



**Westwood**<sup>®</sup>

Investing Where It Counts

# Investor Relations Presentation

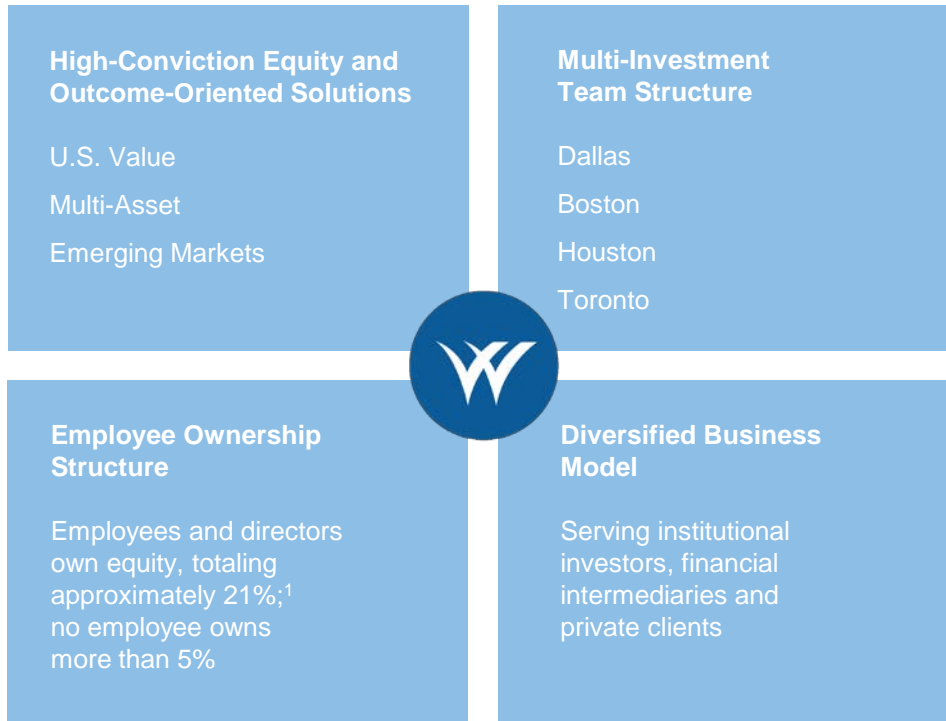
As of March 31, 2020

# Overview



## Firm Overview

We are a focused investment management boutique offering high-conviction equity and outcome-oriented solutions. Our investment services can address a wide range of investment objectives and challenges for institutional investors, financial intermediaries and private clients.



Westwood Management Corp. was founded and registered with the SEC in April 1983. Its parent company, Westwood Holdings Group, Inc., was launched as a public company in 2002, trading on the New York Stock Exchange under the symbol WHG. Except as otherwise noted, all references to or information about the “firm” or “Westwood” throughout this presentation describe Westwood Holdings Group, Inc. and its wholly owned subsidiaries, which include Westwood Management Corp., Westwood Trust, Westwood Advisors, LLC, and Westwood International Advisors Inc.

Best Places to Work Selection criteria based 25% on corporate application and 75% on anonymous employee questionnaires within the “100-499 employees” category. Awarded on December 9, 2019.

## Investment Management Wealth Management

### Overview

Founded | 1983

AUM | \$11.6 B

Employees | 163

Publicly Traded | NYSE: WHG 2002

Signatory |  Principles for Responsible Investment



<sup>1</sup>As of March 2, 2020



OUR EMPLOYEES:  
**THE BUILDING BLOCKS  
OF OUR SUCCESS.**

Thank you for making Westwood  
one of the best places to work  
for the sixth year in a row!



# SIX-PEAT



At Westwood, **we are fiercely committed** to our culture and putting clients first. We are so proud to be recognized by P&I as a top place to work for the sixth year in a row.



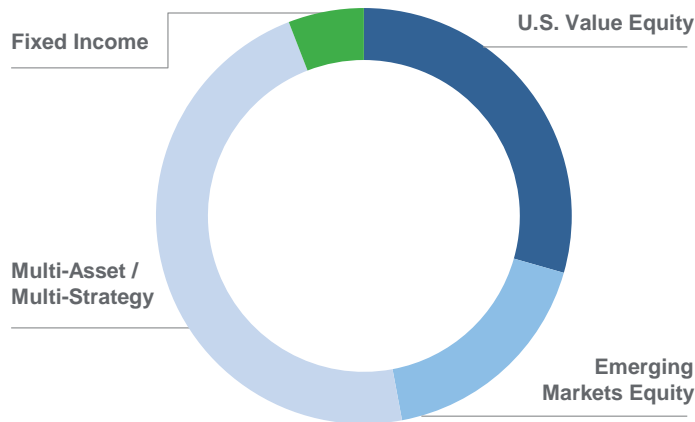
Separately Managed Accounts

Mutual Funds

UCITS

Other Pooled Vehicles

## Our Strategies



### U.S. Value Equity

- AllCap Value
- LargeCap Select
- LargeCap Value
- SmallCap Value
- SMidCap Value

### Fixed Income

- Custom Solutions

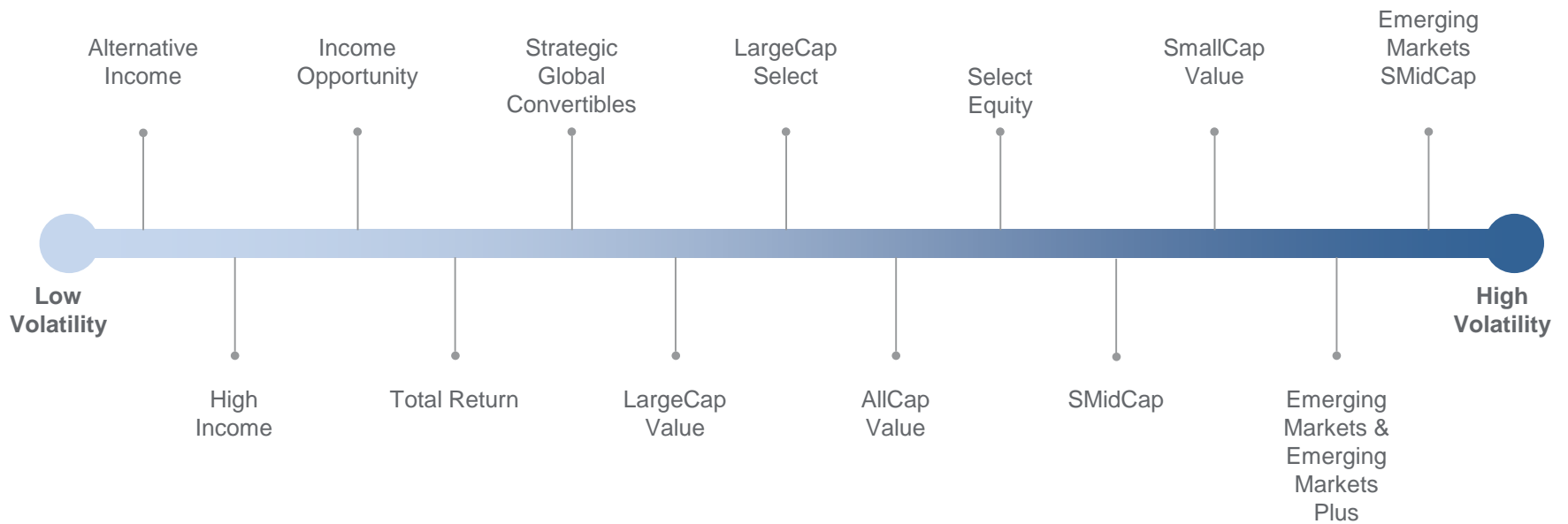
### Emerging Markets Equity

- Emerging Markets
- Emerging Markets Plus
- Emerging Markets SMidCap

### Multi-Asset / Multi-Strategy

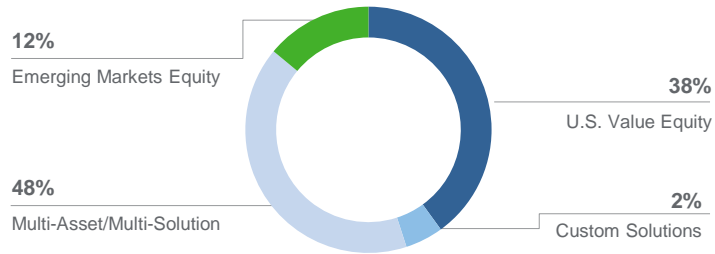
- Income Opportunity
- Select Equity
- Enhanced Balanced
- High Income
- Total Return
- Alternative Income
- Strategic Global Convertibles



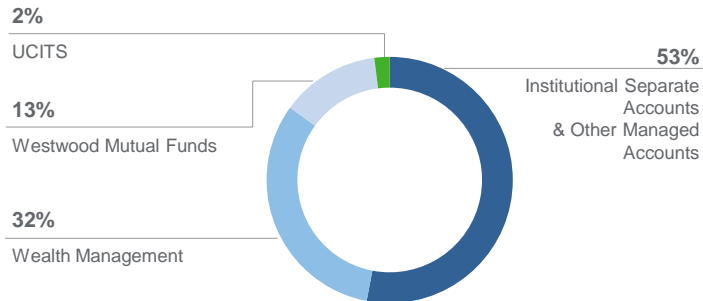


# Westwood | Product and Channel Diversification

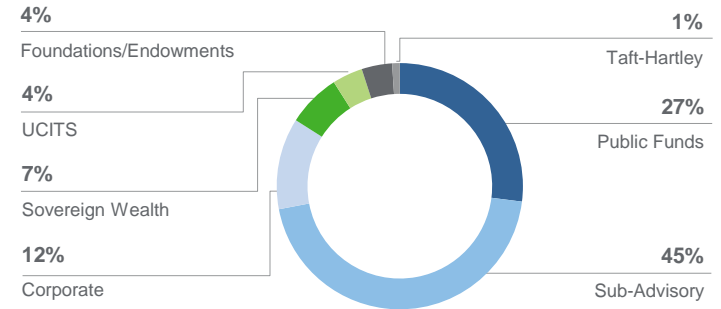
## STRATEGY BREAKDOWN



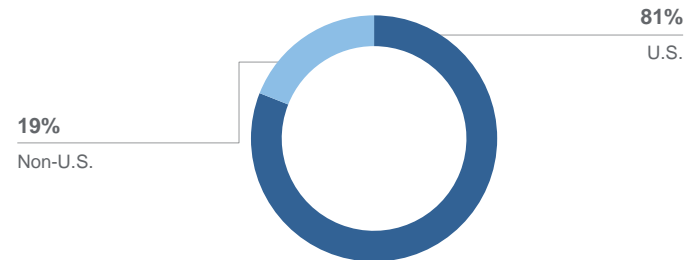
## ASSETS BY ACCOUNT TYPE



## INSTITUTIONAL CLIENT TYPE



## ASSETS BY CLIENT DOMICILE



Percentages in the Strategy Breakdown, Assets by Account Type, and Assets by Client Domicile charts are based upon firm-wide assets under management as of March 31, 2020. Percentages in the Institutional Client Type chart are based upon the combined assets under management of Westwood Management Corp. and Westwood International Advisors Inc. only, less assets managed for private individuals, managed accounts, and collective investment trusts.

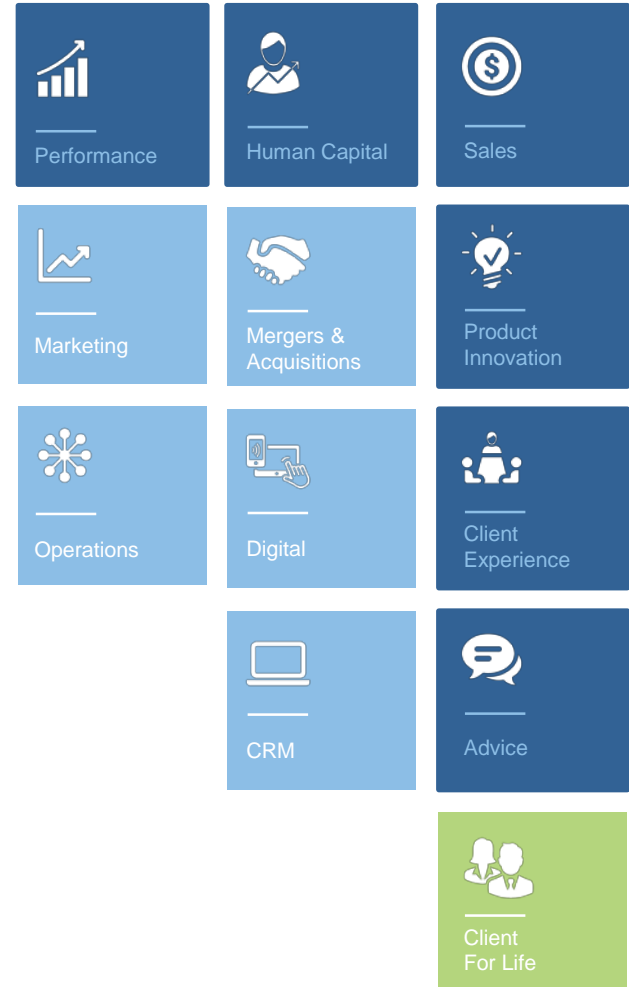
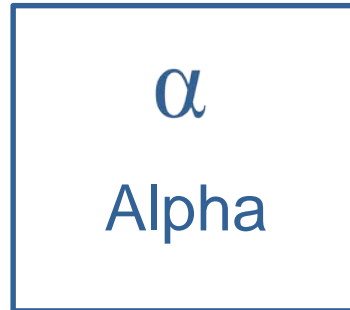


# Investment Management

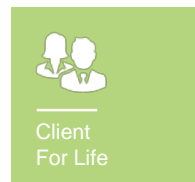
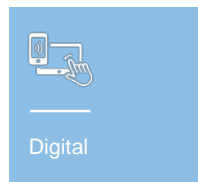
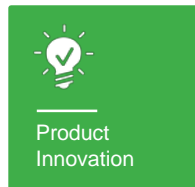
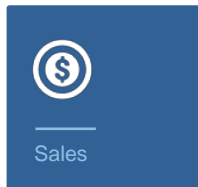




- Distribution “alpha” focused on differentiating our value proposition from pre-sale to cross-sale, transcending the performance cycle.
- Product innovation “alpha” focused on developing more outcome-oriented, non-commoditized strategies to offset fee compression.
- Apply transformational technology “alpha” across the enterprise to drive deeper customer engagement and improve data, operational efficiency, client experience, and better address regulatory and reporting requirements.
- Continue to transform our wealth management model focused on planning & advice. Develop a robust digital client experience, and segmentation models, based on generation and level of wealth.



## Positioned for Long-term Sales Growth



**Distribution team build-outs complete** and executing on strategy; Strengthening relationships with intermediaries, clients, consultants

**Increased sales activity** and new business pipeline; **SmallCap** positioned for 2020 wins, **SMidCap and Multi-Asset** positioned well longer term

**Commercialize our high conviction brand** of active management; Expand multi-asset product & capabilities across channels

**Sensible Fees™** to build brand awareness and improve discoverability

**Evaluate and rationalize current products** to ensure available suite is competitive and positioned to grow future sales

**Enhance Automation / Efficiency** across the enterprise

**Complete migration to InvestCloud** through digitizing our front office applications, portfolio accounting systems, performance measurement and client reporting

**Shift from a pure investment management focus within our wealth management business to a goals-based approach** where financial planning plays a more central role; addressing complexities across segments including UHNW and HNW segments

**Deploy a multi-generational segmentation** approach across all levels of wealth



# Flexible Fee Approach

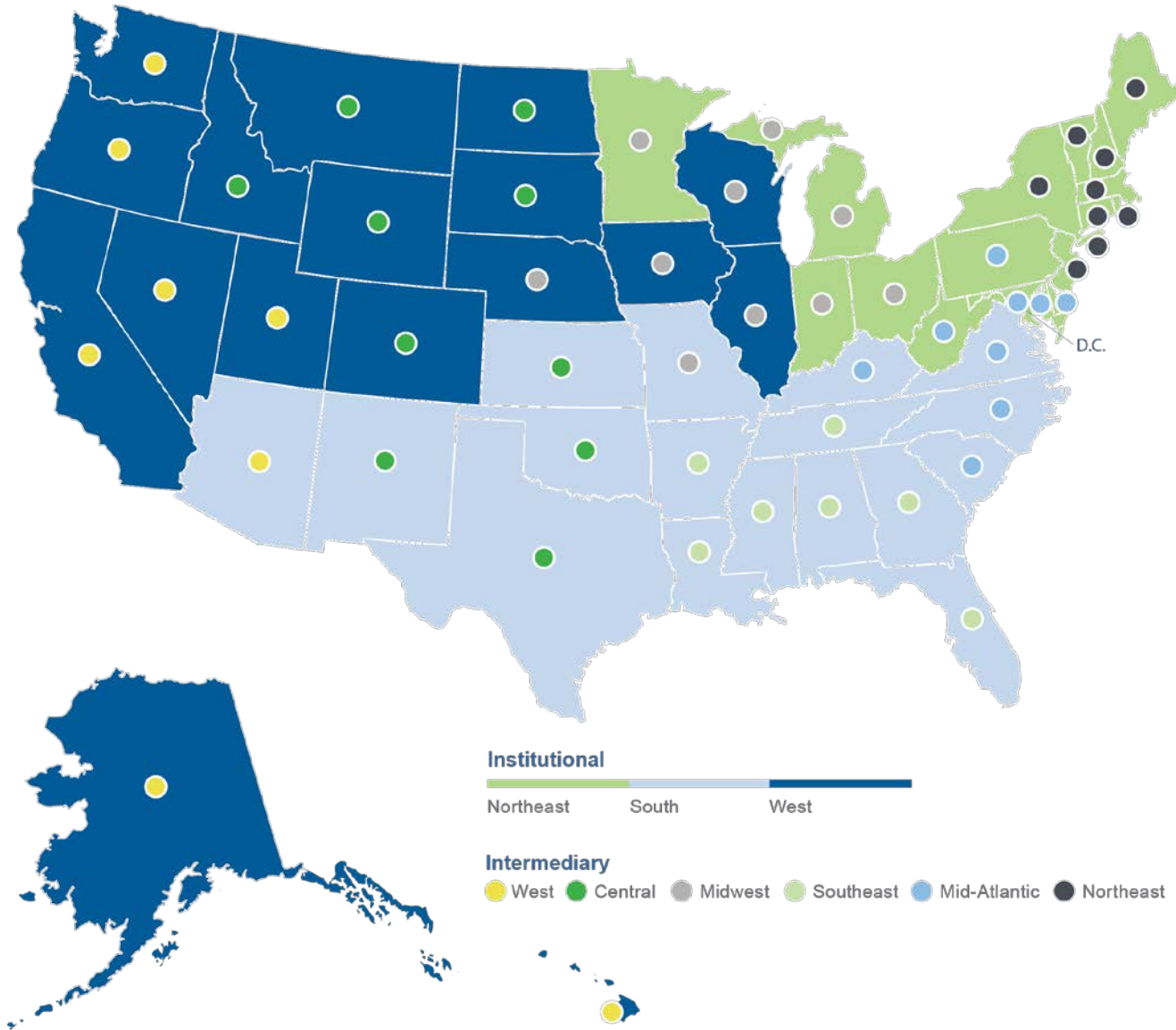
Aligning with Investors to Provide Greater Flexibility

Offering New, Innovative Performance Fee Solutions Based on Deconstructing Alpha and Beta

**Building a New Brand of Active Management**



# Full Team on the Field | Largest Distribution Team in Westwood History





## Strategy Execution to Scale the Business

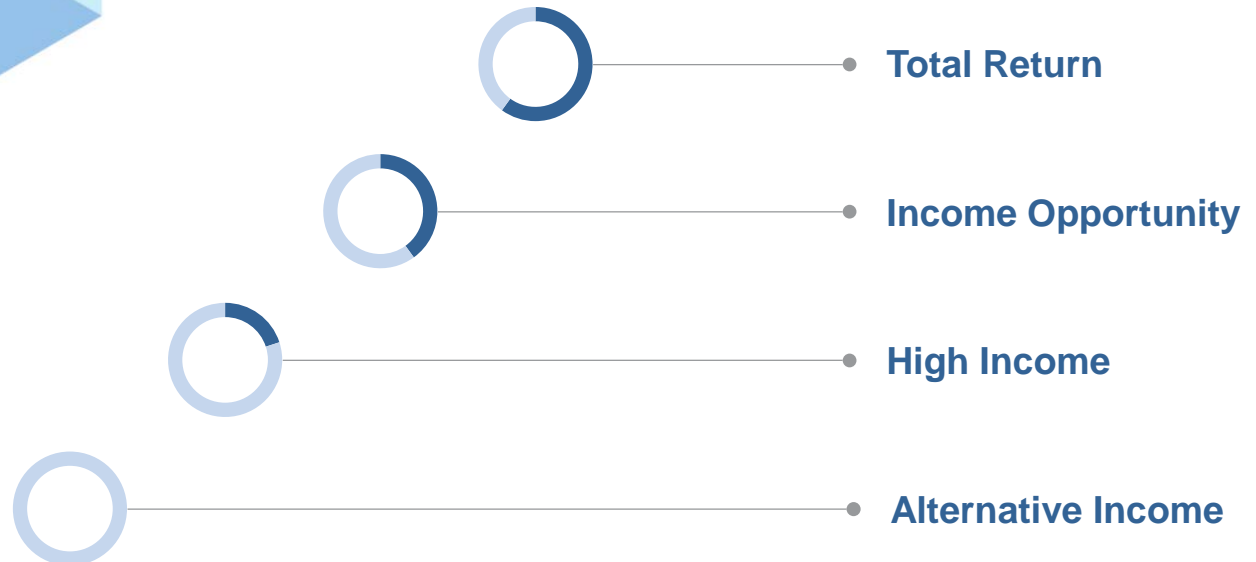
- Consolidated fund lineup
- Salesforce CRM dashboard and territory build-out with OpportunityHunter analytics
- Using SMA and model delivery to accelerate growth and mutual fund adoption on third-party platforms
- New A and C share classes have expanded customer base for core product offerings
- Building retail brand around Multi-Asset, Outcome-oriented solutions and U.S. Value
- Added wholesalers to achieve nationwide coverage
- Aligned compensation with sustainable, repeatable flows



# Absolute Return. Total Return. Income Oriented.

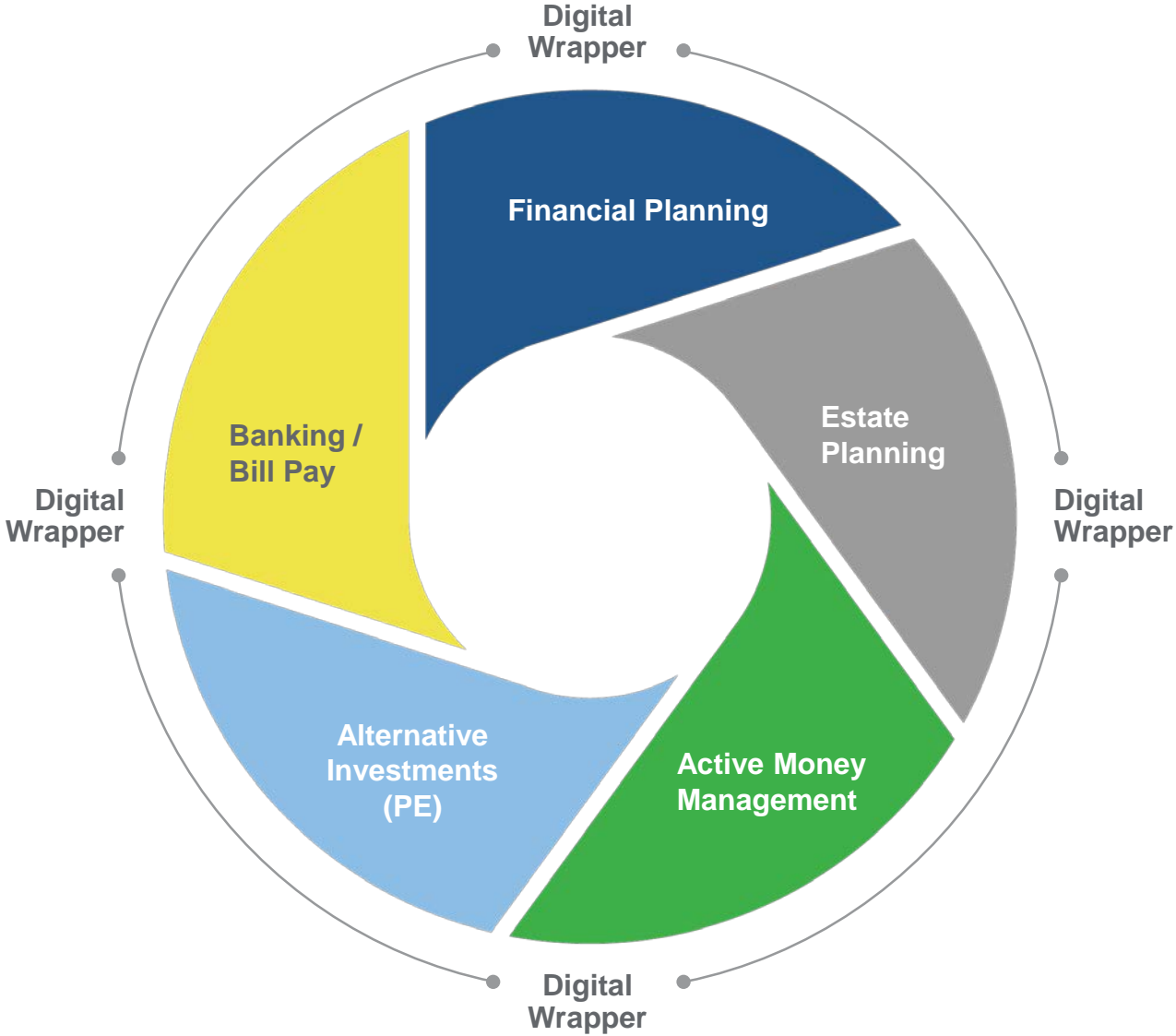
## Westwood Multi-Asset

Varying degrees  
of equity market  
sensitivity



# Wealth Management







Digital experience, touching all areas of the firm, that captures new and existing capabilities to create a one-stop shop for comprehensive financial management

Visionary strategy consisted of understanding our Why, How, and What

## 1 Why

Be the indispensable, holistic, and trusted financial advisor for institutions and families by providing personalized and holistic investment solutions and services

## 2 How

Increase the quality, frequency and value of interactions utilizing digital engagement techniques through the prospect, client and investment lifecycles

## 3 What

Deploy a friction-free individual and institutional digital platform for all Westwood business lines that constantly reinforces the value of delivered services

In determining the Why, How, What we created the four pillars of our digital platform

### Client for Life

Comprehensive toolset / product set that delivers value to clients

### Active Client Engagement

Retention by focusing on actively engaging with clients to provide the most value

### Active Client Growth

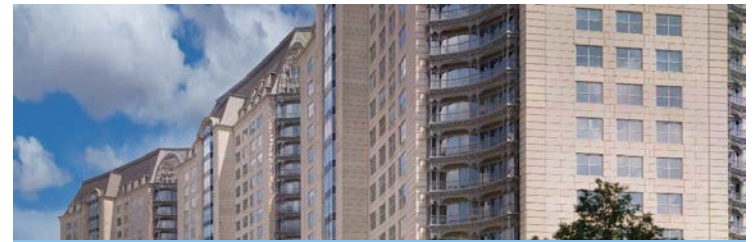
Capturing the next generation through transitional wealth transfer

### At Your Fingertips

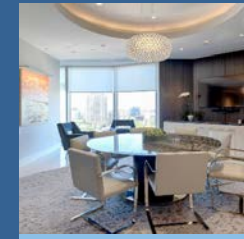
Information anytime anywhere



As we continue to focus on delivering services to meet our clients' needs, we have partnered with a local bank to launch **Westwood Private Bank**.



- Traditional bank services, including checking, savings and lending
- Highly personalized service
- State-of-the-art digital capabilities
- Boutique space featuring very comfortable family meeting space including interactive technology, luxury coworking space reserved for clients who need it, concierge-style service and refreshments



**Westwood Wealth Management**



## Financials | Highlights



“Our U.S. investment teams performed well and we had solid momentum in our sales and distribution efforts prior to the Covid-19 shutdown. The investments we have made in technology over the past several years allowed our entire team to work seamlessly from their homes. We held daily management team meetings and weekly crisis team meetings to manage through the early stages of the global pandemic.”

### Assets Under Management

- Total AUM of \$11.6 billion and AUA of \$222 million at March 31, 2020

### Investment Strategies

- Our LargeCap Value, SMidCap, SmallCap Value, AllCap Value, and LargeCap Select strategies, and our Total Return strategy fund all beat their primary benchmarks for the quarter.
- Our LargeCap Value, SMidCap, and AllCap Value strategies achieved top quartile institutional ranking, while our Total Return strategy fund achieved a top decile institutional ranking.

### Operating Results

- Total revenues of \$16.7 million for the first quarter of 2020
- Net income of \$1.1 million and Economic Earnings of \$4.2 million<sup>2</sup> for the first quarter of 2020

### Capital Management

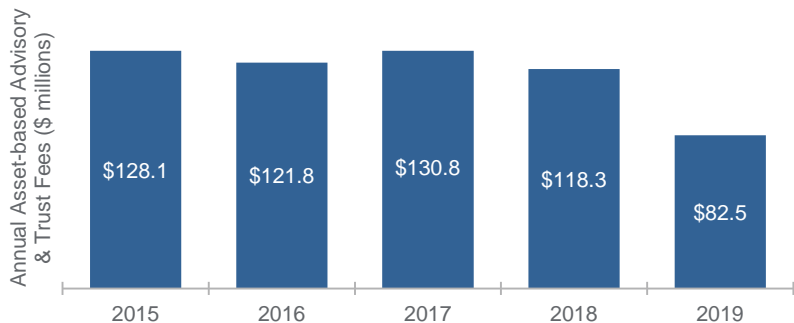
- Liquid cash and investments of \$82.4 million at March 31, 2020

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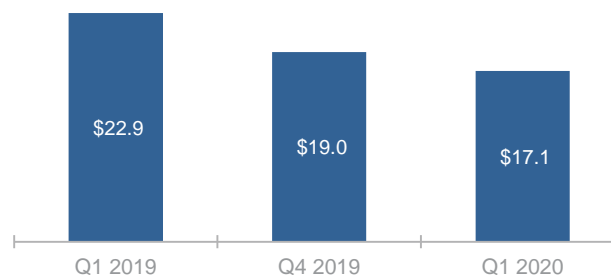
2. See the Reconciliation of Net Income to Economic Earnings on slide 22 of this presentation.



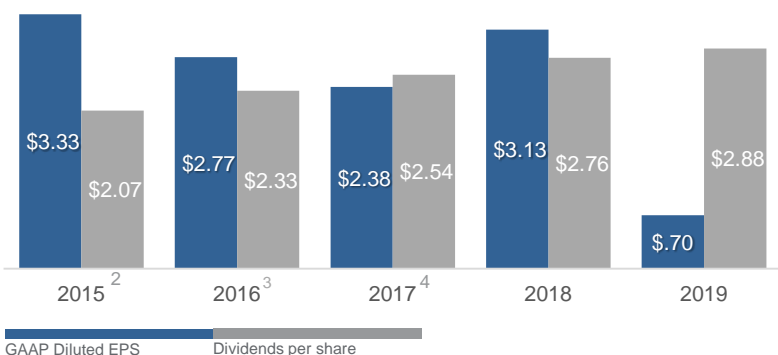
### Fee Revenue<sup>1</sup> - Historical



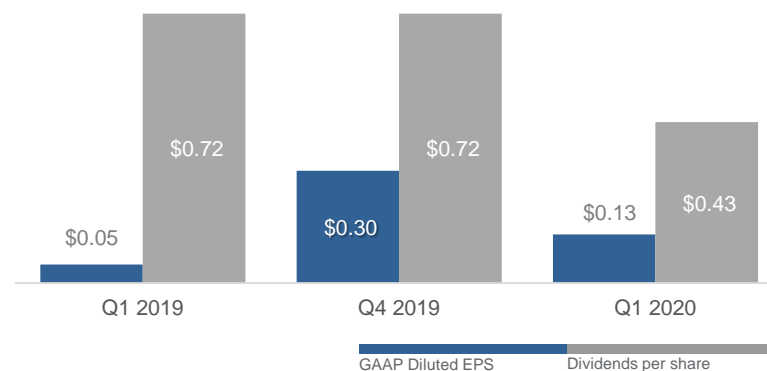
### Fee Revenue<sup>1</sup> - QTD



### Earnings and Dividends Per Share - Historical



### Earnings and Dividends Per Share - QTD and YTD



1. Asset-based fee revenue, excluding performance fees.  
 2. 2015 GAAP Diluted EPS includes a \$0.10 negative tax adjustment and an \$0.08 non-cash compensation charge, net of taxes.  
 3. 2016 GAAP Diluted EPS includes a \$0.16 one-time information technology implementation costs charge, net of taxes.  
 4. 2017 GAAP EPS includes a \$0.30 one-time legal settlement charge, net of insurance recovery and taxes, and a \$0.40 incremental income tax expense related to tax reform.



## Reconciliation of **Net Income to Economic Earnings**

We are providing a performance measure that we refer to as Economic Earnings. Both our management and Board of Directors review Economic Earnings to evaluate our ongoing performance, allocate resources and determine our dividend policy. We also believe that this performance measure is useful for management and investors when evaluating our underlying operating and financial performance and our available resources. We do not advocate that investors consider these non-GAAP measures without also considering financial information prepared in accordance with GAAP.

We define Economic Earnings as net income plus non-cash equity-based compensation expense, amortization of intangible assets and deferred taxes related to goodwill. Although depreciation on fixed assets is a non-cash expense, we do not add it back when calculating Economic Earnings because depreciation charges represent an allocation of the decline in the value of the related assets that will ultimately require replacement. In addition, we do not adjust Economic Earnings for tax deductions related to restricted stock expense or amortization of intangible assets.

The following table provides a reconciliation of net income to Economic Earnings for the three months ended March 31, 2020(\$ thousands):

	<u>3/31/2020</u>
Net Income	\$ 1,102
Add:	
Stock Based Compensation Expense	2,616
Intangible Amortization	423
Tax Benefit from Goodwill Amortization	59
Economic Earnings	<u>\$ 4,200</u>



# Appendix



## Technology | Approach



Access to world-class security protocols as they become available

Scalability and predictable cost structure



Full risk distribution at the asset level across equity, fixed income, currency and commodity models

Enables analysis of market complexity and components' contribution to total risk.

Uses precise market risk exposures to measure and control risk.



Formal data management program

Data integrity and data compliance for the firm



Multi-asset and multi-currency platform that will allow us to expand into other asset classes at will.

Robust portfolio compliance engine to keep up with the ever-changing regulatory landscape

Access to best-in-class data for trading and portfolio management



Create an operational digital platform that will form the backbone of our operating platform for all our business lines

A true multi-asset and multi-currency platform to support our business as we expand to other asset classes with more complexity



Online advice tool designed to meet the needs of digitally savvy investors

Real-life investment solutions, low cost solutions and concierge service

Streamlined documentation for account opening through Apex Clearing



An initial holistic client experience, customizable with the ability to access information easily, anytime and in any way (PC, tablet or smart phone)

A digital toolset to meet the needs of investors across the spectrum of beginner to expert

Cloud Azure



FactSet / Northfield Risk Analytics



Markit EDM



Bloomberg AIM+



InvestCloud White



Wealth Coach



InvestCloud Digital



2015  
Start of cycle

2016

2016

2016

2019

2020

2020





## Mutual Fund **Disclaimer**

To determine if a mutual fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1.877.FUND.WHG, or by visiting our website at [www.westwoodfunds.com](http://www.westwoodfunds.com). Read the prospectus carefully before investing or sending money.

*The Westwood Funds® are distributed by SEI Investments Distribution Co., which is not affiliated with the Adviser.*

*Mutual fund investing involves risk, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objective, which can be found in the prospectus, or that of the strategy.*

### U.S. Value and Income Funds (I-Shares)

Name	Symbol
LargeCap Value	WHGLX
SMidCap	WHGMX
SmallCap	WHGSX
Total Return	WLVIX
Income Opportunity	WHGIX
Alternative Income	WMNIX
High Income	WHGHX

### Emerging Markets Equity Funds (I-Shares)

Name	Symbol
Emerging Markets	WWEMX



## Westwood | Forward-Looking Statements

Statements in this presentation that are not purely historical facts, including, without limitation, statements about our expected future financial position, preliminary estimates, results of operations or cash flows, as well as other statements including, without limitation, words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” “intend,” “should,” “could,” “goal,” “may,” “target,” “designed,” “on track,” “comfortable with,” “optimistic” and other similar expressions, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, without limitation, those set forth below:

- the composition and market value of our AUM;
- our ability to maintain our fee structure in light of competitive fee pressures;
- the impact of the COVID-19 pandemic;
- the significant concentration of our revenues in a small number of customers;
- our ability to avoid termination of client agreements and the related investment redemptions;
- regulations adversely affecting the financial services industry;
- competition in the investment management industry;• our ability to develop and market new investment strategies successfully;
- our AUM include investments in foreign companies;• our reputation and our relationships with current and potential customers;
- our ability to attract and retain qualified personnel;• our ability to maintain effective cyber security;• our ability to perform operational tasks;
- our ability to identify and execute on our strategic initiatives;• our ability to maintain effective information systems;• our ability to select and oversee third-party vendors;
- litigation risks;
- our ability to declare and pay dividends;
- our ability to fund future capital requirements on favorable terms;
- our ability to properly address conflicts of interest;
- our ability to maintain adequate insurance coverage;
- our ability to maintain an effective system of internal controls;
- our stock is thinly traded and may be subject to volatility;
- our organizational documents contain provisions that may prevent or deter another group from paying a premium over the market price to our stockholders to acquire our stock;
- we are a holding company dependent on the operations and funds of our subsidiaries; and
- our relationships with investment consulting firms.

Additional factors that could cause our actual results to differ materially from our expectations are discussed under the section entitled “Risk Factors” in our Form 10-K for the year ended December 31, 2019 and our quarterly report on Form 10-Q for the quarters ended March 31, 2020 which together with our other filings can be viewed at [www.sec.gov](http://www.sec.gov). You should not unduly rely on these forward-looking statements. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this investor presentation or to reflect the occurrence of unanticipated events or otherwise.





**Westwood**  
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