

**Investment Adviser Brochure  
Item 1 – Cover Page**

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**[www.westwoodgroup.com](http://www.westwoodgroup.com)**

**[www.westwoodfunds.com](http://www.westwoodfunds.com)**

**[www.westwoodwealthcoach.com](http://www.westwoodwealthcoach.com)**

**March 30, 2020**

This brochure provides information about the qualifications and business practices of Westwood Advisors, L.L.C. If you have any questions about the contents of this brochure, please contact us at (214) 756-6900 or [complianceapproval@westwoodgroup.com](mailto:complianceapproval@westwoodgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Westwood Advisors, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Westwood Advisors, L.L.C. is an SEC registered investment adviser. Registration does not imply a certain level of skill or training.

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## **Item 2 - Material Changes**

The following material changes have been made to this brochure since the last annual update dated March 30, 2019. Those changes include:

The list below summarizes the material changes to this brochure on December 9, 2019:

**Advisory Business:** Updated services offered through the Direct Advisory Program, including financial planning and consultative services.

**Fees and Compensation:** Updated the base, flat-rate management fees for Westwood WealthCoach and the Direct Advisory Program fee structure and representative compensation for the Direct Advisory Program.

**Types of Clients:** Updated the minimum initial account values for Westwood WealthCoach and the Direct Advisory Program.

**Technology Providers and Account Custodian:** Updated the current technology providers and account custodian for Westwood WealthCoach.

**Investment Strategies:** Updated the investment strategies for the Direct Advisory Program to include the SmallCap strategy and updated the list of unaffiliated custodians.

**General Updates:** Updated language throughout the brochure for technical and clarifying purposes.

The list below summarizes the material changes to this brochure on March 30, 2020:

**Advisory Business:** Updated account and asset under management information.

**Affiliated Funds:** Updated the ability for certain account types to become invested in funds affiliated with Westwood WealthCoach.

**Account Requirements and Types of Clients:** Updated the minimum initial account values for Westwood WealthCoach.

**Fees and Compensation:** Updated the types of fees paid by certain Direct Advisory Program accounts.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading:** Updated Code of Ethics to clarify CCO's authority to delegate actions and approvals under the Code to other members of the Legal and Compliance Department; exclude municipal securities from the restriction against owning securities held in a Westwood strategy; and allow de minimis bond trades to be consolidated within a calendar month, with approval.

**Other Legal Notices:** Updated to clarify that other than proxy voting Westwood WealthCoach is not authorized to represent clients in legal proceedings and corporate actions involving securities held in client accounts.

**General Updates:** Updated language throughout the brochure for technical and clarifying purposes.

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**Item 4 - Advisory Business**

Westwood Advisors, L.L.C. (“Westwood Advisors”) (formerly known as McCarthy Group Advisors, L.L.C.) is an investment advisory firm that has been in business since 1986. In November 2010, Westwood Advisors was acquired by Westwood Holdings Group, Inc. (“WHG”), a publicly held company listed on the New York Stock Exchange since July 1, 2002. WHG is also the owner of Westwood Management Corp. (“Westwood Management”), a registered investment advisor that has been in business since 1983; Westwood Trust, a Texas-chartered Trust company headquartered in Dallas, Texas; and Westwood International Advisors Inc. (“WIA”), a Canadian investment adviser registered with the Ontario Securities Commission and the *Autorité des Marché Financiers* in Quebec. Westwood Advisors, Westwood Management, Westwood Trust and WIA are wholly owned by WHG.

As of December 31, 2019, Westwood Advisors managed 240 accounts on a discretionary basis with an approximate total value of \$83,867,246.

Westwood Advisors, L.L.C. markets its services as Westwood Wealth Management. Westwood Wealth Management is a division of Westwood Holdings Group, Inc. which offers trust and fiduciary services through Westwood Trust and investment advisory services through Westwood Advisors, L.L.C.

**Westwood WealthCoach™**

The Westwood WealthCoach program (the “Program”) is an advisory service offered by WHG’s Wealth Management division. WHG’s Wealth Management division offers trust and fiduciary services through Westwood Trust, a Texas trust company, and investment advisory services through Westwood Advisors. Westwood Trust and Westwood Advisors are both wholly owned subsidiaries of WHG.

The Program is a wrap fee program and is described in the Westwood WealthCoach Program brochure which will be provided to clients in the Program.

The Program is primarily offered to individual clients who sign up through the Westwood WealthCoach website portal (“WealthCoach Portal”). Certain existing trust and fiduciary clients of Westwood Trust may initially enroll in the Program in coordination with their Westwood Trust representative.

Each account managed in the Program will be a custodial account established by the Client at an approved custodian. Currently, the only approved custodians for the Program are TD Ameritrade and Apex Clearing Corporation with Apex being the primary custodian. Additional custodians may be added.

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Allocation Models

Allocation models are limited to mutual funds and ETFs. The asset allocation models may use Westwood Funds mutual funds which are managed by Westwood Management, an affiliate of Westwood Advisors.

Within each type of investment strategy, Westwood Advisors manages accounts using an allocation model which corresponds to one of five risk levels:

- WealthCoach Income
- WealthCoach Balanced Income
- WealthCoach Enhanced Balanced®
- WealthCoach Balanced Growth
- WealthCoach Growth

Asset Allocation Committee

The allocation models are subject to review and oversight by the Westwood Wealth Management Asset Allocation Committee (“Allocation Committee”). The purpose of the Allocation Committee is to prepare a Strategic Asset Allocation Model from which multiple investment models will be derived. The Allocation Committee meets on at least a quarterly basis. The Allocation Committee reviews and recommends changes to the Enhanced Balance® model based on investment time horizons, risk tolerance and other factors. Upon approval, the Westwood Advisors investment team translates the Enhanced Balanced® allocation model updates to the Cautious, Moderately Cautious, Moderately Aggressive and Aggressive allocation models to reflect the weighting changes. The Allocation Committee is comprised of Westwood Advisors representatives, other Westwood related members and independent members.

Investment Fund Selection Committee

The purpose of the Investment Oversight Committee (the “Oversight Committee”) is to select the appropriate mutual fund or exchange traded fund for each asset class represented in the allocation models. The Oversight Committee meets on at least a quarterly basis. The Oversight Committee is comprised of Westwood Advisors representatives, other Westwood related members and independent members.

Enrolling in the Program

Clients enrolling in the Program use the online WealthCoach Portal to determine whether participating in the Program is appropriate for them, to select the client’s preferred type of

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allocation strategy and to obtain a recommended allocation model based on each client's risk profile. To establish an account in the Program, clients must use the WealthCoach portal to complete their client profile and answer the risk tolerance questionnaire. Based on the information provided in the risk tolerance questionnaire, the WealthCoach Portal generates an allocation proposal which the client must approve and submit to Westwood Advisors.

Clients are generally restricted to the allocation model corresponding to their risk profile. Clients can change their allocation model by updating their risk profile information. However, Westwood Advisors may permit clients to invest in another allocation model after consultation with a representative of Westwood Advisors. In rare cases, Westwood Advisors may create a custom allocation for a client upon request or may refer clients to participate in another advisory program of Westwood Advisors or an affiliate if appropriate.

A client may request that a specific mutual fund or ETF be restricted in the client's account by contacting a Westwood Advisors representative. If the request is accepted, Westwood Advisors may use an alternative mutual fund or ETF or may establish an account in another advisory program of Westwood Advisors or an affiliate if appropriate.

Investment advice in the Program is tailored to the individual needs of clients through the use of each client's risk profile as generated through the WealthCoach Portal, each client's selected allocation strategy and any input or customization provided by a Westwood Advisors representative upon request.

As a condition of participating in the Program, clients must agree to receive documents and disclosures electronically and to use the electronic signature features of the WealthCoach Portal. Clients are responsible for ensuring that they maintain access to the email address used to communicate about the Program and to ensure that clients can access the WealthCoach Portal and download and read any documents or disclosures.

Westwood Advisors may add additional allocation strategies, allocation models or investment strategy types available in the Program or modify the existing ones at any time without prior notice to clients. The Westwood WealthCoach Program is a wrap fee program with a wrap fee payable to Westwood Advisors that includes fees for custody, execution and other services provided by TD Ameritrade or another custodian. Westwood Advisors pays custodians out of the fee it collects from clients.

Westwood Advisors launched the Westwood WealthCoach Program in September 2017. As of December 31, 2019, the Westwood WealthCoach Program had approximately 40 accounts and \$3.8 million in assets under management.

#### The WealthCoach Portal

Westwood Advisors has integrated software and other technology services from InvestCloud, Inc. ("InvestCloud") into the WealthCoach Portal to facilitate the new account documentation process,

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risk tolerance questionnaire responses and investment allocation proposals. InvestCloud's technology is provided to Westwood Advisors by InvestCloud pursuant to an agreement with Westwood Advisors. InvestCloud's sole role in the Program is as a technology service provider to Westwood Advisors. InvestCloud does not provide any investment advisory services to Westwood Advisors or clients participating in the Program. These applications are licensed by Westwood but are owned by InvestCloud.

The questions on the risk tolerance questionnaire are determined by Westwood Advisors, and the parameters for creating an allocation proposal based on a client's risk profile are implemented on the WealthCoach Portal based on Westwood Advisors' direction.

WHG has a direct, non-controlling investment in InvestCloud. Westwood Advisors sponsors and acts as investment adviser to the Westwood Technology Opportunities Fund I, LP, which is a Delaware limited partnership that has direct investments in InvestCloud. While we believe these affiliations provide a mutually beneficial operating relationship with InvestCloud, the affiliations create a conflict of interest. We seek to mitigate this conflict of interest through disclosures to clients and investors.

Management of WealthCoach Accounts

Clients use the WealthCoach Portal to review and update their profile as well as their risk profile. Client requests for certain changes to their account profiles (such as contact information) or requests for transferring funds are monitored by Westwood Advisors personnel and may require approval by Westwood Advisors.

The risk tolerance responses are reconfirmed by the client each year through the WealthCoach Portal or in consultation with a Westwood Advisors representative.

The ongoing management of the accounts in the Program and client reporting is conducted using software and services from InvestCloud pursuant to an agreement between InvestCloud and Westwood Advisors. These services have been implemented by Westwood Advisors to facilitate management of accounts in the Program (the "WealthCoach Account Platform"). InvestCloud's sole role in the Program is as a technology service provider to Westwood Advisors. InvestCloud does not provide any investment advisory services to Westwood Advisors or clients participating in the Program. The software that Westwood Advisors uses from InvestCloud is licensed by Westwood but is owned by InvestCloud. Certain functionality of the InvestCloud software has been incorporated into the WealthCoach Portal to provide clients with information and reports about their account, including portfolio value, performance reports, custodial statements and billing information.

The WealthCoach Account Platform is used by Westwood Advisors for trade order management, monitoring the investment allocations, performance calculations and reporting, and generating the billing information for the custodians. Westwood Advisors monitors investment allocations in each account using the WealthCoach Account Platform. Ordinarily, the Platform will

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automatically generate trades, which are directed to the Custodian for execution. Westwood Advisors personnel provides post-implementation trade monitoring to review trade and execution performance.

All accounts are monitored daily on an automated basis through the WealthCoach Platform by Westwood Advisors. The investment allocations are rebalanced either quarterly or if any single holding drifts more than 1.5% of the account value from the target allocation.

Westwood Advisors personnel periodically review accounts, individually and at the aggregate level, to ensure that the investment allocations are in line with their targets, that the risk tolerance responses are still valid and that all reporting (performance, statements and tax documents) have been completed.

Accounts are reviewed by a Westwood Advisors representative at least quarterly or more frequently upon request or in consultation with the client. Clients should be aware that their individual accounts, generally, are not actively monitored by investment advisory personnel.

#### Updating Client Information

Clients should review their investment goals and objectives at least quarterly. Clients should update their information whenever their investment goals and objectives change significantly. Clients will be asked to update or confirm their investment goals and objectives and other personal information at least annually. Generally, clients will be directed to update information through the WealthCoach Portal. Clients may also contact a Westwood Advisors representative to discuss or to update any information.

#### Data Aggregation Services

The WealthCoach Portal will provide certain data aggregation services to participating clients. When made available, these services will enable clients to see information about accounts outside of the Program. This information is provided for clients to review, but external data obtained from data aggregation services are **not** incorporated into investment decisions made by Westwood Advisors nor are they incorporated into a client's risk profile.

#### Reporting

Westwood Advisors creates reports for WealthCoach clients, which include a summary of the asset allocation, account performance by account and by asset class, and a summary of account activity. WealthCoach account reports are available quarterly by default or monthly upon the request of a client. These reports are available to clients through the WealthCoach Portal and may be made available through custodians as well. Clients should compare their WealthCoach statement with their custodial statements.

#### Direct Advisory Program



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Westwood Advisors participates as an advisor on certain brokerage platforms through which Westwood Advisors offers the separate account strategies of its affiliate, Westwood Management Corp., using model portfolios provided by Westwood Management Corp. Westwood Advisors provides an additional layer of advisory services to help clients select one or more Westwood strategies, to periodically review clients' accounts and consult with clients about the Westwood strategies. Investment advisory services in the Direct Advisory Program are individually tailored to the needs of clients through the initial and ongoing consultation between a Westwood Advisors representative and the client and through coordination and customization in the subadvisory relationship with Westwood Management Corp.

Westwood Advisors typically implements and monitors a client's guidelines by entering restrictions in our electronic guideline monitoring tool that interfaces with our trade order management system. The system is used by Westwood's trading and compliance teams to perform daily and real time monitoring. Restrictions may also be monitored manually if needed. In addition, Westwood reviews all accounts annually to ensure that the investment guidelines are current and correctly entered into the guideline monitoring tool.

Westwood Advisors commenced offering advisory services through the Direct Advisory Program starting in August 2017. As of launch, the program had no accounts and no assets under management.

Client online access and reporting is made available through the custodians' platforms. Westwood Advisors is responsible for monitoring and rebalancing the accounts and providing performance reporting to the client at least quarterly. The onboarding process for this program requires communication with the client, manual preparation of the new account documents and approval of the proposed investment allocation.

**Financial Planning and Consultative Services**

In addition to investment advisory services, Westwood Advisors may provide financial planning services to some of its clients. These services seek to develop long-term strategies tailored to the needs of the individual client, requiring client meetings to conduct a comprehensive review of the client's current financial situation. A review of the client's current investment statements, insurance products, estate documents, budget and employee benefit packages is necessary to understand the client's financial situation and provide financial planning services.

The goal of financial planning services is to determine the adequacy of existing trust and estate planning, retirement planning, charitable giving, and business succession planning. If appropriate for the individual client, recommendations are made to further the client's financial goals and objectives. Other professionals (e.g. lawyers, accountants, insurance agents, etc.) may be engaged by Westwood Advisors under the direction of the client on an as-needed basis for the purpose of carrying out the client's objectives.

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Westwood Advisors has partnered with DPL Financial Partners, LLC (“DPL”), to provide, where appropriate, an analysis of existing insurance policies for clients of Westwood Advisors as part of a client’s comprehensive financial plan. DPL provides Westwood Advisors representatives with education and insight regarding insurance policies and current insurance product offerings, which, in turn, is provided to the client. Westwood Advisors does not receive a commission or any type of compensation from DPL and clients are under no obligation to take any action regarding insurance advice or product suggestions made by Westwood Advisors or DPL.

Financial advisory consultative services and consulting recommendations may pose a potential conflict of interest between Westwood Advisors and the client. For example, a recommendation to engage Westwood Advisors for investment management services or to increase the level of investment assets with Westwood Advisors would pose a conflict of interest as it would increase the advisory fees paid to Westwood Advisors. Westwood Advisors has sought to address these potential conflicts by making it clear to clients that they are not obligated to implement any recommendations made by Westwood Advisors. If clients elect to act on any of the recommendations made by Westwood Advisors, clients are under no obligation to execute the transaction through Westwood Advisors.

**Employer Sponsored Retirement Plan Services**

Westwood Advisors generally acts as a 3(21) or 3(38) fiduciary to employer sponsored retirement plans. Westwood Advisors provides services to employer sponsored retirement plans (the “Plan”) including defined benefit pension plans, 401(k), and profit sharing plans, and the Plan’s management personnel (the “Plan Client”), with a range of discretionary and non-discretionary services, including:

- Select on a discretionary basis the investment options available to the Plan participants in accordance with the Plan’s investment policies and objectives and consistent with the Employee Retirement Income Security Act of 1974 (“ERISA”) Section 404(c) and the regulations thereunder;
- Provide non-discretionary investment advice to the Plan Client about asset classes, benchmarks, asset allocations, investment option fees and investment alternatives available to the Plan in accordance with the Plan’s investment policies and objectives;
- Assist the Plan Client in the development of an investment policy statement (“IPS”).
- Assist in monitoring investment options by preparing quarterly investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain or remove and replace investment options.
- Meet or consult with the Plan Client at least annually to discuss the reports and the investment options or other services.

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- Provide non-discretionary investment advice to the Plan sponsor with respect to the selection of a qualified investment alternative (“QDIA”) for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election.

Employer sponsored retirement plan services are specific to each client and are based on the Plan Client’s objectives, strategy for the Plan, investment committee involvement and participant needs and preferences, as well as other factors.

Custody of all Plan assets will be maintained with a third party custodian selected by the Plan’s sponsor, and Plan recordkeeping will be provided by a third party recordkeeper selected by the Plan’s sponsor. The Plan’s sponsor is responsible for paying all fees or charges of the custodian and recordkeeper. Westwood Advisors does not monitor or oversee recommendations or services rendered by third party service providers or the third party service providers’ compliance with applicable laws.

The Plan’s custodian, recordkeeper or sponsor are responsible for arranging for the execution of securities transactions through a broker-dealer it believes can provide best execution. Sponsor acknowledges that, in the performance of employer sponsored retirement plan services, Westwood Advisors will not have any discretionary authority or responsibility over the administration of the Plan or for the interpretation of Plan documents, the determination of participant eligibility, benefits, vesting, or the approval of the distributions to be made by the Plan.

Westwood Advisors does not provide any services to the Plan or Plan sponsor other than the services expressly agreed to in the executed investment advisory agreement.

Westwood Advisors does not provide the services as a fiduciary to an investment contract, product or entity that holds the Plan assets; nor does it perform recordkeeping or brokerage services to the Plan. Westwood Advisors will not and cannot provide legal or tax advice to the Plan sponsor and/or the Plan (or any Plan participant or beneficiary).

Westwood Advisors’ affiliate, Westwood Management Corp., manages the Westwood Funds family of mutual funds. Westwood Advisors may cause ERISA accounts to become invested in the Westwood Funds. If ERISA accounts are invested in Westwood Funds, Westwood Advisors will not charge ERISA accounts a fee for investment management or other fiduciary services provided to the ERISA accounts on the portion of the assets in the ERISA accounts that are so invested. For ERISA accounts to be eligible to invest in Westwood Funds, clients are required to execute the Affiliated Funds Addendum to the Investment Advisory Agreement.

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**Item 5 - Fees and Compensation**

**Westwood WealthCoach**

Clients in the WealthCoach Program pay Westwood Advisors an annual 50 basis point (0.50%) fee based on account value.

Fees for the Program are charged quarterly in advance based on the value as of the last day of the previous calendar quarter.

Fees in the Program are adjusted on a prorated basis to reflect contributions and withdrawals of greater than \$5,000.

Clients who terminate their accounts prior to the end of the quarter will receive a prorated refund which will be paid through the custodian.

Fees in the program are generally not negotiable. However, certain accounts that were formerly Westwood Trust accounts may be set up in the Program with custom fee schedules.

Asset allocation models may contain Westwood Funds or other affiliated funds in which Westwood Management Corp. or an affiliate receives an advisory fee. This is a conflict of interest for Westwood Advisors because it may give Westwood Advisors an incentive to include Westwood-affiliated funds in the asset allocation models. Westwood Advisors has sought to address these conflicts by using the Fund Selection and Allocation Committees. All mutual funds, including affiliated and unaffiliated funds, used in the allocation models are no-load funds.

Investment allocation services and models similar to those used in the Program may be available from other providers for a lower fee. The mutual funds, including Westwood Funds, and ETFs within the allocation models are available outside of any advisory program.

**Direct Advisory Program**

Westwood Advisors generally charges a flat management fee of 0.70% on all Direct Advisory Program accounts.

All accounts are subject to a minimum annual fee of \$4,750.

The fee charged for the Direct Advisory Program will include fees for strategies from Westwood Management Corp.

Westwood Advisors investment advisory fee shall be prorated, paid quarterly in advance based on the market value of the assets on the last business day of the previous quarter. Investment management agreements may be terminated by either party upon written notice to the other party.

Fee rates, minimum fees and billing methods in the Direct Advisory Program may be negotiated.

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Clients in the Direct Advisory Program will incur brokerage fees, transaction ticket fees, wire transfer fees and other expenses charged by the custodian which will be billed directly to each client's account. Westwood Advisors does not receive any portion of such commissions or fees from the custodian or clients. Portfolio management fees are separate and distinct fees charged by mutual funds, ETFs or other investments.

For some of our advisory services, Westwood Advisors representatives may recommend Westwood-affiliated products and in return the representative may receive normal and customary commissions paid by Westwood Advisors. Payment of a commission by Westwood Advisors to the representative has no impact on the base fee paid by the client. The potential for receipt of commissions by a Westwood Advisors representative may incentivize the representative to recommend investment products based on compensation, rather than need, and may create a conflict of interest. To mitigate this potential conflict of interest, it is the policy of Westwood Advisors that clients' interests shall always be considered ahead of personal gain. Clients have the right to receive information about commissions and are not required to accept a recommendation of investment in Westwood-affiliated products.

**Financial Planning and Consultative Services**

Westwood Advisors provides financial planning and consultative services as an ancillary offering to existing Direct Advisory Program clients. Depending on the nature of the services provided, such services may be included in the flat management fee charged by the Direct Advisory Program. Westwood Advisors may charge an additional fee to clients requiring highly customized, complex and comprehensive financial planning services, which is determined on a case-by-case basis by a Westwood Advisors representative based on the services rendered and agreed upon with the client.

**Employer Sponsored Retirement Plan Services**

For services rendered to employer sponsored retirement plans, Westwood Advisors generally charges a \$2,000 annual base fee (Base Fee) and an annual fee rate equal to 0.20% (Annual Fee Rate).

Westwood Advisors employer sponsored retirement plan service fees shall be prorated, paid quarterly in advance based on the market value of the Plan assets on the last business day of the previous quarter. Investment advisory agreements may be terminated by either Westwood Advisors or the Plan Client upon written notice to the other party.

The Base Fee and Annual Fee Rate may be negotiated.

**Item 6 - Performance-Based Fees and Side-By-Side Management**

**Westwood WealthCoach**

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Westwood Advisors does not receive any performance-based fees or have side-by-side management arrangements with respect to the WealthCoach Program.

**Direct Advisory Program**

Westwood Advisors may receive a performance-based fee on certain qualifying accounts.

**Item 7 - Types of Clients**

**Westwood WealthCoach**

The WealthCoach Program is primarily available to individual clients who enroll and interact with Westwood Advisors through the WealthCoach Portal. The minimum value to establish an account in the Program is \$25,000; however, we may establish accounts with a custom minimum value.

**Direct Advisory Program**

Advisory services through the Direct Advisory Program are primarily available to individual and institutional clients referred to Westwood Advisors through brokerage platforms. Accounts are generally subject to a minimum initial account value of \$500,000; however, accounts invested in the SmallCap strategy may be subject to a minimum initial account value of \$750,000. Minimums may be waived in special circumstances, such as for clients with other relationships with Westwood entities.

**Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

**Westwood WealthCoach Investment Objectives**

Allocation Models

The allocation models available in the WealthCoach Program correspond to five risk levels: WealthCoach Income, WealthCoach Balanced Income, Wealth Coach Enhanced Balanced®, WealthCoach Balanced Growth, and WealthCoach Growth. Each allocation model consists of allocations to actively managed mutual funds and index-based mutual funds or ETFs. The actively managed mutual funds may include Westwood-affiliated funds.

The following summarizes the investment objectives of each of these five risk levels:

**WealthCoach Income** – Designed for investors with the lowest possible risk tolerance and an estimated investment time horizon of 0 – 5 years. The objective of this strategy is for short-term investors who have spending needs within five years. Investors in this strategy may be more



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concerned with generating income and protecting capital rather than growing their assets. This allocation is actively managed, therefore asset class weighting changes will occur over time. The anticipated investment ranges for this allocation are: Stocks: 0% - 25%    Bonds: 75% - 100%

**WealthCoach Balanced Income** – Designed for investors with a low risk tolerance and an estimated time horizon of 5 – 10 years. The objective of this strategy is to generate income, minimize the impacts of volatility and achieve capital appreciation through a modest equity exposure. Investors in this strategy may be more concerned with generating income and downside market protection as opposed to growing their assets. This allocation is actively managed, therefore asset class weighting changes will occur over time. The anticipated investment ranges for this allocation are: Stocks: 25% - 40%    Bonds: 60% - 75%

**WealthCoach Enhanced Balanced®** – Designed for investors seeking a balanced allocation approach with an estimated time horizon of 10 – 20 years. The objective of this strategy is to provide an opportunity for reasonable returns, while managing the overall volatility of the portfolio. Investors in this strategy may be most concerned with balancing a need for capital appreciation with a desire to minimize volatility. This allocation is actively managed, therefore asset class weighting changes will occur over time. The anticipated investment ranges for this allocation are: Stocks: 40% - 60%    Bonds: 40% - 60%

The Enhanced Balanced® strategy is based on a standard balanced portfolio of 60% U.S. stocks and 40% U.S. Bonds with additional asset classes and allocation weightings to potentially improve the risk/return profile. Enhanced Balanced allocation is an actively managed allocation which uses actively managed and index funds to represent the asset classes. The Enhanced Balanced® strategy is the primary asset allocation strategy used by Westwood Wealth Management.

**WealthCoach Balanced Growth** – Designed for investors with a higher risk tolerance and an estimated time horizon of 20 – 30 years. The objective of this strategy is to primarily provide capital appreciation followed by managing volatility. Investors in this strategy are focused on returns, with moderate concern for market volatility. This allocation is actively managed, therefore asset class weighting changes will occur over time. The anticipated investment ranges for this allocation are: Stocks: 60% - 75%    Bonds: 25% - 40%

**WealthCoach Growth** – Designed for investors with the highest possible risk tolerance and an estimated time horizon of 30+ years. The objective of this strategy is for capital appreciation with very little concern for volatility of the portfolio. Investors in this strategy are focused on long term capital appreciation in order to achieve their objective. This allocation is actively managed, therefore asset class weighting changes will occur over time. The anticipated investment ranges for this allocation are: Stocks: 75% - 100%    Bonds: 0% - 25%

Suitability Standards for Westwood WealthCoach Program

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Suitability is determined using the risk tolerance questionnaire completed by clients and the other information entered by clients. This information is used by a scoring system integrated into the WealthCoach Portal. Specific factors used in the scoring system include age, investment objections, investment experience, time horizon, risk tolerance, hypothetical decisions the client would make in market scenarios, investment goals, relative preference for market outperformance versus downside protection, cost and tax considerations. Generally, the scoring system matches clients to the investment objectives and intended risk and return characteristics of the allocation models.

**Direct Advisory Program Investment Objectives**

**Investment Strategies**

In the Direct Advisory Program, Westwood Advisors offers a subset of the investment strategies of its affiliate, Westwood Management Corp. The investment philosophy for Westwood Management Corp.'s U.S. Value Team can be summarized by the following core principles:

- Employ an active, bottom-up fundamental investment process to build a diversified portfolio of high-quality companies with undervalued earnings potential.
- Quality companies have the potential to generate superior investment returns over the long term. The team seeks well-run businesses with conservative balance sheets and strong free cash flow that can grow their business value by funding growth initiatives or returning capital to shareholders.
- Identifying undervalued companies with strong fundamentals, where the outlook for future earnings growth is underestimated by the market, offers the potential for asymmetric returns.

**AllCap Value Strategy** – For the AllCap Value strategy, Westwood typically invests in companies with market capitalizations of greater than \$100 million at the time of purchase. The strategy invests in approximately 50 to 80 securities.

**LargeCap Value Strategy** – For the LargeCap Value strategy, Westwood typically invests in companies with market capitalizations of greater than \$5 billion at the time of purchase. The strategy invests in approximately 40 to 60 securities.

**LargeCap Value Select Strategy** – For the LargeCap Select strategy (formerly called the Concentrated LargeCap Value or LargeCap Value Concentrated strategy), Westwood typically invests in companies with market capitalizations of greater than \$5 billion at the time of purchase. The strategy invests in approximately 15 to 30 securities.



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**SmallCap Value Strategy** – For the SmallCap strategy, Westwood typically invests in companies with market capitalizations of greater than \$200 million at the time of purchase. The strategy invests in approximately 50 to 70 securities.

**Select Equity** – In providing the Select Equity strategy, Westwood Advisors uses the universe of approved securities for the U.S. value strategies of its affiliate, Westwood Management Corp. (“WMC”). These securities are selected utilizing a value style of investing in which WMC selects investments believed to be currently undervalued in the market. Key metrics for evaluating the risk/return profile of an investment may include an improving return on equity, a declining debt/equity ratio and, in the case of common equities, positive earnings surprises without a corresponding increase in Wall Street estimates.

For the Select Equity strategy, Westwood Advisors selects from among these securities the “high conviction” securities with a focus on the securities in WMC’s concentrated strategies and securities included in multiple WMC investment strategies.

Westwood has disciplines in place that may serve as sell signals, such as a security reaching a predetermined price target or a change to a company’s fundamentals that negatively impacts the original investment thesis. Westwood will not necessarily sell a security that has depreciated below any stated market capitalization set forth below. For taxable accounts invested in the Select Equity strategy, Westwood Advisors also makes sell decisions in consideration of tax consequences.

For the Select Equity strategy, Westwood Advisors invests in companies with a range of market capitalizations which will typically include securities with a market capitalization of greater than \$100 billion at the time of purchase. The strategy invests in approximately 35 to 40 securities.

**REIT Strategy** – For the REIT strategy, Westwood typically invests in REIT securities of companies that own, and usually operate, income-producing real estate assets. The strategy invests in approximately 50 to 75 publicly traded REITs.

**Fixed Income Strategy** – For the Fixed Income strategy, Westwood invests in fixed income securities that are, in the aggregate, investment grade securities of corporate and government issuers and commercial paper and mortgage- and asset-backed securities. The strategy invests in approximately 40 to 60 debt securities.

**Custom Asset Allocation Accounts Strategy** – For the Custom Asset Allocation Accounts strategy, Westwood Advisors utilizes a diversified strategy that is customizable based upon each client’s individual objectives and constraints. Westwood Advisors typically deploys a balanced investment allocation utilizing a combination of domestic and international equity and investment-grade fixed income securities.

**Enhanced Balanced®** - The Enhanced Balanced strategy is based on a standard balanced portfolio of 60% U.S. stocks and 40% U.S. Bonds with additional asset classes and allocation weightings to

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potentially improve the risk/return profile. Enhanced Balanced allocation is an actively managed allocation which uses actively managed and index funds to represent the asset classes. The Enhanced Balanced® strategy is the primary asset allocation strategy used by Westwood Wealth Management.

**Risk of Loss in the Westwood WealthCoach and Direct Advisory Programs**

As with all investments, investing in securities involves risk of loss that clients should be prepared to bear. Clients should carefully consider the risks in participating in the Program. These risks include *General Risks* related to the Program as well as the *Underlying Risks* related to the asset classes and investment vehicles used in the Program.

**General Risks Applicable to Both the Westwood WealthCoach Program and Direct Advisory Program**

**Investment Personnel Turnover Risk.** Personnel of Westwood Advisors may end their employment and Westwood may reorganize its investment teams which may affect the management of Program accounts and of Westwood Advisors' investment strategies.

**General ETF Risks.** Investing in ETFs may introduce additional risks beyond those of the underlying investments. Specifically, the value of the ETF may not track the values of the underlying investments, due to such factors as trading and liquidity in the ETF and differences between the index and the weighting of securities in the portfolio. ETFs also have internal fees and expenses which can affect the performance of the ETF as compared to its portfolio of securities.

**Mutual Fund Risk** – Mutual funds involve risk of loss, and there is no guarantee that a mutual fund will achieve its goals. The mutual fund advisor's (and/or subadvisor's) judgments about the markets, the economy, or companies may not anticipate actual market movements, economic conditions, or company performance, and these judgments may affect the return on the investment. The value of an investment in a mutual fund is based on the value of the securities the fund holds. These prices change daily due to economic and other events that affect particular companies and other issuers. These price movements, sometimes called volatility, may be greater or lesser depending on the types of securities the fund owns and the markets in which they trade. The effect on a fund of a change in the value of a single security will depend on how widely the fund diversifies its holdings.

**Cyber Security Risk.** Westwood Advisors and its affiliates and their clients may be subject to cyber security risks. Those risks include, among others, theft, misuse or corruption of data maintained online or digitally; denial of service attacks on websites; the loss or unauthorized release of confidential and proprietary information; operational disruption; or various other forms

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of cyber security breaches. Cyber-attacks against, or security breakdowns of Westwood or its service providers may harm Westwood clients; potentially resulting in, among other things, financial losses, the inability of Westwood and/or its clients to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance and remediation costs. Cyber security risks may also affect issuers of securities in which a client invests, potentially causing the client's investment in such issuers to lose value. Despite risk management processes, there can be no guarantee that a client will avoid losses relating to cyber security risks or other information security breaches.

Certain Risks Related to the Westwood WealthCoach Program

**Risks from Using an Automated Process to Select an Allocation Model.** An inherent limitation in the use of an algorithm to assign risk profiles and allocation models is the risk that a client has a unique situation that has not been anticipated or incorporated into the design of the algorithm.

**Risks from Using an Algorithm for Ongoing Account Management.** Ongoing discretionary investment management of accounts in the Program is almost entirely driven by the use of automated rebalancing software which uses an algorithm to make decisions as to when to make trades in the accounts and the amount. The algorithm generates trades for each account by calculating and comparing the relative value of an investment product within an account to the target allocation for that investment product. An inherent risk in the use of automated software to rebalance accounts is the risk that an account could be rebalanced during a significant and temporary market move.

**Investment Model Risks.** Westwood Advisors applies its investment experience in establishing the Program, selecting the allocation models and the investment vehicles to use in each version of the models. However, there is no guarantee that Westwood Advisors will be successful in doing so. Westwood Advisors bases its investment decisions on factors which ultimately are derived from current and historical information available. There is no guarantee that historical trends will continue as assumed or expected.

Westwood Advisors may use analyses and/or theoretical models in its provision of investment advice which in turn are based on certain assumptions and depend on the accuracy of the data used in them. The generality of these assumptions may limit their effectiveness in specific cases. Models that are based on past data may fail to accurately predict future results.

**Digital Advice Platform Risks.** Westwood Advisors relies on the software and related technology services from InvestCloud, Inc. to run the WealthCoach Portal application to establish accounts and relies on software and services from InvestCloud to run the WealthCoach Account Platform.

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There is no guarantee that these applications will continue to be available from their nor that any application will retain its current functionality.

Underlying Risks

The following tables provide an overview of the risks relating to participation in the Westwood WealthCoach and Direct Advisory Programs relating to specific asset classes available in these programs. Each table refers to specific risk definitions which are included in the “*Risk Definitions*” section below.

*Asset Classes Available in the Westwood WealthCoach Program*

The allocation models available in the Westwood WealthCoach Program specify a broader allocation asset class and a more specific asset class within the broader asset class. For example, Westwood WealthCoach allocation models establish a certain allocation to US Equities within which a portion is allocated to each of the LargeCap, MidCap, SmallCap and AllCap Growth asset classes. Westwood’s risk definitions relate to the narrower asset classes. The table below shows the correspondence between the broader asset classes for the Westwood WealthCoach Allocation model and the asset classes for which Westwood’s risk definitions apply.

<u>Type of Asset Class</u>	<u>Asset Class</u>
<b>US Equities</b>	<ul style="list-style-type: none"> <li>• LargeCap</li> <li>• MidCap</li> <li>• SmallCap</li> <li>• AllCap Growth</li> <li>• REITs</li> <li>• MLP &amp; Energy</li> </ul>
<b>International Equities</b>	<ul style="list-style-type: none"> <li>• International Equity</li> <li>• Global Equity</li> <li>• Emerging Markets</li> </ul>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>• Investment Grade Bonds</li> <li>• International Bonds</li> <li>• High Yield Bonds</li> <li>• Convertibles</li> </ul>

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*Asset Classes Available in the Direct Advisory Program*

Strategies for the following asset classes are available in the Direct Advisory Program:

- AllCap Value Strategy
- LargeCap Value Strategy
- LargeCap Select Strategy
- SmallCap Strategy
- Select Equity
- REIT Strategy
- Fixed Income Strategy
- Custom Asset Allocation Accounts Strategy
- Enhanced Balanced®

Risk Definitions

Each asset class has different risks that clients should consider. The tables below indicate the major types of risk that Westwood Advisors has identified as being most relevant to each asset class. Many asset classes share the same risks while other types of risk are more specific to some asset classes than to others. Following the tables are definitions for each of the types of risk identified in the table.

Please note that some assets classes have different names in the Direct Advisory Program and in the Westwood WealthCoach Program. In these cases, the name used in the Westwood WealthCoach program is in parenthesis.

<b>LargeCap Value Strategy (LargeCap)</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• REIT Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Royalty Trust Risk</li> <li>• ETF Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• MLP Risk</li> <li>• Foreign Company Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>LargeCap Select Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• REIT Risk</li> <li>• Foreign Currency Risk</li> <li>• Non-Diversified Investment Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Royalty Trust Risk</li> <li>• ETF Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• MLP Risk</li> <li>• Foreign Company Risk</li> <li>• Cyber Security Risk</li> </ul>

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<b>MidCap Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• REIT Risk</li> <li>• Royalty Trust Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• MLP Risk</li> <li>• Portfolio Turnover Risk</li> <li>• ETF Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>SmallCap Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• REIT Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Small-Capitalization Company Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Royalty Trust Risk</li> <li>• MLP Risk</li> <li>• ETF Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>AllCap Value Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• REIT Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Small-Capitalization Company Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Royalty Trust Risk</li> <li>• MLP Risk</li> <li>• ETF Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>AllCap Growth Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• REIT Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Small-Capitalization Company Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Royalty Trust Risk</li> <li>• MLP Risk</li> <li>• ETF Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>Custom Asset Allocation Accounts Strategy</b>		
<ul style="list-style-type: none"> <li>• Dividend Paying Stocks Risk</li> <li>• Emerging Markets Risk</li> <li>• Equity Risk</li> <li>• ETF Risk</li> <li>• Fixed Income Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign Currency Risk</li> <li>• High Yield Bond Risk</li> <li>• Investment Style Risk</li> <li>• Liquidity Risk</li> <li>• MLP Risk</li> <li>• Portfolio Turnover Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Preferred Stock Risk</li> <li>• REIT Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Small-Capitalization Company Risk</li> <li>• U.S. Government Securities Risk</li> </ul>

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<b>Income Opportunity Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Fixed Income Risk</li> <li>• High Yield Bond Risk</li> <li>• Foreign Company Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Royalty Trust Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• ETF Risk</li> <li>• REIT Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• MLP Risk</li> <li>• Micro-Capitalization Company Risk</li> <li>• U.S. Government Securities Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>Intermediate Fixed Income (Fixed Income) Strategy</b>		
<ul style="list-style-type: none"> <li>• Fixed Income Risk</li> </ul>	<ul style="list-style-type: none"> <li>• U.S. Government Securities Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>Global Equity Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Foreign Company Risk</li> <li>• Emerging Markets Risk</li> <li>• Credit Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign Currency Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• ETF Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• REIT Risk</li> <li>• Derivatives Risk</li> <li>• Liquidity Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>International Equity Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Dividend Paying Stocks Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Credit Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign Company Risk</li> <li>• Emerging Markets Risk</li> <li>• ETF Risk</li> <li>• Derivatives Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Foreign Currency Risk</li> <li>• REIT Risk</li> <li>• Liquidity Risk</li> <li>• Cyber Security Risk</li> </ul>

<b>Emerging Markets Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Foreign Company Risk</li> <li>• ETF Risk</li> <li>• Liquidity Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Emerging Markets Risk</li> <li>• Foreign Currency Risk</li> <li>• REIT Risk</li> <li>• Credit Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Derivatives Risk</li> <li>• Cyber Security Risk</li> </ul>



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<b>MLP and Energy Strategy</b>		
<ul style="list-style-type: none"> <li>• MLP Risk</li> <li>• Energy Industries Risk</li> <li>• High Yield Bond Risk</li> <li>• Exchange-Traded Note (ETN) Risk</li> <li>• Cyber Security Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Fixed Income Risk</li> <li>• ETF Risk</li> <li>• Liquidity Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Initial Public Offering (IPO) Risk</li> <li>• Foreign Company Risk</li> <li>• Foreign Currency Risk</li> <li>• Derivatives Risk</li> <li>• Royalty Trust Risk</li> </ul>

<b>Convertibles Strategy</b>		
<ul style="list-style-type: none"> <li>• Convertible Securities Risk</li> <li>• Fixed Income Risk</li> <li>• High Yield Bond Risk</li> <li>• Equity Risk</li> <li>• Investment Style Risk</li> <li>• Emerging Markets Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Preferred Stock Risk</li> <li>• Warrants Risk</li> <li>• Foreign Company Risk</li> <li>• Foreign Currency Risk</li> <li>• Liquidity Risk</li> <li>• Cyber Security Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Regional Focus Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Derivatives Risk</li> </ul>

<b>Market Neutral Strategy</b>		
<ul style="list-style-type: none"> <li>• Basis Risk</li> <li>• Equity Risk</li> <li>• Emerging Markets Risk</li> <li>• Derivatives Risk</li> <li>• Convertible Securities Risk</li> <li>• High Yield Bond Risk</li> <li>• Foreign Currency Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Preferred Stock Risk</li> <li>• Warrants Risk</li> <li>• Counterparty Credit Risk</li> <li>• Custodial Risk</li> <li>• Regional Focus Risk</li> <li>• Foreign Company Risk</li> <li>• Cyber Security Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Investment Style Risk</li> <li>• Counterparty Risk</li> <li>• Liquidity Risk</li> <li>• Basis Risk</li> <li>• Fixed Income Risk</li> </ul>

<b>REITs Strategy</b>		
<ul style="list-style-type: none"> <li>• REIT Risk</li> <li>• Cyber Security Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Royalty Trust Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• MLP Risk</li> </ul>



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<b>Select Equity Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Foreign Company Risk</li> <li>• Foreign Currency Risk</li> <li>• Investment Style Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Diversified Investment Risk</li> <li>• Portfolio Turnover Risk</li> <li>• REIT Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Small-Capitalization Company Risk</li> </ul>

<b>Enhanced Balanced®</b>		
<ul style="list-style-type: none"> <li>• Dividend Paying Stocks Risk</li> <li>• Emerging Markets Risk</li> <li>• Equity Risk</li> <li>• ETF Risk</li> <li>• Fixed Income Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign Currency Risk</li> <li>• High Yield Bond Risk</li> <li>• Investment Style Risk</li> <li>• Liquidity Risk</li> <li>• MLP Risk</li> <li>• Portfolio Turnover Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Preferred Stock Risk</li> <li>• REIT Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> <li>• Small-Capitalization Company Risk</li> <li>• U.S. Government Securities Risk</li> </ul>

**Basis Risk** – Basis risk may exist when there is a divergence between the price of a derivative and that of the underlying instrument in the cash market. This may result in market exposures, even in instances where derivatives positions have been taken to hedge underlying exposures, due to the unforeseen divergence of the derivative and underlying security prices. This is only relevant if the underlying instrument is traded prior to maturity.

**Convertible Securities Risk** – The value of a convertible security is influenced by changes in interest rates (with investment value declining as interest rates increase and increasing as interest rates decline) and the credit standing of the issuer. The price of a convertible security will also normally vary in some proportion to changes in the price of the underlying common stock because of the conversion or exercise feature.

**Credit Risk** – The risk that the issuer of a security or the counterparty to a contract will default or otherwise become unable to honor a financial obligation. The credit rating or financial condition of an issuer may affect the value of a fixed income debt security. Generally, the lower the credit quality of a security, the greater the perceived risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value. The issuer of an investment-grade security is considered by the rating agency to be more likely to pay interest and repay principal than an issuer of a lower quality bond. Adverse economic conditions or changing circumstances may weaken the capacity of the issuer to pay interest and repay principal.

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**Derivatives Risk** – Derivatives can be highly volatile and involve risks in addition to the risks of the underlying referenced securities. Gains or losses from a derivative can be substantially greater than the derivative’s original cost, and can therefore involve leverage. Derivatives can be complex instruments and may involve analysis that differs from that required for other investment types utilized. If the value of a derivative does not correlate well with the particular market or other asset class to which the derivative is intended to provide exposure, the derivative may not produce the anticipated result. Derivatives can also reduce the opportunity for gain or result in losses by offsetting positive returns in other investments. Derivatives can be less liquid than other types of investments and entail the risk that the counterparty will default on its payment obligations. If the counterparty to a derivative transaction defaults, an investment would risk the loss of the net amount of the payments that it contractually is entitled to receive. To the extent that a strategy enters into short derivative positions, there may be exposure to risks similar to those associated with short sales, including the risk that losses are theoretically unlimited.

**Dividend Paying Stocks Risk** – A strategy’s emphasis on dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Also, a company may reduce or eliminate its dividend.

**Emerging Markets Risk** – The risks of foreign investing are heightened when investing in emerging markets. Emerging markets securities involve a number of additional risks, which may result from less government supervision and regulation of business and industry practices (including the potential lack of strict finance and accounting controls and standards), stock exchanges, brokers, and listed companies, making these investments potentially more volatile in price and less liquid than investments in developed securities markets, resulting in greater risk to investors. There is a risk in developing countries that a future economic or political crisis could lead to price controls, forced mergers of companies, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies, any of which may have a detrimental effect on these investments. In addition, these investments may be denominated in foreign currencies and, therefore, changes in the value of a country’s currency compared to the U.S. dollar may affect (positively or negatively) the value of these investments. To the extent that a strategy has a significant portion of assets in the securities of issuers in or companies of a single country or region, it is more likely to be impacted by events or conditions affecting that country or region, which could have a negative impact on performance. Some of the risks of investing directly in foreign and emerging market securities may be reduced when investments are made indirectly in foreign securities through various other investment vehicles including derivatives, which also involve specialized risks.

**Energy Industries Risk** – A Strategy is subject to the risk of concentrating investments in the energy industries, which makes it more susceptible to factors adversely affecting issuers within those industries than a fund investing in a more diversified portfolio of securities. A downturn in

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the energy industries could have an adverse impact on the Strategy. At times, the performance of securities of companies in the energy industries may lag the performance of other industries or the broader market as a whole. Energy companies are affected by worldwide energy prices and costs related to energy production. These companies may have significant operations in areas at risk for natural disasters, social unrest and environmental damage. These companies may also be at risk for increased government regulation and intervention, energy conservation efforts, litigation and negative publicity and perception. Investments in energy-related utilities companies involve special considerations, including the risk of changing commodity prices, government regulation and oversight, increased tariffs, changes in tax laws, interest rate fluctuations and changes in the cost of providing utility services. Utilities companies are also subject to potential terrorist attacks, natural disasters and severe weather conditions, as well as regulatory and operational burdens associated with the operation and maintenance of facilities.

**Equity Risk** – Any investment in an equity security is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the investment’s equity securities may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in any equity security.

**ETF Risk** – ETFs are pooled investment vehicles, such as registered investment companies and grantor trusts, whose shares are listed and traded on U.S. stock exchanges or otherwise traded in the over-the-counter market. To the extent that a Strategy invests in ETFs, the Strategy will be subject to substantially the same risks as those associated with the direct ownership of the securities on which the ETF is based and the value of the Strategy’s investment will fluctuate in response to the performance of the underlying index. ETFs incur fees. Accordingly, a Strategy’s investments in ETFs may result in the layering of expenses. Because the value of ETF shares depends on the demand in the market, shares may trade at a discount or premium to their net asset value. Westwood may not be able to liquidate the Strategy’s holdings at the most optimal time, which could adversely affect the Strategy’s performance.

**ETN Risk** – An ETN is a debt security of an issuer that is listed and traded on U.S. stock exchanges or otherwise traded in the over-the-counter market. Similar to other debt securities, ETNs tend to have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks, such as a securities index, currency or investment strategy, less fees and expenses. The value of an ETN may be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in the underlying market, changes in the applicable interest rates, and changes in the issuer’s credit rating and economic, legal, political or geographic events that affect the referenced market. When the

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Strategy invests in ETNs, there may be fees and expenses associated with investment in such securities. Such fees reduce the amount of return on investment at maturity or upon redemption. There may be restrictions on the Strategy's right to redeem its investment in an ETN, which are meant to be held until maturity. There are no periodic interest payments for ETNs, and principal is not protected. The Strategy could lose some of or the entire amount invested in ETNs. The Strategy's decision to sell its ETN holdings may also be limited by the availability of a secondary market.

**Fixed Income Risk** – The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Generally, fixed income securities will decrease in value if interest rates rise and vice versa, and the volatility of lower-rated securities is even greater than that of higher-rated securities. Also, longer-term securities are generally more volatile, so the average maturity or duration of these securities affects risk. Credit risk is the possibility that an issuer will fail to make timely payments of interest or principal or go bankrupt. Generally, risk of a debt security rises as the rating falls. In addition, these risks are often magnified for securities rated below-investment-grade, often referred to as “junk bonds,” and adverse changes in economic conditions or market perception are likely to cause issuers of these securities to be unable to meet their obligations to repay principal and interest to investors. Interest rates have been at near record lows, and, to the extent they increase, this could have a negative impact on fixed income securities in any portfolio.

**Foreign Company Risk** – Investing in foreign companies, including direct investments and through ADRs and Global Depository Receipts (“GDRs”), which are traded on U.S. exchanges and represent an ownership interest in a foreign company, poses additional risks since political and economic events unique to a country or region will affect those markets and their issuers. These risks will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign securities are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of the investment. These currency movements may occur separately from, and in response to, events that do not otherwise affect the value of the security in the issuer's home country. While ADRs and GDRs provide an alternative to directly purchasing the underlying foreign securities in their respective national markets and currencies, investments in ADRs and GDRs continue to be subject to many of the risks associated with investing directly in foreign securities. Securities of foreign companies may not be registered with the U.S. Securities and Exchange Commission (the “SEC”) and foreign companies are generally not subject to the regulatory controls imposed on U.S. issuers and, as a consequence, there is generally less publicly available information about foreign securities than is available about domestic securities. Income from foreign securities may be reduced by a withholding tax at the source, which tax would reduce income received from the securities comprising a client's portfolio. Foreign securities may also be more difficult to value than securities of U.S. issuers.

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**Foreign Currency Risk** – The value of investments in a foreign security will be affected by the value of the local currency relative to the U.S. dollar. When a foreign currency denominated security is sold, its value may be worth less in U.S. dollars even if the security increases in value in its home country. U.S. dollar-denominated securities of foreign issuers may also be affected by currency risk, as the value of these securities may also be affected by changes in the issuer’s local currency.

**High Yield Bond Risk** – High yield bonds (often called “junk bonds”) are debt securities rated below investment grade. Junk bonds are speculative, involve greater risks of default, downgrade, or price declines and are more volatile and tend to be less liquid than investment-grade securities. Companies issuing high yield bonds are less financially strong, are more likely to encounter financial difficulties, and are more vulnerable to adverse market events and negative sentiments than companies with higher credit ratings.

**Initial Public Offering (IPO) Risk** – The market value of shares in an IPO may fluctuate considerably or decline shortly after the IPO, due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about the issuer.

**Interest Rate Risk** – Changes in interest rates are a factor that could affect the value of an investment. Rising interest rates tend to cause the prices of fixed income securities (especially those with longer maturities) to fall. Risks associated with rising interest rates are heightened given that interest rates in the U.S. are at, or near, historic lows. The concept of duration is useful in assessing the sensitivity of a fixed income investment to interest rate movements, which are usually the main source of risk for most fixed income investments. Duration measures price volatility by estimating the change in price of a debt security for a 1% change in its yield. For example, a duration of five years means the price of a debt security will change about 5% for every 1% change in its yield. Thus, the longer the duration, the more volatile the security. Fixed income debt securities have a stated maturity date when the issuer must repay the principal amount of the bond. Some fixed income debt securities, known as callable bonds, may repay the principal earlier than the stated maturity date. Fixed income debt securities are most likely to be called when interest rates are falling because the issuer can refinance at a lower rate.

**Investment Style Risk for Affiliated Strategies** – For many affiliated strategies, Westwood pursues a “value style” of investing. Value investing focuses on companies with stocks that appear undervalued when considering factors such as the company’s earnings, book value, revenues or cash flow. If Westwood’s assessment of a company’s value or its prospects for exceeding earnings expectations or market conditions is inaccurate, the strategy could suffer losses or produce poor performance. In addition, “value stocks” can continue to be undervalued by the market for long periods of time.

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**Liquidity Risk** – Certain securities may be difficult or impossible to sell at the time and the price that the Strategy would like. The Strategy may have to lower the price, sell other securities instead or forgo an investment opportunity, any of which could have a negative effect on Strategy management or performance.

**Micro-Capitalization Company Risk** – Micro-capitalization companies may be newly formed or in the early stages of development with limited product lines, markets or financial resources. Therefore, micro-capitalization companies may be less financially secure than large-, mid- and small-capitalization companies and may be more vulnerable to key personnel losses due to reliance on a smaller number of management personnel. In addition, there may be less public information available about these companies. Micro-cap stock prices may be more volatile than large-, mid- and small-capitalization companies and such stocks may be more thinly traded and thus difficult to buy and sell in the market.

**MLP Risk** – MLPs are limited partnerships in which the ownership units are publicly traded. MLP units are registered with the U.S. Securities and Exchange Commission (“SEC”) and are freely traded on a securities exchange or in the over-the-counter market. MLPs often own several properties or businesses (or own interests) that are related to oil and gas industries or other natural resources, but they also may finance other projects. To the extent that an MLP’s interests are all in a particular industry, the MLP will be negatively impacted by economic events adversely impacting that industry. The risks of investing in an MLP are generally those involved in investing in a partnership as opposed to a corporation. For example, state law governing partnerships is often less restrictive than state law governing corporations. Accordingly, there may be fewer protections afforded to investors in an MLP than to investors in a corporation. For example, investors in MLPs may have limited voting rights or be liable under certain circumstances for amounts greater than the amount of their investment. In addition, MLPs may be subject to state taxation in certain jurisdictions which will have the effect of reducing the amount of income paid by the MLP to its investors.

**Non-Diversified Strategy Risk** – The strategy is non-diversified, which generally means that it will invest a greater percentage of its total assets in the securities of fewer issuers than a “diversified” strategy. This increases the risk that a change in the value of any one investment held by the Strategy could affect the overall value of the Strategy more than it would affect that of a diversified strategy holding a greater number of investments. Accordingly, the Strategy will likely be subject to more volatile performance.

**Portfolio Turnover Risk** – Due to its investment strategy, the Strategy may buy and sell securities frequently. Such a strategy often involves higher expenses, including brokerage commissions, and



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may increase the amount of capital gains (in particular, short-term gains) realized by the Strategy. Shareholders may pay tax on such capital gains.

**Preferred Stock Risk** – Preferred stocks are sensitive to interest rate changes and are also subject to equity risk, which is the risk that stock prices will fall over short or extended periods of time. The rights of preferred stocks on the distribution of a company’s assets in the event of a liquidation are generally subordinate to the rights associated with a company’s debt securities.

**Regional Focus Risk** – To the extent that it focuses its investments in a particular geographic region, the Strategy may be more susceptible to economic, political, regulatory or other events or conditions affecting issuers and countries within that region. As a result, the Strategy may be subject to greater price volatility and risk of loss than a strategy holding more geographically diverse investments.

**REIT Risk** – REITs are pooled investment vehicles that own, and usually operate, income-producing real estate. REITs are susceptible to the risks associated with direct ownership of real estate, such as the following: declines in property values; increases in property taxes, operating expenses, rising interest rates or competition overbuilding; zoning changes; and losses from casualty or condemnation. REITs typically incur separate fees that result in the layering of expenses such that investors will indirectly bear a proportionate share of the REITs’ operating expenses.

**Royalty Trust Risk** – Certain strategies, such as the MLP and energy strategies, may invest in royalty trusts. A royalty trust generally acquires an interest in natural resource companies and distributes the income it receives to the investors of the royalty trust. A sustained decline in demand for crude oil, natural gas and refined petroleum products could adversely affect income and royalty trust revenues and cash flows. Factors that could lead to a decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity, higher taxes or other regulatory actions that increase costs, or a shift in consumer demand for such products. A rising interest rate environment could adversely impact the performance of royalty trusts. Rising interest rates could limit the capital appreciation of royalty trusts because of the increased availability of alternative investments at more competitive yields. The investment in royalty trusts may result in the layering of expenses such that investors will indirectly bear a proportionate share of the royalty trusts’ operating expenses.

**Small- and Mid-Capitalization Company Risk** – Small- and mid-capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small- and mid-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and

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financial resources, and may depend upon a relatively small management group. Therefore, small- and mid-cap stocks may be more volatile than those of larger companies.

**Small-Capitalization Company Risk** – Small-capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small-cap stocks may be more volatile than those of larger companies.

**U.S. Government Securities Risk** – Although U.S. government securities are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the government-sponsored agency's own resources. As a result, investments in securities issued by the government-sponsored agencies that are not backed by the U.S. Treasury are subject to higher credit risk than those that are.

**Valuation Risk** – A lack of reliable, objective data or market quotations may make it more difficult to value non-investment grade bonds accurately.

**Warrants Risk** – Warrants are instruments that entitle the holder to buy an equity security at a specific price for a specific period of time. Warrants may be more speculative than other types of investments. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. A warrant ceases to have value if it is not exercised prior to its expiration date.

### **Item 9 - Disciplinary Information**

Westwood Advisors and its management persons have not been involved in any legal or disciplinary events.

### **Item 10 - Other Financial Industry Activities and Affiliations**

Westwood Advisors has three affiliated operating companies: Westwood Management Corp., an SEC registered investment adviser; Westwood Trust, a trust company chartered by the Texas Department of Banking; and Westwood International Advisors Inc., a Canadian investment adviser



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registered with the Ontario Securities Commission and the Autorité des Marché Financiers in Quebec, each of which is a wholly owned subsidiary of the Westwood's parent company, Westwood Holdings Group, Inc. Westwood Management is the investment adviser for the Westwood Funds family of mutual funds. Westwood Management has a sub-advisory agreement with Westwood Trust pursuant to which Westwood Management serves as a sub-advisor to the Westwood Trust Commingled Funds. Westwood Management and WIA also serve as investment managers to sub-funds of Westwood Investment Funds Plc, an Irish-domiciled UCITS fund available to certain non-U.S. investors.

Westwood Holdings Group, Inc.'s Wealth Management division offers the Westwood WealthCoach program through Westwood Advisors and also provides trust and fiduciary services through Westwood Trust.

Many employees of Westwood Advisors in Dallas and Houston are also employees of Westwood Trust and are involved in the provision of trust and fiduciary services to Westwood Trust clients.

**Use of Westwood Management Corp. Strategies in the Direct Advisory Program.** The Direct Advisory Program is designed to provide a means for individual and institutional clients to access the investment strategies of Westwood Management Corp. Other investment strategies are not generally offered in the Direct Advisory Program. This is a conflict of interest because Westwood Advisors representatives have an incentive to encourage clients to select a Westwood strategy rather than another investment product or strategy that might otherwise be available. Westwood Advisors addresses this conflict of interest primarily by disclosure that advisor services are limited to Westwood Management strategies.

Certain Westwood Management Corp. employees are licensed as Registered Representatives of Foreside Fund Services, LLC, an unaffiliated broker-dealer. They do not receive sales compensation for investments in the Westwood Funds.

**Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Westwood has adopted a Code of Ethics (the "Code") expressing the firm's commitment to ethical conduct. The Code of Ethics is applicable to all employees of WHG and its subsidiaries and is administered on a group-wide basis. The Code is based on the principle that the officers, directors and employees of Westwood owe a fiduciary duty to clients to conduct their personal securities transactions in a manner that does not interfere with client portfolio transactions or otherwise take advantage of their relationship with clients, and which reflects the principle referenced above. The Code of Ethics requires employees to pre-clear all personal securities transactions (with certain exceptions described below), political contributions, and outside business activities, and to report gifts and entertainment through the Chief Compliance Officer (CCO).

The Code generally requires employees to pre-clear their personal securities transactions. However, pre-clearance is not required for: (a) participation in an ongoing automatic investment

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plan or an issuer's dividend reinvestment or stock purchase plan, (b) participation in any transaction over which the employee had no influence or control (mergers, inheritances, gifts, etc.), (c) share of registered open-end investment companies other than shares of investment companies advised or sub-advised by Westwood or its affiliates.

The Code generally prohibits Westwood employees from purchasing or selling individual securities for their own account that are owned in a Westwood strategy, with a limited exception for *de minimis* trades. For purposes of the Code, Westwood strategies do not include Custom Asset Allocation accounts or accounts in the WealthCoach Program managed by one of Westwood's affiliates. The exception allows employees to personally transact in securities that are owned in a Westwood strategy, excluding municipal securities, if the security has a market cap greater than \$5 billion and the value of the trade is \$5,000 or less. Employees are limited to a maximum of five such *de minimis* trades per month; *de minimis* bond trades may be consolidated within a calendar month, with approval. If an employee personally holds any securities that are also owned in a Westwood strategy and such securities have a market cap of \$5 billion or less, Westwood will place those holdings on "restricted status" and the employee may not sell the securities until Westwood has exited the security for client accounts managed with a Westwood strategy. The Code provides for "black-out periods" during which employees may not purchase or sell a stock that Westwood is in the process of purchasing or selling for Westwood strategies unless such trade qualifies for the *de minimis* exception. To monitor compliance with its Code of Ethics, the firm's CCO receives duplicate brokerage statements and transaction confirmations for every employee with personal brokerage accounts, and all employees must certify on a quarterly basis that they have reported all relevant securities transactions in compliance with the Code of Ethics. The firm's CCO reviews all pre-clearance requests, all initial, quarterly and annual disclosure certifications and the trading activities on behalf of all Westwood Strategies with a view to ensuring that all employees are complying with the Code. The CCO periodically reviews confirmations from brokers to assure that all transactions effected for employees are effected in compliance with the Code.

The Code also requires employees to obtain pre-clearance for all political contributions and outside business activities. The firm's CCO must approve any political contribution before it is made and any outside business activity before the employee has engaged in such activity. On an annual basis, employees must submit disclosure certifications regarding their political contributions and outside business activities.

The Code prohibits employees from accepting any gift or other item valued at more than \$100 from any client, competitor, or any person or entity that does business with or on behalf of any client. Employees also must report any gift or other item that is given to any client, competitor, vendor or any person or entity that does business with or on behalf of any client. In addition, employees must report accepted offers of entertainment from all such persons or entities. The Code requires employees to certify quarterly that they have reported all gifts and entertainment.

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The Code permits the CCO to delegate duties under the Code to other members of the Legal and Compliance department.

Westwood also has an Insider Trading Policy that, along with the Code of Ethics, prohibits the use of material non-public information in a personal or professional capacity. Westwood requires that all employees act in compliance with all applicable Federal and State regulations governing registered investment advisory practices. Any employee not in observance of the above may be subject to disciplinary action, up to and including termination. Westwood has a compliance committee that meets throughout the year to, among other responsibilities, review employee accounts and personal trading, Code of Ethics exceptions, employee and director transactions in WHG stock, and the annual brokerage budget.

Westwood does not invest client funds in the securities of its parent company, Westwood Holdings Group, Inc.

Upon request, Westwood will provide a complete copy of its Code of Ethics to any client or prospective client. Clients can submit requests by contacting their Westwood representative or the firm's CCO. It is also posted on Westwood's website.

## **Item 12 - Brokerage Practices**

### **Westwood WealthCoach**

Westwood WealthCoach Program accounts are held at TD Ameritrade, Apex Clearing Corporation or other unaffiliated third-party custodians and broker-dealers. Because clients' fees include fees for brokerage services, it is anticipated that all trades will be sent to the custodian for execution.

### **Research and Other Soft Dollar Benefits**

Westwood Advisors does not use soft dollars or use commissions in the Program to obtain research or brokerage services. Generally, brokerage platforms used in the Program will make a range of services and tools available to Westwood as a sponsor participating on the platform.

### **Brokerage for Client Referrals**

Not applicable to the WealthCoach Program.

### **Trade Allocation**

Trades for accounts in the Program are aggregated and sent to TD Ameritrade, Apex Clearing Corporation or other broker-dealers for execution.

Generally, these trades will be submitted in a single order for all accounts trading in a given day. However, additional trades for some accounts or for individual accounts may be sent as needed, such as for new accounts or to invest cash contributed to the account or to fund a withdrawal request.

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Agency or Internal Cross Trading

Not applicable to the WealthCoach Program.

**Direct Advisory Program**

Westwood Direct Advisory Program accounts are held at TD Ameritrade, Charles Schwab, Fidelity, or other unaffiliated third-party custodians and broker-dealers. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. Charles Schwab & Co. Inc. ("Charles Schwab") member FINRA/SIPC, is an independent and unaffiliated SEC-registered broker-dealer. Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity") member FINRA/SIPC, is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade, Charles Schwab and Fidelity offer to independent investment advisers, services which include custody of securities, trade execution, clearance, and settlement of transactions.

Accounts in the Direct Advisory Program typically have directed trading arrangements in which Westwood Advisors is directed by the Client to send all trades to the custodian. The Westwood Direct Advisory Program is based in part on referrals from other firms, generally broker-dealer/custodians offering referral platforms in which their representatives participate. This creates a conflict of interest because it creates an incentive for Westwood Advisors and its affiliates to direct trades to and to encourage clients to custody account assets at the referring broker dealer rather than seeking the most favorable execution. This practice may cost clients more as a result. In addition, participation in advisor referral platforms of custodians typically either requires a minimum aggregate account value or provides for reduced or no fees if aggregate asset levels are maintained by the investment adviser. This is a conflict of interest because it creates an incentive for Westwood Advisors to refer clients to custodians in order to maintain these aggregate asset levels. Westwood Advisors addresses the conflict primarily through disclosure. The referral arrangements for these are described in Item 14 below.

Research and Other Soft Dollar Benefits

Westwood Advisors does not use soft dollars or use commissions in the Direct Advisory Program to obtain research or brokerage services. Generally, brokerage platforms used in the Direct Advisory Program will make a range of services and tools available to Westwood as a sponsor participating on the platform.

Trade Allocation

Accounts set up through the Direct Advisory Program are generally managed by Westwood Advisors using a model portfolio received from Westwood Management Corp. For strategies that are not subject to Westwood Management Corp.'s trade rotation policy, Westwood Advisors will generally receive the model portfolios after Westwood Management Corp. has commenced trading

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for discretionary institutional accounts as described in Westwood Management Corp.'s Form ADV Part 2A.

Accounts managed by Westwood Advisors in the Direct Advisory Program do not participate in trade aggregation with Westwood Management Corp. clients and thus may be at a disadvantage relative to accounts managed directly by Westwood Management Corp. in the same strategy. In addition, accounts in the Direct Advisory Program do not participate in allocations of initial public offerings (IPOs) alongside accounts managed directly by Westwood Management Corp.

**Item 13 - Review of Accounts**

**Westwood WealthCoach**

Account reviews in the WealthCoach Program are described in Item 4 above.

**Direct Advisory Program**

Client reviews are scheduled and structured according to the client's stated guidelines or in response to specific client requests. In the absence of guidelines, client meetings are generally scheduled annually and to a lesser degree, on a semi-annual or quarterly basis. Client reviews generally involve a meeting between the client and the Westwood Advisors relationship manager to review strategy, objectives, key concerns and outlooks. The materials reviewed may include, but are not limited to, monthly and/or quarterly performance numbers, portfolio holdings, and summaries setting forth asset mix, cash flow and liquidity requirements, specific guidelines and objectives applicable to the account, and other pertinent matters.

**Item 14 - Client Referrals and Other Compensation**

**Westwood WealthCoach**

Westwood Advisors does not pay referral fees for new accounts opened in the WealthCoach Program.

Accounts may be invested in mutual funds for which Westwood Management Corp. receives investment advisory fees.

**Direct Advisory Program**

By participating in the advisor referral networks of the custodians, Westwood Advisors is seeking referrals from brokerage or advisor representatives participating in such programs.

As disclosed under Item 12 above, Westwood Advisors participates in the advisory referral networks of the following custodians ("Referral Brokers"):

TD Ameritrade Institutional, Inc.

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Westwood Advisors intends to participate in the referral programs of other custodians as well. Westwood Advisors will typically recommend one of these Referral Brokers to serve as broker dealer and custodian for clients. Custodians charge separate fees for brokerage and custody which may include brokerage commissions and/or transaction fees for effecting certain securities transactions and asset-based fees.

Westwood Advisors pays fees to Referral Brokers for referring clients in the Direct Advisory Program. The referral fees are usually based on a percentage of assets under management and may be capped depending on the specific arrangement. The fee is paid by Westwood Advisors and not by clients. Clients for whose accounts Westwood Advisors pays referral fees do not pay a higher fee than clients not referred. The arrangement with these Referral Brokers will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act.

Westwood Advisors receives economic benefits from participation in the referral programs and as a result of otherwise using the platforms of the Referral Brokers, including access to the Referral Broker's trading capabilities such as trade aggregation; availability of no transaction fee mutual funds; confirmations, statements and other reports; advisory fee deduction services; consulting services; access to conferences and business development opportunities; and materials or services related to compliance, marketing, research, electronic communication and other technology, and practice management. These services are usually available to Westwood Advisors at no cost or at a discount. These benefits may benefit Westwood Advisors but not benefit clients and may assist Westwood Advisors in the management of accounts other than those maintained at the Referral Broker and in the development of its business generally. There is no direct link between Westwood Advisors' advisory services and the receipt of these benefits. However, the receipt of these benefits creates a conflict of interest because Westwood Advisors has an incentive to refer clients to these firms. These benefits do not depend on the amount of assets held by the Referral Brokers or on the volume or number of transactions sent to the Referral Brokers. Westwood Advisors' participation in these referral platforms can generally be terminated by the Referral Broker and thus Westwood Advisors has an incentive to ensure that sufficient business is directed to the Referral Broker so that Westwood Advisors may continue to participate in its referral program.

In some of the referral relationships, Westwood Advisors may be contractually restricted in its ability to solicit clients to another custodial or brokerage platform subject to Westwood Advisors' fiduciary duty.

Clients are required to acknowledge these referral arrangements in writing before accepting an advisory account. The acknowledgement and disclosure documentation used will provide more details of the specific referral arrangement and the fees paid by Westwood Advisors to the Referral Broker.

*Additional Information about the TD Ameritrade AdvisorDirect Program*



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Westwood Advisors may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Westwood Advisors may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Westwood Advisors and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Westwood Advisors and has no responsibility for Westwood Advisors' management of client portfolios or Westwood Advisors' other advice or services. Westwood Advisors pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to Westwood Advisors ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017 the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Westwood Advisors will also pay TD Ameritrade the Solicitation Fee on any assets received by Westwood Advisors from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Westwood Advisors on the recommendation of such referred client. Westwood Advisors will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Potential Payments by the Westwood Funds

The Westwood Funds may compensate financial intermediaries for providing a variety of services to shareholders, which may include record-keeping, transaction processing for shareholders' accounts and other shareholder services. Financial intermediaries include affiliated or unaffiliated brokers, dealers, banks (including bank trust departments), trust companies, registered investment advisers, financial planners, retirement plan administrators, insurance companies, and any other institution having a service, administration, or any other similar arrangement with the Funds, their service providers or their respective affiliates. The Funds generally pay financial intermediaries a fee that is based on the assets of each Fund that are attributable to investments by customers of the financial intermediary.

Potential Payments by Westwood

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From time to time, Westwood Advisors and/or its affiliates, in their discretion, may make payments to certain affiliated or unaffiliated financial intermediaries to compensate them for the costs associated with distribution, marketing, administration and shareholder servicing support for the Funds, to the extent permitted by the SEC and Financial Industry Regulatory Authority (“FINRA”) rules and other applicable laws and regulations. These payments are sometimes characterized as “revenue sharing” payments and are made out of Westwood’s resources, and are not paid by the Funds. Any such payments will not change the NAV or price of the Funds’ shares.

**Item 15 - Custody**

Other than with respect to the debiting of fees, Westwood Advisors does not have custody of client funds or assets with respect to the Direct Advisory Program or the Westwood WealthCoach program. As the manager of the Westwood Technology Opportunities Fund I, LP and the Westwood Hospitality Fund, LLC, Westwood Advisors is deemed to have custody of the funds’ assets. Westwood Advisors’ private funds are described in a separate Form ADV Part 2A.

**Westwood WealthCoach**

Accounts in the WealthCoach Program are individual accounts established by clients at an approved custodian. Westwood Advisors utilizes TD Ameritrade and Apex Clearing Corporation as approved custodians and may add other custodians. Westwood Advisors debits its advisory fees accounts in the Program. Westwood Advisors does not otherwise have custody of assets in client accounts in the Program.

Clients with accounts in the Program receive separate statements from the custodian. Clients should compare the account statements they receive from the custodian with those they receive from Westwood Advisors.

**Direct Advisory Program**

Accounts in the Direct Advisory Program will be held at the referring custodial broker-dealer firm. Westwood Advisors debits its advisory fees from these accounts. Westwood Advisors does not otherwise have custody of assets in client accounts in the Program.

Clients with accounts in the Program receive separate statements from the custodian. Clients should compare the account statements they receive from the custodian with those they receive from Westwood Advisors.

**Item 16 - Investment Discretion**

**Westwood WealthCoach**

Westwood Advisors has discretion in the management of accounts in the WealthCoach Program. Westwood Advisors exercises this discretion by reviewing and rebalancing accounts in accordance



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with each account's allocation model, by maintaining and updating the allocation models and funds available in them and implementing changes as needed in accounts in the Program.

Westwood Advisors accepts clients in the Program upon completion by the client of the account opening authorization through the WealthCoach Portal.

**Direct Advisory Program**

Westwood Advisors has discretion in the management of accounts in the Direct Advisory Program.

**Item 17 - Voting Client Securities and Other Legal Notices**

Westwood Advisors generally has authority to vote proxies for accounts in both the WealthCoach Program and the Direct Advisory Program although clients may retain proxy voting authority by instructing Westwood Advisors and the custodian. Westwood Advisors has engaged Broadridge Financial Solutions, Inc. for proxy voting services and Glass Lewis & Co., LLC for proxy research for our clients. Broadridge is a leading provider to the global financial industry for full-service proxy support. Glass Lewis provides complete analysis and voting recommendations on all proposals and is designed to assist investors in mitigating risk and improving long-term value. In most cases, we agree with the recommendations of Glass Lewis; however, ballots are reviewed bi-monthly by our analysts and we may choose to vote differently than Glass Lewis if we believe it in the best interest of our clients.

Westwood Advisors maintains complete proxy record keeping files for accounts for which it exercises proxy voting authority. These files include a listing of all proxy materials along with individual copies of each response. Access to these files can be arranged upon request. A summary of voting will be furnished upon request.

Westwood Advisors will identify any conflicts of interest between the interests of itself and clients. If a material conflict exists, Westwood Advisors will determine whether it is appropriate to inform the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or the independent third-party Glass Lewis recommendation. Westwood Advisors will maintain a record of the resolution of any proxy voting conflict of interest.

Clients and investors may request a complete copy of Westwood Advisors Proxy Voting policies and procedures by contacting their representative or the firm's CCO.

In the Direct Advisory Program, for accounts managed by Westwood Management Corp. proxy voting is typically delegated to Westwood Management Corp.

The Investment Advisory Agreement only authorizes us to take action on your behalf with regard to proxy voting. The Investment Advisory Agreement does not authorize us to take action on your

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behalf in any legal proceedings or other corporate actions, including class actions or bankruptcies, involving securities held in your Account.

**Item 18 - Financial Information**

Westwood Advisors does not require or solicit prepayments of more than \$1,200 in fees per investor six months or more in advance.

There is no financial condition that is reasonably likely to impair Westwood Advisors' ability to meet contractual commitments to investors.

Westwood Advisors has not been the subject of a bankruptcy petition.