



**Westwood**<sup>®</sup>

Investing Where It Counts

# Investor Relations Presentation

As of December 31, 2018

## Investing Where It Counts

Our commitment to investment excellence transcends our investment discipline to encompass the principles that guide our culture and help us evolve our services to meet each client's unique needs.

### High Conviction Equity, Outcome Oriented Solutions

Serving institutional investors, intermediaries and financial advisors

### Diversified Global Asset Management

20% of assets outside of US  
\$3.0B of our assets are in values-based and socially responsible mandates

### Multi-Investment Team Structure

U.S. Value  
Multi-Asset  
Emerging Markets  
Global Convertible Securities

### Employee Ownership Structure

Employees and directors own equity, totaling approximately 21%;<sup>2</sup> no employee owns more than 5%



## Investment Management Wealth Management

### Overview<sup>1</sup>

**Founded** | 1983

**AUM** | \$16.6 B

**Employees** | 182

**Publicly Traded** | NYSE: WHG 2002

**Signatory** |

Signatory of:



<sup>1</sup>As of December 31, 2018

<sup>2</sup>As of March 05, 2018



# OUR EMPLOYEES: THE BUILDING BLOCKS OF OUR SUCCESS.

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



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 fifth year in a row.



Separately Managed Accounts

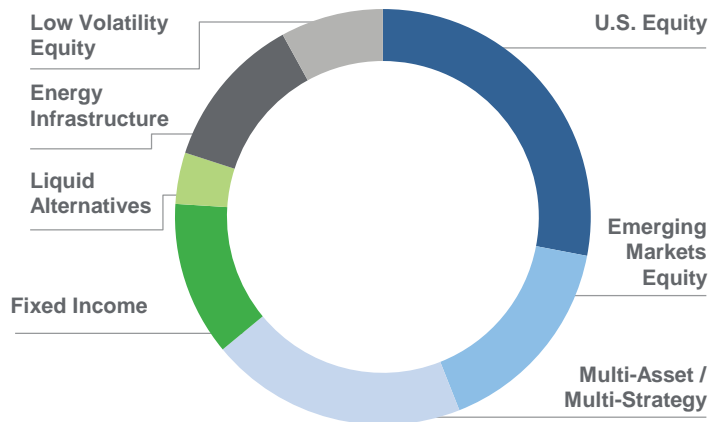
Commingled Funds

Mutual Funds

UCITS

## Our Strategies

AUM: \$16.6B\*



### U.S. Equity

- AllCap Value
- AllCap Growth
- LargeCap Select
- LargeCap Value
- SmallCap Value
- SMidCap Value
- SMidCap Plus

### Emerging Markets Equity

- Emerging Markets
- Emerging Markets Plus
- Emerging Markets SMidCap
- International Equity

### Multi-Asset / Multi-Strategy

- Income Opportunity
- Worldwide Income Opportunity
- Flexible Income
- Select Equity
- Enhanced Balanced

### Fixed Income

- Opportunistic High Yield
- Short Duration High Yield
- Custom Solutions

### Liquid Alternatives

- Market Neutral Income

### Energy Infrastructure

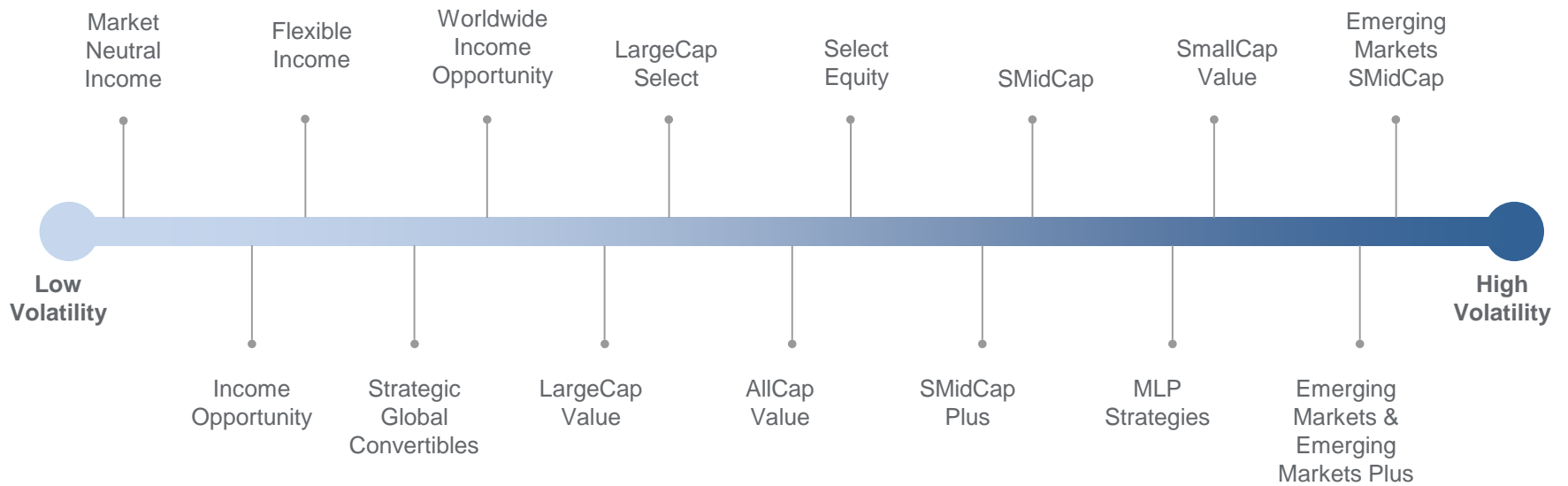
- MLP Infrastructure Renewal
- MLP Opportunities
- MLP and Strategic Energy

### Low Volatility Equity

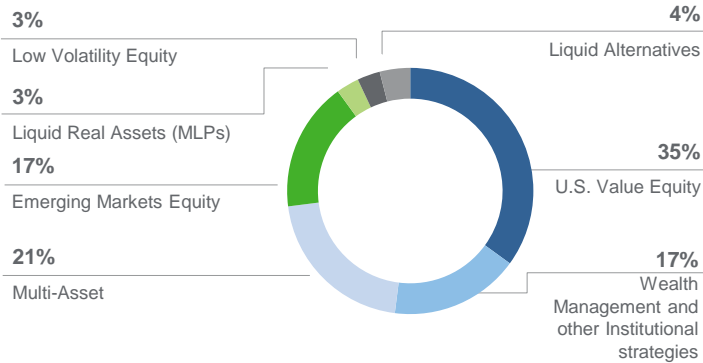
- Strategic Global Convertibles
- Low Volatility Equity

\*As of 12/31/2018. Reflects AUM of strategies offered through Westwood Management Corp., Westwood International Advisors Inc., Westwood Trust and Westwood Advisors LLC combined.

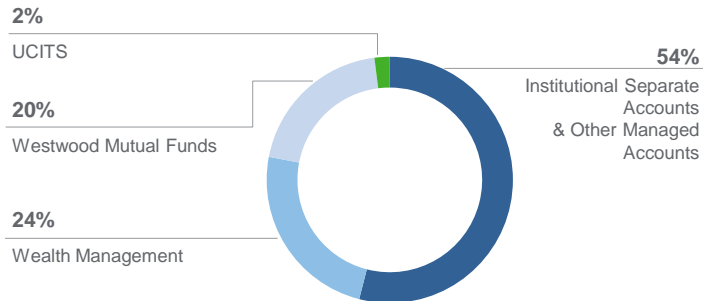




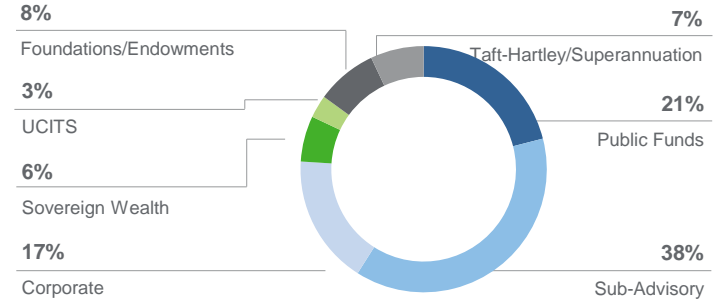
## STRATEGY BREAKDOWN



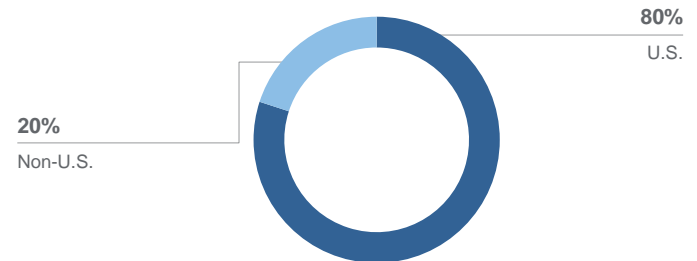
## ASSETS BY ACCOUNT TYPE



## INSTITUTIONAL CLIENT TYPE



## ASSETS BY CLIENT DOMICILE



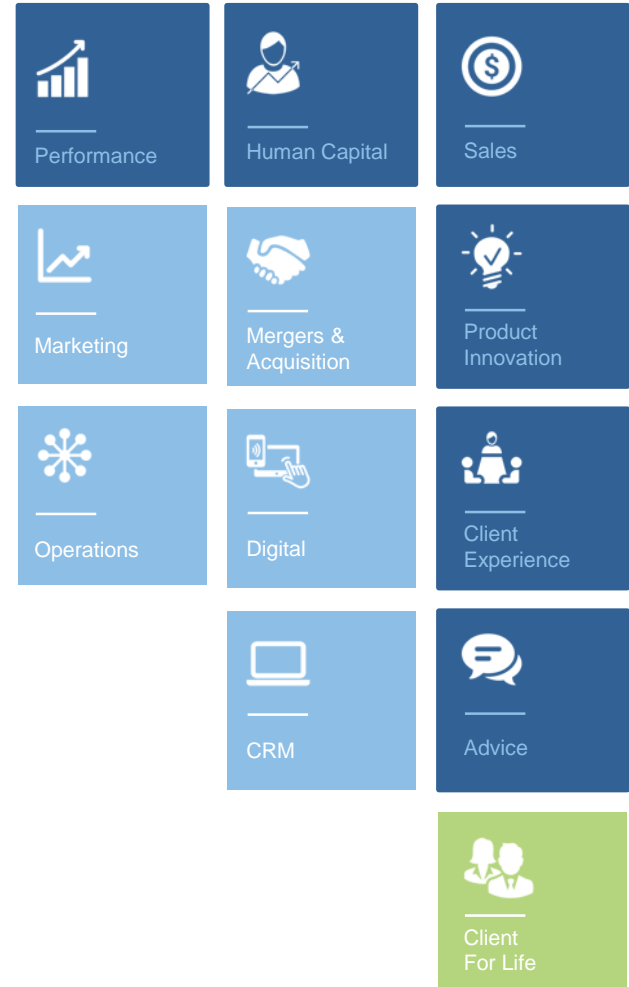
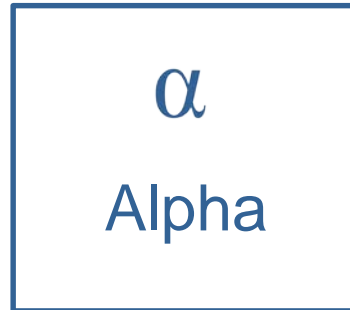
Percentages in the Strategy Breakdown, Assets by Account Type, and Assets by Client Domicile charts are based upon firm-wide assets under management as of December 31, 2018. Percentages in the Institutional Client Type chart are based upon the combined assets under management of Westwood Management Corp. and Westwood International Advisors Inc. only, less assets managed for private individuals, investment LLCs, managed accounts, and collective investment trusts.



# Strategic Focus | Executive Overview

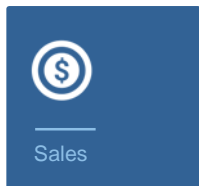


- Distribution “alpha” focused on differentiating our value proposition from pre-sale to cross-sale transcending performance cycle.
- Product innovation “alpha” focused on developing more outcome-oriented, non-commoditized strategies to offset fee compression.
- Apply transformational technology “alpha” across the enterprise to drive deeper customer engagement, data, operational efficiency, client experience, regulatory and reporting.
- 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.

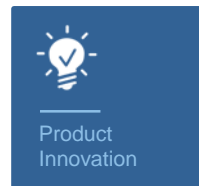




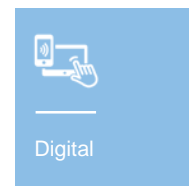
2019 growth objectives are highly focused on sales execution across our high-conviction equity and outcome-oriented investment solutions.



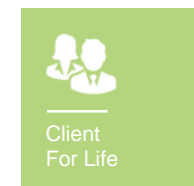
- Small Cap Value
- Emerging Markets
- Multi-Asset
- Concentrated LargeCap Value
- Tax-Managed
- Global Convertibles



- Expand multi-asset product & capabilities across channels
- Commercialize our high conviction brand of active management
- 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 to a goals-based approach where financial planning plays a more central role addressing complexities across segments including UHNW and HNW segments
- Model multi-generational segmentation strategy across all levels of wealth



## Team alignment to improve external focus on sales and client engagement

### Team Restructuring

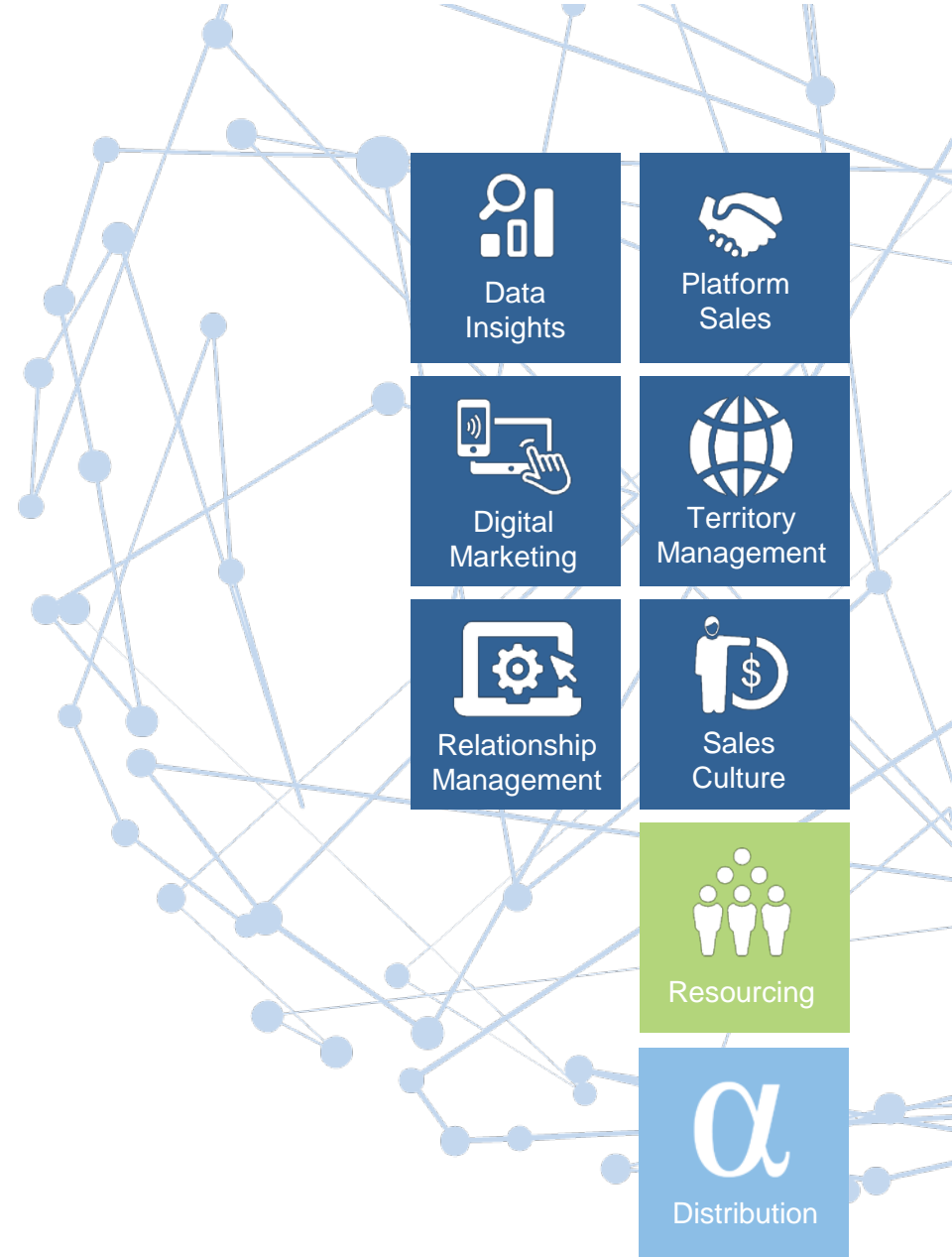
- Hired new Head of Institutional Sales
- Created distinct external sales service roles
- Flattened reporting structure
- Centralized support infrastructure
- Created head of support team, internal project measurement and management function reporting to Head of Institutional Sales

### Improvements

- Moved to a pro-active sales activity and client engagement strategy – direct prospect calling, multi-level consultant coverage
- New protocols on content customization to improve consistency and efficiency
- Centralized database and RFP functions and launched project “Phoenix” to improve content, data and messaging
- Restructured CRM functions to improve territory management and sales/client activity measurement
- Created targeted campaign/communication lists to accurately track external engagement and communication
- Real time client at risk report
- New activity and opportunity pipeline rules to better measure coverage and opportunity management

We are taking a new, more scientific approach to intermediary distribution to drive inflows.

- Hired a new Head of Intermediary Sales
- Expand and target our geographic approach and focus coverage using defined advisor segmentation strategy across channels
- Integrate a digital marketing strategy into sales approach for non-core target advisors and prospecting within key segments
- Increase our sales force with tier 1 and tier 2 wholesaler talent to accelerate growth in top markets
- Integrate data driven approach to distribution to make better use of relationship management and InvestCloud technology and to incorporate market data
- Expand retail strategy by focusing on new SMA portfolios, model delivery and key broker dealers



# Opportunity to build a new brand of **active investing**

Level the playing field vs. the Indexers.

Stand with our investors with high conviction and share risk.

Create demand.

Be the catalyst.

**Win Big.**





## Changing the probability of winning for active investors

Our innovative, risk-based alignment fees are designed to serve as a long-term partnership and level the playing field for investors.



## Alpha-Based Fees

Combines the low fees of passive management with a compensation structure that will result in investors paying for alpha only when it is earned.



## Risk-Based Fees

Our risk-based approach to fees is unparalleled in the industry, with built in guard rails for investors that inspired our Sensible Fees model. Investors will only pay for value added or excess return per unit of risk when earned.



## Financials | Highlights



“Our long-standing focus on holding high-quality companies that are better positioned to withstand severe downturns proved rewarding for our clients. The fourth quarter turned out to be one of the worst on record for nearly all asset classes. Of course, our actively managed strategies were not immune to downward market pressures however they held up relatively well when compared to the performance of purely passive funds.”

### Assets Under Management

- Total AUM of \$16.6 billion and AUA of \$228 million at December 31, 2018

### Investment Strategies

- Our LargeCap, SMidCap, Emerging Markets, Emerging Markets Plus and Emerging Markets SMid strategies beat their primary benchmarks for the quarter.

### Operating Results

- Total revenues of \$122.3 million for 2018
- Net income of \$26.8 million and Economic Earnings of \$43.9 million<sup>1</sup> for 2018

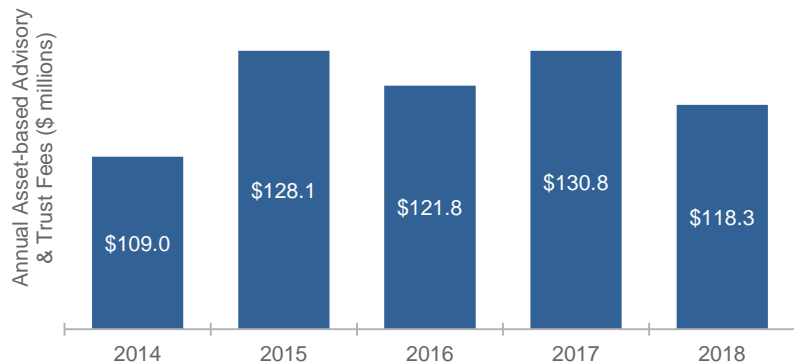
### Capital Management

- Quarterly dividend of \$0.72 per share declared in February 2019, at a current yield of 7.8%<sup>2</sup>
- Liquid cash and investments of \$118.2 million at December 31, 2018

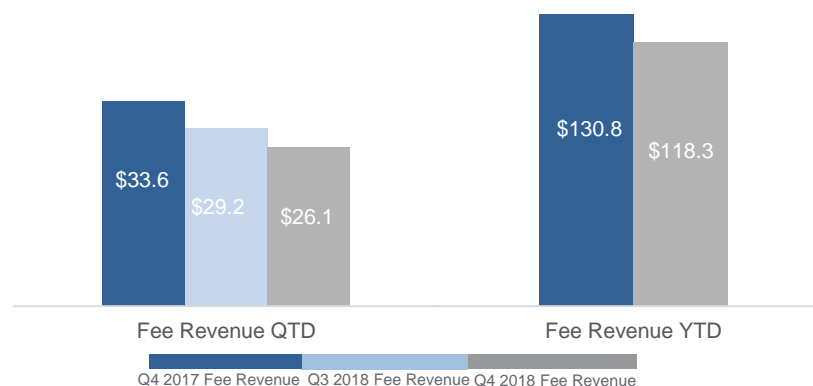
1. See the Reconciliation of Net Income to Economic Earnings on slide 16 of this presentation.  
2. As of February 5, 2019



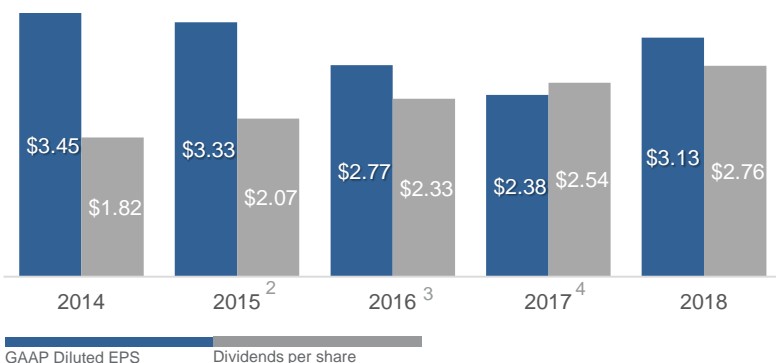
### Fee Revenue<sup>1</sup> - Historical



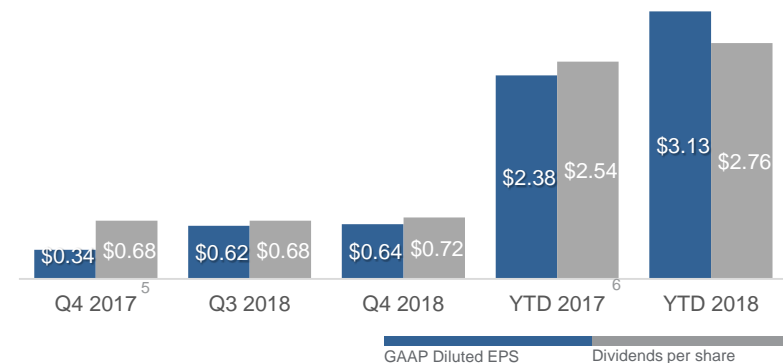
### Fee Revenue<sup>1</sup> - QTD and YTD



### 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.  
 5. 4Q 2017 GAAP EPS includes a \$0.40 incremental income tax expense related to tax reform.  
 6. 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 year-ended months ended December 31, 2018 (\$ thousands):

	<b>12/31/2018</b>
Net Income	\$ 26,751
Add:	
Stock Based Compensation Expense	15,283
Intangible Amortization	1,672
Tax Benefit from Goodwill Amortization	237
Economic Earnings	\$ 43,943

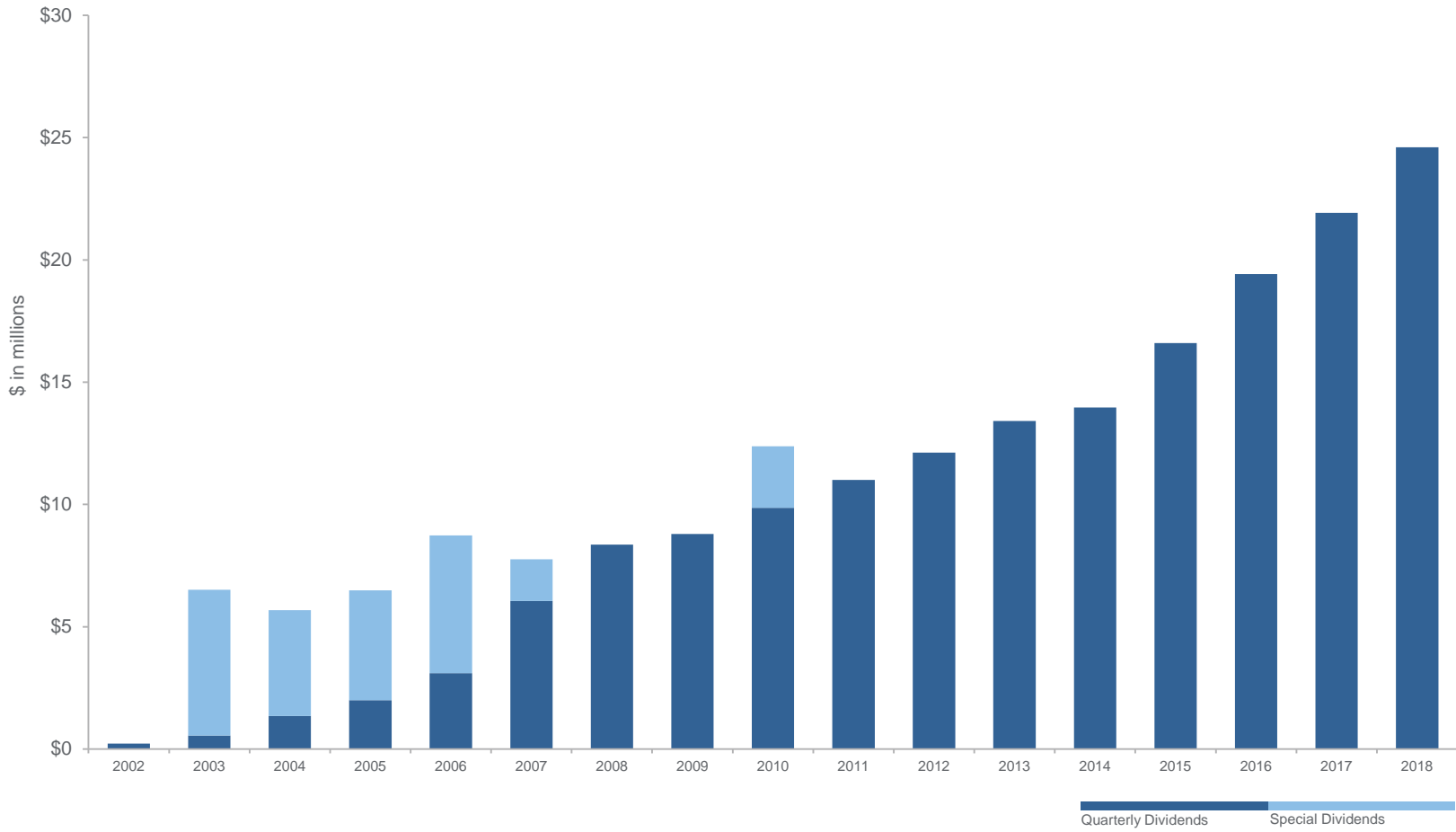


# Appendix



### Annual Dividends

Over \$190 million of dividends paid out from 2002 to 2018



As of December 31, 2018.



## 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
SMidCap Plus	WHGPX
SmallCap	WHGSX
Low Volatility Equity	WLVIX
MLP and Strategic Energy	WMLPX
Income Opportunity	WHGIX
Worldwide Income Opportunity	WWIOX
Market Neutral Income	WMNIX
Short Duration High Yield	WHGHX
Opportunistic High Yield	WWHYX
Flexible Income	WFLEX

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

Name	Symbol
Emerging Markets	WWEMX
Strategic Convertibles	WSCIX



## 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 assets under management;
- regulations adversely affecting the financial services industry;
- competition in the investment management industry;
- our assets under management includes investments in foreign companies;
- our ability to develop and market new investment strategies successfully;
- our relationships with current and potential customers;
- our ability to retain qualified personnel;
- our ability to perform operational tasks;
- our ability to maintain effective cyber security;
- our ability to identify and execute on our strategic initiatives;
- our ability to select and oversee third party vendors;
- our ability to maintain effective information systems;
- litigation risks;
- 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 ability to maintain our fee structure in light of competitive fee pressures;
- our relationships with investment consulting firms; and
- the significant concentration of our revenues in a small number of customers.

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, 2017 and our quarterly report on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018, and September 30, 2018 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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