse expenses until March 1, 2025. In the absence of current fee waivers, total return would be reduced.

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 9/30/2024

UnitedHealth Group Inc.	Union Pacific Corp.
JPMorgan Chase & Co.	Bank of America Corp.
Johnson & Johnson	Visa Inc.
Microsoft Corp.	Goldman Sachs Group Inc.
Abbott Laboratories	Prologis Inc.

Top 10 Holdings represents 29.52% 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

There were no new positions initiated in the third quarter.

The following positions were sold from the portfolio:

- Insurance company **American International Group (AIG)** was sold after the stock price had increased by about 25% over the past year. We sold the stock because the risk/reward ratio was no longer as favorable and to consolidate our holdings in the Financials sector.
- **Charles Schwab Co. (SCHW)** was sold after a disappointing quarterly report that indicated slowing growth in key parts of the company. The slower growth rate impacted the risk/reward ratio and we decided to exit the position.
- We sold **ConocoPhillips (COP)** to reduce our exposure to the energy sector; we feel more confident in our other positions in the sector.
- **Dollar General Corp. (DG)**, the discount retailer, was sold after a challenging earnings report that indicates an expected turnaround is further than originally thought.

Market Review

After a brief mid-quarter shock, the U.S. stock market continued its steady upward trend in the third quarter. But while the trend remained the same, the character of the rally changed. The market broadened significantly as more stocks participated in the rally, spurring domestic equity indices to new all-time highs.

Small-cap stocks rallied to begin the quarter, pushing the Russell 2000 Index ahead by more than 10% in about a week in early July. But equity investors were agitated in early August after the Bank of Japan announced they would raise interest rates, effectively ending the Yen carry trade — investors would borrow in Yen (at near-zero rates) and invest in dollars, or more likely in large growth stocks. Equity markets around the world crumbled and the S&P 500 gave up nearly 8.5% in about three weeks. However, investors quickly shrugged off the decline and stocks rebounded just as quickly to end September at a new high.

For the quarter, small- and mid-cap stocks outperformed large-caps. Value stocks outperformed growth, as represented by the “Magnificent 7,” which formerly led the markets higher, and as a group, underperformed the broad market. The rally in equities has been historic and driven primarily by large-cap growth stocks. Over the past two years, the Russell 1000 Growth Index has gained 34.8% annualized, more than double the 16.5% return of the Russell 2000 Value Index.

At the sector level, within the S&P 500, formerly market-leading Information Technology, Telecommunication Services and Energy sectors all struggled in the third quarter. The Utilities and Real Estate sectors, both sensitive to changes in interest rates, leaped ahead and rewarded investors for their patience. Year to date, Utilities have eased ahead of Information Technology, though technology still leads for the trailing one-year and two-year periods.

Meanwhile, the U.S. economy remained in growth mode, despite some concerning data points. Two key measures to watch are inflation, measured by the Consumer Price Index (CPI), and the employment situation, viewed as a combination of the unemployment rate and initial jobless claims primarily. Inflation continued to trend down; the August reading came in at 2.5%, well below the 3.7% report of 12 months ago and the high of 9% in mid-2022. The employment situation was a bit more concerning, as the unemployment rate ticked up during the quarter, and new jobless claims rose. Other measures such as manufacturing health, new orders and personal bankruptcies were not trending positively, creating further concern among economists.

The Federal Reserve had been expected to make a move, and finally reduced its benchmark fed funds rate in September, cutting rates by 0.50%. The Fed noted that while inflation was making progress toward its 2% goal, job gains have slowed, so the balance of risks between growth and recession moved them to make the rate cut.

The bond market had been in the process of pricing in the Fed rate cut since May, when market yields hit their highs. Treasury yields continued their decline in the third quarter, as the 10-year yield fell from 4.48% to 3.81%, a drop of 67 bps, and the two-year Treasury fell from 4.77% to 3.66%, or 111 bps. After being inverted for two years, the Treasury yield curve returned to its typical shape.

Looking closer at the bond market, investment-grade corporate credit outperformed high yield, while government bonds and municipal issues trailed. Longer-dated Treasury bonds outperformed the short end of the yield curve, as one would expect in a falling rate environment.

Outlook

The Federal Reserve has dominated talk about the stock market for two and a half years, ever since the Fed began their campaign to cripple inflation. The rate hikes were unprecedented in the amount of the increase, the speed of the hiking campaign and the duration at the peak. Interest rates increased 525 basis points in just 17 months, and they stayed at their peak level for 14 months, one of the longest periods between the final increase and the first rate cut.

The market quickly moved from “When will the Fed cut?” to “Why did the Fed cut?” — a very different question. Economic news was mixed in the quarter, and there are plenty of reasons to argue for either continued expansion or a potential recession. From the growth perspective, economists point to lower inflation and the potential salutary effects of lower interest rates. Those bearish economists would point to the rising unemployment rate triggering the Sahm Rule, or weakness in manufacturing reports.

Elsewhere, political uncertainty at home and conflicts abroad will no doubt lead to volatility through the fourth quarter and into the coming year. After President Joe Biden dramatically withdrew from the presidential election, the Democratic Party announced Vice President Kamala Harris as the new candidate. On the other side of the aisle, former President Trump was targeted twice for assassination. Polls are tight in many key states, and we may not see a declared victor until well after Election Day on November 5. Both candidates offer differing economic proposals that will impact the U.S. economy and the investment landscape.

Looking forward, we expect continued uncertainty driven by the political situation both at home and abroad, which will likely fuel market volatility. We do not know if the market is fully incorporating the risks from international events and domestic politics. We have a sophisticated risk assessment and management process in place and remain vigilant in closely monitoring risks at the macro level, within sectors and industries, and at the company level. There are opportunities in today's market, but the risks must always be carefully evaluated, given elevated market prices and the current point in the business cycle.

In uncertain environments, quality factors mean even more. Our focus remains on businesses that show strong free cash flow, that have high return on invested capital, and that are able to deliver strong returns to shareholders through dividends or share repurchases. Moreover, we seek to identify companies that show value characteristics as well — unappreciated businesses, misunderstood product lines or companies trading at a discount to their peers.

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. Read the prospectus carefully before investing or sending money.

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