UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2021

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______ to ______.

Commission file number 1-31234

WESTWOOD HOLDINGS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**75-2969997**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
200 CRESCENT COURT, SUITE 1200 **DALLAS, Texas**	**75201**
(Address of principal executive office)	(Zip Code)

(214) 756-6900
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value $0.01 per share	WHG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Shares of common stock, par value $0.01 per share, outstanding as of July 20, 2021: 8,329,616.

WESTWOOD HOLDINGS GROUP, INC.

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WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)
(Unaudited)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,247	$ 13,016
Accounts receivable	9,881	9,450
Investments, at fair value	75,066	69,542
Prepaid income taxes	262	1,700
Other current assets	2,201	2,606
Total current assets	104,657	96,314
Investments	4,455	8,154
Noncurrent investments at fair value	4,198	3,527
Goodwill	16,401	16,401
Deferred income taxes	1,459	1,468
Operating lease right-of-use assets	5,489	6,103
Intangible assets, net	12,723	13,535
Property and equipment, net of accumulated depreciation of $8,290 and $8,056	2,389	3,186
Other long-term assets	493	464
Total assets	$ 152,264	$ 149,152
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,213	$ 1,627
Dividends payable	1,108	810
Compensation and benefits payable	4,512	7,448
Operating lease liabilities	1,415	1,718
Income taxes payable	1,641	191
Total current liabilities	11,889	11,794
Accrued dividends	256	526
Noncurrent operating lease liabilities	5,443	6,121
Total long-term liabilities	5,699	6,647
Total liabilities	17,588	18,441
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Common stock, $0.01 par value, authorized 25,000,000 shares, issued 10,661,016 and outstanding 8,324,702 shares at June 30, 2021; issued 10,500,549 and outstanding 8,326,948 shares at December 31, 2020	108	105
Additional paid-in capital	213,362	210,268
Treasury stock, at cost - 2,336,315 shares at June 30, 2021; 2,173,559 shares at December 31, 2020	(80,551)	(77,967)
Retained earnings (accumulated deficit)	1,757	(1,695)
Total stockholders' equity	134,676	130,711
Total liabilities and stockholders' equity	$ 152,264	$ 149,152

See Notes to Condensed Consolidated Financial Statements.

ESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data and share amounts)
(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
REVENUES:				
Advisory fees:				
Asset-based	$ 11,385	$ 9,328	$ 21,835	$ 20,430
Performance-based	—	695	1,959	695
Trust fees	6,216	5,657	12,281	11,608
Trust performance-based fees	—	40	—	40
Other, net	(117)	155	(272)	(229)
Total revenues	17,484	15,875	35,803	32,544
EXPENSES:				
Employee compensation and benefits	10,237	10,787	21,785	23,455
Sales and marketing	370	253	600	731
Westwood mutual funds	368	434	759	949
Information technology	2,261	2,030	4,253	4,061
Professional services	1,428	991	2,745	2,184
General and administrative	2,042	2,191	4,114	4,497
(Gain) loss on foreign currency transactions	—	1,323	—	(1,615)
Total expenses	16,706	18,009	34,256	34,262
Net operating income	778	(2,134)	1,547	(1,718)
Realized gains on private investments	46	—	8,371	—
Net change in unrealized appreciation (depreciation) on private investments	215	159	(2,111)	(836)
Investment income	235	124	431	668
Other income	142	34	192	68
Income (loss) before income taxes	1,416	(1,817)	8,430	(1,818)
Income tax expense (benefit)	446	758	3,359	(345)
Net income (loss)	$ 970	$ (2,575)	$ 5,071	$ (1,473)
Other comprehensive income (loss):				
Foreign currency translation adjustments	—	1,371	—	(1,871)
Total comprehensive income (loss)	$ 970	$ (1,204)	$ 5,071	$ (3,344)
Earnings (loss) per share:				
Basic	$ 0.12	$ (0.33)	$ 0.64	$ (0.18)
Diluted	$ 0.12	$ (0.33)	$ 0.64	$ (0.18)
Weighted average shares outstanding:				
Basic	7,884,771	7,879,698	7,885,901	8,147,045
Diluted	7,928,106	7,879,698	7,922,742	8,147,045

See Notes to Condensed Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Three Months Ended June 30, 2021 and 2020
(In thousands, except share amounts)
(Unaudited)

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
	Shares	Amount				
Balance, March 31, 2021	8,313,003	$ 107	$ 211,988	$ (80,255)	$ 1,605	$ 133,445
Net income	—	—	—	—	970	970
Issuance of restricted stock, net of forfeitures	30,565	1	(1)	—	—	—
Dividends declared ($0.10 per share)	—	—	—	—	(818)	(818)
Stock-based compensation expense	—	—	1,375	—	—	1,375
Purchases of treasury stock	(18,866)	—	—	(296)	—	(296)
Balance, June 30, 2021	8,324,702	$ 108	$ 213,362	$ (80,551)	$ 1,757	$ 134,676

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount					
Balance, March 31, 2020	8,780,041	$ 106	$ 206,267	$ (69,965)	$ (6,185)	$ 8,166	$ 138,389
Net loss	—	—	—	—	—	(2,575)	(2,575)
Other comprehensive income	—	—	—	—	1,371	—	1,371
Issuance of restricted stock, net of forfeitures	9,998	—	—	—	—	—	—
Stock-based compensation expense	—	—	2,305	—	—	—	2,305
Dividend reversal for forfeited restricted stock	—	—	—	—	—	24	24
Purchases of treasury stock	(407,697)	—	—	(8,085)	—	—	(8,085)
Balance, June 30, 2020	8,382,342	$ 106	$ 208,572	$ (78,050)	$ (4,814)	$ 5,615	$ 131,429

See Notes to Condensed Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2021 and 2020
(In thousands, except share amounts)
(Unaudited)

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount				
Balance, December 31, 2020	8,326,948	$ 105	$ 210,268	$ (77,967)	$ (1,695)	$ 130,711
Net income	—	—	—	—	5,071	5,071
Issuance of restricted stock, net of forfeitures	160,470	3	(3)	—	—	—
Dividends declared ($0.20 per share)	—	—	—	—	(1,619)	(1,619)
Stock-based compensation expense	—	—	3,097	—	—	3,097
Purchases of treasury stock	(111,357)	—	—	(1,700)	—	(1,700)
Restricted stock returned for payment of taxes	(51,359)	—	—	(884)	—	(884)
Balance, June 30, 2021	8,324,702	$ 108	$ 213,362	$ (80,551)	$ 1,757	$ 134,676

	Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
Balance, December 31, 2019	8,881,086	$ 103	$ 203,441	$ (63,281)	$ (2,943)	$ 10,967	$ 148,287
Net loss	—	—	—	—	—	(1,473)	(1,473)
Other comprehensive loss	—	—	—	—	(1,871)	—	(1,871)
Issuance of restricted stock, net of forfeitures	251,531	3	(3)	—	—	—	—
Dividends declared ($0.43 per share)	—	—	—	—	—	(3,879)	(3,879)
Stock-based compensation expense	—	—	4,921	—	—	—	4,921
Reclassification of compensation liability to be paid in shares	—	—	213	—	—	—	213
Purchases of treasury stock	(679,756)	—	—	(12,952)	—	—	(12,952)
Purchases of treasury stock under employee stock plans	(27,474)	—	—	(697)	—	—	(697)
Restricted stock returned for payment of taxes	(43,045)	—	—	(1,120)	—	—	(1,120)
Balance, June 30, 2020	8,382,342	$ 106	$ 208,572	$ (78,050)	$ (4,814)	$ 5,615	$ 131,429

See Notes to Condensed Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 5,071	$ (1,473)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	397	465
Amortization of intangible assets	812	858
Net change in unrealized (appreciation) depreciation on investments	2,273	904
Realized gains on private investments	(8,371)	—
Stock based compensation expense	3,097	4,921
Deferred income taxes	13	(939)
Non-cash lease expense	614	615
Gain on asset disposition	(148)	—
Change in operating assets and liabilities:		
Net (purchases) sales of trading securities	(5,642)	20,029
Accounts receivable	(431)	2,350
Other current assets	376	709
Accounts payable and accrued liabilities	1,585	(361)
Compensation and benefits payable	(2,942)	(5,790)
Income taxes payable	2,899	307
Other liabilities	(833)	(771)
Net cash (used in) provided by operating activities	(1,230)	21,824
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	9,258	—
Sale of property and equipment	501	—
Purchase of property and equipment	(93)	(56)
Purchase of investments	(15)	—
Net cash provided by (used in) investing activities	9,651	(56)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(1,700)	(12,952)
Purchase of treasury stock under employee stock plans	—	(697)
Restricted stock returned for payment of taxes	(884)	(1,120)
Cash dividends paid	(1,619)	(11,043)
Net cash used in financing activities	(4,203)	(25,812)
Effect of currency rate changes on cash	13	(1,796)
Net Change in Cash and Cash Equivalents	4,231	(5,840)
Cash and cash equivalents, beginning of period	13,016	49,766
Cash and cash equivalents, end of period	$ 17,247	$ 43,926
Supplemental cash flow information:		
Cash paid during the period for income taxes	$ 447	$ 288
Accrued dividends	$ 1,364	$ 1,498

See Notes to Condensed Consolidated Financial Statements.

1. DESCRIPTION OF THE BUSINESS

Westwood Holdings Group, Inc. (“Westwood”, “the Company”, “we”, “us” or “our”) was incorporated under the laws of the State of Delaware on December 12, 2001. Westwood manages investment assets and provides services for its clients through its wholly-owned subsidiaries, Westwood Management Corp. and Westwood Advisors, L.L.C. (referred to hereinafter together as “Westwood Management”), Westwood Trust and Westwood International Advisors Inc. (“Westwood International Advisors”). On July 27, 2020, Westwood’s Board of Directors approved the liquidation of Westwood International Advisors, which occurred effective September 30, 2020.

Westwood Management provides investment advisory services to institutional clients, a family of mutual funds called the Westwood Funds®, other mutual funds, individual investors and clients of Westwood Trust. Prior to its liquidation, our wholly owned subsidiary, Westwood International Advisors, provided investment advisory services to institutional clients, the Westwood Funds®, other mutual funds, the UCITS Fund (which was liquidated in June 2020), individual investors and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in self-sponsored common trust funds (“CTFs”) to institutions and high net worth individuals. Revenue is largely dependent on the total value and composition of assets under management ("AUM"). Accordingly, fluctuations in financial markets and in the composition of AUM impact our revenues and results of operations.

Westwood Management is registered with the Securities and Exchange Commission ("SEC") as an investment advisor ("RIA") under the Investment Advisers Act of 1940. Westwood Trust is chartered and regulated by the Texas Department of Banking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements are unaudited and are presented in accordance with the requirements for quarterly reports on Form 10-Q and consequently do not include all of the information and footnote disclosures required by accounting principles generally accepted in the United States of America (“GAAP”). The Company’s Condensed Consolidated Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) necessary in the opinion of management to present fairly our interim financial position and results of operations and cash flows for the periods presented. The accompanying Condensed Consolidated Financial Statements are presented in accordance with GAAP and the rules and regulations of the SEC.

The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with our Consolidated Financial Statements, and notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC. Operating results for the periods in these Condensed Consolidated Financial Statements are not necessarily indicative of results for any future period. The accompanying Condensed Consolidated Financial Statements include the accounts of Westwood and its subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Recent Accounting Pronouncements

Recently Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects of the income tax accounting guidance, including interim-period accounting for enacted changes in tax law. ASU 2019-12 is effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, and early adoption is permitted. We adopted this ASU as of January 1, 2021 and it did not have a significant effect on our Condensed Consolidated Financial Statements.

3. REVENUE

Revenue Recognition

Revenues are recognized when the performance obligation (the investment management and advisory or trust services provided to the client) defined by the investment advisory or sub-advisory agreement is satisfied. For each performance obligation, we determine at contract inception whether the revenue satisfies over time or at a point in time. We derive our revenues from investment advisory fees, trust fees and other sources of revenues. Advisory and trust fees are calculated based on a percentage of AUM and the performance obligation is realized over the current calendar quarter. Once clients receive our investment advisory services we have an enforceable right to payment.

Advisory Fee Revenues

Our advisory fees are generated by Westwood Management and Westwood International Advisors (prior to its closure, effective September 30, 2020), which manage client accounts under investment advisory and sub-advisory agreements. Advisory fees are typically calculated based on a percentage of AUM and are paid in accordance with the terms of the agreements. Advisory fees are paid quarterly in advance based on AUM on the last day of the preceding quarter, quarterly in arrears based on AUM on the last day of the quarter just ended or are based on a daily or monthly analysis of AUM for the stated period. We recognize advisory fee revenues as services are rendered. Since our advance paying clients' billing periods coincide with the calendar quarter to which such payments relate, revenue is recognized within the quarter and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues. Advisory clients typically consist of institutional and mutual fund accounts.

Institutional investors include separate accounts of (i) corporate pension and profit sharing plans, public employee retirement funds, Taft-Hartley plans, endowments, foundations and individuals; (ii) subadvisory relationships where Westwood provides investment management services for funds offered by other financial institutions; (iii) pooled investment vehicles, including the UCITS Fund and collective investment trusts; and (iv) managed account relationships with brokerage firms and other registered investment advisors that offer Westwood products to their customers. The UCITS Fund was liquidated in June 2020.

Mutual funds include the Westwood Funds®, a family of mutual funds for which Westwood Management serves as advisor. These funds are available to individual investors, as well as offered as part of our investment strategies for institutional investors and wealth management accounts.

Arrangements with Performance-Based Obligations

A limited number of our advisory clients have a contractual performance-based fee component in their contracts, which generates additional revenues if we outperform a specified index over a specific period of time, and a limited number of our mutual fund offerings have fees that generate additional revenues if we outperform specified indices over specific periods of time.

The revenue is based on future market performance and is subject to factors outside our control. We cannot conclude that a significant reversal in the cumulative amount of revenue recognized will not occur during the measurement period, and therefore the revenue is recorded at the end of the measurement period when the performance obligation has been satisfied.

Trust Fee Revenues

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of AUM. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. The fees for most of our trust clients are calculated quarterly in arrears, based on a daily average of AUM for the quarter, or monthly, based on the month-end value of AUM. Since billing periods for most of Westwood Trust’s clients coincide with the calendar quarter, revenue is fully recognized within the quarter and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues.

Revenue Disaggregated

Sales taxes are excluded from revenues. The following table presents our revenue disaggregated by account type (in thousands). In 2021, we recast certain prior year revenues related to performance-based fees.

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Advisory Fees:				
Institutional	$ 7,225	$ 7,552	$ 16,083	$ 15,452
Mutual Funds	4,002	2,393	7,416	5,464
Wealth Management	158	78	295	209
Trust Fees	6,216	5,697	12,281	11,648
Other, net	(117)	155	(272)	(229)
Total revenues	$ 17,484	$ 15,875	$ 35,803	$ 32,544

We serve clients primarily in the United States, but also in various locations around the world. The following table presents our revenue disaggregated by our clients' geographical locations (in thousands):

Three Months Ended June 30, 2021	**Advisory**	**Trust**	**Performance-based**	**Other**	**Total**
Canada	$ 297	$ —	$ —	$ —	$ 297
United States	11,088	6,216	—	(117)	17,187
Total	$ 11,385	$ 6,216	$ —	$ (117)	$ 17,484

Three Months Ended June 30, 2020	**Advisory**	**Trust**	**Performance-based**	**Other**	**Total**
Asia	$ 312	$ —	$ —	$ —	$ 312
Canada	407	—	—	—	407
Europe	814	—	94	—	908
United States	7,795	5,657	641	155	14,248
Total	$ 9,328	$ 5,657	$ 735	$ 155	$ 15,875

Six Months Ended June 30, 2021	**Advisory**	**Trust**	**Performance-based**	**Other**	**Total**
Canada	$ 573	$ —	$ —	$ —	$ 573
Europe	638	—	262	—	900
United States	20,634	12,281	1,687	(272)	34,330
Total	$ 21,845	$ 12,281	$ 1,949	$ (272)	$ 35,803

Six Months Ended June 30, 2020	**Advisory**	**Trust**	**Performance-based**	**Other**	**Total**
Asia	$ 729	$ —	$ —	$ —	$ 729
Canada	897	—	—	—	897
Europe	1,824	—	94	—	1,918
United States	16,980	11,608	641	(229)	29,000
Total	$ 20,430	$ 11,608	$ 735	$ (229)	$ 32,544

4. SEGMENT REPORTING

We operate two segments: Advisory and Trust. These segments are managed separately based on the types of products and services offered and their related client bases. The Company’s segment information is prepared on the same basis that management reviews the financial information for operational decision-making purposes. The Company’s chief operating decision maker, our Chief Executive Officer, evaluates the performance of our segments based primarily on fee revenues and Economic Earnings. Refer to the "Supplemental Financial Information" section in Item 2. "Management Discussion and Analysis of Financial Conditions and Results" for the Economic Earnings calculation. Westwood Holdings Group, Inc., the parent company of Advisory and Trust, does not have revenues and is the entity in which we record typical holding company expenses including employee compensation and benefits for holding company employees, directors' fees and investor relations costs. All segment accounting policies are the same as those described in the summary of significant accounting policies. Intersegment balances that eliminate in consolidation have been applied to the appropriate segment.

Advisory

Our Advisory segment provides investment advisory services to (i) corporate pension and profit sharing plans, public employee retirement funds, Taft-Hartley plans, endowments, foundations and individuals, (ii) subadvisory relationships where Westwood provides investment management services to the Westwood Funds®, funds offered by other financial institutions and funds offered by our Trust segment and (iii) pooled investment vehicles, including the UCITS Fund (liquidated in June 2020) and collective investment trusts. Westwood Management and Westwood International Advisors (prior to its closure, effective September 30, 2020), which provide investment advisory services to similar clients, are included in our Advisory segment.

Trust

Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals. Westwood Trust is included in our Trust segment.

(in thousands)	Advisory	Trust	Westwood Holdings	Eliminations	Consolidated
Three Months Ended June 30, 2021					
Net fee revenues from external sources	$ 11,385	$ 6,216	$ —	$ —	$ 17,601
Net intersegment revenues	624	87	—	(711)	—
Other, net	(117)	—	—	—	(117)
Total revenues	$ 11,892	$ 6,303	$ —	$ (711)	$ 17,484
Segment assets	$ 211,651	$ 57,214	$ 12,458	$ (129,059)	$ 152,264
Segment goodwill	$ —	$ 16,401	$ —	$ —	$ 16,401
Three Months Ended June 30, 2020					
Net fee revenues from external sources	$ 10,023	$ 5,697	$ —	$ —	$ 15,720
Net intersegment revenues	595	68	—	(663)	—
Net interest and dividend revenue	10	—	—	—	10
Other, net	145	—	—	—	145
Total revenues	$ 10,773	$ 5,765	$ —	$ (663)	$ 15,875
Segment assets	$ 239,726	$ 50,955	$ 17,534	$ (160,794)	$ 147,421
Segment goodwill	$ 3,403	$ 16,401	$ —	$ —	$ 19,804

(in thousands)	Advisory	Trust	Westwood Holdings	Eliminations	Consolidated
Six Months Ended June 30, 2021					
Net fee revenues from external sources	$ 23,794	$ 12,281	$ —	$ —	$ 36,075
Net intersegment revenues	1,300	168	—	(1,468)	—
Other, net	(272)	—	—	—	(272)
Total revenues	$ 24,822	$ 12,449	$ —	$ (1,468)	$ 35,803
Six Months Ended June 30, 2020					
Net fee revenues from external sources	$ 21,125	$ 11,648	$ —	$ —	$ 32,773
Net intersegment revenues	1,218	118	—	(1,336)	—
Net interest and dividend revenue	31	—	—	—	31
Other, net	(260)	—	—	—	(260)
Total revenues	$ 22,114	$ 11,766	$ —	$ (1,336)	$ 32,544

5. INVESTMENTS

During 2018, we made a $5.4 million strategic investment in InvestCloud, a digital financial services provider ("InvestCloud"), which is included in “Investments” on our Condensed Consolidated Balance Sheets. This investment represents an equity interest in a private company without a readily determinable fair value. The Company has elected to apply the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes.

Following observable price changes for this investment in the year ended December 31, 2019, we recorded an unrealized gain of $2.8 million. Following InvestCloud's recapitalization in the first quarter of 2021, we recorded a realized gain of approximately $8.3 million when our originally purchased shares were redeemed. Following this redemption we re-invested $4.4 million of our proceeds into newly issued shares of InvestCloud.

Our investment in Charis, the parent company of Westwood Private Bank ("Charis"), is included in “Noncurrent investments at fair value” on our Condensed Consolidated Balance Sheets and is measured at fair value on a recurring basis. In the three and six months ended June 30, 2021, we recorded unrealized gains of approximately $0.2 million and $0.7 million, respectively, following fair value increases from market transactions.

In the three months ended June 30, 2020, we recorded an unrealized gain of $0.3 million, primarily as a result of the banking industry recovery following the previous downturn due to global macroeconomic effects of the Coronavirus disease ("COVID-19") pandemic. In the six months ended June 30, 2020, we recorded an unrealized loss of $0.7 million, primarily as a result of the global macroeconomic effects of COVID-19.

In 2019 we made a $0.3 million investment in Westwood Hospitality Fund I, LLC, a private investment fund. Our investment is included in “Noncurrent investments at fair value” on our Condensed Consolidated Balance Sheets and is measured at fair value on a recurring basis using net asset value (“NAV”) as a practical expedient.

All other investments are carried at fair value on a recurring basis and are accounted for as trading securities.

Investments carried at fair value are presented in the table below (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2021:				
U.S. Government and Government agency obligations	$ 62,831	$ —	$ (437)	$ 62,394
Money market funds	9,611	—	—	9,611
Equity funds	1,469	57	—	1,526
Equities	1,277	134	—	1,411
Exchange-traded bond funds	124	—	—	124
Total trading securities	75,312	191	(437)	75,066
Private investment fund	265	—	(154)	111
Private equity	3,420	667	—	4,087
Total investments carried at fair value	$ 78,997	$ 858	$ (591)	$ 79,264
December 31, 2020:				
U.S. Government and Government agency obligations	$ 65,132	$ 2	$ (180)	$ 64,954
Money market funds	4,003	—	—	4,003
Equity funds	90	—	(5)	85
Equities	288	94	—	382
Exchange-traded bond funds	115	3	—	118
Total trading securities	69,628	99	(185)	69,542
Private investment fund	250	—	(154)	96
Private equity	3,420	11	—	3,431
Total investments carried at fair value	$ 73,298	$ 110	$ (339)	$ 73,069

6. FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value and requires disclosures regarding certain fair value measurements. ASC 820 establishes a three-tier hierarchy for measuring fair value, as follows:

- Level 1 – quoted market prices in active markets for identical assets
- Level 2 – inputs other than quoted prices that are directly or indirectly observable
- Level 3 – significant unobservable inputs where there is little or no market activity

Our strategic investment in InvestCloud, discussed in Note 5 “Investments,” is excluded from the recurring fair value table shown below because we have elected to apply the measurement alternative for this investment.

The following table summarizes the values of our investments measured at fair value on a recurring basis within the fair value hierarchy as of the dates indicated (in thousands):

	Level 1	Level 2	Level 3	Investments Measured at NAV (1)	Total
As of June 30, 2021:					
Investments in trading securities	$ 75,066	$ —	$ —	$ —	$ 75,066
Private investment fund	—	—	—	111	111
Private equity	—	—	4,087	—	4,087
Total assets measured at fair value	$ 75,066	$ —	$ 4,087	$ 111	$ 79,264
As of December 31, 2020:					
Investments in trading securities	$ 69,542	$ —	$ —	$ —	$ 69,542
Private investment fund	—	—	—	96	96
Private equity	—	—	3,431	—	3,431
Total assets measured at fair value	$ 69,542	$ —	$ 3,431	$ 96	$ 73,069

(1) Comprised of certain investments measured at fair value using net asset value ("NAV") as a practical expedient. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on our Condensed Consolidated Balance Sheets.

Our investment in Charis is included within Level 3 of the fair value hierarchy as we value that investment utilizing inputs not observable in the market. Our investment is measured at fair value on a recurring basis using a market approach based on a price to tangible book value multiple range that is determined to be reasonable in the current environment, or market transactions. Management believes this valuation methodology is consistent with the banking industry and we will reevaluate our methodology and inputs on a quarterly basis.

The following table summarizes the changes in Level 3 investments measured at fair value on a recurring basis for the periods presented (in thousands):

	Fair Value using Significant Unobservable Inputs (Level 3)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Beginning balance	$ 3,872	$ 2,980	$ 3,431	$ 3,975
Unrealized gains (losses) on private investments	215	334	656	(661)
Ending balance	$ 4,087	$ 3,314	$ 4,087	$ 3,314

The June 30, 2021 private investment fair value of $4.1 million was valued using a market approach based on a price to tangible book value multiple, with unobservable book value multiples ranging from $1.38 to $2.28 per share, with a weighted average of $1.51 per share. Significant increases (decreases) in book value multiples in isolation would have resulted in a significantly higher (lower) fair value measurement.

7. INCOME TAXES

Our effective income tax rate differed from the 21% statutory rate for the first and second quarters of 2021 and 2020 due to permanent differences between book and tax restricted stock expense based on a decrease in our stock price between the restricted stock grant and vesting dates. In addition, in the first quarter of 2020, a discrete benefit adjustment (related to the remeasurement of certain deferred taxes following the enactment of the Coronavirus Aid, Relief, and Economic Security Act) lowered our effective tax rate.

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares outstanding for the applicable period. Diluted earnings (loss) per share is computed based on the weighted average number of shares outstanding plus the effect of any dilutive shares of restricted stock granted to employees and non-employee directors. There were approximately 139,000 and 326,000 anti-dilutive restricted shares outstanding for the three months ended June 30, 2021 and June 30, 2020, respectively. There were approximately 186,000 and 229,000 anti-dilutive restricted shares outstanding for the six months ended June 30, 2021 and June 30, 2020, respectively.

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share and share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	$ 970	$ (2,575)	$ 5,071	$ (1,473)
Weighted average shares outstanding - basic	7,884,771	7,879,698	7,885,901	8,147,045
Dilutive potential shares from unvested restricted shares	43,335	—	36,841	—
Weighted average shares outstanding - diluted	7,928,106	7,879,698	7,922,742	8,147,045
Earnings (loss) per share:				
Basic	$ 0.12	$ (0.33)	$ 0.64	$ (0.18)
Diluted	$ 0.12	$ (0.33)	$ 0.64	$ (0.18)

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of acquired assets over the fair value of the underlying identifiable assets at the date of acquisition. Goodwill is not amortized but is tested for impairment at least annually. We completed our most recent annual goodwill impairment assessment during the third quarter of 2020, and recorded $3.4 million of impairment expense related to our Advisory segment. No goodwill impairments were recorded during the three and six months ended June 30, 2021 or June 30, 2020.

Other Intangible Assets

Our intangible assets represent the acquisition date fair value of acquired client relationships, trade names, non-compete agreements and internally developed software and are reflected net of amortization. In valuing these assets, we made significant estimates regarding their useful lives, growth rates and potential attrition. We periodically review intangible assets for events or circumstances that would indicate impairment. No intangible asset impairments were recorded during the three and six months ended June 30, 2021 or June 30, 2020.

10. LEASES

In February 2021, we sublet approximately 10,000 square feet of our Dallas, Texas office space to a third party. The agreement began in the first quarter of 2021 and provides for monthly rent of approximately $20,000 through the fourth quarter of 2025.

In February 2021, we terminated our Toronto, Ontario office space lease, originally expiring in October 2021.

As of June 30, 2021, aside from the above, there have been no material changes outside the ordinary course of business to our leases since December 31, 2020. For information regarding our leases, refer to Note 11 “Leases” in Part IV, Item 15. “Exhibits, Financial Statement Schedules” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

11. STOCKHOLDERS' EQUITY

Share Repurchase Program

In February 2020, our Board of Directors authorized management to repurchase up to an additional $10.0 million of our outstanding common stock on the open market or in privately negotiated transactions. In April 2020, our Board of Directors authorized management to repurchase up to an additional $10.0 million of share repurchases under our share repurchase program.

During the three months ended June 30, 2021, the Company repurchased 18,866 shares of our common stock at an average price of $15.63 per share, including commissions, for an aggregate purchase price of $0.3 million under our share repurchase plan. During the six months ended June 30, 2021, the Company repurchased 111,357 shares of our common stock at an average price of $15.27 per share, including commissions, for an aggregate purchase price of $1.7 million under our share repurchase plan.

During the three months ended June 30, 2020, the Company repurchased 407,697 shares of our common stock at an average price of $19.83 per share, including commissions, for an aggregate purchase price of $8.1 million under our share repurchase plan. During the six months ended June 30, 2020, the Company repurchased 679,756 shares of our common stock at an average price of $19.05 per share, including commissions, for an aggregate purchase price of $13.0 million under our share repurchase plan.

12. VARIABLE INTEREST ENTITIES

We evaluated (i) our relationship as sponsor of the Common Trust Funds (“CTFs”) and managing member of the private equity funds Westwood Hospitality Fund I, LLC and Westwood Technology Opportunities Fund I, LP (collectively the “Private Funds”), (ii) our advisory relationships with the Westwood Funds®, and (iii) our investments in InvestCloud and Charis discussed in Note 5 “Investments” (“Private Equity”) to determine whether each of these entities is a variable interest entity (“VIE”) or voting ownership entity (“VOE”).

Based on our analyses, we determined that the CTFs and Private Funds were VIEs, as the at-risk equity holders do not have the ability to direct the activities that most significantly impact the entities' economic performance, and the Company and its representatives have a majority control of the entities' respective boards of directors and can influence the respective entities' management and affairs.

Based on our analyses, we determined the Westwood Funds® and Private Equity (i) have sufficient equity at risk to finance the entities' activities independently, (ii) have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entities that most significantly impact the entities' economic performance, and (iii) are not structured with disproportionate voting rights.

Based on our analyses of our investments in these entities for the periods ended June 30, 2021 and December 31, 2020, we have not consolidated the CTFs or Private Funds under the VIE method or the Westwood Funds® or Private Equity under the VOE method.

We recognized fee revenue from the Westwood VIEs and Westwood VOEs as follows (in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Fee Revenues	$ 5.4	$ 4.5	$ 10.3	$ 10.2

The following table displays the AUM and the risk of loss in each vehicle (in millions):

	As of June 30, 2021		
	Assets Under Management	Corporate Investment	Amount at Risk
VIEs/VOEs:			
Westwood Funds®	$ 2,857	$ —	$ —
Common Trust Funds	965	—	—
Private Funds	4	0.1	0.1
Private Equity	—	8.5	8.5
All other assets:			
Wealth Management	3,458		
Institutional	7,123		
Total Assets Under Management	$ 14,407		

13. RELATED PARTY TRANSACTIONS

Some of our directors, executive officers and their affiliates invest personal funds directly in trust accounts that we manage. For both the three months ended June 30, 2021 and June 30, 2020, we recorded trust fees from these accounts of $0.1 million. For both the six months ended June 30, 2021 and June 30, 2020, we recorded trust fees from these accounts of $0.2 million. There were no amounts due from these accounts as of June 30, 2021, and there was $0.1 million due from these accounts as of December 31, 2020.

The Company engages in transactions with its affiliates in the ordinary course of business. Westwood International Advisors (prior to its closure, effective September 30, 2020) and Westwood Management provide investment advisory services to the UCITS Fund and the Westwood Funds®. Certain members of our management served on the board of directors of the UCITS Fund (liquidated as of June 2020). Under the terms of the investment advisory agreements, the Company earns quarterly fees paid by clients of the fund or by the funds directly. The fees are based on negotiated fee schedules applied to AUM. The Company earned $0.2 million in fees from the affiliated funds for the three months ended June 30, 2020, and $0.7 million in fees for the six months ended June 30, 2020.

14. SUBSEQUENT EVENTS

Dividends Declared

On July 27, 2021, the Board of Directors declared a quarterly cash dividend of $0.10 per share of common stock payable on October 1, 2021 to stockholders of record on September 3, 2021.

On July 27, 2021, the Board of Directors also declared a special cash dividend of $2.50 per common share, payable on August 20, 2021 to stockholders of record on August 6, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Statements in this report and the Annual Report to Stockholders that are not purely historical facts, including, without limitation, statements about our expected future financial position, 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," "potentially," "may," "designed" 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, the risks described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC, and those risks set forth below:

- the composition and market value of our AUM;
- our ability to maintain our fee structure in light of competitive fee pressures;
- our stockholder rights agreement may make it more difficult for others to obtain control over us, even if it would be beneficial to our stockholders;
- risks associated with actions of activist stockholders;
- inclusion of foreign company investments in our AUM;
- regulations adversely affecting the financial services industry;
- our ability to maintain effective cyber security;
- litigation risks;
- our ability to develop and market new investment strategies successfully;
- our reputation and our relationships with current and potential customers;
- our ability to attract and retain qualified personnel;
- our ability to perform operational tasks;
- our ability to select and oversee third-party vendors;
- our dependence on the operations and funds of our subsidiaries;
- our ability to maintain effective information systems;
- our ability to prevent misuse of assets and information in the possession of our employees and third-party vendors, which could damage our reputation and result in costly litigation and liability for our clients and us;
- our stock is thinly traded and may be subject to volatility;
- in addition to our stockholder rights agreement, 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;
- competition in the investment management industry;
- our ability to avoid termination of client agreements and the related investment redemptions;
- the significant concentration of our revenues in a small number of customers;
- our relationships with investment consulting firms;
- the impact of the COVID-19 pandemic;
- our ability to identify and execute on our strategic initiatives;
- 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; and
- our ability to maintain an effective system of internal controls.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. We are not obligated and do not undertake an obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events or otherwise.

Overview

We manage investment assets and provide services for our clients through our subsidiaries, Westwood Management Corp. and Westwood Advisors, L.L.C. (each of which is an SEC-registered investment advisor and referred to hereinafter together as “Westwood Management”), Westwood International Advisors Inc. (“Westwood International Advisors”) and Westwood Trust. Westwood Management provides investment advisory services to institutional investors, a family of mutual funds called the Westwood Funds®, other mutual funds, individuals and clients of Westwood Trust.

On July 27, 2020, Westwood’s Board of Directors approved the closure of Westwood International Advisors and Westwood’s office in Toronto, Canada.

Westwood Trust provides trust and custodial services and participation in common trust funds to institutions and high net worth individuals. Our revenues are generally derived from fees based on a percentage of AUM. Westwood International Advisors provided investment advisory services to an Irish investment company authorized pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulation 2011 (as amended) (the “UCITS Fund”), which was liquidated in June 2020.

We began marketing our SmallCap Value product to institutional investors in early 2004. SmallCap Value approached its asset capacity in 2021, and accordingly we closed it to new institutional separate accounts and platforms. The funds remain open, and open to additions from existing clients.

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, particularly the impact on global stock markets. Beginning in 2020, we have taken a number of precautionary measures designed to help minimize the risk of the spread of the virus to our employees, including encouraging our employees to work remotely. The investments we have made in technology over the past several years, particularly our significant investments in cloud-based systems and business continuity planning, have allowed our team to serve our clients from their homes or our offices. While our ability to meet with clients declined at the beginning of the pandemic, we were able to subsequently rebound as our clients embraced digital interactions.

Revenues

We derive our revenues from investment advisory fees, trust fees and other revenues. Our advisory fees are generated by Westwood Management and Westwood International Advisors (prior to its closure, effective September 30, 2020), which manage client accounts under investment advisory and subadvisory agreements. Advisory fees are typically calculated based on a percentage of AUM and are paid in accordance with the terms of the agreements. Advisory fees are paid quarterly in advance based on AUM on the last day of the preceding quarter, quarterly in arrears based on AUM on the last day of the quarter just ended or are based on a daily or monthly analysis of AUM for the stated period. We recognize advisory fee revenues as services are rendered. Certain of our clients have a contractual performance-based fee component in their contracts, which generates additional revenues if we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement period. Since our advance paying clients’ billing periods coincide with the calendar quarter to which such payments relate, revenue is recognized within the quarter, and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues.

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of AUM. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. Trust fees are primarily calculated quarterly in arrears based on a daily average of AUM for the quarter. Since billing periods for most of Westwood Trust's clients coincide with the calendar quarter, revenue is fully recognized within the quarter, and our Condensed Consolidated Financial Statements contain no deferred advisory fee revenues.

Our other revenues primarily consist of investment income from our seed money investments into new investment strategies.

Employee Compensation and Benefits

Employee compensation and benefits expenses generally consist of salaries, incentive compensation, equity-based compensation and benefits.

Sales and Marketing

Sales and marketing expenses relate to our marketing efforts, including travel and entertainment, direct marketing and advertising costs.

Westwood Mutual Funds

Westwood Mutual Funds expenses relate to our marketing, distribution and administration of the Westwood Funds®.

Information Technology

Information technology expenses are generally costs associated with proprietary investment research tools, maintenance and support, computing hardware, software licenses, telecommunications and other related costs.

Professional Services

Professional services expenses generally consist of costs associated with subadvisory fees, audit, tax, legal and other professional services.

General and Administrative

General and administrative expenses generally consist of costs associated with the lease of office space, amortization, depreciation, insurance, custody expense, Board of Directors fees, investor relations, licenses and fees, office supplies and other miscellaneous expenses.

Gain (Loss) on Foreign Currency Transactions

Gain (loss) on foreign currency transactions consists of foreign currency transactions primarily related to Westwood International Advisors.

Realized Gains on Private Investments

Realized gains on private investments includes amounts by which the net proceeds from the sale or redemption of our private investments exceeded costs.

Net change in unrealized appreciation (depreciation) on Private Investments

Net change in unrealized appreciation (depreciation) on private investments includes changes in the value of our private equity investments.

Investment Income

Investment income primarily includes interest and dividend income on fixed income securities and money market funds.

Other Income

Other income primarily consists of income from the sublease of a portion of our corporate offices.

<u>Assets Under Management</u>

AUM increased $2.5 billion to $14.4 billion at June 30, 2021 compared with $11.9 billion at June 30, 2020. The average of beginning and ending AUM for the second quarter of 2021 was $14.5 billion compared to $11.8 billion for the second quarter of 2020.

The following table displays AUM as of June 30, 2021 and 2020 (in millions):

	As of June 30,		
	2021	2020	Change
Institutional[1]	$ 7,123	$ 6,183	15 %
Wealth Management[2]	4,427	3,985	11
Mutual Funds[3]	2,857	1,740	64
Total AUM[4]	$ 14,407	$ 11,908	21 %

(1) Institutional includes (i) separate accounts of corporate pension and profit sharing plans, public employee retirement funds, Taft-Hartley plans, endowments, foundations and individuals; (ii) subadvisory relationships where Westwood provides investment management services for funds offered by other financial institutions; (iii) pooled investment vehicles, including the UCITS Fund and collective investment trusts; and (iv) managed account relationships with brokerage firms and other registered investment advisors that offer Westwood products to their customers. The UCITS Fund was liquidated in June 2020.

(2) Wealth Management includes assets for which Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals pursuant to trust or agency agreements and assets for which Westwood Advisors, L.L.C. provides advisory services to high net worth individuals. Investment subadvisory services are provided for the common trust funds by Westwood Management, Westwood International Advisors (prior to its closure, effective September 30, 2020) and external unaffiliated subadvisors. For certain assets in this category Westwood Trust currently provides limited custody services for a minimal or no fee, viewing these assets as potentially converting to fee-generating managed assets in the future.

(3) Mutual Funds include the Westwood Funds®, a family of mutual funds for which Westwood Management serves as advisor. These funds are available to individual investors, institutional investors and wealth management accounts.

(4) AUM excludes $280 million and $222 million of assets under advisement ("AUA") as of June 30, 2021 and 2020, respectively, related to our model portfolios for which we provided consulting advice but for which we did not have direct discretionary investment authority.

Roll-Forward of Assets Under Management

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Institutional				
Beginning of period assets	$ 7,569	$ 6,335	$ 6,567	$ 8,739
Inflows	1,001	161	1,733	474
Outflows	(1,752)	(1,168)	(1,971)	(1,899)
Net client flows	(751)	(1,007)	(238)	(1,425)
Market appreciation (depreciation)	305	855	794	(1,131)
Net change	(446)	(152)	556	(2,556)
End of period assets	$ 7,123	$ 6,183	$ 7,123	$ 6,183
Wealth Management				
Beginning of period assets	$ 4,360	$ 3,765	$ 4,335	$ 4,438
Inflows	83	56	143	129
Outflows	(210)	(221)	(417)	(348)
Net client flows	(127)	(165)	(274)	(219)
Market appreciation (depreciation)	194	385	366	(234)
Net change	67	220	92	(453)
End of period assets	$ 4,427	$ 3,985	$ 4,427	$ 3,985
Mutual Funds				
Beginning of period assets	$ 2,564	$ 1,500	$ 2,143	$ 2,058
Inflows	318	268	756	442
Outflows	(162)	(252)	(371)	(562)
Net client flows	156	16	385	(120)
Market appreciation (depreciation)	137	224	329	(198)
Net change	293	240	714	(318)
End of period assets	$ 2,857	$ 1,740	$ 2,857	$ 1,740
Total AUM				
Beginning of period assets	$ 14,493	$ 11,600	$ 13,045	$ 15,235
Inflows	1,402	485	2,632	1,045
Outflows	(2,124)	(1,641)	(2,759)	(2,809)
Net client flows	(722)	(1,156)	(127)	(1,764)
Market appreciation (depreciation)	636	1,464	1,489	(1,563)
Net change	(86)	308	1,362	(3,327)
End of period assets	$ 14,407	$ 11,908	$ 14,407	$ 11,908

Three months ended June 30, 2021 and 2020

The $0.1 billion decrease in AUM for the three months ended June 30, 2021 was due to net outflows of $0.7 billion offset by market appreciation of $0.6 billion. Net outflows were primarily related to to the outflow of $1.6 billion from the closure of two Global Convertibles accounts. In the fourth quarter of 2020, we made the decision to exit the stand-alone convertibles business and our Global Convertibles team transitioned back to Aviva Investors, the firm from which they previously joined Westwood. As a result, $1.6 billion in two sub-advised Global Convertibles mandates returned to Aviva as of April 1, 2021. These outflows were partially offset by net inflows to our SmallCap Value strategy.

The $0.3 billion increase in AUM for the three months ended June 30, 2020 was due to market appreciation of $1.5 billion offset by net outflows of $1.2 billion. Net outflows were primarily related to our closed Emerging Markets strategy.

Six months ended June 30, 2021 and 2020

The $1.4 billion increase in AUM for the six months ended June 30, 2021 was due to market appreciation of $1.5 billion offset by net outflows of $0.1 billion.

The $3.3 billion decrease in AUM for the six months ended June 30, 2020 was due to net outflows of $1.8 billion and market depreciation of $1.6 billion. Net outflows were primarily related to our LargeCap Value, Income Opportunity and Emerging Markets strategies, partially offset by net inflows to our SmallCap Value strategy.

Results of Operations

The following table (dollars in thousands) and discussion of our results of operations are based upon data derived from the Condensed Consolidated Statements of Comprehensive Income (Loss) contained in our Condensed Consolidated Financial Statements and should be read in conjunction with those statements included elsewhere in this report.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Revenues:						
Advisory fees: asset-based	$ 11,385	$ 9,328	22 %	$ 21,835	$ 20,430	7 %
Advisory fees: performance-based	—	695	(100)	1,959	695	182
Trust fees: asset-based	6,216	5,657	10	12,281	11,608	6
Trust fees: performance-based	—	40	(100)	—	40	(100)
Other, net	(117)	155	(175)	(272)	(229)	19
Total revenues	17,484	15,875	10	35,803	32,544	10
Expenses:						
Employee compensation and benefits	10,237	10,787	(5)	21,785	23,455	(7)
Sales and marketing	370	253	46	600	731	(18)
Westwood mutual funds	368	434	(15)	759	949	(20)
Information technology	2,261	2,030	11	4,253	4,061	5
Professional services	1,428	991	44	2,745	2,184	26
General and administrative	2,042	2,191	(7)	4,114	4,497	(9)
(Gain) loss on foreign currency transactions	—	1,323	(100)	—	(1,615)	(100)
Total expenses	16,706	18,009	(7)	34,256	34,262	0
Net operating income (loss)	778	(2,134)		1,547	(1,718)	
Realized gains on private investments	46	—	NM	8,371	—	NM
Net change in unrealized appreciation (depreciation) on private investments	215	159	35	(2,111)	(836)	153
Investment income	235	124	90	431	668	(35)
Other income	142	34	318	192	68	182
Income (loss) before income taxes	1,416	(1,817)		8,430	(1,818)	
Income tax expense (benefit)	446	758	(41)	3,359	(345)	(1,074)
Net income (loss)	$ 970	$ (2,575)	(138) %	$ 5,071	$ (1,473)	(444) %

NM Not meaningful

Three months ended June 30, 2021 compared to three months ended June 30, 2020

Total revenues. Total revenues increased $1.6 million, or 10%, to $17.5 million for the three months ended June 30, 2021 compared with $15.9 million for the three months ended June 30, 2020. Asset-based advisory fees increased $2.1 million, or 22%, and Trust fees increased $0.5 million, or 10%. Performance-based advisory fees decreased $0.7 million due to lower realization of performance fees in the three months ended June 30, 2021.

Employee compensation and benefits. Employee compensation and benefits decreased $0.6 million, or 5%, to $10.2 million for the three months ended June 30, 2021 compared with $10.8 million for the three months ended June 30, 2020. The decrease was primarily due to reductions in headcount and stock-based compensation expense.

Professional services. Professional services increased $0.4 million, or 44%, to $1.4 million for the three months ended June 30, 2021 compared with $1.0 million for the three months ended June 30, 2020. The increase was primarily due to legal expenses.

(Gain) loss on foreign currency transactions. We recorded foreign currency gains and losses as a result of fluctuations in the Canadian dollar exchange rate, prior to closing Westwood International Advisors in 2020.

Other Income. Other income increased to $0.1 million for the three months ended June 30, 2021. The increase was primarily due to sublease income.

Income tax expense (benefit). Our effective tax rate of 31.5% differed from the 21% statutory rate for the second quarter of 2021 primarily due to permanent differences between book and tax restricted stock expense based on a decrease in our stock price between the restricted stock grant and vesting dates. Our income tax rate differed from the 21% statutory rate for the second quarter of 2020 primarily due to the impact of certain deferred tax assets that offset the discrete benefit adjustment related to the remeasurement of certain deferred taxes following the enactment of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") recorded in the first quarter of 2020.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

Total revenues. Total revenues increased $3.3 million, or 10%, to $35.8 million for the six months ended June 30, 2021 compared with $32.5 million for the six months ended June 30, 2020. Asset-based advisory fees increased $1.4 million, or 7% and Trust fees increased $0.7 million, or 6%, both primarily due to higher average AUM. Performance-based advisory fees increased $1.3 million, or 182%, primarily due to higher realization of performance fees in the six months ended June 30, 2021.

Employee compensation and benefits. Employee compensation and benefits costs decreased $1.7 million, or 7%, to $21.8 million for the six months ended June 30, 2021 compared with $23.5 million for the six months ended June 30, 2020. The decrease was primarily due to reductions in headcount and stock-based compensation expense.

Professional services. Professional services increased $0.5 million, or 26%, to $2.7 million for the six months ended June 30, 2021 compared with $2.2 million for the six months ended June 30, 2020. The increase was primarily due to legal expenses.

(Gain) loss on foreign currency transactions. We recorded foreign currency gains and losses as a result of fluctuations in the Canadian dollar exchange rate, prior to closing Westwood International Advisors in 2020.

Realized gains on private investments. Following InvestCloud's recapitalization in the first quarter of 2021, we recorded a realized gain of approximately $8.3 million.

Other Income. Other income increased $0.1 million to $0.2 million for the six months ended June 30, 2021. The increase was primarily due to sublease income.

Income Tax Expense (Benefit). The effective tax rate was 39.8% for the six months ended June 30, 2021, compared to 19.0% for the six months ended June 30, 2020. Our income tax rate differed from the 21% statutory rate for 2021 primarily due to permanent differences between book and tax restricted stock expense based on a decrease in our stock price between the restricted stock grant and vesting dates. The effective tax rate decreased to 19.0% for the six months ended June 30, 2020. The effective tax rate for the six months ended June 30, 2020 was primarily due to a discrete benefit adjustment related to the remeasurement of certain deferred taxes following the enactment of the CARES Act recorded in the first quarter of 2020, offset by the remeasurement of current deferred taxes on a nondiscrete basis.

Supplemental Financial Information

As supplemental information, we are providing non-GAAP performance measures that we refer to as Economic Earnings and Economic EPS. We provide these measures in addition to, not as a substitute for, net income (loss) and earnings (loss) per share, which are reported on a GAAP basis. Our management and Board of Directors review Economic Earnings and Economic EPS to evaluate our ongoing performance, allocate resources, and review our dividend policy. We believe that these non-GAAP performance measures, while not substitutes for GAAP net income (loss) or earnings (loss) per share, are 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 (loss) 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. Economic EPS represents Economic Earnings divided by diluted weighted average shares outstanding.

The following tables provide a reconciliation of net income (loss) to Economic Earnings and Economic Earnings by segment (in thousands, except share and per share amounts):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Net income (loss)	$ 970	$ (2,575)	(138) %	$ 5,071	$ (1,473)	(444) %
Add: Stock-based compensation expense	1,375	2,305	(40)	3,097	4,921	(37)
Add: Intangible amortization	406	435	(7)	812	858	(5)
Add: Tax benefit from goodwill amortization	59	59	—	118	118	—
Economic Earnings	$ 2,810	$ 224	1,154 %	$ 9,098	$ 4,424	106 %
Diluted weighted average shares outstanding	7,928,106	7,879,698		7,922,742	8,147,045	
Economic Earnings per share	$ 0.35	$ 0.03		$ 1.15	$ 0.54	
Economic Earnings by Segment:						
Advisory	$ 3,919	$ 1,013	287 %	$ 10,469	$ 5,306	97 %
Trust	1,508	1,333	13	4,492	2,325	93
Westwood Holdings	(2,617)	(2,122)	23	(5,863)	(3,207)	83
Consolidated	$ 2,810	$ 224	1,154 %	$ 9,098	$ 4,424	106 %

Liquidity and Capital Resources

We fund our operations and cash requirements with cash generated from operating activities. We may also use cash from operations to pay dividends to our stockholders. We reinstated our dividend in 2021, following a suspension in the second quarter of 2020 as we preserved capital and provided additional financial flexibility amid the uncertainties created by COVID-19. As of June 30, 2021 and December 31, 2020, we had no debt. The changes in net cash provided by operating activities generally reflect changes in earnings plus the effects of non-cash items and changes in working capital, including liquidation of investments used to cover current liabilities. Changes in working capital, especially accounts receivable and accounts payable, are generally the result of timing differences between collection of fees billed and payment of operating expenses.

During the six months ended June 30, 2021, cash flow used in operating activities was $1.2 million, which included net purchases of $5.6 million of current investments, a reduction in compensation and benefits payable of $2.9 million, a $0.4 million change in accounts receivable and adjustments to net income, partially offset by income taxes payable, accounts payable and accrued liabilities. During the six months ended June 30, 2020, cash flow provided by operating activities was $21.8 million, which included liquidation of $20.0 million of current investments and accounts receivable collections of $2.4 million, partially offset by an $5.8 million decrease in compensation and benefits payable.

Cash flow provided by investing activities during the six months ended June 30, 2021 was related to realized gains on private investments and the sale of property and equipment following the sublease of a portion of our Dallas, Texas corporate office space. Cash flow used in investing activities during the six months ended June 30, 2020 was related to purchases of property and equipment.

Cash flows used in financing activities of $4.2 million for the six months ended June 30, 2021 reflected treasury stock repurchases, the payment of dividends and restricted stock returned for the payment of taxes. Cash flow used in financing activities of $25.8 million for the six months ended June 30, 2020 reflected treasury stock repurchases, the payment of dividends, restricted stock returned for payment of taxes and purchases of treasury stock under employee stock plans.

We had cash and short-term investments of $92.3 million as of June 30, 2021 and $82.6 million as of December 31, 2020. At June 30, 2021 and December 31, 2020, working capital aggregated $92.8 million and $84.5 million, respectively.

Westwood Trust is required to maintain cash and investments in an amount equal to the minimum restricted capital of $4.0 million, as required by the Texas Finance Code. Restricted capital is included in Investments in the accompanying Condensed Consolidated Balance Sheets. At June 30, 2021, Westwood Trust had approximately $17.6 million in excess of its minimum capital requirement.

Our future liquidity and capital requirements will depend upon numerous factors, including our results of operations, the timing and magnitude of capital expenditures or strategic initiatives, our dividend policy and other business and risk factors described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC. We believe that current cash and short-term investment balances plus cash generated from operations will be sufficient to meet both the operating and capital requirements of our ordinary business operations through at least the next twelve months. However, there can be no assurance that we will not require additional financing within this time frame. The failure to raise needed capital on attractive terms, if at all, could have a material adverse effect on our business, financial condition and results of operations.

The United States Department of Labor released its regulatory agenda in the Spring of 2021, which confirmed that a fiduciary rule rewrite is in progress. This rewrite is expected to address the definition of fiduciary. At this time, we cannot predict the content or form of any such rule or its impact on our business, results of operations and financial condition. Our business is highly regulated, and changes in regulation and in supervisory and enforcement policies may materially impact our capitalization or cash flows, reduce our profitability and limit our growth. We will continue to monitor the potential impact of this development on our business.

Contractual Obligations

As of June 30, 2021, there have been no material changes outside of the ordinary course of business to our contractual obligations since December 31, 2020. For information regarding our contractual obligations, refer to “Contractual Obligations” in Part II, Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Critical and Significant Accounting Policies and Estimates

There have been no significant changes in our critical or significant accounting policies and estimates since December 31, 2020. Information with respect to our critical accounting policies and estimates that we believe could have the most significant effect on our reported consolidated results and require difficult, subjective or complex judgment by management is described under “Critical Accounting Policies and Estimates” in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Accounting Developments

Refer to Note 2 “Summary of Significant Accounting Policies” in our Condensed Consolidated Financial Statements included in Part I, Item 1. “Financial Statements” of this Quarterly Report on Form 10-Q for a description of recently issued accounting guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our Quantitative and Qualitative Disclosures about Market Risk from those previously reported in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

During the quarter ended June 30, 2021, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Due to our significant investments in cloud-based systems, the impact of our workforce working remotely did not hinder the execution of our internal control processes and procedures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully. In addition, this report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and the risks set forth below.

Except as discussed below, there have been no material changes to the risk factors previously disclosed in the Form 10-K. You should carefully consider the following risks and the risks included in the Company's Annual Report on Form 10-K, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. The occurrence of any single risk or any combination of risks could materially and adversely affect our business, financial condition, results of operations, cash flows and the trading price of our common stock.

Risks Related to Ownership of Stock and Corporate Governance

Our stockholder rights agreement ("Rights Agreement") may make it more difficult for others to obtain control over us, even if it would be beneficial to our stockholders.

In May of 2021, our Board of Directors adopted a stockholder rights agreement. Pursuant to its terms, we have distributed a dividend of one right for each outstanding share of common stock of the Company to stockholders of record at the close of business on May 12, 2021. These rights would cause substantial dilution to the ownership of any person or group that attempts to acquire us on terms not approved by our Board of Directors and may have the effect of deterring hostile takeover attempts. These provisions could discourage a future takeover attempt which individual stockholders might deem to be in their best interests or in which stockholders could receive a premium for their shares over current prices.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by effectively requiring those who seek to obtain control of the Company to negotiate with our Board of Directors and by providing our Board with more time to assess any acquisition of control. However, these provisions could apply even if an acquisition of control of the Company may be considered beneficial by some stockholders and could delay or prevent an acquisition of control that our Board of Directors determines is not in the best interests of our Company and our stockholders.

Actions of activist stockholders could cause us to incur substantial costs, divert the attention and resources of our management and the Board of Directors, and have an adverse effect on our business and stock price.

We have been and may continue to be subject to proposals by stockholders urging us to take certain corporate actions or seeking to acquire control over the Company. If activist stockholder activities continue or new activities arise, our business could be adversely affected as responding to actions by activist stockholders can be costly and time-consuming, disrupt our operations, and divert the attention of management and our Board of Directors, all of which could interfere with our ability to execute our strategic plan. We have retained, and may be required to continue to retain, the services of various professionals to advise us on activist stockholder matters, including legal, financial and communications advisors, the costs of which may adversely affect our financial results. In addition, the perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist stockholder initiatives may result in the loss of potential business opportunities, result in the loss of key personnel, harm our ability to attract new investors, clients and employees, and cause our stock price to experience periods of volatility or stagnation.

In addition to our Rights Agreement, 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.

Our organizational documents currently contain provisions that establish that stockholders cannot act by written consent, and that authorize our Board of Directors to issue, without shareholder approval, blank check preferred stock. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law relating to business combinations. These provisions could delay, deter or prevent a merger, consolidation, tender offer or other business combination or change of control involving us that could include a premium over the market price of our common stock that some or a majority of our stockholders might consider to be in their best interests.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 20, 2012, our Board of Directors authorized management to repurchase up to $10.0 million of our outstanding common stock on the open market or in privately negotiated transactions. Westwood's Board of Directors authorized an additional $5.0 million of repurchases under the share repurchase program in July 2016, an additional $10.0 million in February 2020, and an additional $10.0 million in April 2020. The share repurchase program has no expiration date and may be discontinued at any time by the Board of Directors.

The following table displays information with respect to the treasury shares we purchased during the three months ended June 30, 2021:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (1)
Repurchase program (1)				$ 8,300,000
April 2021	18,866	$ 15.63	18,866	

(1) These purchases relate to the share repurchase program and were authorized in April 2020.

ITEM 6. EXHIBITS

ification of Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)

ification of Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)

ification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

following financial information from Westwood Holdings Group, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2021, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020; (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2021 and 2020; (iii) Condensed Consolidated Statements of Stockholders' Equity; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020; and (v) Notes to the Condensed Consolidated Financial Statements.

er Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: July 27, 2021	WESTWOOD HOLDINGS GROUP, INC.		
	By:	/s/ Brian O. Casey	
		Brian O. Casey President and Chief Executive Officer	
	By:	/s/ Murray Forbes III	
		Murray Forbes III Chief Financial Officer and Treasurer	

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a)

I, Brian O. Casey, certify that:

1. I have reviewed this report on Form 10-Q of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 27, 2021

/s/ Brian O. Casey
Brian O. Casey
President & Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a)

I, Murray Forbes III, certify that:

1. I have reviewed this report on Form 10-Q of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 27, 2021

/s/ Murray Forbes III
Murray Forbes III
Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Westwood Holdings Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian O. Casey, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 27, 2021

/s/ Brian O. Casey

Brian O. Casey
President & Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Westwood Holdings Group, Inc. and will be retained by Westwood Holdings Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Murray Forbes III, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 27, 2021

/s/ Murray Forbes III
Murray Forbes III
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to Westwood Holdings Group, Inc. and will be retained by Westwood Holdings Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.