

Investment Objective

The investment objective of the Westwood Market Neutral Income Fund is to seek to generate positive total returns in all the market conditions through a combination of current income and capital appreciation.

Strategy Description

The Westwood Market Neutral Income Fund utilizes a market-neutral investment approach to investing primarily in global convertible securities. A market-neutral investment strategy means that the Fund seeks to earn a positive return throughout market cycles by maintaining a portfolio that is designed to have a lower volatility and low correlation with the general stock market. The Fund combines investing in income producing, shorter-duration convertible securities with a convertible arbitrage strategy to enhance return potential. Tail risk hedging strategies are incorporated to reduce volatility. Active management, along with quantitative and fundamental analysis, are utilized to emphasize prudent risk management.

Key Highlights

- The portfolio had steady performance during the quarter, despite low level of volatility and substantial tail hedge drag
- Yield positions remain approximately 70% of the portfolio, while arbitrage positions make up the balance at roughly 30%
- Net delta remains in the low to mid-teens
- The largest sector weight is Financials followed by Real Estate
- The portfolio is balanced regionally, with roughly 37% U.S., 24% Europe, 22% Asia and 17% Cash
- Low volatility continues to dominate the market environment; new issuance has been robust year-to-date (YTD) allowing for valuation capture, offsetting some tail hedge drag

Market Overview

The second quarter of 2017 continued to see robust returns in global equities and further strength in corporate credit spreads, which again provided a healthy backdrop for the global convertible bond market. As a result, convertibles performed well. Another quarter of strong issuance pushed the YTD number to \$41.2 billion, the U.S. leading the way with a bit more than half at \$23.2 billion. New supply has broadened out in Q2, bringing in a number of new issuers to the market and has created opportunities in both the primary and secondary markets. Healthy equity valuations, potentially higher rates and possible tax reform should keep the convertible issuance engine fueled into 2018, benefiting investors in the asset class.

By the Numbers

The Westwood Market Neutral Income Fund posted a positive return in the second quarter of 2017 which was in-line with the HFRX Absolute Return Index, which serves as a representative sample for a broad range of global absolute return hedge fund strategies.

Fund performance during the quarter was a combination of the short-duration convertible yield strategy and convertible arbitrage positioning. The short duration yield strategy continues to be the majority of the book as those opportunities are available for astute convertible investors even as corporate credit spreads remain near cyclical tight levels. A combination of U.S. and European positions were the standout performers in the quarter; NXP Semiconductor, SAS AB and FF Group.

Positive contribution from the convertible arbitrage portfolio strategy is a function of individual security selection, as the overall valuation levels of the convertible bond asset class remained relatively stable during the quarter. Immunomedics convertibles provided the largest gains during the quarter, as the company was involved in a proxy battle over their go-to-market strategy for their lead drug candidate as highlighted previously. PROS Holdings was another top performer in the arbitrage book, as this new issue came to market at a significant discount to fair value and allowed for an attractive trading opportunity.

The tail hedging portion of the fund, as any insurance would, came at cost to fund and was the largest drag on performance during the quarter.

Strategy and Positioning

The fund's global exposure is balanced exiting Q2, with good distribution of capital across all regions. Convertible arbitrage opportunities remain focused on the U.S. and Asia, although European opportunities are emerging. The new issuance calendar remains strong, and will likely provide further opportunity down the road for portfolio repositioning.

We remain resolute in maintaining the tail hedging strategy of the fund, in an effort to protect the fund from macro factors and to allow for maximum flexibility during market risk-off periods. Hedges are varied, and are selected based around fund exposures which need to be hedged against, as well as the relative value seen in the cost of the hedges. We continue to maintain some equity market hedges in the form of put options, and held options that would benefit in the event of a volatility spike in the market. We intend to continue to actively manage tail hedges in an attempt to provide prudent and efficient risk mitigation for various market stresses which might impact portfolio performance.

Summary and Positioning *(continued)*

We continue to position the fund to benefit from the reappearance of volatility in the global markets. With equity market valuations becoming stretched in certain regions, and global rates and credit markets near cyclical or secular tightness, we remain prudent in positioning the fund in an

effort to concurrently take advantage of prevailing market opportunities, while maintaining a flexible and defensive posture in an attempt to capitalize on the opportunities that market weakness should provide.

Westwood Market Neutral Income Fund as of 6/30/17

	2 nd Quarter	1 Year	Annualized Since Inception*
Westwood Market Neutral Income Fund	0.60%	4.84%	3.31%
Citigroup 1-Month Treasury Bill Index	0.19%	0.42%	0.24%

**Annualized. Inception date is 5/1/15. The performance data quoted represents past performance. Past performance is not indicative of future results. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Institutional Share Class net expense ratio: 1.31%, gross expense ratio: 3.27%. The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2018. The expense ratio does not reflect the ability of the Adviser to recover all or a portion of prior waivers, which would result in higher expenses for the investor. This option is available contractually to the Adviser until three years after the year in which the Adviser incurred the expense if the recoupment does not exceed the existing expense limitation. For performance data current to the most recent month end, please call 1-877-FUND-WHG or visit our website at westwoodfunds.com. Performance data source: SEI Investments Co.*

The Citigroup 1-Month Treasury Bill Index is an unmanaged index representing monthly return equivalents of yield averages of the last 1 month Treasury Bill issue. The Benchmark Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance does not reflect any management fees, transaction costs or expenses. The Benchmark Index is unmanaged and investors cannot invest directly in the an index.

Tail Risk hedge is an investment strategy that is aimed to protect the portfolio against extreme market moves.

Macro hedge is an investment technique used to eliminate the risk of a portfolio of assets. In most cases, this would mean taking a position that offsets the whole portfolio.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

Mutual fund investing involves risk, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. The value of a convertible security in which the Fund invests is influenced by changes in interest rates, the credit standing of the issuer and the price of the underlying common stock. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging Markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. The fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. There can be no assurance that the Portfolio will achieve its stated objectives.

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's summary or full prospectus, which may be obtained by calling 1.877.FUND.WHG (877-386-3944), or by visiting our website at westwoodfunds.com. Read the prospectus carefully before investing or sending money.

This material represents the manager's assessment of the market environment and should not be relied upon by the reader as research or investment advice regarding any security, nor is it intended to be a forecast of future events or a guarantee of future results.

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