

# **Investment Adviser Brochure**

**Westwood Management Corp.**

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This brochure provides information about the qualifications and business practices of Westwood Management Corp. If you have any questions about the contents of this brochure, please contact us at (214) 756-6900 or [sfry@westwoodgroup.com](mailto:sfry@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 Management Corp. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply a certain level of skill or training.

## **Material Changes**

This page discusses only the material changes to this brochure since the last annual update dated March 2, 2015. Those changes include:

All Sections: Changed the name of the Absolute Return Global Convertibles strategy to Market Neutral Income strategy.

Advisory Business: Updated assets under management as of June 30, 2015. Updated the number of wrap fee programs and managed account platforms.

Fees and Compensation: Standardized the strategy names for LargeCap Value, Concentrated LargeCap Value, SMidCap, SMidCap Plus, SmallCap Value, AllCap Value, and Concentrated AllCap Value.

Methods of Analysis, Investment Strategies and Risk of Loss: Standardized the strategy names for LargeCap Value, Concentrated LargeCap Value, SmallCap Value, AllCap Value, Concentrated AllCap Value, and Strategic Global Convertibles.

Methods of Analysis, Investment Strategies and Risk of Loss: Updated investment strategies for SMidCap and Worldwide Income Opportunity.

Principal Risks: Standardized the strategy names for LargeCap Value, Concentrated LargeCap Value, SmallCap Value, AllCap Value, and Concentrated AllCap Value.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading: Expanded the language in our Code of Ethics section to discuss Political Contributions and Gifts and Entertainment policies and procedures.

Client Referrals and Other Compensation: Added information about a referral agreement one of our affiliates has in place.

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## Advisory Business

Westwood Management Corp. (“Westwood”) is an investment advisory firm that has been in business since 1983. Westwood is a wholly owned subsidiary of 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 Advisors, L.L.C., formerly known as McCarthy Group Advisors, L.L.C. (“Westwood Advisors”), a registered investment adviser that has been in business since 1986. WHG is also the owner of Westwood International Advisors Inc. (“WIA”), a Canadian investment adviser registered with the Ontario Securities Commission and the *Autorité des Marché Financiers* in Quebec. Westwood, Westwood Advisors and WIA are wholly owned by WHG.

Westwood provides portfolio management services to individuals, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, state and municipal government entities and pooled investment vehicles. Westwood is responsible for providing a timely update to its recommendations for the strategies for which it has contracted to provide advice. The investment advisor to whom Westwood provides investment models/buy lists has full discretion for its own clients and is solely responsible for evaluating suitability and adhering to client imposed investment restrictions.

In providing services to its clients, Westwood may rely on the resources of WIA, a non-U.S. affiliate that supplies services pursuant to a participating affiliate agreement (“Participating Affiliate.”). WIA is further discussed under “Other Financial Industry Activities and Affiliations.”

Westwood tailors its services to individual client needs. Westwood carries out its investment management responsibilities in accordance with the investment guidelines and policy directives provided by the client. In these written guidelines, clients may impose restrictions on investing in certain securities or types of securities. Clients may also impose restrictions on investments in certain industries, sectors, or asset classes.

Westwood implements and monitors a client’s guidelines by utilizing Advent’s Rules Manager, a trade compliance software that interfaces with our trade order management system (MOXY). Before any trade activity begins, the Risk and Trade Compliance Associate identifies all guideline restrictions and inputs the information into Rules Manager. Rules Manager electronically monitors and enforces guideline restrictions including stock, industry, and sector specific restrictions. Portfolio Teams and the Risk and Trade Compliance Associate monitor account guidelines on a daily basis via Rules Manager. Any restrictions that cannot be entered into Rules Manager are monitored manually and reported to the Portfolio Teams on a monthly or quarterly basis by the Risk and Trade Compliance Associate. In addition, Westwood’s Performance Evaluation & Technology Committee (PETC) reviews all accounts annually to ensure that the investment guidelines are current and correctly entered into Rules Manager.

Westwood provides portfolio management services for four wrap fee programs and nine managed account platforms for the following investment strategies: LargeCap Value, Income Opportunity, SMidCap, SMidCap Plus and AllCap Value. All of these programs are managed identically to the model strategies; however, managed account trades are not aggregated with

Westwood's other trades because they trade on the sponsors' platforms. Generally, according to our trade rotation policy, the managed accounts are traded after Westwood's separate accounts. Westwood receives a management fee for its services for these accounts. Westwood provides its model portfolio in three separate strategies to certain investment advisers for use in managing client accounts.

As of June 30, 2015, Westwood managed 563 accounts on a discretionary basis with a value of \$18,054,440,000. Westwood also managed 2 accounts on a non-discretionary basis with a value of \$238,240,000. Westwood's total assets under management on June 30, 2015 were \$18,292,680,000.

## **Fees and Compensation**

Westwood offers investment advisory services for a percentage of assets under management. Westwood does not have a standard fee schedule for sub-advised accounts. Fees may be negotiable depending on the size of the account, the complexity of the issues involved and the breadth of services requested. The minimum account size may be waived at Westwood's discretion.

The following fees apply to new separately managed accounts:

<b>LARGECAP VALUE</b> (Minimum investment - \$25 MM)	0.75% on the first \$25 million, negotiable thereafter
<b>CONCENTRATED LARGECAP VALUE</b> (Minimum investment - \$25 MM)	0.85% on the first \$25 million, negotiable thereafter
<b>SMIDCAP</b> Closed to new investors	0.85% on the first \$25 million, negotiable thereafter
<b>SMIDCAP PLUS</b> (Minimum investment - \$10 MM)	0.85% on the first \$25 million, negotiable thereafter
<b>SMALLCAP VALUE</b> (Minimum investment - \$10 MM)	1.00% on the first \$25 million, negotiable thereafter
<b>INCOME OPPORTUNITY</b> (Minimum investment - \$25 MM)	0.80% on the first \$25 million, negotiable thereafter
<b>WORLDWIDE INCOME OPPORTUNITY</b> (Minimum investment - \$25 MM)	0.90% on the first \$25 million, negotiable

	thereafter
<b>DIVIDEND GROWTH</b> (Minimum investment - \$10 MM)	0.80% on the first \$10 million, negotiable thereafter
<b>MLP INFRASTRUCTURE RENEWAL</b> (Minimum investment - \$2.5 MM)	0.95% on the first \$10 million, negotiable thereafter
<b>MLP OPPORTUNITIES</b> (Minimum investment - \$2.5 MM)	0.95% on the first \$10 million, negotiable thereafter
<b>MLP AND STRATEGIC ENERGY</b> (Minimum investment - \$2.5 MM)	0.95% on the first \$10 million, negotiable thereafter
<b>ALLCAP VALUE</b> (Minimum investment - \$10 MM)	0.85% on the first \$25 million, negotiable thereafter
<b>CONCENTRATED ALLCAP VALUE</b> (Minimum investment - \$10 MM)	0.95% on the first \$25 million, negotiable thereafter
<b>REIT</b> (Minimum investment - \$10 MM)	0.75% on the first \$10 million, negotiable thereafter
<b>BALANCED</b> (Minimum investment - \$25 MM)	0.625% on the first \$25 million, negotiable thereafter
<b>INTERMEDIATE FIXED INCOME</b> (Minimum investment - \$10 MM)	0.40% on the first \$10 million, negotiable thereafter
<b>GLOBAL EQUITY AND GLOBAL DIVIDEND</b> (Minimum investment - \$10 MM)	0.85% on the first \$10 million, negotiable thereafter
<b>EMERGING MARKETS AND EMERGING MARKETS PLUS</b> (Minimum investment - \$25 MM)	0.95% on the first \$25 million, negotiable thereafter

<b>EMERGING MARKETS SMIDCAP</b> (Minimum investment - \$25 MM)	1.25% on the first \$25 million, negotiable thereafter
<b>STRATEGIC GLOBAL CONVERTIBLES</b> (Minimum investment - \$25 MM)	0.65% on first \$50 million, negotiable thereafter
<b>MARKET NEUTRAL INCOME</b> (Minimum investment - \$50 MM)	0.75% base fee plus 10% performance fee over the benchmark on a calendar year basis

The fee schedules for the accounts that were assigned to Westwood after WHG's acquisition of Westwood Advisors (hereinafter referred to as "Legacy Omaha Accounts") are as follows:

<b>LEGACY OMAHA ACCOUNTS</b> (No minimum investment)	1.00% up to \$750,000 negotiable thereafter
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### Billing Practices

It is our normal practice to bill separately managed accounts quarterly in advance and pooled investments monthly in arrears. However, the billing method is negotiable. Westwood has several wrap fee/managed account relationships where, with the pre-approval of the sponsor, we report fees to the custodian, who automatically pays Westwood directly from account assets.

All fee calculations are based on the market value of an account. If management of an account begins at any time other than the start of the calendar quarter, then the first quarterly fee is prorated. Upon termination by either party (upon thirty (30) days written notice), fees are prorated to the date of termination and any unearned portion of prepaid fees is refunded to the client.

In addition to Westwood's fees discussed above, clients will incur brokerage fees and other transaction costs. See the section titled "Brokerage Practices" below.

### **Performance-Based Fees and Side-By-Side Management**

Westwood currently has a limited number of relationships for which it receives performance-based fees. Generally, performance-based fee structures are only available to clients who have at least \$500 million under management with Westwood at the time that performance-based fees are agreed upon, who have a long standing relationship with Westwood, or who have a minimum investment of \$50,000,000 in our Market Neutral Income Strategy.

Performance-based fees can increase compensation to Westwood as a client's rate of return increases, creating an incentive for Westwood to favor such arrangements over accounts that pay only an asset-based fee. Performance-based fees may create an incentive for an adviser to make riskier or more speculative investments than would be made under a different fee arrangement. This difference in fees could also create an incentive for the adviser to favor one account over another, for example, in terms of access to investment opportunities. We may face conflicts of interest in managing performance-based fee accounts at the same time that we manage asset-based fee accounts, as we may have an incentive to favor performance-based fee accounts because we could receive a higher fee if their performance exceeds the applicable benchmark. It is our policy not to favor the interest of one client over another. We address the conflicts of interest created by "side-by-side management" by having a trade allocation policy that requires trades to be allocated among client accounts in a fair and equitable manner over time.

Investment performance for accounts with performance-based fees is measured relative to the representative benchmark. Performance-based fees are calculated quarterly or annually in arrears based on performance for the defined performance period.

We manage one performance-based fee account in one strategy for a long-term client alongside other non-performance based fee accounts in the same strategy. The account is managed in a substantially identical manner to other similar accounts and receives no special consideration.

## **Types of Clients**

See the section titled "Advisory Business" above for a description of the types of clients to which Westwood generally provides investment advice. Westwood has initial investment requirements ranging from \$2.5 million to \$25 million depending on the mandate. Clients are able to negotiate this requirement and the minimum may be waived at Westwood's discretion.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Westwood utilizes a value style of investing and selects investments that we believe are 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. 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 the stated market capitalization defined below.

The equity securities that Westwood invests in are primarily common stocks, but may also include shares of exchange-traded funds, real estate investment trusts ("REITs"), royalty trusts, preferred stock and master limited partnerships ("MLPs").

The fixed-income investments are, in the aggregate, of investment grade, but may at times include securities rated below-investment-grade (high yield or "junk" bonds). In addition, the fixed-income securities may include unrated securities, if deemed by Westwood to be of comparable quality to investment grade. The convertible securities that Westwood invests in may include, but will not be limited to, corporate bonds, debentures, notes or preferred stocks and



their hybrids that can be converted into (exchanged for) common stock or other securities, such as warrants or options, which provide an opportunity for equity participation.

The Market Neutral Income Strategy may also invest in futures, options, swap contracts, swaptions, forward foreign currency exchange contracts, foreign exchange options and credit default swaps, each of which may be traded either through recognized exchanges or via the over-the-counter market.

### **LargeCap Value Strategy**

For the LargeCap Value strategy, Westwood typically invests in companies with market capitalizations of greater than \$5 billion. The strategy typically invests in approximately 40 to 60 securities that are well diversified among market sectors.

### **Concentrated LargeCap Value Strategy**

For the Concentrated LargeCap Value strategy, Westwood typically invests in companies with market capitalizations of greater than \$5 billion. The strategy typically invests in approximately 15 to 30 securities with the maximum security size not to exceed 10% of the portfolio at the time of purchase.

### **SMidCap Strategy**

For the SMidCap strategy, Westwood typically invests in companies with market capitalizations between \$100 million and \$8 billion, at purchase. The strategy invests in approximately 50 to 70 securities that are well diversified among market sectors.

### **SMidCap Plus Strategy**

For the SMidCap Plus strategy, Westwood typically invests in companies with market capitalizations between \$2 billion and \$15 billion, at purchase. The strategy invests in approximately 45 to 65 securities that are well diversified among market sectors.

### **SmallCap Value Strategy**

For the SmallCap Value strategy, Westwood typically invests in companies with market capitalizations between \$100 million and \$2 billion, at purchase. The strategy invests in approximately 50 to 70 securities that are well diversified among market sectors.

### **AllCap Value Strategy**

For the AllCap Value strategy, Westwood typically invests in companies with market capitalizations greater than \$100 million. The strategy invests in approximately 50 to 80 securities that are well diversified among market sectors.

### **Concentrated AllCap Value Strategy**

For the Concentrated AllCap Value strategy, Westwood typically invests in companies with market capitalizations greater than \$100 million. The strategy invests in approximately 15 to 30 securities with the maximum security not to exceed 10% of the portfolio at the time of purchase.

### **Dividend Growth Strategy**

For the Dividend Growth strategy, Westwood typically invests in companies with market capitalizations greater than \$1 billion. The strategy typically invests in dividend paying securities that are well diversified among market sectors.

### **Income Opportunity and Worldwide Income Opportunity Strategies**

For the Income Opportunity strategy, Westwood typically invests in securities of companies with strong and improving cash flow sufficient to support a sustainable or rising income stream for investors. The strategy typically invests in a diversified group of income-producing securities that may include equity securities with market capitalizations of any size, preferred equity, convertible preferred, fixed income, REITs, Royalty Trusts, MLPs and cash. The Worldwide Income Opportunity strategy typically invests in securities of companies with strong and improving cash flow sufficient to support a sustainable or rising income stream for investors. The strategy typically invests in a diversified group of global income-producing securities that may include global equity securities with market capitalizations of any size, global preferred equity, global convertible preferred, global fixed income, global REITs, Royalty Trusts, MLPs and cash.

### **Balanced & Intermediate Fixed Income Strategies**

For the Balanced strategy, Westwood invests in a combination of equity and debt securities. The strategy typically invests in equity securities that have market capitalizations of \$1 billion or more and have been operating for at least three years. For both the Balanced and Intermediate Fixed Income strategies, 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 Balanced strategy invests in approximately 40 to 60 equity securities and approximately 40 to 60 debt securities that are well diversified among market sectors. The Intermediate Fixed Income strategy typically invests in approximately 40 to 60 debt securities with attractive valuations.

### **Global Equity and Global Dividend Strategies**

Westwood typically invests in global companies with market capitalizations of greater than \$1 billion for the Global Equity strategy and greater than \$500 million for the Global Dividend strategy. Westwood invests in approximately 65 to 85 securities in the Global Equity strategy and approximately 65 to 90 securities in the Global Dividend strategy. Both strategies are well diversified among market sectors.

Westwood may rely on the resources of WIA with respect to these strategies.

### **Emerging Markets and Emerging Markets Plus Strategies**

For the Emerging Markets and Emerging Markets Plus strategies, Westwood typically invests in securities of companies located in, or with primary operations in emerging markets. For the Emerging Markets strategy, Westwood invests in approximately 70 to 90 companies with market

capitalizations greater than \$500 million that are well diversified among market sectors. For the Emerging Markets Plus strategy, Westwood invests in approximately 50 to 70 companies with market capitalizations greater than \$1.5 billion that are well diversified among market sectors.

Westwood may rely on the resources of WIA with respect to these strategies.

#### **Emerging Markets SMidCap Strategy**

For the Emerging Markets SMidCap strategy, Westwood typically invests in securities of companies headquartered in, or with primary operations in, emerging markets. Westwood typically invests in approximately 70 to 90 companies with market capitalizations between \$150 million and \$9 billion, at purchase, that are well diversified among market sectors.

Westwood may rely on the resources of WIA with respect to this strategy.

#### **MLP Infrastructure Renewal Strategy**

For the MLP Infrastructure Renewal strategy, Westwood typically invests in 25 to 35 securities across Master Limited Partnerships (MLP) subsectors and in securities with MLP-like characteristics with market capitalizations of any size.

#### **MLP Opportunities Strategy**

For the MLP Opportunities strategy, Westwood typically invests in 25 to 35 securities across MLP subsectors and in securities with MLP-like characteristics with market capitalizations of any size. The MLP Opportunities strategy will not invest more than 4% in any security at cost and will tend to be less heavily weighted towards larger capitalization MLPs than the MLP Infrastructure Renewal strategy.

#### **MLP and Strategic Energy Strategy**

For the MLP and Strategic Energy strategy, Westwood typically invests in 25 to 35 securities across market capitalizations of any size. To achieve the investment objective of capital appreciation and current income, the strategy may invest in MLPs and securities primarily involving the energy related activities. Investment in publicly traded partnerships for this strategy will be limited to 25% of the portfolio. In addition, the fund may invest in MLP subsectors and in securities with MLP-like characteristics.

#### **Strategic Global Convertibles Strategy**

For the Strategic Global Convertibles strategy, Westwood typically invests in 60 to 90 companies with attractive valuations, with a goal of maintaining a delta range between 30 and 80. The strategy seeks to provide equity-like returns with lower volatility through a disciplined investment approach. The strategy seeks to provide a fully invested portfolio that is diversified among regions and sectors. The team controls risk by using a sophisticated convertible analytics system, KYNEX, and also using the FinAnalytics Cognity monitoring system and conducting formal reviews each month.

### **Market Neutral Income Strategy**

For the Market Neutral Income strategy, Westwood typically invests in 50 to 70 long positions plus associated hedges. The portfolio team may use investments such as futures, options, swaps, forwards, contracts for difference (“CFD”) total return swaps (“TRS”) and credit and interest rate derivatives, each of which may be traded either through recognized exchanges or via the over-the-counter market. Portfolio position sizes are determined based on the forecasted return, conviction, contribution to risk and market liquidity. The portfolio team invests with a one-year time horizon and will exit the position when pricing approaches theoretical fair value or on a change in the fundamentals of the underlying company. The team controls risk by using a sophisticated convertible analytics system, KYNEX, and also by using the FinAnalytica Cognition monitoring system and conducting formal reviews each month.

### **REIT Strategy**

For the REIT strategy, Westwood typically invests in REIT securities of companies that own, and usually operate, income producing real estate assets. Westwood invests in approximately 50 to 75 publicly traded REITs with attractive income and growth characteristics.

## Principal Risks

As with all investments there is a risk of loss of money. Investing in securities involves risk of loss that clients should be prepared to bear. The principal risk factors affecting client funds are set forth, by strategy, in summary format below. Following such summaries are more detailed explanations of such risks. Clients and prospective clients should carefully review the detailed explanations of each type of principal risk.

LargeCap Value Strategy		
<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> </ul>

Concentrated LargeCap Value Strategy		
<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> </ul>

SMidCap Strategy		
<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>• Small-Capitalization Company Risk</li> </ul>

SMidCap Plus Strategy		
<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> </ul>

SmallCap Value Strategy		
<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> </ul>

AllCap Value Strategy		
<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> </ul>

<b>Concentrated 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> <li>• Non-Diversified Strategy 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> </ul>

<b>Dividend Growth Strategy</b>		
<ul style="list-style-type: none"> <li>• Dividend Paying Stocks Risk</li> <li>• Equity Risk</li> <li>• Foreign Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign Currency Risk</li> <li>• REIT Risk</li> <li>• Royalty Trust Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• Trust Preferred Securities Risk</li> </ul>

<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> </ul>

<b>Worldwide Income Opportunity Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Preferred Stock Risk</li> <li>• Convertible Securities Risk</li> <li>• Warrants Risk</li> <li>• Foreign Company Risk</li> <li>• Small- and Mid-Capitalization Company Risk</li> </ul>	<ul style="list-style-type: none"> <li>• MLP Risk</li> <li>• Royalty Trust Risk</li> <li>• REIT Risk</li> <li>• ETF Risk</li> <li>• Foreign Currency Risk</li> <li>• Derivatives Risk</li> <li>• Portfolio Turnover Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed Income Risk</li> <li>• High Yield Bond Risk</li> <li>• U.S. Government Securities Risk</li> <li>• Money Market Instruments Risk</li> <li>• Regional Focus Risk</li> <li>• Emerging Markets Risk</li> <li>• Liquidity Risk</li> </ul>

<b>Balanced Strategy</b>		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• REIT Risk</li> <li>• Foreign Currency Risk</li> <li>• Fixed Income Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Style Risk</li> <li>• Royalty Trust Risk</li> <li>• ETF Risk</li> <li>• U.S. Government Securities Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio Turnover Risk</li> <li>• MLP Risk</li> <li>• Foreign Company Risk</li> </ul>

<b>Intermediate 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> </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> </ul>

Global Dividend Strategy		
<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> </ul>

Emerging Markets Strategy		
<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> </ul>

Emerging Markets Plus Strategy		
<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> </ul>

Emerging Markets SMidCap Strategy		
<ul style="list-style-type: none"> <li>• Equity Risk</li> <li>• Foreign Company Risk</li> <li>• ETF Risk</li> <li>• Liquidity Risk</li> <li>• Small-Capitalization Company 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> </ul>

MLP Infrastructure Renewal Strategy		
<ul style="list-style-type: none"> <li>• MLP Risk</li> <li>• Energy Industries Risk</li> <li>• High Yield Bond Risk</li> <li>• ETN 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>

MLP Opportunities Strategy		
<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> </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>

MLP and Strategic Energy Strategy		
<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> </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>

Strategic Global Convertibles Strategy		
<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> </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>

Market Neutral Income Strategy		
<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> </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>

REIT Strategy		
<ul style="list-style-type: none"> <li>• REIT 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>

**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.

**Counterparty Credit Risk** – Markets in which Westwood may effect transactions “over-the-counter” do not regulate participants to the same extent as “exchange-based” markets. Where a Westwood Strategy carries out transactions in these markets, it may be subject to a credit risk on the transaction counterparty and a risk of settlement default. Such transactions do not benefit



from the same protections as exchange-based clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. This may subject the Strategy to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such “counterparty risk” is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of the Strategy to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses.

**Counterparty Risk** – A Strategy may have credit exposure to counterparties by virtue of investment positions in options, forward exchange rate and other contracts held by a Strategy. To the extent that a counterparty defaults on its obligation and the Strategy is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur other costs.

**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.

**Custodial Risk** – As the Strategy may invest in markets where the trading, settlement and custodial systems are not fully developed, its assets which are traded in such markets and which have been entrusted to sub-custodians in such markets in circumstances where the use of such sub-custodians is necessary may be exposed to risk in circumstances in which the custodian will have no liability.

**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 an 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 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** – The 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 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 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 Depositary 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.

**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.

**Investment Style Risk** – Westwood pursues a “value style” of investing. Value investing focuses on companies with stocks that appear undervalued in light of 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 client could suffer losses or produce poor performance. In addition, “value stocks” can continue to be undervalued by the market for long periods of time.

**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 for Westwood 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 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** – Westwood may invest in royalty trusts on behalf of client accounts. 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** – The small- and mid-capitalization companies in which Westwood may invest 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 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.

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**Trust Preferred Securities Risk** – Trust preferred securities are preferred stocks issued by a special purpose trust subsidiary backed by subordinated debt of the corporate parent. These securities typically bear a market rate coupon comparable to interest rates available on debt of a similarly rated company. The securities are generally senior to standard preferred stock but junior to other bondholders. Trust preferred securities are subject to unique risks, which include the fact that dividend payments will only be paid if interest payments on the underlying obligations are made, which interest payments are dependent on the financial condition of the parent corporation and may be deferred for up to 20 consecutive quarters. There is also the risk that the underlying obligations, and thus the trust preferred securities, may be prepaid after a stated call date or as a result of certain tax or regulatory events, resulting in a lower yield to maturity.

**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.

**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.

## **Disciplinary Information**

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

Westwood is involved in the following legal actions:

On August 3, 2012, AGF Management Limited and AGF Investments Inc. (“AGF”) filed a lawsuit in the Ontario Superior Court of Justice against Westwood Holdings Group, Inc. (“WHG”), Westwood, and certain officers and employees of Westwood, and the executive recruiting firm Warren International, LLC (“Warren”). The action relates to the hiring of certain members of Westwood's global and emerging markets investment team who were previously employed by AGF. AGF is alleging that the former employees breached certain obligations when they resigned from AGF, and that WHG, Westwood and Warren induced such breaches. AGF is seeking an unspecified amount of damages and punitive damages of \$10 million (CAD) in the lawsuit. On November 5, 2012, WHG, Westwood, and the named officers and employees filed a Statement of Defence and Counterclaim to AGF's lawsuit. WHG, Westwood, and the named officers and employees are seeking \$1 million (CAD) in general damages, \$10 million (CAD) in special damages, \$1 million (CAD) in punitive damages and costs. On November 6, 2012, AGF filed a second lawsuit against WHG, Westwood Management and an employee, alleging that the employee made defamatory statements about AGF. In this second lawsuit, AGF is seeking \$5 million (CAD) in general damages, \$1 million (CAD) per defendant in punitive damages, unspecified special damages, interest and costs. On December 4, 2012, WHG, Westwood, and the named employee filed a Statement of Defence to AGF's lawsuit.

The pleadings phase is now complete and the case is now in the discovery phase. Westwood intends to defend both actions and pursue the counterclaim.

## **Other Financial Industry Activities and Affiliations**

Westwood has three affiliated companies: Westwood Advisors, LLC, 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 registered with the Ontario Securities Commission and the Autorité des Marché Financiers in Quebec, all of which are wholly owned subsidiaries of Westwood's parent company, WHG. Westwood is

the investment adviser for the Westwood Funds family of mutual funds. Westwood has a sub-advisory agreement with Westwood Trust pursuant to which Westwood serves as a sub-advisor to the Westwood Trust Commingled Funds. Westwood also has sub-advisory agreements with eight of the ten private funds managed by Westwood Advisors.

With respect to Westwood's advisory services, WIA, its Participating Affiliate, is registered with the Ontario Securities Commission and the Autorité des Marché Financiers in Quebec. In reliance on a series of SEC no-action letters, Westwood has entered into arrangements with its Participating Affiliate whereby Westwood utilizes the investment management capabilities and related services, including certain personnel, of the Participating Affiliate in providing advice to Westwood's clients. The Participating Affiliate is not registered with the SEC as an investment adviser. However, employees of the Participating Affiliate that assist in providing investment advice to Westwood are subject to the regulatory oversight of both Westwood and the SEC, and are subject to Westwood's Code of Ethics and other compliance policies and procedures adopted by Westwood pursuant to the requirements of the Investment Advisers Act of 1940, as amended.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Westwood has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. 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, political contributions, and outside business activities and to report gifts and entertainment through the Chief Compliance Officer (CCO) or his or her designee.

The Code prohibits Westwood employees from purchasing or selling securities for their own account that are owned in a Westwood strategy, with a limited exception for *de minimis* trades. The exception allows employees to personally transact in securities that are owned in a Westwood strategy if the security has a market cap greater than \$5 billion and the value of the trade is \$5,000 or less. Employees are restricted to five such *de minimis* trades per month. 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. 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 client accounts 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 sign a quarterly compliance certification.

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 of more than \$100 in value from any client, competitor, or any person or entity that does business with or on behalf of any client. If an employee is offered, receives, or anticipates receiving something of value, the employee must report the matter in the compliance reporting software. In addition, employees must report accepted offers of entertainment from all persons or entities that do business with or on behalf of any client. The Code requires employees to certify quarterly that they have reported all gifts and entertainment.

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

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.

## **Brokerage Practices**

In arranging for the execution of client transactions, Westwood seeks to obtain best execution at favorable prices on behalf of its clients. In selecting broker-dealers to execute client transactions, Westwood generally considers all relevant information including, without limitation:

- price of the security;
- size and difficulty of the order;
- quality of execution and liquidity services provided by the broker-dealer;
- commission rates;
- broker-dealer's research and investment ideas;
- broker-dealer's ability to obtain a timely execution;
- broker-dealer's execution policies and commitment to providing best execution;
- size and volume of the broker-dealer's order flow;
- reliability, efficiency, accuracy, integrity of the broker-dealer's general execution and operational capabilities; and

- financial condition of broker-dealer.

### Research and Other Soft Dollar Benefits

Westwood may pay a brokerage commission in excess of that which another broker-dealer may charge for effecting the same transactions in recognition of the value of the brokerage and research services provided by or through the broker-dealer. Westwood will make a good faith determination that the amount of commissions paid is reasonable in relation to the value of the brokerage and research services provided. The brokerage and research services received by Westwood generally include proprietary or third-party research, general economic and market information, portfolio strategy advice, industry and company comments, technical data, evaluations of securities, pricing services, credit research analysis, general reports, consultations, performance measuring data, on-line pricing, brokerage execution-related services, and special execution capabilities, newswire and quotation services (*e.g.*, Reuters, Bloomberg, First Call), and recommendations as to the purchase or sale of securities.

To the extent that certain items have research and non-research components (“mixed-use”), Westwood will allocate commissions for only those portions of the service or product that are research or execution related. This cost basis analysis will be conducted on a case-by-case basis depending upon the total costs for a service or product and the extent to which the product or service is used by Westwood for research or brokerage execution-related services.

Westwood may use the products and services received from broker-dealers to service all Westwood accounts. Thus, not all such services may be used for the benefit of the client that pays the brokerage commission resulting in the receipt of such research or brokerage services.

The use of brokerage commissions to obtain research and brokerage-related products and services creates a conflict of interest between Westwood and its clients because the clients pay for such products or services, which may not be exclusively for the benefit of advisory clients and which may be primarily or exclusively for the benefit of Westwood. To the extent that Westwood is able to acquire products and services without expending its own resources (including management fees paid by clients), Westwood’s use of commission sharing arrangements would tend to increase its profitability. In addition, the availability of these non-monetary benefits may influence Westwood to select one broker-dealer over another to perform services for clients. Moreover, the use of “mixed-use” products or services creates a conflict to the extent that Westwood allocates the cost of the product or service to soft dollars.

Westwood generally will only use commission sharing for brokerage and research related products and services. Non-brokerage and non-research products and services received by Westwood from broker-dealers in connection with client trades will be paid for directly by Westwood. Notwithstanding Westwood’s good faith determination that certain products and services are research or brokerage-related, Westwood may inadvertently use commissions to pay for non-brokerage or non-research products or services to the extent that Westwood’s good faith determination is not accurate.

Westwood intends to use commission sharing only for those products and services that fall within the safe harbor provisions of the Securities Exchange Act of 1934.

Westwood will provide a commission sharing report to clients upon request. Clients may direct Westwood as to how to prepare this report.

#### Directed Brokerage

Westwood permits clients to select brokers to execute securities transactions for the client's account (known as "directed brokerage"). If the client elects to direct brokerage transactions to a particular broker-dealer, Westwood may not be able to aggregate such client's order with orders for other clients. Consequently, Westwood may not be able to obtain best execution for a client that directs brokerage, and this may cost the client more money. Further, a client that directs brokerage may pay higher commissions because Westwood may not participate in the negotiation of commission rates for those transactions.

#### Trade Aggregation and Allocation

Pursuant to Westwood's trade allocation policy, on occasions when Westwood deems the purchase or sale of a security to be in the best interests of more than one of its clients, Westwood may aggregate multiple contemporaneous client purchase or sell orders into a block order for execution.

Client accounts for which orders are aggregated receive the average price of such transaction, which could be higher or lower than the price that would otherwise be paid by a client absent the aggregation. Any transaction costs incurred in the transaction are shared *pro rata* based on each client's participation in the transaction. In some cases, this procedure could have an adverse effect on a particular account. In the opinion of Westwood, however, the results of such procedures will, on the whole, be in the best interests of each of its advisory accounts.

When a decision is made to aggregate orders, Westwood seeks to allocate securities among its client accounts in a fair and equitable manner. Under Westwood's trade allocation policy, securities generally are allocated among client accounts according to each account's pre-determined participation in the transaction, as Westwood seeks to allocate transactions before execution of a block order. However, under certain circumstances, trades may not be allocated prior to entering the trade order. In such event, Westwood will seek to allocate such orders at the earliest practicable time.

Pre-allocated and unallocated block trades that are partially filled are generally allocated on the basis of the relative net assets of the participating accounts. If the aggregate order is partially filled, Westwood typically will allocate trades on a pro rata basis among the client accounts in proportion to the contemplated allocation in the written record, subject to rounding to ensure that each account receives round lots. Where pro rata allocation is not practicable, Westwood will allocate trades in a fair and equitable manner taking into consideration such factors as:

- The investment objective, policies and strategy of the account;
- The appropriateness of the investment to an account's time horizon and risk objectives;
- Existing levels of account ownership in the investment and in similar securities; and

- The immediate availability of cash or buying power to fund the investment.

When aggregating trades among client accounts, managed account trades cannot be included in the aggregation due to the separate trading platform used for managed accounts. Therefore, Westwood has chosen to execute managed account trades after the separate account trades have been completed.

Westwood may execute transactions in the same securities on behalf of a number of accounts, including accounts in which Westwood and/or its officers or employees may have a financial interest, such as the mutual funds managed by Westwood. Thus, there may be a conflict of interest to the extent that trades are allocated to accounts in which Westwood or its officers and employees have a financial interest and are not allocated to other client accounts. These transactions may be executed separately or they may be aggregated when, in Westwood's reasonable judgment, aggregation may result in an overall economic benefit to those accounts in terms of pricing, brokerage commissions or other expenses. Westwood will not aggregate client trades with proprietary (insider) accounts of Westwood.

In general, trades are allocated among Westwood's investment strategies on a *pro rata* basis (to the extent a portfolio team decides to participate fully in the trade), for further allocation by each portfolio team across that portfolio's eligible accounts. Where *pro rata* allocation is not practicable, Westwood will seek to make trade allocations consistent with the factors identified above, and in a fair and equitable manner. Once trades are allocated, they may be reallocated only in unusual circumstances due to recognition of specific account restrictions.

From time to time, Westwood has access to security distributions during an initial or secondary public offering ("IPO"). However, due to the small size of Westwood's business compared to other asset managers and market participants, Westwood rarely, if ever, obtains access to a sufficient number of IPO shares so as to make a material allocation of such shares among all, or even many, of its client accounts for which such investments otherwise might be appropriate. However, to the extent practicable, Westwood will allocate IPO shares fairly and equitably among our advisory clients on a specific and consistent basis so as not to advantage any firm, personal or related account and so as not to favor or disfavor any client, or groups of clients, over any other. Westwood will seek to make such a fair and equitable allocation taking into consideration such factors as:

- The investment objective, policies and strategy of the account;
- The appropriateness of the investment to an account's time horizon and risk objectives;
- Existing levels of account ownership in similar securities; and
- The immediate availability of cash or buying power to fund the investment.

Under this method, some clients receive a "hot issue" while others do not. However, those clients that do not receive one hot issue would be a higher priority for the next hot issue. This method is generally used at Westwood due to the relatively small portions of hot issues which are allocated as a result of the relatively small size of Westwood's business.

Notwithstanding Westwood's consideration of the above factors, certain allocation preferences may exist. For example, mutual funds and commingled fund accounts managed by Westwood may receive a greater allocation of IPO shares because of the higher immediately available cash or buying power of these accounts. Westwood also seeks to provide consistent performance across all accounts in the same product group; therefore, an account may be given preference based on the size of the account and the overall effectiveness of the allocated trade on the performance of that account.

IPOs may be allocated to accounts in which Westwood or its officers or employees may have a financial interest. Thus, there may be a conflict of interest to the extent IPOs are allocated to these accounts and not allocated to other client accounts.

Clients that direct their brokerage to a specific broker-dealer, including any wrap account clients, will not participate in IPO allocations.

Westwood will document each allocation and maintain appropriate books and records.

## **Review of Accounts**

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 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. In addition to account reviews with the client, the Portfolio Team formally reviews the portfolio on a weekly basis looking at items such as recent events, the performance of each holding, and sector and industry metrics versus the market using a variety of tools including formal attribution analysis. The Team also reviews the portfolio to evaluate changes or additions to the portfolio that might be appropriate. The Portfolio Team meets informally on a daily basis to monitor the portfolio and its holdings. We have also established the Performance Evaluation Technology Committee (PETC), which meets at a minimum of six times per year to review performance calculation policies and dispersion for each investment management account and which monitors account guidelines on an annual basis.

Monthly reports are distributed based upon client request and generally include an asset statement, performance for the month and, frequently, quarter-to-date, and status of the portfolio. On a quarterly basis, we include all of the above information, as well as an overall review of results for the quarter, year-to-date, and inception-to-date. We may also include a strategic forecast, highlighting our investment outlook for the capital markets.

Legacy Omaha Accounts will receive statements that present account valuation and transactions from the bank or brokerage firm that acts as custodian of their securities. These statements will be provided as contracted for with the custodian. In most cases, they are provided monthly, but they may be provided quarterly. These clients also receive quarterly reports from Westwood

Advisors that present quarter-end valuation, asset allocation, account performance information and fees.

## **Client Referrals and Other Compensation**

Westwood Management Corp. does not currently utilize placement agents for our domestic strategies. However, our affiliate, Westwood International Advisors Inc. (WIA), which manages our global and emerging markets equity strategies, has one placement agent agreement in place. In 2013, WIA, entered into an agreement with DPN Capital, Inc., a firm focused on introducing Westwood global equity and emerging markets products to international prospects. As of July 2015, one client has been acquired as a result of DPN's third party agent efforts. The placement agent is paid a percentage of the fee that WIA earns, for as long as the client remains under management.

## **Custody**

Westwood does not maintain custody of client funds or securities. Custody of some client funds (namely 32 common trust funds) is maintained by Westwood Trust, a qualified custodian. Westwood reconciles these common funds monthly and reports any differences to Westwood Trust personnel for reconciliation. No other accounts managed by Westwood are custodied at Westwood Trust.

Custody of Legacy Omaha Account funds and securities is maintained by First National Bank – Omaha & TD Ameritrade. These clients will receive monthly/quarterly account statements from both their custodian and Westwood.

Clients should carefully review the statements sent to them by Westwood and compare them with account statements sent by their custodian.

## **Investment Discretion**

Westwood accepts discretionary authority to manage securities accounts on behalf of its clients pursuant to a signed investment management agreement and any necessary accompanying documentation (*e.g.*, board resolutions, list of individuals authorized to direct disbursements and/or contributions, client's driver's license in the case of individuals) and has broad authority to determine, without specific client approval, the amount and type of securities to be bought and sold, the broker-dealer to be used and the commission rate to be paid to such broker-dealer.

Any limitations on this authority are as follows:

- (1) any restrictions or prohibitions as set forth in the client investment guidelines;
- (2) the client's request to direct brokerage to a specific broker dealer, which Westwood would follow subject to best execution requirements; and
- (3) commission rates which are competitively set by the market.

## **Voting Client Securities**

Westwood typically has authority to vote client securities and 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 maintains complete proxy record keeping files for all clients. These files include a listing of all proxy material sent on behalf of our clients along with individual copies of each response. Client access to these files can be arranged upon request. A summary of voting is sent to each client on an annual basis.

Westwood will identify any conflicts of interests between the interests of itself and the client. If a material conflict exists, Westwood 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 will maintain a record of the resolution of any proxy voting conflict of interest.

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

Clients can retain the authority to vote their securities, or they can request to receive proxy research and voting recommendations and can direct Westwood as to how to vote.

## **Financial Information**

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

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

Westwood has not been the subject of a bankruptcy petition.