Westwood Introduces Innovative Pricing Structure to Solve for Better Alignment with Multi-Asset and Alternative Mutual Fund Investors

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DALLAS, Nov. 07, 2019 (GLOBE NEWSWIRE) -- Westwood Holdings Group, Inc. (NYSE: WHG), a leading investment manager to institutional investors, private wealth clients and financial intermediaries, announces today, in an effort to further innovate and align with investors, the launch of its Sensible Fees™ pricing model for three mutual funds operating within its newly-formed Multi-Asset franchise, outlined in a new white paper. The new performance fee structure is available in Westwood's Alternative Income, High Income and Total Return Funds. Westwood's Alternative Income Fund will be the first of its kind to incorporate a performance fee in its corresponding Morningstar Market Neutral category.[1]

This new approach is designed to appeal to mutual fund investors in a prospective lower return environment when exchange-traded funds (ETFs) and Index funds may disappoint investors. "We anticipate positive, moderating growth in the U.S., well supported by robust labor markets and the effects of fiscal stimulus," said Adrian Helfert, Director of Multi-Asset Portfolios at Westwood. "That said, trade war concerns, accommodative policy and election rhetoric, plus the late market cycle position, strongly suggest a shift in market conditions as we look ahead to 2020." He elaborated, "Our Sensible Fees™ approach enables investors to pay significantly lower fees during periods of negative or underperformance which helps them handle the cyclicality inherent in active management while realizing better net long-term returns relative to funds with high, fixed expense ratios."

In the aftermath of the 2008 financial crisis, alternative mutual funds have failed to align expense ratios with the risk and return potential of underlying investment strategies and have often been overpriced. Over the last five years, expenses in most major alternative liquid categories have average fees that range from nearly 40% to 63% of gross returns[2], which hurts conservative investors looking for low, single-digit returns to diversify bond portfolios. Sensible Fees™ help mitigate this disconnect, better aligning with the investor by not charging high fees when a fund fails to generate excess returns and only having the investor pay a proportionate fee as a share of valued-added performance.

"Alternative and Multi-Asset Mutual Funds have the potential to help institutional, retail and HNW investors build better diversified portfolios in a lower-return market environment. High expense ratios diminish the probability of success for many of these strategies," said Harvey Steele, Senior Vice President, Head of Intermediary Distribution at Westwood. "Today's announcement is part of a larger strategy to expand our product lines and to better serve financial advisors and retail investors across our mutual fund and Separately Managed Account (SMA) platform. We believe this is a distinct competitive advantage for Westwood."

Westwood's vision focuses on building a new brand of active management. For far too long, investors have paid for the "promise" of active performance with fixed fees which can be inappropriate and misaligned given the cyclicality in active management. We want to solve for both the mathematical and psychological disconnect and give the investor the asymmetric advantage in the relationship. With Sensible Fees™, asset owners can avoid overpaying for below median or slightly above average performance thereby gaining an advantage that compounds over the long term," said Phil DeSantis, CFA, and Product Head at Westwood.

To download the whitepaper, click here.

Westwood is launching three funds that feature Sensible Fees™ pricing:

Westwood Alternative Income Fund
This Fund focuses on generating absolute returns through a combination of current income and capital appreciation with low correlations to equity and fixed income markets. Westwood Alternative Income Fund includes a performance fee structure, through the Sensible Fees™ platform. With this approach, investors will pay a low minimum total expense ratio (TER) if the Fund matches or underperforms the benchmark. Additional fees would apply only if the Alternative Income Fund outperforms the benchmark.

Westwood High Income Fund
The Fund focuses on maximizing total return through a high level of current income and capital appreciation. Westwood High Income Fund includes a performance fee structure through the Sensible Fees™ platform. With this approach, investors will pay a low minimum total expense ratio (TER) if the Fund matches or underperforms the benchmark. Additional fees would apply only if the High Income Fund outperforms the benchmark. Many multi-asset funds carry high expense ratios and have underperformed common equity and fixed income benchmarks, according to Morningstar. Lower fees, reflecting a performance-based approach, are designed to mitigate the drag on return and yield.

Westwood Total Return Fund
This Fund focuses on bottom-up, multi-asset investing that aims to provide total return through a combination of current income and capital appreciation. The Westwood Total Return Fund includes a performance fee structure through the Sensible Fees™ platform. With this approach, investors will pay a low minimum total expense ratio (TER) if the Fund matches or underperforms the benchmark. Any additional fees would apply only if the Total Return Fund outperforms the benchmark. Many multi-asset funds carry high expense ratios and have underperformed common equity and

fixed income benchmarks, according to Morningstar.

Representative Pricing structure:
Each individual fund has respective pricing, which is varied for different share classes. To provide insight on how the pricing model works, reference the sample structure below:

Westwood Alternative Income I Share Pricing
Minimum Net TER [0.35%]; Minimum Gross TER [0.98%]
Maximum Net TER [0.99%]; Maximum Gross TER [1.62%]
Benchmark [FTSE 1-Month U.S. Treasury Bill Index]
Performance Fee Range [0 to 4.00%] above the Benchmark
Performance Fee Mid-Point [0.67%-Net TER,1.30%-Gross TER] at 2.00% above the Benchmark

Pursuant to Prospectus:
Net Expense Ratio: 0.67%
Expenses Without Waiver: 1.30%
Waiver Expiration*: February 28, 2021
*The advisor has contractually agreed to reduce and reimburse expenses until February 28, 2021

For more information, visit: https://westwoodgroup.com/investment-management/sensible-fees/.

About Westwood
Westwood Holdings Group, Inc. provides investment management services to institutional investors, private wealth clients and financial intermediaries. The firm has $15.0 billion in assets under management, of which $2.3 billion are in values-based and socially responsible investment mandates as of Sept. 30, 2019. Westwood offers a range of investment strategies including U.S. equities, Multi-Asset, Emerging Markets equities, Global Convertible securities and Master Limited Partnerships (MLPs) portfolios. Access to these strategies is available through separate accounts, the Westwood Funds® family of mutual funds, UCITS funds and other pooled vehicles. Westwood benefits from significant, broad-based employee ownership and trades on the New York Stock Exchange under the symbol "WHG." Based in Dallas, Westwood also maintains offices in Toronto, Boston and Houston.

[1] Morningstar ran a search of Funds within the Market Neutral category and none showed a Performance Fee within this data point. Please note, this confirms our internal channel checks as well.

[2] Figure 5: Data compiled from Morningstar Direct as of 12/31/2018 using institutional shares in the following categories: Market Neutral, Multialternative and Long-Short Credit.

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Fund's prospectus which may be obtained by calling 877.FUND.WHG (877.386.3944). Please read the prospectus carefully before investing.

There are risks involved with investing, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objective. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility. Bonds are subject to interest rate risk and will decline in value as interest rates rise. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities. REIT investments are subject to changes in economic conditions, credit risk and interest rate risk. Mortgage-backed securities (MBS) are subject to prepayment and extension risk and therefore react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of MBS. Derivatives are often more volatile than other investments and may magnify the Fund's gains or losses. International investments 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. Certain securities may be difficult or impossible to sell at the time and the price that the Fund would like. The Fund may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on Fund management or performance. Diversification does not protect against market loss.

The Westwood Funds are distributed by SEI Investments Distribution Co. (SIDCO). SIDCO is not affiliated with Westwood Holdings Group, Inc. or any other affiliate. SIDCO is located at 1 Freedom Valley Drive, Oaks, PA 19456.

Contact:
Sheana Suek
214.756.6900
ssuek@westwoodgroup.com

WESTWOOD HOLDINGS GROUP, INC.

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