

Strategy Overview

Westwood Broadmark Tactical Growth Strategy is designed to help investors sidestep market downturns, while participating in its growth via the continuous and active management of portfolio market exposure. The strategy seeks to manage risk and enhance alpha with the flexibility to be long, short or neutral on the market.

- The strategy is designed as a core investment for those who worry about losing money in equity market downturns but also want to participate in the market's upside. Using active market exposure management, the strategy moves in and out of the market incrementally based upon macro and technical factors.
- The strategy invests primarily in a diversified portfolio of exchange-traded funds (ETFs) and instruments providing exposure to indices, sectors and industries based on its four-pillar process.
- Proprietary Volume/Breadth-Based Momentum models are used to determine optimal stock market exposure, including entry points, the amount of exposure, the type of exposure and exit points.

Market Review

Investor concern that the Federal Reserve (Fed) might keep interest rates higher for longer snapped the market's 5-month winning streak in April. Small cap stocks were hit hardest with the Russell 2000 Index dropping 7.04%.¹ The S&P 500 Index was down 4.08%, while the Dow Jones Industrial Average was off 4.92%.¹ The NASDAQ-100 Index declined 4.43%.¹

While the Fed has continued to indicate that it intends to cut rates this year, commodity prices and gold have ticked up in the last month, and the Personal Consumption Expenditures (PCE) price index, a measure of inflation closely watched by the Fed, showed little sign that inflation is letting up, rising 2.7% in April as compared with the consensus estimate of 2.6%.¹ Interest rates reflected these persistent inflationary pressures with the 10-year U.S. Treasury Note yield rising to 4.69% from 4.20% at the end of March.²

Investor sentiment has declined from the optimistic levels of recent months, which is a positive development. Both the team's daily and intermediate sentiment models showed good improvement in April. Equity valuations declined slightly last month although the median price-earnings (P/E) ratio on the S&P 500 is still near its highest level in over a year. The market's weakness caused deterioration in the investment team's volume and breadth momentum models. As a result, we lowered exposure modestly but still retained a net long position.

We would raise exposure further if our volume and breadth momentum models showed improvement. We would decrease exposure if interest rates continued to rise, credit spreads widened and if volume and breadth momentum models weakened.

¹ Bloomberg, April 30, 2024

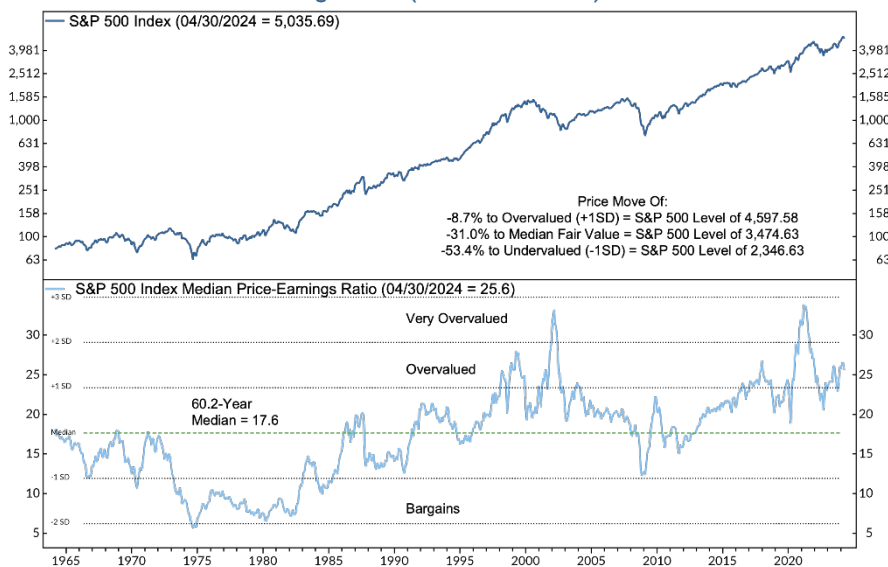
² U.S. Department of the Treasury, April 30, 2024

Our assessment of the four pillars of our investment process is as follows:

1. **Valuation:** The S&P 500 median P/E ratio (using trailing 12-month earnings) declined modestly in April, dropping to 25.6x from 26.5x in March. Valuations were still above the 60.2-year average of 17.6x (*Figure 1*). From a longer-term perspective, it appears that equity valuations are relatively high by historical standards. However, valuations are still below where they were during the 2000 dot-com bubble and 2020 coronavirus pandemic highs and could still rise from current levels.
2. **Monetary factors and credit conditions:** The 10-year U.S. Treasury Note ended the month with a 4.69% yield, up from 4.20% at the end of March. Despite this rise, tight credit spreads tell us that credit and financial conditions remain healthy (*Figure 2*). On the other hand, the narrow credit spreads indicate strong economic activity, which is a headwind in the fight against inflation and make it more difficult for the Fed to cut interest rates. A continued rise in interest rates, coupled with an inverted yield curve, would be negative for the monetary and credit picture.
3. **Sentiment:** Both our daily and intermediate sentiment measures improved considerably with the market's pullback in April. From a contrary point of view, investor sentiment is reaching positive territory (*Figure 3*).
4. **Momentum:** The team's measures of momentum deteriorated in April. Our breadth model weakened considerably (*Figure 4*) while our measure of up and down volume also showed deterioration (*Figure 5*). The deterioration in momentum, coupled with rising interest rates, were two primary reasons for the reduction in exposure during April.

Figure 1.

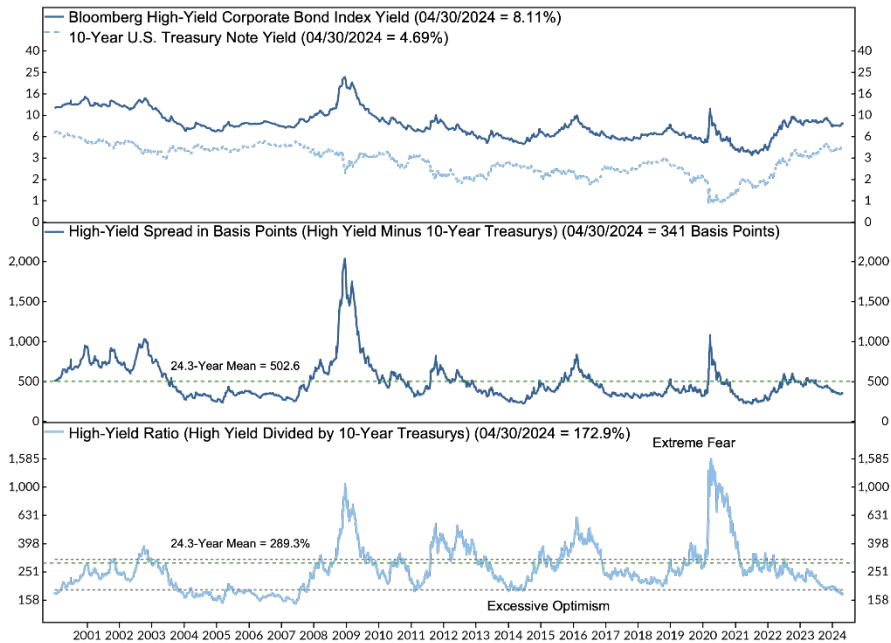
S&P 500 Median Price-Earnings Ratio (NDR Calculation)



Sources: Ned Davis Research (NDR), S&P Dow Jones Indices, S&P Capital IQ Compustat. Monthly data 03/31/1964 to 04/30/2024. SD = Standard Deviation. *Past performance does not guarantee future results. For illustrative purposes only.*

Figure 2.

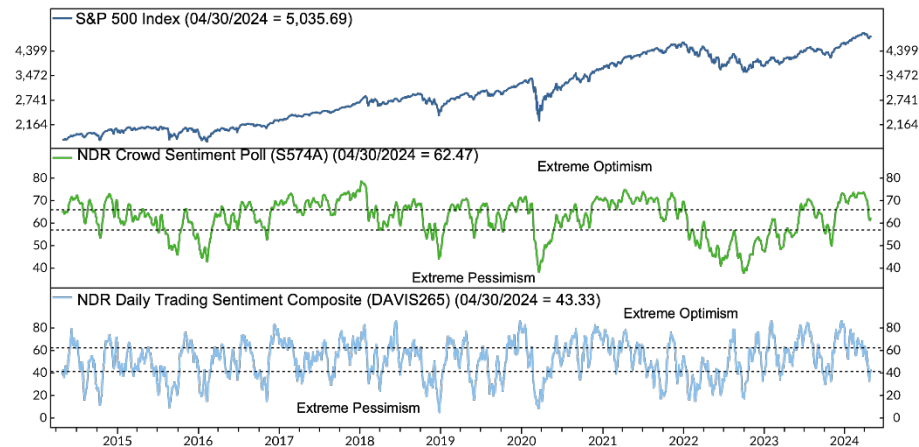
High-Yield Corporate Spreads



Sources: Ned Davis Research (NDR), Bloomberg Indices, Federal Reserve Board. Daily data 01/03/2000 to 04/30/2024. *Past performance does not guarantee future results. For illustrative purposes only.*

Figure 3.

NDR Sentiment Composites



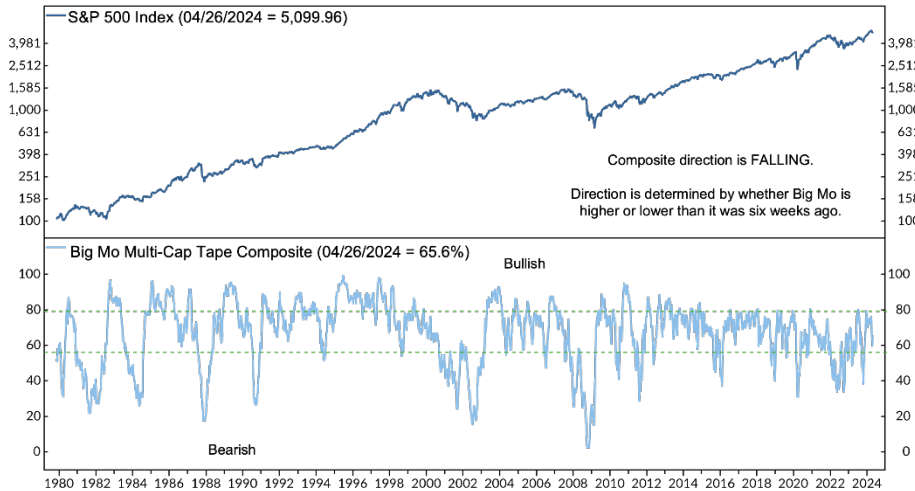
Sources: Ned Davis Research (NDR), S&P Dow Jones Indices. Daily data 05/01/2014 to 04/30/2024. *Past performance does not guarantee future results. For illustrative purposes only.*

S&P 500 Index Performance 12/01/1995 – 04/30/2024		
Sentiment Indicators	% Gain/ Annum	% of Time
Both Optimism	-1.88	16.65
1 Optimism, 1 Neutral	0.52	21.08
Both Neutral	8.36	18.82
1 Neutral, 1 Pessimism	15.74	20.18
Both Pessimism	22.42	20.42
S574A Optimism, DAVIS 265 Pessimism	5.86*	0.40
S574A Pessimism, DAVIS 265 Optimism	-27.75*	2.46
Buy/Hold = 7.73% Gain/Annum		
* Cases less than one year are not annualized		
S&P 500 Index Performance 05/01/2014 – 04/30/2024		
Sentiment Indicators	% Gain/ Annum	% of Time
Both Optimism	8.37	22.89
1 Optimism, 1 Neutral	2.86	23.08
Both Neutral	11.13	17.99
1 Neutral, 1 Pessimism	17.42	18.92
Both Pessimism	14.69	14.68
S574A Optimism, DAVIS 265 Pessimism	6.29*	0.93
S574A Pessimism, DAVIS 265 Optimism	-2.19*	1.51
Buy/Hold = 10.33% Gain/Annum		
* Cases less than one year are not annualized		



Figure 4.

S&P 500 Index vs. Big Mo Multi-Cap Tape Composite — Directional Mode Basis

Big Mo Tape Is Falling
S&P 500 Index Performance
12/28/1979 – 04/26/2024

Big Mo Tape Is:	% Gain/ Annum	% of Time
Above 79.0	19.77	8.86
56.0–79.0	7.16	27.99
Below 56.0	-19.08	14.56

Buy/Hold = 9.08% Gain/Annum

Big Mo Tape Is Rising
S&P 500 Index Performance
12/28/1979 – 04/26/2024

Big Mo Tape Is:	% Gain/ Annum	% of Time
Above 79.0	33.02	15.49
56.0–79.0	12.30	22.25
Below 56.0	4.90	8.32

Buy/Hold = 9.08% Gain/Annum

Returns Regardless of Direction
S&P 500 Index Performance
12/28/1979 – 04/26/2024

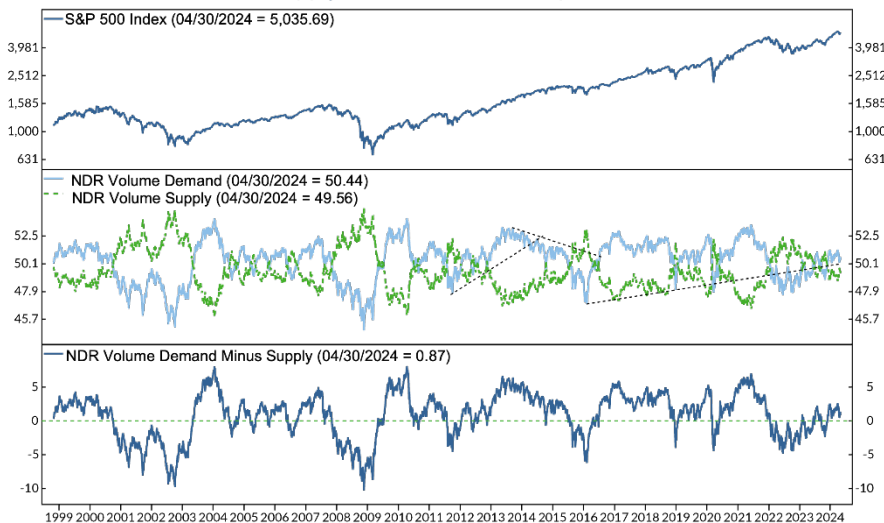
Big Mo Tape Is:	% Gain/ Annum	% of Time
Above 79.0	28.52	25.21
56.0–79.0	9.55	51.49
Below 56.0	-9.52	23.30

Buy/Hold = 9.08% Gain/Annum

Sources: Ned Davis Research (NDR), S&P Dow Jones Indices, NDR Multi-Cap Institutional (Universe), S&P Capital IQ, MSCI, Inc (GICS). Weekly data 11/16/1979 to 04/26/2024. Past performance does not guarantee future results. For illustrative purposes only.

Figure 5.

S&P 500 Index and NDR Supply and Demand With Spread

S&P 500 Index Performance
10/30/1998 – 04/30/2024

NDR Volume Demand Is:	% Gain/ Annum	% of Time
Above 0.0	10.95	67.07
Below 0.0	-3.01	32.93

Buy/Hold = 6.15% Gain/Annum

Sources: Ned Davis Research (NDR), S&P Dow Jones Indices. Daily data 10/30/1998 to 04/30/2024. Past performance does not guarantee future results. For illustrative purposes only.



About Westwood

Westwood Holdings Group, Inc. is a focused investment management boutique and wealth management firm.

Westwood offers high-conviction equity and outcome-oriented solutions to institutional investors, private wealth clients and financial intermediaries. The firm specializes in two distinct investment capabilities: U.S. Value Equity and Multi-Asset, available through separate accounts, the Westwood Funds® family of mutual funds and other pooled vehicles. Westwood benefits from significant, broad-based employee ownership and trades on the New York Stock Exchange under the symbol "WHG." Based in Dallas, Westwood also maintains an office in Houston. For more information, please visit westwoodgroup.com.

Important Information

The **Tactical Growth composite** seeks to produce above-average, risk-adjusted returns, in any market environment, while exhibiting less downside volatility than the market itself. The strategy is designed to evaluate potential long and short investments in an attempt to isolate those securities believed to be undervalued or overvalued relative to their intrinsic value and offer the greatest risk-adjusted potential for returns. The portfolio primarily invests in ETFs of securities and security indices that can represent long, short, levered long or levered short positions in general asset classes of both U.S. and overseas equity markets. For comparison purposes, the composite's benchmarks are the HFRX Equity Hedge Index and the S&P 500 Index. The HFRX Equity Hedge Index comprises private funds with strategies that maintain both long and short positions primarily in equity securities and equity derivatives. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value-weighted index and one of the most widely used benchmarks of U.S. stock performance. On January 1, 2019, the HFRX Equity Hedge Index replaced the S&P 500 Index as the strategy's primary benchmark index because the new index more closely aligns to the strategy's investment methodologies. Prior to December 31, 2018, the Morningstar Long/Short Equity Index was the secondary benchmark. It is no longer shown as the HFRX Equity Hedge Index more closely aligns to the portfolio's investment strategies.

Separately managed account strategies may not be appropriate or suitable for all investors. There is no guarantee that the strategy's objective will be achieved. It should not be assumed that investments in this strategy have been or will be profitable.

Past performance does not guarantee future results.

Other than levered and inverse ETFs, leverage or derivatives are not used. The use of levered and inverse ETFs is anticipated to be infrequent and may not materially impact returns.

The risks associated with ETFs are detailed in the individual ETF's prospectus, which will be provided upon request.

The portfolio is sub-advised by Broadmark Asset Management LLC, an independent registered investment advisor.

Westwood Management Corp. ("WMC") is a wholly owned subsidiary of Westwood Holdings Group, Inc. (NYSE: WHG). WMC is an SEC registered investment adviser under the Investment Advisers Act of 1940. This information is being provided solely for educational purposes and is not an offer to sell or solicitation of an offer to buy an interest in any investment fund. Any such offer or solicitation may only be made by means of a confidential private offering memorandum or prospectus relating to a particular fund and only in a manner consistent with federal and applicable state securities laws.

Westwood Investment Glossary

10-year U.S. Treasury Note is a debt obligation issued by the U.S. Treasury that has a term of 10 years.

Alpha is a technical risk ratio that shows a fund's excess return relative to the performance of its benchmark index.

Basis point (bps) is a unit of measure that is equal to 1/100th of 1% and used to denote a change in the value or rate of a financial instrument.

Bloomberg U.S. Corporate High Yield Bond Index covers the USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Breadth is a technique used in technical analysis that attempts to gauge the direction of the overall market by analyzing the number of companies advancing relative to the number declining.

Buy/hold = x.xx% gain/annum is a calculation that shows a period of time during which a buy/hold signal is in effect and the percentage of gain or loss during that period calculated on an annual basis.

Credit spread is the spread between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry and are listed on the New York Stock Exchange.



Exchange-traded funds (ETFs) track an index but trade like a stock on an exchange.

Federal Reserve is the central bank of the United States that is responsible for regulating the U.S. monetary and financial systems.

Inflation is the rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling.

Momentum is the rate of acceleration of a security's price or volume.

NASDAQ-100 Index is a modified capitalization-weighted index that includes the largest nonfinancial U.S. and non-U.S. companies listed on the NASDAQ stock market across a variety of industries, such as retail, healthcare, telecommunications, wholesale trade, biotechnology and technology.

NDR Big Mo Multi-Cap Tape Composite model uses trend and momentum indicators to provide a composite reading on the technical health of the broad equity market.

NDR Crowd Sentiment Poll is a composite reading based on seven different individual sentiment indicators designed to highlight short- to intermediate-term swings in investor psychology.

NDR Daily Trading Sentiment Composite use various measures of investor sentiment such as surveys, put/call ratios, etc. to define the levels of pessimism that are currently priced into equities.

Personal Consumption Expenditures (PCE) price index is a measure of the prices that people living in the United States pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

Price-earnings (P/E) ratio is a measure of the price paid for a share of stock relative to the annual income or profit earned by the company per share. A higher P/E ratio means that investors are paying more for each unit of income.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index represents approximately 98% of the investable U.S. equity market.

S&P 500 Index is an unmanaged index of 500 common stocks chosen to reflect the industries in the U.S. economy.

Spread is the difference between the rate of volume demand and the rate of volume supply.

Standard deviation measures the degree to which a security's return varies from its previous returns or from the average of all similar securities.

Valuation is the process of determining the value of an asset or company based on earnings and the market value of assets.

Volume is the number of shares or contracts traded in a security or an entire market during a given period of time.

Volume/Breadth-Based Momentum Model is a proprietary model used by Broadmark Asset Management to determine optimal market exposure.

Yield is the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost or on the U.S. Government's debt obligations.

Yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates.

One cannot invest directly in an index.

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