WESTWOOD FUNDS®

Westwood Emerging Markets Fund

2Q17 Commentary

Investment Objective

The investment objective of the Westwood Emerging Markets Fund is to seek long-term capital appreciation.

Strategy Description

The Westwood Emerging Markets Fund Primarily invests in the common stocks of companies located (or with primary operations) in emerging markets. The strategy has diversified exposure to the best global investment opportunities, located or primarily engaged in emerging market countries, with risk controls limiting position sized and country exposure. The strategy invests in businesses that we believe are mispriced and that can generate positive and sustainable earning growth which could enable superior economic profits over time.

Market Overview

Emerging markets (EM) outperformed the developed world for the sixth consecutive month, the longest run since May 2008, extending gains for the first half of the year to 18.43% (as measured by the MSCI EM Index). Financial assets were supported by renewed confidence in the global economic recovery, particularly in Europe following Macron's victory in the French presidential election, and signs of a modest resurgence of growth in China. Relative weakness in the U.S. dollar also provided gains to many EM currencies. Commodities were flat overall as wheat and copper led gains, while gold and silver fell. Crude oil was the largest underperformer in the first half of the year as Brent Crude and WTI (West Texas Intermediate) oil prices fell 17% and 14%, respectively. On a sector basis, Information Technology led the rally as Consumer Discretionary also advanced. Energy, Utilities and Materials underperformed with negative returns.

Asia equities outperformed as China rose 9.5% following MSCI's decision to add A-shares to its indices. Moody's Investor Services downgraded China's long-term local and foreign currency issuer ratings by one notch to A1, the first time in nearly 30 years, citing rising debt levels and slower growth. The government announced that outbound investments may reach over US$800B over the next five years, primarily into markets related to the Belt and Road Initiative. South Korea advanced 10% as strong earnings growth estimates combined with the potential passage of chaebol reforms and receding political noise provided tailwinds going forward. India rose to record-high equity levels following recent demonetization measures, but retreated in June pending the implementation of a Goods and Services Tax in July. Taiwan, Philippines and Indonesia also saw healthy gains during the quarter while Thailand lagged amid sluggish domestic growth as the finance ministry implemented limits on fiscal deficit and public debt relative to Gross Domestic Product (GDP).

The Europe, Middle East and Africa (EMEA) region posted a modest gain as advances in Turkey, Hungary and Poland were offset by losses in Qatar and Russia. Equities in Turkey gained in price and currency terms as the lira recovered, following a vote on constitutional reform that will lead to a consolidation of power for President Erdogan. The government also sought to boost credit lending and spur economic growth by allowing commercial lenders to securitize outstanding loans to investors. Poland's economic growth is expected to accelerate to 3.3% this year and remain above 3% up to 2019 according to the World Bank, supported by stronger investment and consumption trends and a resilient labor market. The government of Poland recently announced important reforms to promote business innovation and investment, while implementing measures to control the budgetary deficit through tax compliance and fiscal discipline. Despite ongoing political turmoil, the rand strengthened as the finance minister in South Africa announced that the budget deficit will narrow to 3.3% of GDP over the next three years. Greece rose sharply by over 32% as talks with foreign creditors resumed under the terms of the international bailout and debt relief package, with hopes of reaching a comprehensive deal with Eurozone finance ministers.

A sharp decline in Brazil following corruption allegations against President Temer weighed on Latin American equities, as investors worried that the country's economic recovery could be derailed. Chile was down 3% as economic activity for the first half of the year was lower than expected, while the government introduced a bill to congress to modernize the banking system by adopting Basel III capital requirements. Mexico rose over 6% as macroeconomic data showed continued resilience in growth with industrial production and retail sales figures showing increases (both on a year-over-year basis). Peru gained as inflation eased toward the target range, allowing the central bank to lower interest rates by 25 bps to support growth.

By the Numbers

Within the portfolio, both sector and country allocation detracted, combined with negative security selection. Information Technology was the main detractor, followed by Utilities, while Financials was a positive contributor. At the country level, exposure in China/Hong Kong, South Africa, Brazil and South Korea detracted, while Georgia, Turkey and Mexico were positive.

Underweight allocation and security selection led to detraction in Information Technology, particularly as the sector has become heavily concentrated in a few Chinese internet/e-commerce stocks. A relative underweight to Samsung Electronics detracted as shares climbed to a 20-year high. The company reported another strong quarterly result that beat consensus, driven by positive pricing margins in the memory segment due to tight manufacturing capacity and robust industry demand. Similarly, TSMC also detracted from a relative underweight allocation despite strong fundamentals. Lenovo remained a detractor as the company continued to face challenges in the PC business, from higher component prices to margin compression from competitors such as HP and Huawei. However, there are other potential developments within the company's portfolio that may provide an upside catalyst, including potential cooperation with Fujitsu, a targeted marketing strategy in specific categories of mobile devices, and/or the continued restructuring of the data center and server businesses. HCL Technologies detracted amid capital management concerns and a noticeable rise in acquisitions/investments (11 in the last 15 months), which may have prompted the board to approve an unprecedented share buyback of up to 27% of cash reserves to appease investors. Contributors in the sector were Catcher Technology, and printed circuit board manufacturer Tripod Technology.

Detraction in Utilities was led by CT Environmental, which reported disappointing fiscal 2016 results due to lower than expected margins. Six new projects are set to come on-stream this year that should support further growth in utilization rates across all three main divisions of waste treatment. China Resources Gas detracted amid

By the Numbers *(continued)*

concerns of lower regulated return on investment for downstream gas distribution companies. But an early announcement from the NDRC (regulator) at the end of June called for a higher than expected regulated return of 7% (excluding connection fee income) and lower tariffs based on sales, not utilization rate, resulting in a sharp recovery in share price. With the overhang of regulatory uncertainty from a proposed merger, PT Perusahaan Gas in Indonesia was a detractor, but as reported in the company's latest results, volume recovery has been gaining traction and operating margin has remained steady.

Financials contributed primarily from security selection, and positive underweight allocation, led by Bank of Georgia, whose shares reached a multi-year high following another set of strong quarterly results announced in May. Net income overall was 24% higher on a year-over-year basis as Return on Equity reached 23.5%. Net income from retail banking grew by 25% on the back of positive operating leverage as loan growth reached above 30%. The bank continues to maintain a solid track record of prudent management and capital allocation as the investment segment of the company continues to pursue growth opportunities in non-core areas such as health care and beverages. BOC HK also contributed with higher than expected loan growth guidance in its operating results, including improved fee income and asset yields. Other contributors included regional Asian insurance company, AIA Group and BNK Financial Group of South Korea, whose net interest income earnings grew by 8% while credit quality improved in the first quarter, and the easing of political uncertainty in the country should provide some renewed confidence among investors. Holdings in Brazil, Bradesco and BB Seguridade detracted amid broader political developments that threatened to derail the nascent domestic economic recovery.

2Q17 Largest Contributors and Detractors

Five Largest Contributors	Five Largest Detractors
TAV Havalimanlari Holding A.S. - Turkey	Petroleo Brasileiro SA Pfd. - Brazil
Catcher Technology Co. Ltd. - Taiwan	CT Environmental Group Ltd. - China/H.K.
BOC Hong Kong Ltd. - China/H.K.	Impala Platinum Holdings Ltd. - South Africa
BGEO Group Plc. - Georgia	Lojas Americanas SA Pfd. - Brazil
Central Pattana Public Co. Ltd. - Thailand	Banco Bradesco SA Pfd. - Brazil

Westwood Emerging Markets Fund Performance as of 6/30/17

			Annualized	
	2nd Quarter	1 Year	3 Years	Since Inception*
Westwood Emerging Markets Fund	3.74%	17.58%	0.19%	-0.30%
MSCI Emerging Markets Index (Net)	*6.27%*	*23.75%*	*1.07%*	*1.64%*

**Inception date is 12/26/12. 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. Total expense ratio for the Fund is 1.27% (gross) and 1.20% (net). The Adviser has contractually agreed to waive fees and reimburse expenses until February 28, 2018. In the absence of current fee waivers, total return and yield would be reduced. For performance data current to the most recent month end, please call 1-877-FUND-WHG or visit our website at westwoodfunds.com.*
The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 24 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. 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.

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Top 10 Holdings as of 6/30/17*	
Catcher Technology Co. Ltd.	Taiwan Semiconductor Manufacturing Co. Ltd.
Tripod Technology Corp.	Anhui Conch Cement Co. Ltd.
BGEO Group Plc.	BOC Hong Kong Ltd.
Largan Precision Co. Ltd.	AIA Group Ltd.
Grupo Aeroportuario del Centro Norte SAB	Hanon Systems

**Top 10 holdings represent 17.85% of the total portfolio. Holdings are subject to change. Current and future holdings are subject to risk.*

Mutual fund investing involves risk, including possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, 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 uses derivatives. The primary risk of derivative instruments is that changes in the market value of securities held by the Fund and of the derivative instruments relating to those securities may not be proportionate. Derivatives are also subject to illiquidity and counterparty risk. In addition, REIT investments are subject to the changes in economic conditions, credit risk and interest rate fluctuations. Investments in smaller companies typically exhibit higher volatility. There can be no assurance that the Fund will achieve its stated objective, which can be found in the prospectus, or that of the strategy.

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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