



**Westwood**<sup>®</sup>

Investing Where It Counts

# Investor Relations Presentation

As of June 30, 2019

# Overview



## 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

17% of assets outside of US  
\$2.3B 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** | \$15.4 B

**Employees** | 170

**Publicly Traded** | NYSE: WHG

**Signatory** |

Signatory of:



<sup>1</sup>As of June 30, 2019  
<sup>2</sup>As of March 04, 2019



# 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!



Separately Managed Accounts

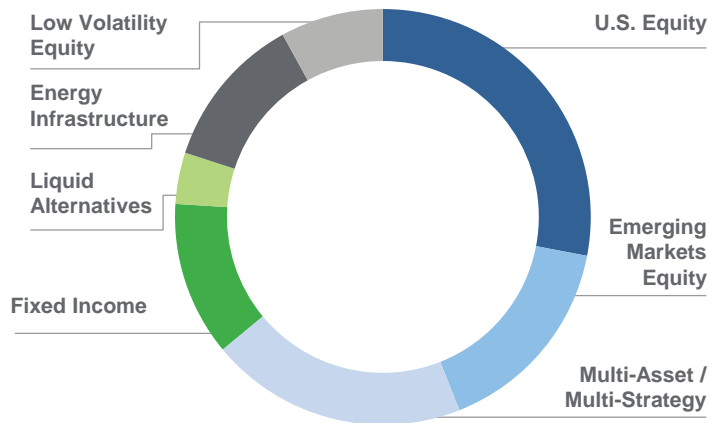
Commingled Funds

Mutual Funds

UCITS

## Our Strategies

AUM: \$15.4B\*



### 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

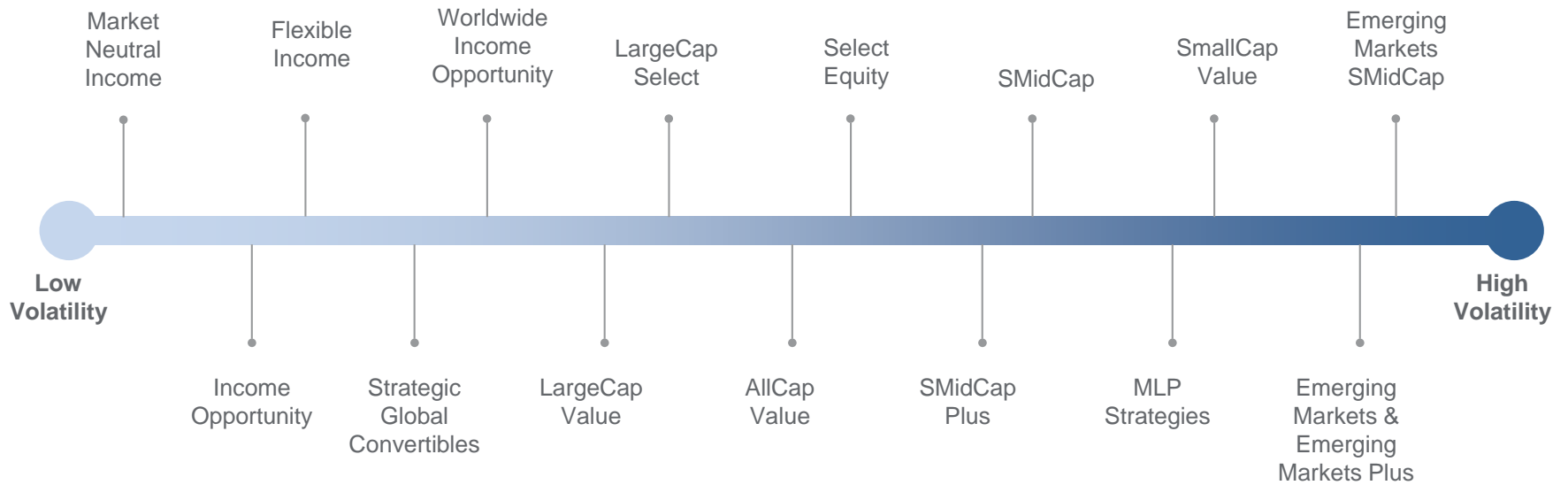
- MLP Infrastructure Renewal
- MLP Opportunities
- MLP and Strategic Energy

### Low Volatility Equity

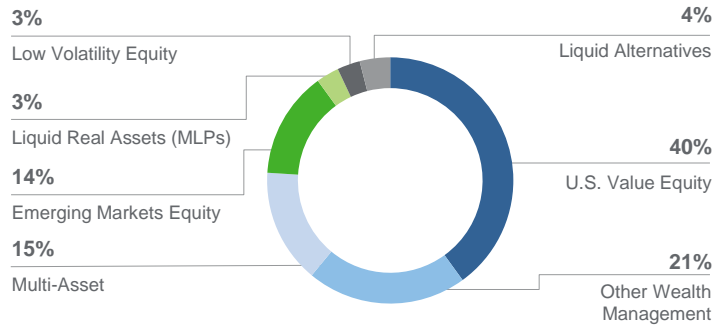
- Strategic Global Convertibles
- Low Volatility Equity

\*As of 6/30/2019. Reflects AUM of strategies offered through Westwood Management Corp., Westwood International Advisors Inc., Westwood Trust and Westwood Advisors LLC combined.

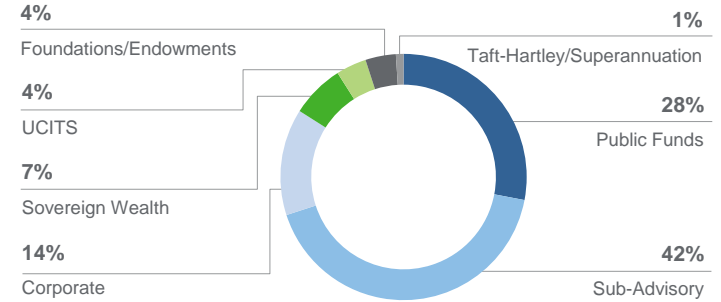




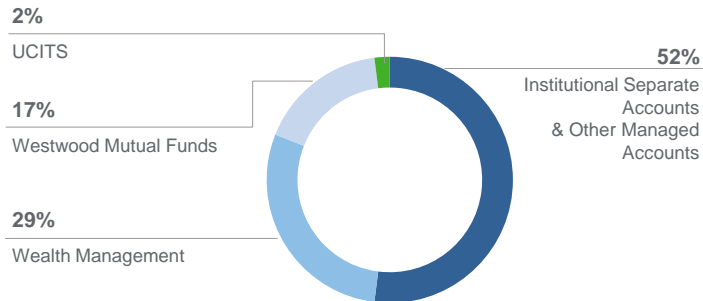
### STRATEGY BREAKDOWN



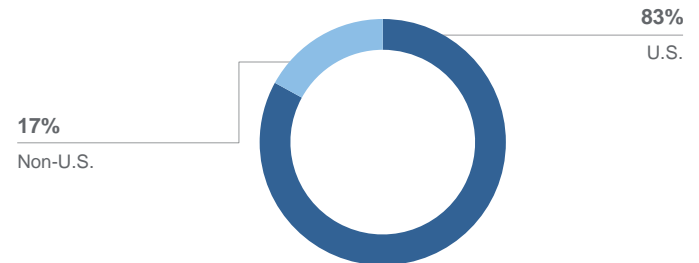
### INSTITUTIONAL CLIENT TYPE



### ASSETS BY ACCOUNT 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 June 30, 2019. 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.

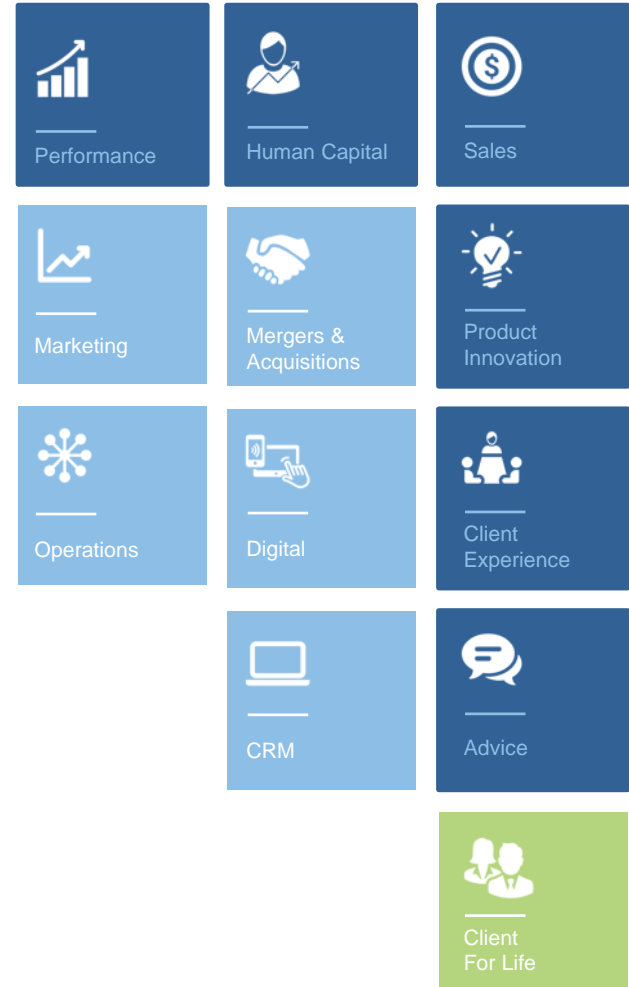
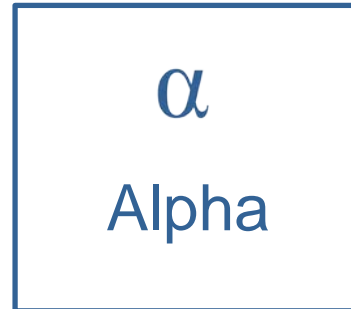


# Strategic Focus | Executive Overview

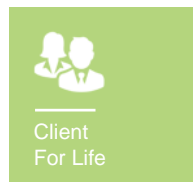
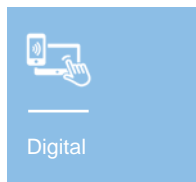
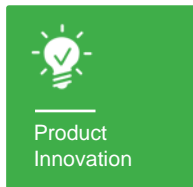
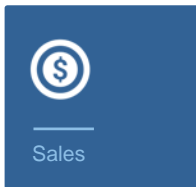




- Distribution “alpha” focused on differentiating our value proposition from pre-sale to cross-sale, transcending the performance cycle.
- Product innovation “alpha” focused on developing more outcome-oriented, non-commoditized strategies to offset fee compression.
- Apply transformational technology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



## Positioned for Long-term Sales Growth



**Team build-outs complete** and executing distribution strategies; Strengthening relationships with intermediaries, clients, consultants

**Increased sales activity** and new business pipeline; **SmallCap** positioned for 2019 wins, **SMidCap and Multi-Asset** positioned well longer term

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

**Sensible Fees™** to accelerate sales activity

**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



# Investment Management | Institutional & Intermediary



# Aligning fees with the true value of Active Investing

Align with Investors with Greater Flexibility

Solve the Fee Problem

Change the Probability of Winning

**Accelerate Asset Growth**

The industry has struggled in recent years due to a loss of confidence over performance issues combined with increased pressure on fees as a result of passive indexing. The industry has been slow to respond with an approach that can better align the interests of the asset manager and asset owner with the true value of active management.

Sensible Fees™ is designed to “unlevel” the playing field for Westwood, creating better alignment with investors and greater flexibility to select risk-based performance fees. By combining our active services with a Sensible Fee structure, we believe we can create a competitive advantage for Westwood in the marketplace by providing an asymmetric advantage to investors - potentially influencing the way manager allocation decisions are made in competitive situations.

We believe Sensible Fees™ gives Westwood a competitive edge over the long-term by holistically addressing the misalignment issues in active management and differentiating our brand.



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

**Implement** segmentation and advisor targeting strategy

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**Build** wholesaling infrastructure and resources to align with segmentation

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**Develop** customized business plan for each territory

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**Leverage** Salesforce interfaces/applications for sales enablement and measurement

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**Align** offerings with Intermediary market

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**Align** compensation structure aligned to drive sustainable, long-term success

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**Execute**





## Strategy Execution to Scale the Business

- Consolidate fund lineup over the next 12 months
- Salesforce CRM dashboard and territory build-out with OpportunityHunter analytics
- Use SMA and model delivery to accelerate growth and mutual fund adoption on third-party platforms
- New A and C share classes expand customer base for core product offerings
- Build retail brand around Multi-Asset, Outcome-oriented solutions and U.S. Value
- Add wholesalers to achieve nationwide coverage
- Align compensation with sustainable, repeatable flows



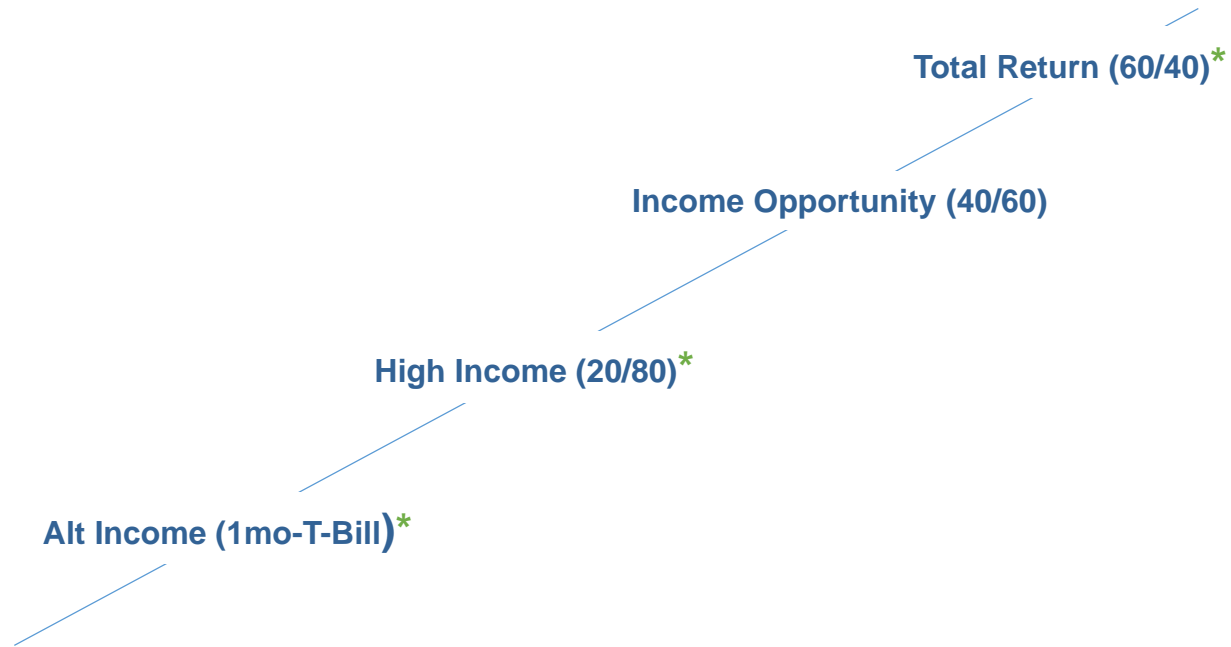
# Westwood Multi-Asset Franchise

Alternative  
Income

High Income

Income  
Opportunity

Total Return



\*Sensible Fee Product



# Wealth Management







**Westwood Trust<sup>®</sup>**  
Trust services offerings

## 2017

- Basic financial planning (fragmented / geographic)
- Primarily proprietary products
- Disjointed back office roles and responsibilities
- Limited visibility / advertising program



**Westwood Wealth Management<sup>®</sup>**  
Trust + RIA offerings

## 2018

- Private Equity (basic access)
- Digital solution (basic)
- Custodian referral program (single/basic)
- Refocused COI relationships
- Product platform open architecture
- Complex Financial Planning

- Basic financial planning (centralizing)
- Centralized Wealth Operations department functions, systems and processes
- Digital advertising, increased focus on strategic event marketing, PR / visibility



**Westwood Wealth Management<sup>®</sup>**  
Expanded Trust + RIA offerings

## 2019+

- Banking partnership
- Holistic digital wealth solution (app)
- Private Equity franchise (core & direct)
- Custodian referral programs (multiple)
- Comprehensive CRM (drive referrals)
- Consistent client experience based on tier / segment
- Strategic and refocused business development efforts

- Digital solution
- Digital advertising, increased focus on strategic event marketing, PR / visibility
- Refocused COI relationships
- Product platform open architecture
- Complex Financial Planning
- Basic financial planning (centralized)

### Implementing Client Segments

<\$2M

\$2M-\$10M

>\$10M



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

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

## 1 Why

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

## 2 How

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

## 3 What

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

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

### Client for Life

Comprehensive toolset / product set that delivers value to clients

### Active Client Engagement

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

### Active Client Growth

Capturing the next generation through transitional wealth transfer

### Amazon

Information anytime anywhere



## WealthCoach 2.0

- Building on excellent content and creative developed in 2018, relaunching WealthCoach 2.0 with best of breed partners:
  - ✓ Apex Clearing – provides the custody and backbone for the best robos in the world; seamless account opening process
  - ✓ InvestCloud digital experience and maneuverability is superior to anything on the market
- Soft launch in 2H2019



## Wealth Management | **Private Bank**

- Partnered with a local bank to launch Westwood Private Bank in Q2 2019
- Westwood will purchase <10% stake in the bank (below bank holding company threshold)
- Objective: Extend our brand; broaden our value proposition to clients; increase client retention; expanded ultra high net worth (UHNW) prospect pool
- Benefits to Westwood: Wealth Management referrals from partner bank; ability to “lead with credit” creates significant additional opportunities in UHNW market with deep view into client’s complete financial picture ; capital investment



## Financials | Highlights



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“Our overall product performance was solid during the second quarter, particularly our SMidCap and Income Opportunity portfolios, and SmallCap earned a 5-Star Overall Morningstar Rating™<sup>1</sup>. We are very encouraged by robust sales activity supporting a growing pipeline as our Institutional and Intermediary Sales teams reach fully-staffed levels with well-defined coverage and responsibilities.”

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### Assets Under Management

- Total AUM of \$15.4 billion and AUA of \$261 million at June 30, 2019

### Investment Strategies

- All of our U.S. Value teams, our Market Neutral Income, Strategic Global Convertibles and Emerging Markets teams outperformed their primary benchmarks
- Top decile performance was achieved by our SmallCap Value and Flexible Income teams; our remaining U.S. Value teams, Income Opportunity, Market Neutral Income and Emerging Markets teams posted top quartile performance

### Operating Results

- Total revenues of \$21.7 million for Q2 2019
- Net income of \$1.9 million and Economic Earnings of \$4.8 million<sup>2</sup> for Q2 2019

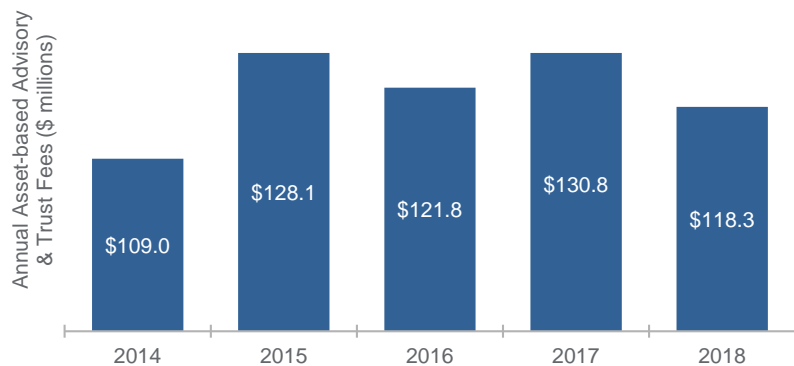
### Capital Management

- Quarterly dividend of \$0.72 per share declared in July 2019, at a current yield of 9.2%<sup>3</sup>
- Liquid cash and investments of \$103.9 million at June 30, 2019

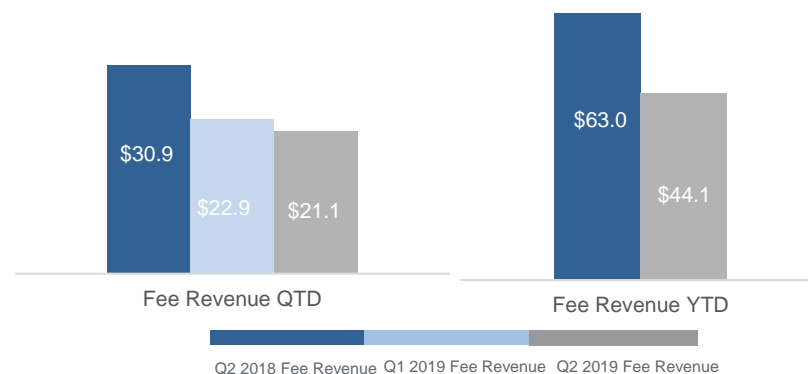
1. ©2019 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.  
2. See the Reconciliation of Net Income to Economic Earnings on slide 24 of this presentation.  
3. As of July 30, 2019



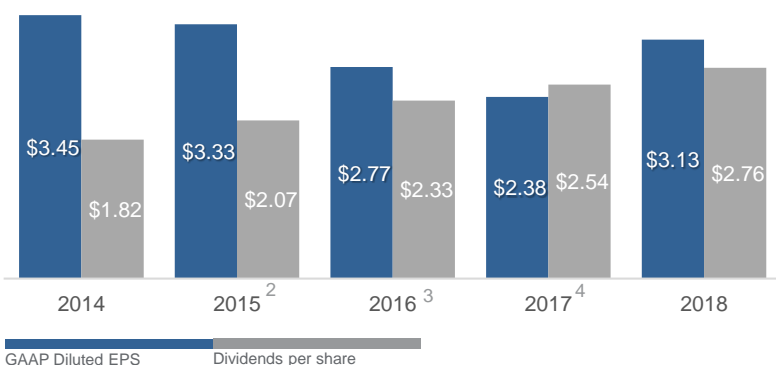
## Fee Revenue<sup>1</sup> - Historical



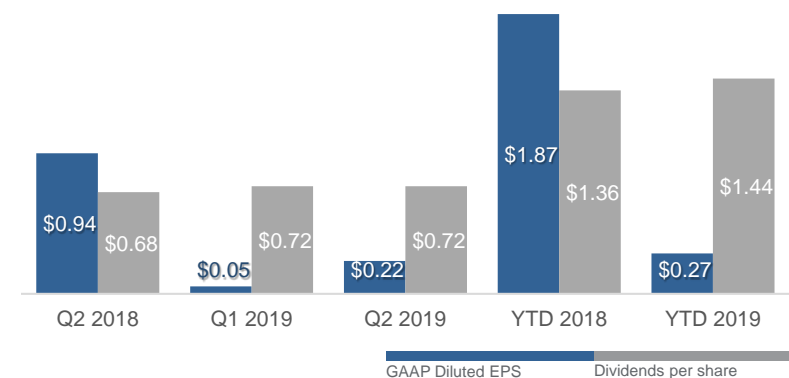
## Fee Revenue<sup>1</sup> - QTD and YTD



## 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.



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

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

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

The following table provides a reconciliation of net income to Economic Earnings for the three months ended June 30, 2019 (\$ thousands):

	<b>6/30/2019</b>
Net Income	\$ 1,861
Add:	
Stock Based Compensation Expense	2,430
Intangible Amortization	423
Tax Benefit from Goodwill Amortization	59
Economic Earnings	\$ 4,773





# Appendix



## Looking Ahead | Technology Investment Cycle



Access to world-class security protocols as they become available

Scalability and predictable cost structure



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

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

Uses precise market risk exposures to measure and control risk.



Formal data management program

Provides both data integrity and data compliance for the firm



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

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

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



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

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



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

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

Streamlined documentation for account opening through Apex Clearing



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

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

### Implementation Cost

**\$1.7M**

Cloud Azure



**\$0.3M**

FactSet / Northfield Risk Analytics



**\$0.2M**

Markit EDM



**\$0.3M**

Bloomberg AIM+



**\$1.9M**

InvestCloud Green



**\$0.1M**

Wealth Coach



**\$0.6M**

InvestCloud Digital



2015  
Start of cycle

2016

2017

June 2019  
Delivery date

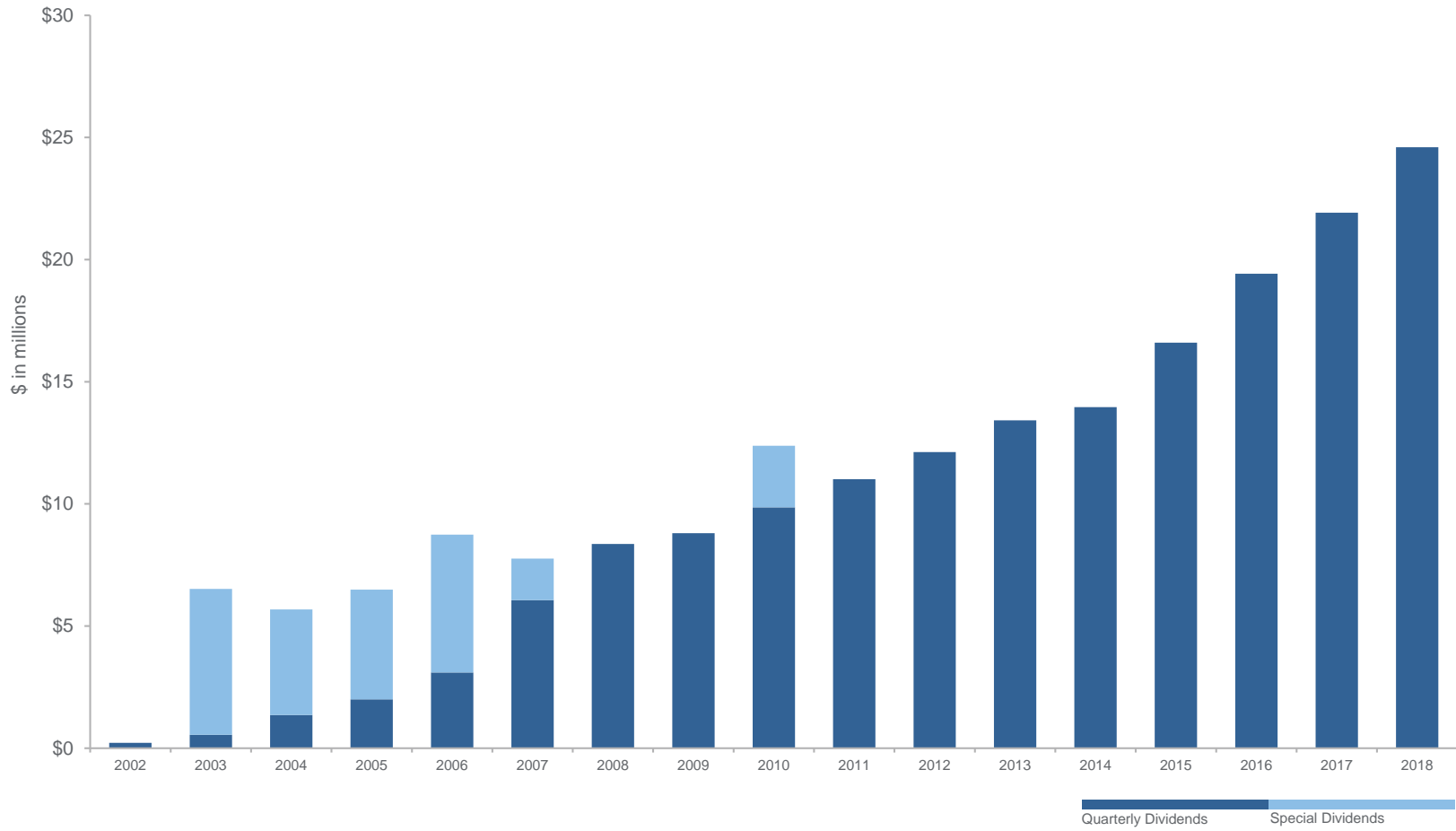
Sept. 2019

1Q2020



### 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 reputation and our relationships with current and potential customers;
- our ability to attract and retain qualified personnel;
- our ability to maintain effective cyber security;
- our ability to perform operational tasks;
- our ability to identify and execute on our strategic initiatives;
- our ability to maintain effective information systems;
- our ability to select and oversee third party vendors;
- litigation risks;
- our ability to 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, 2018 and our quarterly report on Form 10-Q for the quarters ended March 31, 2019 and June 30, 2019 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.





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