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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

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)	(I.R.S. Employer Identification No.)
200 Crescent Court, Suite 1200	
Dallas, Texas	**75201**
(Address of principal executive offices)	(Zip Code)

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

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**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions 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 financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value on June 30, 2023 of the voting and non-voting common equity held by non-affiliates of the registrant was $101,997,608. For purposes of this calculation, the registrant has assumed that stockholders that are not officers or directors of the registrant are not affiliates of the registrant.

The number of shares of registrant's Common Stock, par value $0.01 per share, outstanding as of March 1, 2024: 9,062,458.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the registrant's definitive Proxy Statement for the 2024 Annual Meeting of Stockholders, which will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates, are incorporated by reference into Part III hereof.

WESTWOOD HOLDINGS GROUP, INC.

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PART I

Item 1. Business.

Unless the context otherwise requires, the term "we," "us," "our," "Westwood," or "Westwood Holdings Group" when used in this Form 10-K ("Report") and in the Annual Report to the Stockholders refers to Westwood Holdings Group, Inc., a Delaware corporation, and its consolidated subsidiaries taken as a whole. This Report contains some forward-looking statements within the meaning of the federal securities laws. 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 under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 1A. Risk Factors."

General

We manage investment assets and provide services for our clients through our subsidiaries, Westwood Management Corp., Westwood Advisors, L.L.C. and Salient Advisors, L.P. (each of which is a registered investment adviser ("RIA") registered with the Securities and Exchange Commission and referred to hereinafter together as "Westwood Management") and Westwood Trust ("Westwood Wealth Management"). Westwood Management, founded in 1983, provides investment advisory services to institutional investors, a family of mutual funds called the Westwood Funds®, other mutual funds, individual investors and clients of Westwood Trust. Westwood Trust, founded as a state-chartered trust company in 1974, provides trust, custodial and investment management services through the use of commingled funds and individual securities to institutions and high net worth individuals. Our revenues are generally derived from fees based on a percentage of assets under management ("AUM") and assets under advisement ("AUA"). Westwood Management and Westwood Trust collectively had AUM of approximately $15.5 billion and AUA of approximately $1.1 billion at December 31, 2023. We were incorporated under the laws of the State of Delaware on December 12, 2001. Our common stock is listed on the New York Stock Exchange under the ticker symbol "WHG." We are a holding company whose principal assets consist of the capital stock and ownership interests of our operating subsidiaries, primarily Westwood Management, Westwood Trust and Broadmark Asset Management, LLC ("Broadmark").

The success of our business is dependent on client, institutional investment consultant and intermediary relationships. In addition to investment performance, we believe that client service is of paramount importance in the asset management business. Accordingly, a major business focus for us is to build strong relationships with clients to enhance our ability to anticipate their needs and satisfy their investment objectives. Our team approach is designed to deliver efficient, responsive service to our clients.

Our operating structure is capable of supporting a larger business and thus we believe we are poised to accommodate growth by acquisition, product innovation and internal growth within our client base. We have developed investment strategies that we expect to be attractive in our target institutional, wealth management and intermediary markets. Developing new investment strategies and building the organization can result in incurring expenses before significant offsetting revenues are realized. We continue to evaluate new strategies and resources in terms of meeting actual and potential investor needs.

During 2022 we acquired the asset management business of Salient Partners, L.P. (the "Salient Acquisition"). As part of the Salient Acquisition we also acquired Salient Capital, L.P. ("SCLP"), Salient Advisors, L.P. ("Salient Advisors") and an approximately 48% interest in Broadmark. Broadmark is a San Francisco-based RIA managing and/or sub-advising mutual funds, retail and institutional separately-managed accounts. SCLP is an SEC-registered broker-dealer and Financial Industry Regulatory Authority ("FINRA") member and serves as a sub-placement agent for private placements. Salient Advisors is an SEC registered investment adviser, a Commodity Futures Trading Commission ("CFTC") registered Commodity Pool Operator ("CPO") and a National Futures Association ("NFA") member. Salient Advisors is an advisor to the Westwood Salient Tactical Plus Fund, which is subadvised by Broadmark.

Acquisition of Controlling Interest in Broadmark Asset Management LLC

In January 2023 we acquired an additional 32% interest in Broadmark for $1.2 million (net of cash acquired), increasing our ownership of Broadmark to approximately 80%, which represents a controlling interest for financial statement consolidation purposes (the "Broadmark Acquisition").

Strategic Investments

Over the past several years we have made a number of strategic investments, including investments in InvestCloud, Inc. ("InvestCloud"), Vista Bank, ("Vista"), Westwood Hospitality Fund I, LLC ("Westwood Hospitality") and Westwood Energy Secondaries Fund I, LLC ("Westwood Energy Secondaries").

InvestCloud is a digital financial services provider. In addition to our investment in InvestCloud, we initiated a technology transformation several years ago using InvestCloud as a core provider. This technology transformation included overhauling and streamlining our enterprise data infrastructure and investment management operating platform. We also developed and launched digital client portals with InvestCloud, offering our clients secure “anytime, anywhere” access to their financial information.

Vista offers traditional banking services and provides clients of Westwood Trust efficient access to lines of credit secured by their investment portfolios. Our partnership provides Vista the opportunity to refer its clients needing more complex financial planning and investment services to Westwood Wealth Management.

Westwood Hospitality is a private investment fund seeded via our investment and which is offered to clients of Westwood Trust.

Westwood Energy Secondaries is a private investment fund seeded via our investment and which is offered to our clients.

Available Information

We maintain a website at westwoodgroup.com. Information contained on, or connected to, our website is not incorporated by reference into this Report and should not be considered part of this Report or any other filing that we make with the Securities and Exchange Commission ("SEC"). All of our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge on our website. Our Code of Business Conduct, Corporate Governance Guidelines and Audit Committee, Compensation and Human Capital, and Governance/Nominating Committee Charters are available without charge on our website. Stockholders may also obtain print copies of these documents free of charge by submitting a written request to Murray Forbes III, our Chief Financial Officer and Treasurer, at the address set forth on the front of this Report. The public can also obtain access to any public document we file with the SEC at www.sec.gov.

Advisory

General

Our advisory business encompasses five distinct investment capabilities — United States ("U.S.") Value Equity, Multi-Asset, Energy and Real Assets, Tactical Absolute Return, and Income Alternatives.

Westwood Management provides investment advisory services to large institutions, including corporate retirement plans, public retirement plans, endowments and foundations. Institutional separate account minimums vary by investment strategy and generally range from $10 million to $25 million. Westwood Management also provides advisory services to financial advisors, individuals and the Westwood Funds®, as well as sub-advisory services to other mutual funds and pooled investment vehicles.

Investment Strategies

We offer high-conviction equity, outcome-oriented solutions and liquid alternatives to address a wide range of investment objectives, including four strategies each with over $1 billion in AUM: LargeCap Value, Income Opportunity, SmallCap Value and MLP & Energy Infrastructure.

<u>U.S. Value Equity</u>

The U.S. Value Equity team employs a value-oriented approach focused on identifying undervalued, high-quality businesses capable of generating superior risk-adjusted returns, using a fundamental, bottom-up, three-step investment process. Our team seeks well-run businesses with conservative balance sheets and strong free cash flow that can grow their business value by funding growth initiatives or by returning capital to shareholders. Identifying undervalued companies with strong fundamentals, where the outlook for future earnings growth is underestimated by the market, offers us the potential for asymmetric returns. This investment approach is intended to preserve capital during unfavorable periods and provide superior real returns over the long term. We have established a track record of producing both competitive risk adjusted and real returns for our clients. The principal investment strategies currently managed by the U.S. Value Equity team are as follows:

LargeCap Value: Investments in equity securities of approximately 40 to 60 companies benchmarked to the Russell 1000 Value Index.

MidCap Value: Investments in equity securities of approximately 50 to 80 companies benchmarked to the Russell Midcap Value Index.

SMidCap Value: Investments in equity securities of approximately 50 to 70 companies benchmarked to the Russell 2500 Value Index.

SmallCap Value: Investments in equity securities of approximately 50 to 70 companies benchmarked to the Russell 2000 Value Index.

AllCap Value: Investments in equity securities of approximately 50 to 80 companies benchmarked to the Russell 3000 Value Index.

Multi-Asset

The Multi-Asset team employs an investment process that applies top-down views across asset classes along with bottom-up security selection, utilizing quantitative and fundamental tools to evaluate macro, micro and technical conditions across a range of asset classes. Our outcome-oriented solutions utilize strategic and tactical allocations as well as a discipline focused on managing downside risks.

The team draws on the proprietary fundamental research of Westwood's investment teams in order to identify securities with attractive risk-adjusted return profiles across a broad spectrum of income-producing securities. The principal investment strategies currently managed by the Multi-Asset team are as follows:

Income Opportunity: Multi-Asset strategy that invests across multiple fixed income sectors, including convertibles and income-producing equity securities. Typically invests in a range of asset types with the equity component usually comprising between approximately 30% and 50% of this strategy.

Total Return: Multi-Asset strategy that invests across multiple bond sectors, including convertibles and income producing equity securities. Typically invests in a range of asset types with the equity component usually comprising between approximately 50% and 70% of this strategy.

High Income: Multi-Asset strategy that invests across multiple bond sectors, including convertibles and income-producing equity securities. Typically invests in a range of asset types with the equity component usually comprising between approximately 15% and 30% of this strategy.

Energy and Real Assets

The Energy and Real Assets team employs an investment approach designed to provide access to a broad universe of Master Limited Partnerships ("MLPs") and MLP-related companies, including midstream and other energy infrastructure companies, with the potential to capture a range of energy infrastructure opportunities. The portfolio managers consider the primary risk factors for midstream energy infrastructure companies to be equity markets, high yield spreads, commodity prices and interest rates. The team monitors and discusses changes in these risk factors on a daily basis. The firm utilizes quantitative models to measure valuations, momentum and other risk attributes. The investment team monitors key risk factors for each company and the overall market and positions portfolios accordingly to align with their portfolio management philosophy. The principal investment strategy currently managed by the Energy and Real Asset team is as follows:

MLP & Energy Infrastructure: Offers access to a wide universe of MLPs and MLP-related companies with the potential to capture energy infrastructure opportunities.

Tactical Absolute Return

Tactical Absolute Return strategies are subadvised by Broadmark. These strategies seek to deliver positive absolute returns through market cycles. We believe that tactical portfolio allocation can actively manage market exposure by adapting to economic conditions and internal market momentum. These strategies may appeal to clients who believe that it may be unwise to be fully invested in equities during periods of intense speculation and monetary tightening within an overvalued market. We also find other market environments in which we believe investors should be fully invested and even overweight higher beta sectors and indices. Our goal is to be in concert with the overall economic/business cycle.

Broadmark's investment process is grounded in four pillars. The first three pillars – valuation, monetary policy and investor sentiment — are qualitative in nature. The fourth pillar is a quantitative assessment of volume and breadth-based momentum. Using a combination of these qualitative and quantitative metrics, Broadmark seeks to manage risk and enhance alpha by tactically phasing into and out of major equity cycles. Broadmark invests primarily in a diversified portfolio of exchange-traded funds ("ETFs") and instruments providing exposure to indices, sectors and industries based on this four-pillar process. The investment team may tactically deploy leveraged investment techniques as well as short positions that allow a net exposure ranging from net long to net short depending on the strategy.

Tactical Growth: Strategy that actively manages equity market exposure through the use of ETFs and other index-based instruments. Seeks to produce above-average, risk-adjusted returns, in all market environments, while exhibiting less downside volatility than the S&P 500® Index. It is designed to help investors sidestep market downturns, while attempting to participate in its growth via continuous active management of portfolio market exposure.

Tactical Plus: Strategy that actively manages equity market exposure by primarily investing in equity-based futures, ETFs and options. Seeks to produce above-average, risk-adjusted returns, in any market environment while exhibiting less downside volatility than the S&P 500® Index by investing primarily in a diversified portfolio of instruments with exposure to

U.S. and non-U.S. equity securities. It is designed to help investors sidestep market downturns, while attempting to participate in its growth via the continuous and active management of portfolio market exposure.

Income Alternatives

Our Multi-Asset team manages our Alternative Income strategy, and our Real Estate team manages our Select Income and Global Real Estate strategies. We believe alternative approaches to income investing can provide diversified sources of risk and return and potentially reduce volatility. Absolute return-oriented and yield-focused strategies for investing in securities not typically found in traditional fixed income portfolios can help investors produce returns from non-traditional sources with low correlation and enhanced portfolio diversification.

Alternative Income: We believe a market-neutral approach utilizing convertible arbitrage and opportunistic fixed income can serve as a complement to bond allocations. Our framework consists of three primary sources of return that aim to neutralize systematic risk. We employ a multi-strategy process seeking to generate positive absolute returns through a short duration yield portfolio of global convertible securities, convertible arbitrage and macro-hedging.

Select Income: Seeks to produce consistent high income from non-traditional publicly traded securities. Invests in senior securities and high-income equities primarily issued by real estate investment companies, (i.e., real estate investment trust preferred securities), but can also diversify among preferred stocks, common stocks and bonds to seek income and total return.

Global Real Estate: Invests primarily in high-quality commercial and residential real estate companies located in the U.S. and non-U.S. countries that can potentially serve as inflation-protected income vs. traditional income-oriented securities. Approaches stock selection with an emphasis on superior property location and quality, strong prospects for appreciation in property rents and values, and management’s track record for adding value. Utilizes a rigorous, repeatable, bottom-up investment approach incorporating quantitative and qualitative analyses of company cash flows, assets and management.

Our ability to grow AUM is primarily dependent on our competitive investment performance and our success in building strong relationships with our clients, investment consulting firms, financial intermediaries and RIAs. We continually seek to expand AUM by organically growing our existing investment strategies and by adding new products as evidenced by our Salient Acquisition in November 2022 and our subsequent acquisition of a controlling interest in Broadmark in 2023. The Salient Acquisition expanded our product portfolio to serve financial intermediaries and institutional clients with additional product offerings, including Energy and Real Assets, Tactical Absolute Return, and Income Alternatives. We will continue to focus on organic product initiatives to grow our investment strategies while considering new investment strategies via acquisitions or from third parties, as discussed under "Growth Strategy" below. Our growth strategy provides clients with more investment opportunities and diversifies our AUM and revenue sources, thereby reducing risk in any one area of investment and increasing our competitive ability to attract new clients. Our ten largest clients accounted for approximately 21% of our fee revenues for the year ended December 31, 2023. The loss of some or all of these large clients could have a material adverse effect on our business and our results of operations.

Managed Investment Solutions

Our newest investment team, Managed Investment Solutions, joined us in late 2023, and focuses on tailoring investment solutions to a diverse array of individual institutional risk/reward tolerances and investment approaches. The team’s unique approach blends active design with passive implementation and is intended to provide differentiated value for Westwood clients. Prospective clients for this service include public plans, sovereign wealth funds, corporate pension plans, defined contribution plans, endowments, foundations, consultant groups and wealth investors.

Advisory and Sub-advisory Agreements

Westwood Management manages client accounts under investment advisory and sub-advisory agreements. As is typical for the asset management industry, these agreements are usually terminable upon short notice and provide for revenues based on the market value of client AUM. 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 based on a daily or monthly average of AUM for the stated period. Certain clients have contractual performance-based fee arrangements, which generate additional revenues if we outperform a specified index over a specific period of time. Revenue for performance-based fees is recorded at the end of the measurement period. Revenue from advance payments is deferred and recognized over the period that services are performed. Pursuant to these agreements, Westwood provides overall investment management services, including directing investments in conformity with client-established investment objectives and restrictions. Unless otherwise directed in writing by clients, Westwood has the authority to vote all proxies with respect to securities in client portfolios.

Westwood Management is party to sub-advisory agreements with other investment advisers under which it performs similar services under advisory agreements. Our sub-advisory fees are generally computed based upon the average daily AUM and are payable on a monthly basis.

Westwood Management provides investment advisory services to the Westwood Funds® family of mutual funds:

- Westwood Alternative Income (WMNIX)
- Westwood Broadmark Tactical Plus (SBTIX)
- Westwood Broadmark Tactical Growth (FTGWX)
- Westwood High Income (WHGHX)
- Westwood Income Opportunity (WHGIX)
- Westwood Quality AllCap (WQAIX)
- Westwood Quality MidCap (WWMCX)
- Westwood Quality SmallCap (WHGSX)
- Westwood Quality SMidCap (WHGMX)
- Westwood Quality Value (WHGLX)
- Westwood Salient Global Real Estate (KIRYX)
- Westwood Salient MLP & Energy Infrastructure (SMLPX)
- Westwood Select Income (KIFYX)
- Westwood Total Return (WLVIX)

As of December 31, 2023, AUM in the Westwood Funds® totaled $4.1 billion.

Trust

General

Westwood Trust provides fiduciary and investment services to high net worth individuals and families, non-profit endowments and foundations, public and private retirement plans and individual retirement accounts ("IRAs"). Westwood Trust is chartered and regulated by the Texas Department of Banking. Fees charged by Westwood Trust are separately negotiated with each client and are typically based on AUM. Clients generally have at least $1 million in investable assets.

Fiduciary Services

Westwood Trust's fiduciary services include but are not limited to: financial planning, wealth transfer planning, customizable trust services, trust administration and estate settlement. Westwood Trust also provides custodial services, tax reporting, accounting of trust income and principal, beneficiary and retiree distributions and safekeeping of assets.

Investment Services

Westwood Trust utilizes a consultative approach in developing a portfolio asset allocation for individual clients. Our approach involves examining clients' financial situations, including their current portfolio of investments, and advising clients on ways to reduce risk, enhance investment returns and strengthen their financial position based on each client's unique objectives and constraints. Westwood Trust seeks to define and improve the risk/return profiles of client investment portfolios by offering a comprehensive investment solution or by enhancing clients' existing investment strategies. Westwood Trust manages separate portfolios of equity and fixed income securities for certain agency and trust clients. Equity portfolios are generally patterned after the institutional strategies offered by Westwood Management or developed by our internal investment teams. Fixed income portfolios consist of targeted "laddered" portfolios of primarily high-quality municipal securities and Treasury bills.

Westwood Trust also sponsors a range of commingled funds in which client assets are commingled to achieve economies of scale. Westwood Trust's commingled funds fall within two basic categories: personal trusts (common trust funds) and employee benefit trusts (collective investment funds). Westwood Trust sponsors commingled funds for most of the investment strategies managed by Westwood Management.

Westwood Trust also develops asset allocation models for certain clients utilizing its commingled funds, mutual funds managed by Westwood Management and non-affiliated mutual funds.

Enhanced Balanced® Portfolios

Westwood Trust is a strong proponent of asset class diversification and offers its clients the ability to diversify among many different asset classes. Westwood Trust Enhanced Balanced® portfolios allocate assets among these asset classes into a customizable portfolio for clients seeking to maximize return for any given level of risk. Periodic adjustments are made to asset class weightings in Enhanced Balanced® portfolios based on historical returns, risk and correlation data, and our current capital markets outlook.

Select Equity Strategy

The Westwood Select Equity strategy aims to provide low-frequency turnover and tax efficiency to high net worth individuals. The offering allows individuals to own a diversified portfolio of best ideas from across Westwood's investment teams. The portfolios include value and growth stocks, along with small-, mid- and large-cap stocks. Westwood Select Equity is also available without the tax efficiency overlay.

Dividend Select Strategy

The Westwood Dividend Select strategy aims to provide dividend income to investors. The offering allows investors to own a diversified portfolio of dividend-producing equity securities. The portfolios primarily include value stocks, along with mid- and large-cap stocks.

High Alpha Strategy

The Westwood High Alpha strategy aims to provide long-term appreciation to investors. The offering allows investors to own a concentrated portfolio of securities to provide higher returns commensurate with higher volatility. The portfolios primarily include growth stocks in the mid- to large-capitalization range.

Distribution Channels

Westwood Management investment funds and advisory services are distributed through two primary market channels - Institutional and Intermediary. Our Distribution sales and support infrastructure supports marketing and client service in both channels. Westwood Wealth Management provides wealth and investment management solutions primarily to individuals and utilizes both Westwood Management and external investment management services.

Institutional

The institutional team markets Westwood funds and advisory and sub-advisory services to defined benefit and defined contribution corporate and public plan sponsors, foundations and endowments, financial institutions and investment consultants. We maintain strong relationships with many global, national and regional investment consulting firms, which have contributed to our being considered and hired by their clients. By leveraging these relationships, we can offer our strategies within select defined contribution and other retirement plans where clients utilize mutual fund vehicles. Sub-advising funds of other financial institutions allows us to extend our marketing reach using other firms' distribution systems.

Intermediary and Retail

In the intermediary and retail channel, our team directly markets our investment services, including the Westwood Funds®, to financial intermediaries, RIAs, broker-dealers, turnkey asset management programs and select mutual fund platforms. We also focus on expanding our relationships with financial intermediaries that manage discretionary mutual fund models. Our Intermediary sales team markets our mutual funds and separately managed accounts directly to select broker-dealers and RIAs.

Managed accounts are somewhat similar to mutual fund relationships in that a third-party financial institution, such as a broker-dealer or RIA, trades securities using our model. The typical managed account client is a high net worth individual or small institution that prefers to own shares directly, rather than in a mutual fund. In these arrangements, the third-party financial institution is responsible to the end client for client service, operations and accounting.

Wealth Management

In our wealth management channel, we generate awareness of our trust fiduciary and investment services through investment consultants, centers of influence, community involvement, and targeted direct marketing to high net worth individuals, families and small to medium-sized institutions. We also seek asset growth generated by referrals from existing clients.

Growth Strategy

We believe we have established a strong platform to support future growth, deriving strength from the experience and capabilities of our management team and our skilled investment and client professionals. We believe opportunities for future growth will come from our ability to:

- generate growth in our investment management platform from new and existing clients and consultant relationships, while expanding intermediary distribution;
- attract and retain key employees;
- grow assets in our existing investment strategies;
- continue to enhance our digital capabilities;
- foster continued growth of the wealth management platform and distribution channel;
- foster expanded intermediary distribution;
- pursue strategic corporate development opportunities;
- continue to strengthen our brand name; and
- develop or acquire new investment strategies.

Generate growth from new and existing clients and consultant relationships, while expanding intermediary distribution. As our primary business objective, we intend to maintain and enhance existing relationships with clients, investment consultants and intermediaries by providing value-added investment performance and client service. Over the last few years, we have expanded and restructured our distribution team to improve our proactive sales and client engagement strategy. We intend to pursue growth via targeted sales and marketing efforts that showcase our boutique offerings across our product platform with consistent investment performance and superior client service. New institutional client accounts are sourced from investment consultants or from our direct sales efforts with institutional investors. The Salient Acquisition has significantly expanded our product range and distribution capabilities. We intend to leverage this increased scale and broader product availability to enhance offerings to institutional, intermediary and wealth management clients. We believe a key factor leading to our being considered for new client mandates and platform placements is the in-depth knowledge of our firm, our people and our processes currently embedded in our consultant and platform relationships and being developed in prospective relationships.

Attract and retain key employees. We believe we have created a workplace environment in which motivated, performance-driven and client-oriented individuals can thrive. As a public company, we offer our employees a compensation program that includes strong equity incentives to closely align their success with that of our clients and stockholders. We believe these factors are critical to maintaining a stable, client-focused environment that can support future growth.

Grow assets in our existing investment strategies. We have significant capacity to manage additional assets across the investment strategies developed by leveraging the core competencies of our U.S. Value Equity and Multi-Asset teams. We have considerably expanded our range of investment strategies by adding Energy and Real Assets, Tactical Absolute Return and Select Income as a result of the Salient Acquisition.

Continue to enhance our digital capabilities. Over the past several years, we have invested significantly to enhance our automation and digital efficiency. We moved our technology infrastructure to secure, cloud-based access, created a data warehouse to improve our investment operations workflow, upgraded our trade order management and trade compliance systems, digitized our portfolio accounting and reconciliation system, and outsourced our trading function. We also developed digital client portals for our institutional and wealth management clients. We believe these investments position us to improve efficiencies and better respond to consumer demand for digital interaction with investment advisors.

Foster continued growth of the wealth management platform and distribution channel. Westwood Trust serves high net worth individuals and families as well as small to medium-sized institutions. We anticipate continued interest from clients and prospective clients in our holistic wealth management model. A significant percentage of Westwood Trust's asset inflows stems from referrals along with gathering additional assets from existing clients. We believe our Enhanced Balanced® strategy, which offers comprehensive, diversified exposure to multiple asset classes, our Select Equity strategy offering diversified equity exposure in a tax-efficient manner, and our separately managed portfolio offerings together provide opportunities for growth.

Foster expanded intermediary distribution. For the past several years, we have expanded our geographic approach and focused coverage for intermediary distribution, building up our intermediary sales team to extend our reach and accelerate growth in top markets. As a result of the Salient Acquisition, we have again expanded our sales and marketing resources to accelerate growth geographically and across market segments via third-party platforms. We believe that providing investors with access to our mutual funds and separately managed accounts is a key component to achieving asset growth in the defined contribution and retirement marketplaces as well as with RIAs and select broker-dealers.

Pursue strategic corporate development opportunities. We continually evaluate strategic corporate development opportunities to augment our organic growth. We may pursue a variety of transactions, including acquisitions of asset management firms, mutual funds, wealth management firms or other financial institutions, as well as hiring investment professionals or teams. We consider opportunities that can enhance our existing operations, expand our range of investment strategies and services, or further develop our distribution capabilities. By acquiring investment firms or by hiring investment professionals or teams that successfully manage investment strategies outside our current areas of expertise, we can attract new clients and provide existing clients with even more diversified investment strategies. We may also consider forging alliances with other financial services or technology firms to leverage our core competency of developing and managing investment strategies with partners that can provide enhanced distribution capabilities or additional service offerings.

Continue to strengthen our brand name. We believe that the strength of our brand name has been a key component to our long-term success in the investment industry and will be instrumental to our future success. We have developed a strong brand name largely through our performance, coupled with high-profile coverage in investment publications and electronic media. Many of our investment professionals have been prominent in print and electronic media, and we will continue to use creative ways to strengthen our brand name and reputation in our target markets.

Develop or acquire new investment strategies. We continue to look for opportunities to expand the range of investment strategies we offer to existing and prospective clients. We may consider internally developed strategies that extend our existing investment process to new markets, asset classes or strategies, and we may also consider externally acquired investment strategies. An expanded range of investment strategies offers additional ways to serve our client base, generating more diversified revenue streams and providing asset and revenue growth potential.

Competition

We are subject to substantial and growing competition in all aspects of our business. Barriers to entry in the asset management business are relatively low and we expect more competitors in future. Many asset managers are larger, better known and have greater resources than us.

We compete with other asset management firms on the basis of investment strategies, investment performance in absolute terms and relative to peer groups, quality of service, the levels of fees charged, attractive compensation offered to key employees and the way in which investment strategies are marketed. Many of our competitors offer more investment strategies and services than we do and many have substantially greater AUM.

We compete against numerous investment dealers, banks, insurance companies, mutual fund companies, exchange-traded funds, brokerage and investment firms and others that sell equity funds, taxable income funds, tax-free investments and other investment products. The allocation of assets by many investors from active equity investing to index funds, fixed income or similar asset classes has enhanced the ability of firms offering non-equity asset classes and passive equity management to compete more effectively with us. The demand for passive strategies with low-fee structures has rapidly increased and investors frequently demand customized and personalized strategies to fit their investment needs. This shift in the marketplace may benefit competitors offering certain investment vehicles that we do not offer. In summary, our competitive landscape is intense and dynamic, which may affect our ability to compete successfully.

Additionally, most prospective clients perform a thorough review of an investment manager's background, investment policies and performance before committing assets. In many cases, prospective clients invite competing firms to make presentations. The process of obtaining a new client typically takes twelve to eighteen months from the time of initial contact. While we have achieved success in competing for clients, it is a process to which we dedicate significant resources over an extended period with no certainty of winning client mandates.

Regulation

Virtually all aspects of our business are subject to federal, state and other non-U.S. jurisdictions' laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients. Under such laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit advisers from carrying on their business if they fail to comply with such laws and regulations. Possible sanctions include suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. We believe that we are in compliance with all material laws and regulations.

Westwood Management

Our business is subject to regulation at federal and state levels by the SEC and other regulatory bodies. Westwood Management Corp. and Westwood Advisors, L.L.C. are registered with the SEC under the Investment Advisers Act and under the laws of various states. As RIAs, Westwood Management Corp. and Westwood Advisors, L.L.C. are regulated and subject to examination by the SEC. The Investment Advisers Act imposes numerous obligations on RIAs, including fiduciary duties, record keeping, operational and marketing requirements and disclosure obligations. Westwood Management Corp. also acts as adviser to the Westwood Funds®, a family of mutual funds registered with the SEC under the Investment Company Act of 1940 (the "Investment Company Act"). As an adviser to a registered investment company, Westwood Management Corp. must comply with the Investment Company Act and related regulations. The Investment Company Act imposes numerous obligations on registered investment companies, including requirements relating to operations, fees charged, sales, accounting, record keeping, disclosure, governance, and restrictions on transactions with affiliates. Under SEC rules and regulations promulgated pursuant to the federal securities laws, we are subject to periodic SEC examinations. The SEC can institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from censure to termination of an investment adviser's registration. The failure of Westwood Management Corp. and Westwood Advisors, L.L.C. to comply with SEC requirements could have a material adverse effect on Westwood. We are also required to comply with anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001, as subsequently amended and reauthorized (the "Patriot Act"). We believe that we are in compliance with the regulations under the Investment Advisers Act, the Investment Company Act and the Patriot Act.

As an investment adviser, we have a fiduciary duty to our clients. The SEC has interpreted that duty to impose standards, requirements and limitations on, among other things: trading of client accounts, allocation of investment opportunities among clients, use of soft dollars, execution of transactions and recommendations to clients. We manage accounts for our clients with the authority to buy and sell securities, select broker-dealers to execute trades and negotiate brokerage commission rates. We receive soft dollar credits from certain broker-dealers that are used to pay for brokerage and research-related products, which reduces certain company operating expenses. We intend to use soft dollars to pay only for brokerage and research related products and services that fall within the safe harbor provisions of the Securities Exchange Act of 1934. If our ability to use soft dollars were reduced or eliminated as a result of the implementation of statutory amendments or new regulations, our operating expenses would increase.

Westwood Trust

Westwood Trust operates in a highly regulated environment and is subject to extensive supervision and examination. As a Texas chartered trust company, Westwood Trust is subject to the Texas Finance Code (the "Finance Code"), the rules and regulations promulgated under the Finance Code and supervision by the Texas Department of Banking. These laws are intended primarily for the protection of Westwood Trust's clients and creditors rather than for the benefit of investors. The Finance Code provides for and regulates a variety of matters, such as:

- minimum capital maintenance requirements;
- restrictions on dividends;
- restrictions on investments of restricted capital;
- lending and borrowing limitations;
- prohibitions against engaging in certain activities;
- periodic fiduciary and information technology examinations by the Texas Department of Banking Commissioner;
- furnishing periodic financial statements to the Texas Department of Banking Commissioner;
- fiduciary record keeping requirements; and
- prior regulatory approval for certain corporate events (such as mergers, the sale or purchase of all or substantially all trust company assets and transactions transferring control of a trust company).

The Finance Code also gives the Banking Commissioner broad regulatory powers (including penalties and civil and administrative actions) if the trust company violates certain provisions of the Finance Code, including implementing conservatorship or closure if Westwood Trust is determined to be in a "hazardous condition" (as defined by applicable law). Westwood Trust's failure to comply with the Finance Code could have a material adverse effect on Westwood.

Westwood Trust is limited by the Finance Code in the payment of dividends to undivided profits, which is described as that part of equity capital equal to the balance of net profits, income, gains and losses since formation minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate board resolutions. At the discretion of its Board of Directors (the "Board"), Westwood Trust has made quarterly and special dividend payments, and other distributions, to Westwood Holdings Group, Inc. out of undivided profits.

SEC Broker-Dealer Registration / FINRA Regulation

SCLP is subject to regulation by the SEC, FINRA and various states. In addition, certain of our employees are registered with FINRA and such states and subject to SEC, state and FINRA regulation. The failure of this company and/or employees to comply with relevant regulation could have a material adverse effect on our business.

Employee Retirement Income Security Act of 1974

We are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to its related regulations insofar as we are a fiduciary under ERISA with respect to some clients. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on fiduciaries under ERISA or on entities that provide services to ERISA plan clients and prohibit certain transactions involving ERISA plan clients.

Human Capital Resources

Health and Safety

The health and safety of our employees is a high priority, consistent with our operating philosophy of focusing on transparency, effective corporate governance, life principles and giving back to the communities in which we live and work.

Diversity and Inclusion

We believe that our culture of diversity and inclusion enables us to develop and fully utilize the strengths of our people. As of December 31, 2023, approximately 43% of our workforce was female and minorities represented approximately 34% of our workforce.

Employees

At December 31, 2023, we had 145 full-time employees, all located in the U.S. No employees are represented by a labor union, and we believe our employee relations are favorable. As of December 31, 2023, approximately 16% of our employees held the Chartered Financial Analyst designation.

Environmental, Social and Governance ("ESG")

ESG Core Principles

Since inception, we have fostered a corporate culture focused on a set of core values. To keep us motivated, we have found inspiration in Coach John Wooden's Pyramid of Success™ which helps all of us aspire to and maintain a culture of teamwork, integrity and putting client interests ahead of our own.

Our ESG focus is guided by the following six pillars:

1. Environmental impact;
2. Diversity, equity and inclusion;
3. Community;
4. Responsible investing;
5. Privacy and data protection; and
6. Governance.

We include ESG pillars in the way we conduct our business and measure ourselves against them because it makes good sense. It improves our ability to create an environment that values true diversity, inclusiveness and transparency and ultimately supports long-term employee growth. Our focus on transparency, corporate governance, life principles, ethical conduct and giving back to the communities in which we operate is core to our values.

Governance

Westwood is committed to the successful integration and promotion of ESG at the corporate level and the investment level. We have separate governing structures to ensure that we have the necessary leadership to create and sustain a clear corporate strategy permeating our business. The separation of responsibilities among these governing structures ensures proper accountability across our firm.

Westwood's Board plays an important role to ensure that the interests of shareholders are being represented and that Westwood is fulfilling its fiduciary duties. The Board regularly interacts with management to ensure that stakeholder interests are properly considered. Management provides the Board with regular updates on our ESG efforts and collaboration between the Board and those responsible for ESG is key to our implementation strategy. Our Board benefits from deep industry experience and a majority of its members are independent which enables strong oversight of our business.

Westwood's ESG Steering Committee is responsible for ensuring the effective execution of our overall ESG strategy. Along with our CEO, this group sets the strategic direction for our ESG agenda, oversees implementation, and reviews our ESG strategy with our Board.

We have established two additional groups, a Responsible Investment Committee and a Corporate Responsibility Committee, to ensure we have the leadership required to create a clear corporate sustainability strategy across our business.

The Responsible Investment Committee was established to consider matters related to the maintenance, development and implementation of our responsible investment practices in support of our ESG policy. The Corporate Responsibility Committee was established for the oversight and implementation of our corporate sustainability strategy and ESG policies. The Corporate Responsibility Committee governs as a cross-functional team designed to engage leadership across key corporate functions.

Responsible Investment / ESG Integration

Our responsible investment commitment is evident in our investment approach across our investment solutions where we take a fundamental approach to identifying high-quality companies and sound businesses around the world. As an active asset manager, ESG issues are directly linked into our bottom-up, fundamental assessment of companies. Our fundamental, financial materiality-based approach to identifying high-quality companies and sound businesses around the world has always led our investment team to consider these issues in our fundamental analyses, which evaluate the merits of a company's strategy, downside risk and valuation. As ESG integration and evaluation techniques continue to evolve, we will adapt our analyses to ensure we comply with our fiduciary responsibilities at all times.

Westwood is a signatory of the United Nations Principles for Responsible Investment ("UNPRI") and is committed to adopting and implementing responsible investment principles in a manner consistent with our fiduciary duties to clients. We support the UNPRI and recognize the importance of considering ESG issues as an element in our overall investment process.

Engagement

As part of our fundamental investment research process, our analysts conduct meetings with target company management and investor relations to understand strategy, execution and financial strength throughout the life of our investment. Meetings inform our investment analysis and amplify our understanding of a business's ability to adapt to changing business environments. Meetings can take place in person, during investment conferences and video calls, and they build on long-standing relationships. Our understanding of material issues affecting the company is captured and shared in our valuation analysis and recommendations made by our Research Analysts.

Westwood does not set and track engagement objectives. We engage on specific topics on a case-by-case basis and when ESG or other issues are of specific concern, our team seeks purposeful dialogue to understand how the company plans to address the issues which will then be viewed from a "tracking" perspective over time. Our engagement is generally conducted through direct dialogue between our investment professionals and company managements which provides a more constructive approach toward understanding issues and encouraging solutions that provide value to stakeholders.

Proxy Voting

Westwood views proxy voting rights as valuable portfolio assets. Our overarching principle is to exercise voting responsibilities solely in the best interests of our clients. We use proxy voting as a means of addressing corporate governance issues and identifying corporate actions that enhance shareholder value. Our process benefits from multiple inputs and directly involves our investment professionals.

Westwood uses guidelines from a third-party proxy research service, Glass, Lewis & Co. ("Glass Lewis"), that we believe create value for our clients and cover most proxy issues. The Investment Operations Team, including the head of data governance, oversees the implementation of our proxy voting policy. Westwood's Corporate Responsibility Committee, together with our investment team's bi-monthly review of ballots, considers the proxy voting guidelines on environmental and social issues laid out by Glass Lewis's policy to be in alignment with our financial-materiality-based view of ESG integration. Glass Lewis's policy states that it will vote in when there is a clear link between the proposal and value enhancement or risk mitigation. Our goal is to vote all proxies and, in most cases, we agree with and follow the recommendations of our proxy research service however our Research Analysts review proxies bi-monthly and occasionally recommend a vote that differs from Glass Lewis. We vote against recommendations when we believe that it is in our clients' best interests to do so. A summary of voting is sent to each client for whom proxies are voted on an annual basis.

Social Impact and Corporate Giving

Westwood has a long history of community involvement and support of local charitable causes. This involvement is a cornerstone of our culture, drives employee engagement and makes employees proud to work at Westwood. In honoring Westwood's history of community involvement and support of local charitable causes, Westwood supports and partners with organizations that embrace activities that align with Westwood's core values of teamwork, excellence, integrity and placement of client and stakeholder interests above our own. Every year, Westwood supports several charitable organizations financially and through employee volunteer efforts focused on issues that include education, children's needs, homelessness, food insecurity and disaster relief.

Environment

At Westwood, we embrace caring for our communities and work hard to take care of the world around us. Westwood is committed to the responsible use, and protection of, our natural environment through conservation and sustainable practices that enhance ecosystem resilience, human well-being and ultimately our company's strength and resiliency. Through our initiative to calculate our travel-related carbon footprint and buy offset carbon credits, we have begun to measure and offset greenhouse gas emissions. We are committed to offsetting our carbon emissions generated through air travel, a substantial portion of our emissions as an asset manager.

Diversity, Equity and Inclusion

Diversity is an important part of our culture and identity; approximately 43% of our employees are women — many in senior positions — and approximately 34% of our employees self-identify as members of minority communities.

Diversity, Equity and Inclusion concepts are an integral part of our history, culture and identity. Westwood was founded by a woman — a remarkable feat in 1983, when the finance industry had only a small percentage of women in the workforce. We embrace opportunity for individuals from all backgrounds and are committed to fostering an environment that values unique ideas, perspectives and experiences. We believe that, in such an environment, our employees feel valued, involved and empowered to do their best work, deliver the best possible service to our clients and meet their full potential.

Item 1A. Risk Factors.

We believe these represent the material risks currently facing our business. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider the risks described below before making an investment decision. You should also refer to the other information included or incorporated by reference in this Report, including our financial statements and related notes.

Risks Related to the Investment Industry

Our results of operations depend upon the market value and composition of AUM and AUA, which can fluctuate significantly based on various factors, some of which are beyond our control.

Our revenues are primarily generated from fees derived as a percentage of AUM and AUA. The value of our AUM and AUA can be negatively impacted by several factors, including:

- Market performance: Performance of the securities markets could be impacted by a number of factors beyond our control, including, among others, general economic downturns, political uncertainty, acts of terrorism or natural disasters. Negative performance within the securities markets or short-term volatility within the securities markets could result in investors withdrawing assets, decreasing their rates of investment or shifting assets to cash or other asset classes or strategies that we do not manage, all of which could reduce our revenues. In addition, during periods of slowing growth or declining revenues, profits and profit margins are adversely affected because certain expenses remain relatively fixed.
- Investment performance: Because we compete with many asset management firms on the basis of our investment strategies, the maintenance and growth of AUM and AUA is dependent, to a significant extent, on the investment performance of the assets that we manage. Poor performance may result in the loss or reduction of client accounts, which decreases revenues. Underperformance relative to peer groups and/or relevant benchmarks for our various investment strategies could adversely affect our results of operations, especially if such underperformance continues for an extended period of time. The historical returns of our strategies and the ratings and rankings we, or the mutual funds that we advise, have received in the past should not be considered indicative of the future results of these strategies or of any other strategies that we may develop in the future. The investment performance we achieve for our customers varies over time and variances can be wide. In addition, certain of our investment strategies have capacity constraints, as there may be a limit to the number of securities available for certain strategies to operate effectively. In those instances, we may choose to limit access to new or existing investors.

The investment management and wealth management industry is highly competitive and innovative.

The investment management and wealth management industry is highly competitive based on a variety of factors, including investment performance, fee rates, continuity of investment professionals and client relationships, the quality of services provided to clients, corporate positioning, business reputation and differentiated products. A number of factors increase our competitive risks, including the following:

- Potential competitors have a relatively low cost of entering the investment management industry;
- Many competitors have greater financial, technological, marketing and other resources, more comprehensive name recognition and more personnel than we do;
- The continuing trend toward consolidation in the investment management industry, and the securities business in general, has served to increase the size and strength of some of our competitors;
- Recent changes in consumer demand for technological capabilities, including the enhanced ability for firms to offer lower fees for passive management strategies, has increased competition in our industry;
- Shifts in demand for alternative investment styles, asset classes and distribution vehicles may cause our competitors to be perceived as more attractive;
- Other industry participants, hedge funds and alternative asset managers may seek to recruit our investment professionals;
- Some competitors charge lower fees for their investment management services than we do;
- Some competitors may provide more comprehensive client services, including banking, financial planning and tax planning at levels beyond those we currently provide; and
- Some competitors may have more sophisticated, innovative or advanced distribution networks than we do.

In particular, we have faced significant competition from competitors with lower fee, passive investment strategies. Investment advisors that emphasize passive products have gained, and may continue to gain, significant market share from active managers like us, which could have a material adverse effect on our business. If we are unable to compete effectively, our earnings could be reduced and our business could be adversely affected.

Some of our strategies invest in the securities of non-U.S. companies, which involve foreign currency exchange, tax, political, social and economic uncertainties and risks.

Some of our strategies offer access to global markets with significant exposure to non-U.S. companies. Fluctuations in foreign currency exchange rates could negatively affect the returns of clients invested in these strategies. Investments in non-U.S. issuers may also be affected by tax positions taken in countries or regions in which we are invested, as well as political, social and economic uncertainty or other diplomatic developments. Many financial markets are less developed or efficient than U.S. financial markets with limited liquidity and higher price volatility, and may lack an established regulatory framework. Liquidity and price volatility may be adversely affected by political or economic events, government policies and social or civil unrest within a particular country. These risks, among others, could adversely affect the performance of our strategies invested in securities of non-U.S. issuers and may be particularly acute in emerging or less developed markets. As a result, we may be unable to attract or retain client investments in these strategies, or assets invested in these strategies may experience significant declines in value and our results of operations may be negatively affected.

Legal and Regulatory Risks

Our business is subject to extensive regulation, which is subject to frequent change, with attendant compliance costs and serious consequences for violations; expansion into international markets and introduction of new products and services increases our regulatory and operational risks.

Virtually all aspects of our business are subject to laws and regulations, including the Investment Advisers Act, the Investment Company Act, the Patriot Act, the Finance Code and anti-money laundering laws. These laws and regulations generally grant regulatory agencies broad administrative powers, including the power to limit or restrict us from operating our business, as well as powers to place us under conservatorship or closure if we fail to comply with such laws and regulations. Violations of such laws or regulations could subject us or our employees to disciplinary proceedings and civil or criminal liability, including revocation of licenses, censures, fines or temporary suspensions, permanent barring from the conduct of business, conservatorship or closure. Any such proceeding or liability could have a material adverse effect upon our business, financial condition, results of operations and business prospects.

In addition, the regulatory environment in which we operate is subject to change. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. In recent years, regulators have increased their oversight of the financial services industry. Some regulations are focused directly on the investment management industry, while others are more broadly focused but affect our industry as well.

The Dodd-Frank Act of 2010 significantly increased and revised the federal rules and regulations governing the financial services industry and, in addition to other regulations, has generally resulted in increased compliance and administrative requirements. For example, the SEC's adoption of Form PF and revisions to Form ADV impose additional reporting requirements for SEC-registered investment advisors. Additionally, ERISA Section 408(b)(2) and related regulations require additional information to be provided to ERISA-governed retirement plans. While we believe that changes in laws, rules and regulations, including those discussed above, have increased our administrative and compliance costs, we are unable to quantify the increased costs attributable to such changes. See "Item 1. Business — Regulation."

We engage in product offerings and international business activities through our global multi-asset securities product offerings that are available to our international and domestic clients. As of December 31, 2023, approximately 1% of our AUM is managed for clients who are domiciled outside the U. S. As a result, we face increased operational, regulatory, compliance, marketing, client service, reputational and foreign exchange rate risks. In particular, rapid regulatory change is occurring internationally with respect to financial institutions, including, but not limited to, anticipated revisions to the European Communities (Undertakings for Collective Investment in Transferable Securities, or "UCITS") Regulations 2011 and the Markets in Financial Instruments Directive. The failure of our compliance and internal control systems to properly identify and mitigate such additional risks, or of our operating infrastructure to support international activities, could result in operational failures and actions by regulatory agencies, which could have a material adverse effect on our business.

We devote considerable time and resources to both domestic and international compliance; however, we may fail to timely and properly identify regulatory requirements or modify our compliance procedures for changes in our regulatory environment, which may subject us to legal proceedings, domestic and foreign government investigations, penalties and fines.

Our business involves risks of being engaged in litigation and liability that could increase our expenses and reduce our results of operations.

Many aspects of our business involve substantial risks of liability. We could be named as defendants or co-defendants in lawsuits or could be involved in disputes that involve the threat of lawsuits seeking substantial damages. As an SEC-RIA, mutual fund adviser, trustee to certain Trust clients and publicly-traded entity, we are subject to governmental and self-regulatory organization examinations, investigations and proceedings. Similarly, the investment strategies that we manage could be subject to actual or threatened lawsuits and governmental and self-regulatory organization investigations and proceedings, any of which could harm the investment returns or reputation of the applicable fund or result in our being liable for any resulting damages. There has been an increased incidence of litigation and regulatory investigations in the asset management industry in recent years, including customer claims, as well as class action suits seeking substantial damages. While customers do not have legal recourse against us solely on the basis of poor investment results, if our investment strategies perform poorly or we provide poor financial advice, we are more likely to become subject to litigation brought by dissatisfied clients. In addition, to the extent customers are successful in claiming that their losses resulted from fraud, negligence, willful misconduct, breach of contract or other similar misconduct, these clients may have remedies against us, the mutual funds and other funds we advise or our investment professionals under the federal securities laws or state law. See the discussion of legal proceedings in Item 3. "Legal Proceedings".

Business and Operational Risks

Due to the substantial cost and time required to introduce new investment strategies or expand the market for current strategies, we may not be able to successfully introduce investment strategies in a timely manner, or at all.

We have incurred significant costs to develop new investment strategies, launch new mutual funds under the Westwood Funds® name, and upgrade our business infrastructure. We expect to continue to incur significant costs related to such improvements.

The development of new investment strategies, whether through acquisition or internal development, requires a substantial amount of time and significant financial resources, including expenses related to compensation, sales and marketing, information technology, legal counsel and other professional services. Our ability to market and sell a new investment strategy depends on our financial resources, the investment performance of the specific strategy, the timing of the offering, the timing of regulatory approvals and our marketing strategies. Once an investment strategy is developed, we must effectively introduce the strategy to existing and prospective clients. Our ability to sell new investment strategies to existing and prospective clients may depend on our ability to meet or exceed the performance of our competitors offering the same or a similar strategy. We may not be able to manage the assets within a given investment strategy profitably, and it may take years before we produce the kind of results that will attract clients. If we are unable to realize the benefits of the costs and expenses incurred in developing new investment strategies, we may experience losses as a result of our management of these investment strategies, and our ability to introduce further new investment strategies and compete in our industry may be hampered.

To introduce new investment strategies, we may seek to add new investment teams. To the extent we are unable to recruit and retain investment teams to complement our existing business model, we may not be successful in diversifying and increasing our investment strategies and client assets, which could have a material adverse effect on our business and future prospects. The addition of a new team using an investment strategy with which we may have limited or no experience may require additional resources to update our operational platform and could strain our operational resources and increase the possibility of operational errors. Additional investments may be required to improve our operational platform. If any new teams or strategies perform poorly and fail to attract sufficient assets, our results of operations and reputation may be adversely affected.

Damage to our reputation could harm our business and have a material adverse effect on our results of operations.

Our brand is a valuable intangible asset that could be vulnerable to threats that can be difficult or impossible to anticipate or control. Regulatory inquiries and rumors could damage our reputation, even if they are unfounded or satisfactorily addressed. Our reputation could also be negatively affected by employees and third parties acting on our behalf, who may circumvent our controls or act in a manner inconsistent with our policies and procedures. Public perception of our brand could be negatively affected by decreases in our profitability, AUM or stock price. Damage to our brand could impede our ability to attract and retain customers and key employees and could reduce our AUM, which could have a material adverse effect on our results of operations.

Our success depends on certain key employees and our ability to attract and develop new, talented professionals. Our inability to attract and retain key employees could compromise our future success.

Our future success depends upon our ability to attract and retain professional and executive employees, including investment, marketing, client service and management personnel. There is substantial competition for skilled personnel within the asset management business, and the failure to attract, develop, retain and motivate qualified personnel could negatively impact our business, financial condition, results of operations and future prospects. In order to retain or replace key personnel, we may be required to increase compensation, which would decrease net income. Investment and sales professionals often maintain strong relationships with their clients, and their departure may cause us to lose client accounts, which could have a material impact on our revenues and results of operations.

Failure to perform operational tasks or the misrepresentation of products and services could have an adverse effect on our reputation and our business, financial condition and results of operations.

Our operations are complex, and our failure to properly perform portfolio responsibilities, including security pricing, corporate actions, investment restrictions compliance, daily net asset value calculations, account reconciliations, tax reporting, investment performance calculations and portfolio oversight could result in reputational harm or subject us to regulatory sanctions, fines, penalties and litigation.

We use advertising materials, public relations information and other external communications to market and sell our investment products. Failure to accurately calculate and present investment performance data within established guidelines and regulations could result in reputational harm or subject us to regulatory sanctions, fines, penalties and litigation.

Damage to our reputation could impede our ability to attract and retain customers and key employees and could reduce our AUM, which could have a material adverse effect on our results of operations. Significant regulatory sanctions, fines, penalties, and litigation could also materially adversely affect our financial condition and results of operations.

Failure to select appropriate third-party vendors and apply appropriate oversight of third-party vendors could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party vendors to perform important portions of our operations, and there is no assurance that our third-party vendors will properly perform or follow our processes, policies and procedures. There is no assurance that our plans for transition or delegation to a third-party vendor will be successful or that there will not be interruptions in service from these third parties. A third-party vendor's failure to accurately perform important operations or follow our processes, policies and procedures could result in the loss of clients, significant regulatory sanctions, fines, penalties and litigation, which could have a material adverse effect on our business, financial condition and results of operations.

We are a holding company dependent on the operations and funds of our subsidiaries.

We are a holding company, with no revenue-generating operations or assets other than our ownership interests in Westwood Management, Westwood Trust and Broadmark. Accordingly, we are dependent on the cash flow generated by these operating subsidiaries and rely on dividends or other intercompany transfers from our operating subsidiaries to generate the funds necessary to meet our obligations.

Technology and Privacy Risks

Failure to implement and maintain effective cyber security controls could disrupt our operations and have a material adverse effect on our results of operations, reputation and stock price.

Our business is dependent on information technology systems and the cyber security controls we and our third party vendors have in place to protect those systems and the information contained therein. Despite the implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software, networks and vendors may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations. The techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. A failure of our and our third party vendors' controls to protect our information technology from an external or internal attack or to prevent a breach of confidential client or competitive information could materially interrupt our operations and expose us to regulatory and legal actions, which could have a material adverse effect on our operating results, reputation and stock price. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber attacks to our customers.

Additionally, the SEC issued guidance in February 2018 stating that, as a public company, we are expected to have controls and procedures that relate to cyber security disclosure, and are required under the federal securities laws to disclose information relating to certain cyber attacks or other information security breaches. Successful cyber attacks at other asset management companies or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in the industry that could negatively affect us, including harming the market perception of the effectiveness of our security measures, which could result in a loss of business.

Our business is vulnerable to systems failures that could have a material adverse effect on our business, financial condition and results of operations.

Any delays or inaccuracies in securities pricing information or information processing could give rise to claims that could have a material adverse effect on our business, financial condition and results of operations. We are highly dependent on information systems and third-party vendors for securities pricing information, information processing and updates for certain software. We, or our third-party vendors, may suffer a systems failure or interruption, whether caused by an earthquake, fire, other natural disaster, power or telecommunications failure, unauthorized access, force majeure, act of war or otherwise, and our back-up procedures and capabilities may be inadequate to prevent the risk of extended interruptions in operations.

Misuse of assets and information in the possession of our employees and third-party vendors could damage our reputation and result in costly litigation and liability for our clients and us.

Our employees and certain third-party vendors handle significant amounts of assets along with financial and personal information for our clients. Our employees or third party vendors could misuse or improperly disclose such information, either inadvertently or intentionally, which could harm our reputation. We have implemented a system of controls to minimize the risk of fraudulent use of assets and information; however, our controls may be insufficient to prevent fraudulent actions by employees or third party vendors. If our controls are ineffective, we could be subject to costly litigation, which could consume financial resources, distract management, damage our reputation and result in regulatory sanctions. Such fraudulent actions could also adversely affect clients, causing them to seek redress.

Risks Related to Ownership of Stock and Corporate Governance

Our stock is thinly traded and may be subject to volatility.

Although our common stock is traded on the New York Stock Exchange, it may be relatively illiquid, or "thinly traded," which can increase share price volatility and make it difficult for larger investors to buy or sell shares in the public market without affecting the share price. Investors may be unable to buy or sell a certain quantity of our shares in the public market within one or more trading days. If any such limited trading in our stock continues, it may be difficult for holders to sell their shares in the public market at any given time at prevailing prices.

The prevailing market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including actual or anticipated fluctuations in operating results; changes in market valuations of other similar companies; additions or departures of key personnel; future sales of common stock; deviations in net revenues or in losses from levels expected by the investment community; and trading volume fluctuations.

Distributions to our common stockholders have included and may in the future include a return of capital.

Future distributions to our common stockholders may include a return of capital. To the extent that we distribute amounts that exceed our accumulated earnings, these distributions would constitute a return of capital to the extent of the common stockholder's adjusted tax basis in its shares of our common stock. A return of capital represents a return of a common stockholder's original investment in shares of our common stock and should not be confused with a distribution from earnings. Although return of capital distributions may not be taxable, such distributions may increase an investor's tax liability for capital gains upon the sale of our common stock by reducing the investor's tax basis in its shares of our common stock. Such returns of capital reduce our asset base and could result in future needs for debt or capital infusions, which could have a material adverse impact on our business.

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.

Risks Related to our Clients

Competitive fee pressures could reduce revenues and profit margins.

To the extent we have to compete on the basis of price, we may not be able to maintain a profitable fee structure. In recent years, there has been a trend toward lower fees in the investment management industry driven in large part by low-cost, passive strategies, and we are actively marketing lower fee structures to stay competitive. We cannot be assured that we will succeed in providing investment returns and service levels that will allow us to maintain a profitable fee structure. Continued fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations.

In addition, we have performance fee agreements with certain clients, who pay a fee if we outperform a specified index over predetermined periods of time. We may not be able to outperform such indexes, and failure to do so would cause us to earn none or only part of those potential revenues, which could have a material adverse effect on our revenues and results of operations. Our revenues from performance-based fees can fluctuate significantly between measurement periods, depending on how we perform relative to the indexes specified in these agreements. For example, we earned performance fees of $1.6 million in 2023, $1.0 million in 2022 and $3.4 million in 2021.

Our business is dependent on investment advisory, sub-advisory, and trust agreements that are subject to termination or non-renewal and investments we manage under such agreements may be redeemed. As a result, we could lose clients on very short notice.

Substantially all of our revenues are derived pursuant to investment advisory, sub-advisory and trust agreements with our clients that are subject to termination without advance notice. Investors in funds that we advise or sub-advise may redeem their investments at any time without prior notice, thereby reducing our AUM. These investors may redeem for any reason, including general financial market conditions, our absolute or relative investment performance or their own financial condition and requirements. In a declining stock market, the pace of redemptions could accelerate. Substantial additional redemptions or a termination or failure to renew a material number of these agreements would adversely affect our revenues and have a material adverse effect on our earnings and financial condition.

A small number of clients account for a substantial portion of our business, and a reduction or loss of business with any of these clients could have a material adverse effect on our business, financial condition and results of operations.

We are dependent to a significant degree on our ability to maintain our relationships with clients, consultants, managed account platforms and other intermediaries. Our ten largest clients accounted for approximately 21%, 22% and 22% of our fee revenues for the years ended December 31, 2023, 2022 and 2021, respectively. There can be no assurance that we will be successful in maintaining existing relationships, securing additional relationships or achieving the superior investment performance necessary to earn performance-based advisory fees. Our failure to retain one or more of these large relationships or to establish additional profitable relationships could have a material adverse effect on our business, financial condition and results of operations.

<u>**General Risk Factors**</u>

We have made and may continue to make business combinations as a part of our business strategy, which may present risks and uncertainties.

We may continue to seek business acquisitions as a means of broadening our offerings and capturing additional opportunities. However, there is no guarantee that we will be successful in identifying target companies that meet our criteria for acquisition. Additionally, future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms, if at all.

The success of our historical and future business combinations also depends on our ability to integrate the operations of the acquired businesses efficiently and effectively with our existing operations and realize the anticipated benefits from them. The potential risks associated with successful integration and realization of benefits include, but are not limited to the following:

- our due diligence may not identify or fully assess valuation issues, potential liabilities or other acquisition risks;
- acquired entities may not achieve anticipated revenue targets, cost savings or other synergies or benefits, or acquisitions may not result in improved operating performance, which could adversely affect our earnings, and we may be unable to recover investments in any such acquisitions;
- we may have difficulty integrating acquired businesses, resulting in unforeseen difficulties and greater expenses than expected;
- we may have difficulty entering into new markets in which we are not experienced in an efficient and cost-effective manner while maintaining adequate standards, controls and procedures;
- key personnel within an acquired organization may resign from their related positions resulting in a significant loss to our strategic and operational efficiency associated with the acquired company;
- the effectiveness of our daily operations may be reduced by the redirection of employees and other resources to acquisition and integration activities;

- we may assume liabilities of an acquired business (including litigation, tax liabilities, and other contingent liabilities), including liabilities that were unknown at the time of the acquisition, that pose future risks to our working capital needs, cash flows and the profitability of related operations;
- we may assume unprofitable projects that pose future risks to our working capital needs, cash flows and the profitability of related operations; or
- business acquisitions may include substantial transactional costs to complete the acquisition that exceed the estimated financial and operational benefit.

Failure to effectively execute our strategic growth plan could result in damage to our reputation and could have a material adverse effect on our business, financial condition and results of operations.

We believe that we have established a strong platform to support future growth, but there is no assurance that we will appropriately execute our strategic plans, including but not limited to acquisitions, divestitures or other strategic transactions.

As part of our long-term business strategy, we may pursue corporate development transactions including the acquisition of asset management firms, mutual funds, wealth management firms and investment professionals or teams. Acquisitions involve inherent risks that could compromise the success of the combined business and dilute the holdings of current stockholders. See "Item 1. Business — Growth Strategy." If we are incorrect when assessing the value, strengths, weaknesses, liabilities and potential profitability of such transactions, or if we fail to adequately integrate the acquired businesses or individuals, the success of the combined business could be compromised. Business acquisitions are subject to the risks commonly associated with such transactions including, among others, potential exposure to unknown liabilities of acquired companies and to acquisition costs and expenses, the difficulty and expense of integrating the operations and personnel of the acquired companies, potential disruptions to the business of the combined company and potential diversion of management's time and attention, the impairment of relationships with and the possible loss of key employees and clients as a result of changes in management, potential litigation or other legal risks, potential write-downs related to goodwill impairments in connection with acquisitions and dilution to the stockholders of the combined company if the acquisition is made for stock of the combined company. In addition, investment strategies, technologies or businesses of acquired companies may not be effectively assimilated into our business or may have a negative effect on the combined company's revenues or earnings. The combined company may also incur significant expenses to complete acquisitions and support acquired investment strategies and businesses. Further, any such acquisitions may be funded with cash, debt or equity, which could dilute the holdings or limit the rights of stockholders. Finally, we may not be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms.

Divestitures involve inherent risks that could compromise the success of our business. Risks related to divestitures can include difficulties in the separation of the divested business, loss of clients, retention or obligation to indemnify certain liabilities, the failure of counterparties to satisfy payment obligations, unfavorable market conditions that may impact any earnout or contingency payment due to us, unexpected difficulties in losing employees of the divested business or asset impairments.

As consumer demand for digital interaction with investment advisors and portfolios continues to grow, we are exploring opportunities to develop digital solutions to enhance services to our clients. If we are incorrect in assessing the value, strengths, weaknesses and potential profitability of such solutions, or if we fail to adequately integrate the solutions, the success of our overall business could be compromised. The initial investment in the necessary technological capabilities and the potential diversion of management's time and attention could have a material impact to our business, financial condition and results of operations.

There is no assurance that we will be successful in overcoming these or other risks encountered with acquisitions, divestitures and other strategic transactions. These risks may prevent us from realizing the expected benefits from acquisitions or divestitures and could result in the failure to realize the full economic value of a strategic transaction.

Various factors may hinder the declaration and payment of dividends.

We have historically paid a quarterly dividend; however, payment of future dividends is subject to the discretion of our Board, and various factors may impact our ability to maintain the current dividend or pay dividends at all. We reinstated a dividend in the first quarter of 2021, following its suspension in the second quarter of 2020 as we preserved capital and provided additional financial flexibility amid uncertainties created by the COVID-19 pandemic. Such factors include our financial position, capital requirements and liquidity, tax regulations, stock repurchase plans, state corporate and banking law restrictions, results of operations and other factors that our Board may consider relevant. As a holding company, our ability to pay dividends is dependent on the dividends and income we receive from our subsidiaries. Currently, our primary source of cash consists of dividends from Westwood Management or Westwood Trust. The payment of dividends by Westwood Trust is subject to the discretion of its Board and compliance with applicable laws, including the provisions of the Finance Code applicable to Westwood Trust. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

We may not be able to fund future capital requirements on favorable terms, if at all.

We cannot be certain that financing to fund our working capital or other cash requirements, if needed, will be available on favorable terms, if at all. Our capital requirements may vary greatly from quarter to quarter depending on, among other things, capital expenditures, technological investments and fluctuations in our operating results and financing activities. If financing becomes necessary, we may or may not be able to obtain financing on favorable terms, if at all. Further, any future equity financings could dilute the relative percentage ownership of then existing common stockholders, and any future debt financings could involve restrictive covenants that limit our ability to take certain actions.

Failure to properly identify and address conflicts of interest could harm our reputation or cause clients to withdraw funds, which could adversely affect our business and results of operations.

The SEC and other regulators have increased their scrutiny of potential conflicts of interest, and we have implemented procedures and controls that we believe are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex, and if we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face reputational damage, litigation or regulatory proceedings, any of which may adversely affect our results of operations.

As we expand the scope of our business and our client base, we must also continue to monitor and address any potential new conflicts between the interests of our stockholders and those of our clients. Our clients may withdraw funds if they perceive conflicts of interest between the investment decisions we make for strategies in which they have invested and our obligations to our stockholders. For example, we may limit the growth of assets in or close strategies or otherwise take action to slow the flow of assets when we believe it is in the best interest of our clients, even though our AUM and investment management fees may be negatively impacted. Similarly, we may establish or add new investment teams or expand operations into other geographic areas or jurisdictions if we believe such actions are in the best interest of our clients, even though our results of operations may be adversely affected in the short term. Although we believe such actions enable us to retain client assets and maintain our profit margins, if clients perceive a change in our investment or operational decisions favors a strategy to maximize short term results, they may withdraw funds, which could adversely affect our revenues and results of operations.

Insurance coverage may be inadequate to cover legal and regulatory proceedings.

We maintain insurance coverage in amounts and on terms we believe appropriate to cover legal and regulatory matters and potential cyber security attacks; however, we can make no assurance that there will be adequate coverage or that a specific claim will be covered by our insurance policies. Additionally, insurance premiums may rise for substantially the same coverage amounts and terms, which will increase our expenses and reduce net income.

Failure to maintain effective internal controls could have a material adverse effect on our business and stock price.

Effective internal controls are necessary to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. All internal control systems, no matter how well designed, contain inherent limitations, and systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

We cannot be certain that the measures we take to evaluate and improve our internal controls will ensure that we implement and maintain adequate controls over our financial processes and reporting. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended, we may not be able to ensure that we can conclude that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Over the past several years we have invested significantly to enhance our cybersecurity governance. We have expanded our control access to data and systems, invested in firewalls and security systems, elevated internal awareness through trainings and exercises, and upgraded our systems, programs and intrusion monitoring.

We conduct periodic vulnerability assessments based on our use of technology, third party vendor relationships and reported changes in cybercrime methodologies, and in response to any attempted cyber incident, among other circumstances.

We protect all the assets of our clients and safeguard the proprietary and confidential information of Westwood and its employees, which is a fundamental responsibility of every Westwood employee. Westwood is responsible for distributing our policies and procedures to employees and conducting appropriate employee training to ensure employees' adherence to our policies and procedures. Repeated or serious violations of our policies by employees or independent contractors may result in disciplinary action against such persons, which may include restricted permissions or prohibitions and/or termination.

Our President and Chief Operating Officer is responsible for reviewing, maintaining and enforcing our policies and procedures to ensure we meet our overall cybersecurity goals and objectives, while at a minimum, ensuring compliance with applicable federal and state laws and regulations.

We have also designed procedures to implement our cybersecurity policy, minimize cybersecurity threats to our clients and conduct reviews to monitor and ensure our policy is observed, properly implemented and amended or updated as necessary, including cybersecurity oversight, periodic risk assessments and external consultant reviews, access restrictions, ongoing training, governance policies and procedures, authentication protocols, secure access measures, and policies for elevating suspicious activities.

Westwood has an established vendor management policy, which considers risks related to new or existing vendors, defines new vendor selection, vendor renewal, vendor monitoring and vendor risk assessment. The review of vendors is led by our Chief Compliance Officer and each vendor relationship owner, and involves reviewing System and Organization Controls reports, Statement on Standards for Attestation Engagements number 18 reports, and other reviews of internal controls.

Westwood's Board is responsible for overseeing the effective execution of our overall cybersecurity programs. Along with management, our Board reviews our cybersecurity efforts and programs and is informed of cybersecurity risks primarily through discussions with management, trainings and exercises.

Westwood relies on its Board, in conjunction with senior management members, to ensure ongoing success of its cybersecurity environment. Our Board's responsibilities include, but are not limited to:

a. Overseeing effective implementation of our cybersecurity initiatives and alignment with agreed policies and strategies;

b. Oversight of the continued and consistent implementation of our cybersecurity policies and procedures; and

c. Promoting overall corporate commitment to cybersecurity.

Westwood management is responsible for the execution of the framework for the management of our information security. These responsibilities include, but are not limited to:

a. Designing, implementing and executing our framework over information security management;

b. Reviewing and updating our policies and procedures annually;

c. Assigning all data within Westwood to an appropriate owner, and ensuring data owners have knowledge of such data and have an information classification selected for that data;

d. Ensuring annual compliance with our information security management policies and procedures;

e. Application and execution of our risk management framework in the event of a potential issue; and

f. Development and execution of an action plan for each potential issue to address risks via remediating, mitigating, accepting or closing the issue.

Our management members, specifically our Chief Executive Officer, Chief Financial Officer, President and Chief Operating Officer, Information Security Officer and Chief Compliance Officer, have cybersecurity expertise gained through years of training, internal and external discussions, numerous learning exercises, and development, execution and evaluation of our cybersecurity policies.

If a potential cybersecurity breach were to be identified, management would implement its incident response plan. This plan, which provides for a quick, effective and orderly response to information security incidents relies on our Incident Response Team ("IRT") to report findings to management and the appropriate authorities as necessary. The IRT, comprised of various cross-functional subject matter experts, is also responsible for:

a. Detecting and analyzing suspicious events that might indicate an event has occurred;

b. Containing, eradicating and restoring normal operations if an event has occurred through quick responses, isolating and preserving evidence to aid in remediation and assisting investigators, isolating additional systems from being impacted by the situation being remediated, tracking issues, communicating a strategy and protocol to follow to maintain control of information and confidentiality and to ensure members of the IRT and Westwood management are kept informed of issues as the incident develops and is resolved, and developing and implementing strategies for ensuring the integrity of impacted information systems and critical information hosted on those systems.

In the event of a cybersecurity breach Westwood management notifies our Board as soon as practicable, along with affected parties including clients, regulatory bodies, third parties and employees, as necessary and required by applicable laws and regulations.

Item 2. Properties.

Westwood, Westwood Management and Westwood Trust conduct their principal operations using approximately 38,000 square feet of leased office space in Dallas, Texas pursuant to a lease with an initial term that expires in March 2026. In addition, we lease approximately 11,000 square feet of office space in Houston, Texas pursuant to a lease that expires in September 2029. We lease a limited amount of office space in San Francisco, California and Chicago, Illinois.

We continue to assess these facilities to ensure their adequacy to serve our anticipated business needs.

Item 3. Legal Proceedings.

We are subject from time to time to certain claims and legal proceedings arising in the ordinary course of our business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on the New York Stock Exchange under the symbol “WHG.” At December 31, 2023, there were approximately 190 record holders of our common stock, although we believe that the number of beneficial owners of our common stock is substantially greater.

Dividends

Declarations of cash dividends is at the discretion of the Board of Directors and is subject to limitations under the Delaware General Corporation Law.

Westwood Holdings Group is the sole stockholder of Westwood Management and Westwood Trust. Westwood Trust is limited in the payment of dividends under applicable Texas law to the amount of undivided profits, which is defined as that part of equity capital equal to the balance of net profits, income, gains and losses since formation minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate Board resolutions.

Issuer Purchases of Equity Securities

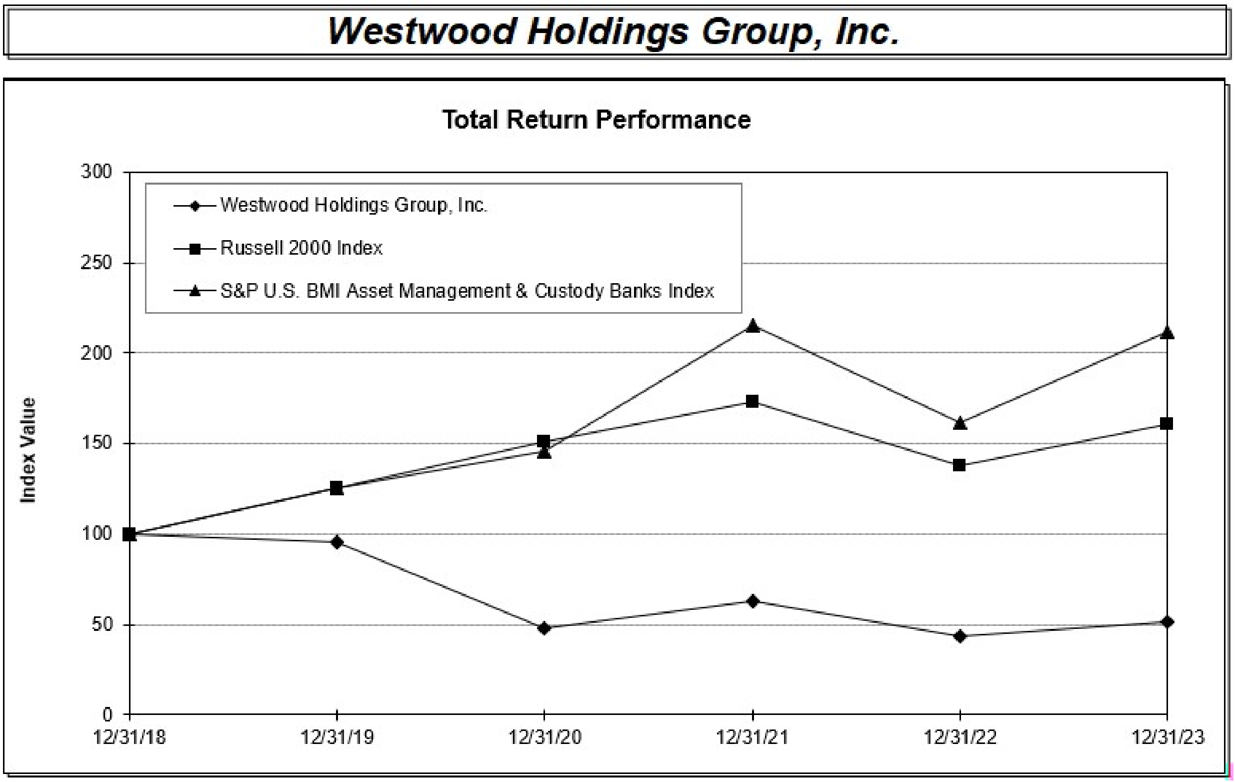
On July 20, 2012, our Board of Directors authorized management to repurchase up to $10.0 million of our outstanding common stock on the open market or in privately negotiated transactions. The Board authorized an additional $5.0 million of repurchases under the share repurchase program in July 2016, 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.

As of December 31, 2023, there are $1.8 million of shares that may yet be repurchased under our share repurchase plan.

The Company did not repurchase any shares of our common stock during the year ended December 31, 2023.

Performance Graph

The following graph compares total stockholder returns of Westwood since December 31, 2018 with the total return of the Russell 2000 Index and the S&P U.S. BMI Asset Management & Custody Banks Index, a composite of various publicly-traded asset management companies.



Index	Period ended December 31, 2018	2019	2020	2021	2022	2023	Cumulative Five-Year Total Return
Westwood Holdings Group, Inc.	$ 100.00	$ 95.59	$ 47.65	$ 62.90	$ 43.14	$ 51.33	(48.67)%
Russell 2000 Index	100.00	125.53	150.58	172.90	137.56	160.85	60.85 %
S&P U.S. BMI Asset Management & Custody Banks Index	100.00	125.80	145.77	215.18	161.21	211.89	111.89 %

The total return for our stock and for each index assumes $100 invested on December 31, 2018 in our common stock, the Russell 2000 Index, and the S&P U.S. BMI Asset Management & Custody Banks Index, including reinvestment of dividends.

The closing price of our common stock on the last trading day of the year ended December 31, 2023 was $12.57 per share. Historical stock price performance is not necessarily indicative of future price performance.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis in conjunction with our Consolidated Financial Statements and related notes thereto appearing elsewhere in this Report.

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," "forecast", "explore," "believe," "plan," "estimate," "expect," "intend," "should," "potentially," "could," "goal," "may," "target," "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 Exchange Act. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results, our financial condition, and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others:

- the composition and market value of our AUM and AUA;
- our ability to maintain our fee structure in light of competitive fee pressures;
- risks associated with actions of activist stockholders;
- distributions to our common stockholders have included and may in the future include a return of capital;
- 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;
- 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;
- we have made and may continue to make business combinations as a part of our business strategy, which may present certain risks and uncertainties;
- our relationships with investment consulting firms;
- 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.

Additional factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements are discussed under the section entitled “Item 1A. Risk Factors” and elsewhere in this Report. The forward-looking statements are based only on currently available information and 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., Westwood Advisors, L.L.C. and Salient Advisors, LP (each of which is an SEC-registered investment advisor and referred to hereinafter together as “Westwood Management”) 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.

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.

SCLP serves as a sub-placement agent for private placements.

Our revenues are generally derived from fees based on a percentage of AUM and AUA, and Westwood Management and Westwood Trust collectively had AUM of approximately $15.5 billion and AUA of approximately $1.1 billion at December 31, 2023. We have established a track record of delivering competitive, risk-adjusted returns for our clients.

With respect to most of our AUM, we utilize a “value” investment style focused on achieving superior long-term, risk-adjusted returns by investing in companies with high levels of free cash flow, improving returns on equity and strengthening balance sheets that are well positioned for growth but whose value is not fully recognized in the marketplace. This investment approach is designed to limit downside during unfavorable periods and provide superior real returns over the long term. Our investment teams have significant industry experience. Our investment team members have average investment experience of over twenty years.

We have built a foundation in terms of personnel and infrastructure to support a much larger business and we have developed investment strategies that we believe will be sought after within our target institutional, wealth management and intermediary markets. Developing new products and growing the organization has resulted in our incurring expenses that, in some cases, have not yet generated significant offsetting revenues. We believe that investors will recognize the potential for new revenue streams inherent in these products and services however there is no guarantee that they will occur.

2023 Highlights

The following items were reported for the year ended December 31, 2023:

- Integrated Salient's asset management business, following our 2022 acquisition.
- Added the Managed Investment Solutions team, bolstering our ability to provide customized solutions to institutional and wealth investors.
- Acquired an additional 32% interest in Broadmark, an RIA managing and/or sub-advising mutual funds, retail and institutional separately-managed accounts, resulting in our holding an approximately 80% controlling interest.
- AUM as of December 31, 2023 was $15.5 billion, 5% higher than December 31, 2022. Quarterly average AUM increased 15% to $15.0 billion for 2023 versus 2022, which contributed to a 31% increase in total revenue from 2022.
- Our SMidCap Value, SmallCap Value, MidCap Value, High Alpha, Enhanced Balanced, High Income, Alternative Income, Global Real Estate and Select Income strategies performed strongly by beating their primary benchmarks for the year.
- We paid $5.5 million of dividends to our common stockholders.
- Our financial position remains strong with liquid cash and short-term investments of $53.1 million and no debt as of December 31, 2023.

Revenues

We derive our revenues from investment advisory fees, trust fees and other revenues. Our advisory fees are generated by Westwood Management, which manages client accounts under investment advisory and sub-advisory agreements. Advisory fees are typically calculated based on a percentage of AUM and AUA 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 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 Consolidated Financial Statements contain no deferred advisory fee revenues.

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

Employee Compensation and Benefits

Employee compensation and benefits costs generally consist of salaries, sales commissions, incentive compensation, stock-based compensation expense and benefits.

Sales and Marketing

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

Westwood Mutual Funds

Expenses for Westwood mutual funds relate to our marketing, distribution and administration of the Westwood Funds®.

Information Technology

Information technology expenses include 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 sub-advisory fees, audit, 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, Directors' fees, investor relations, licenses and fees, office supplies and other miscellaneous expenses.

(Gain) loss from change in fair value of contingent consideration

(Gain) loss from change in fair value of contingent consideration consists of fair value adjustments related to contingent consideration from our 2022 acquisition of Salient.

Acquisition expenses

Acquisition expenses consist of costs related to the Salient Acquisition.

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.

Net Investment Income

Net 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 and the receipt of life insurance proceeds.

Firm-wide Assets Under Management

Firm-wide assets under management of $16.6 billion at December 31, 2023 consisted of $15.5 billion of AUM and $1.1 billion of AUA.

AUM increased $0.7 billion, or 5%, to $15.5 billion at December 31, 2023 compared to $14.8 billion at December 31, 2022. Quarterly average AUM increased $1.9 billion, up 15%, to $15.0 billion compared with $13.1 billion for 2022. The increase in average AUM was primarily due to $2.0 billion of market appreciation in 2023.

AUM increased $0.3 billion, or 2%, to $14.8 billion at December 31, 2022 compared to $14.5 billion at December 31, 2021. Quarterly average AUM decreased $1.2 billion, down 9%, to $13.1 billion for 2022 compared with $14.3 billion for 2021. The decrease in average AUM was primarily due to $1.5 billion of market depreciation in 2022.

The following table presents our AUM (in millions, except percentages):

	As of December 31,				
	2023	Change	2022	Change	2021
Institutional[1]	$ 7,215	6 %	$ 6,785	(4)%	$ 7,037
Wealth Management[2]	4,140	13 %	3,666	(17)%	4,420
Mutual Funds[3]	4,104	(5)%	4,328	42 %	3,046
Total AUM[4]	$ 15,459	5 %	$ 14,779	2 %	$ 14,503

(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) sub-advisory relationships where Westwood provides investment management services for funds offered by other financial institutions; (iii) pooled investment vehicles, including collective investment trusts; and (iv) managed account relationships with brokerage firms and other registered investment advisors that offer Westwood products to their customers.

(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 sub-advisory services are provided for the common trust funds by Westwood Management. For certain assets in this category Westwood Trust provides limited custodial 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 or Salient Advisors serves as advisor. These funds are available to individual investors, institutional investors and wealth management accounts.

(4) AUM for 2023, 2022 and 2021 excludes approximately $1.1 billion, $1.3 billion and $0.3 billion of assets under advisement, respectively, related to our model portfolios for which we provide investment advice on a fee basis without having investment management authority. We added $0.9 billion of AUA from the Salient Acquisition.

Roll-Forward of Assets Under Management

	Year Ended December 31, 2023			
AUM (in millions)	**Institutional**	**Wealth Management**	**Mutual Funds**	**Total**
Beginning of period assets*	$ 6,968	$ 3,666	$ 4,145	$ 14,779
Client flows:				
Inflows	360	446	814	1,620
Outflows	(936)	(615)	(1,347)	(2,898)
Net client flows	(576)	(169)	(533)	(1,278)
Market appreciation	823	643	492	1,958
Net change	247	474	(41)	680
End of period assets	$ 7,215	$ 4,140	$ 4,104	$ 15,459

* Certain assets under management acquired from Salient were reclassified from Mutual Funds to Institutional as of December 31, 2022 to be consistent with the classification of existing assets.

The increase in AUM for the year ended December 31, 2023 was due to market appreciation of $2.0 billion, offset by net outflows of $1.3 billion. Net outflows were primarily related to our Income Opportunity, MLP & Energy Infrastructure, LargeCap Value and SmallCap Value strategies.

	Year Ended December 31, 2022			
AUM (in millions)	**Institutional**	**Wealth Management**	**Mutual Funds**	**Total**
Beginning of period assets	$ 7,037	$ 4,420	$ 3,046	$ 14,503
Client flows:				
Inflows	286	457	800	1,543
Outflows	(698)	(714)	(1,029)	(2,441)
Net client flows	(412)	(257)	(229)	(898)
Salient acquisition	788	—	1,873	2,661
Market depreciation	(628)	(497)	(362)	(1,487)
Net change	(252)	(754)	1,282	276
End of period assets	$ 6,785	$ 3,666	$ 4,328	$ 14,779

The increase in AUM for the year ended December 31, 2022 was due to $2.7 billion of AUM from the Salient Acquisition, offset by market depreciation of $1.5 billion and net outflows of $0.9 billion. Net outflows were primarily related to our LargeCap Value, Income Opportunity and Enhanced Balanced strategies.

	Year Ended December 31, 2021			
AUM (in millions)	**Institutional**	**Wealth Management**	**Mutual Funds**	**Total**
Beginning of period assets	$ 6,567	$ 4,335	$ 2,143	$ 13,045
Client flows:				
Inflows	1,901	413	1,461	3,775
Outflows	(1,062)	(896)	(996)	(2,954)
Net client flows	839	(483)	465	821
Global convertibles transition	(1,593)	—	—	(1,593)
Market appreciation	1,224	568	438	2,230
Net change	470	85	903	1,458
End of period assets	$ 7,037	$ 4,420	$ 3,046	$ 14,503

The increase in AUM for the year ended December 31, 2021 was due to market appreciation of $2.2 billion and net inflows of $0.8 billion, partially offset by the transition of our Global Convertibles team.

Net inflows were primarily related to our SmallCap Value strategy, partially offset by net outflows in our Enhanced Balance strategy.

In late 2020 we decided to exit the stand-alone convertibles business and our Global Convertibles team transitioned back to Aviva Investors, from which they had joined Westwood. As a result, $1.6 billion in two sub-advised Global Convertibles mandates returned to Aviva as of April 1, 2021.

Roll-Forward of Assets Under Advisement

AUA has historically been disclosed in total due to its relative insignificance to our business. However, following our November 2022 acquisition of Salient's asset management business, AUA has become a more meaningful component of our business. Accordingly, we will present further AUA details going forward:

(in millions)	Year Ended December 31, 2023
Assets Under Advisement	
Beginning of period assets	$ 1,255
Inflows	160
Outflows	(400)
Net client flows	(240)
Market appreciation (depreciation)	64
Net change	(176)
End of period assets	$ 1,079

Results of Operations

The following table and discussion of our results of operations is based upon data derived from our Consolidated Statements of Comprehensive Income (Loss) contained in our Consolidated Financial Statements and should be read in conjunction with these statements included elsewhere in this Report.

	Years ended December 31, (in thousands, except percentages)				
	2023	Change	2022	Change	2021
Revenues:					
Advisory fees:					
Asset-based	$ 67,391	44 %	$ 46,685	2 %	$ 45,927
Performance-based	1,265	24	1,018	(69)	3,335
Trust fees	20,242	(7)	21,686	(10)	24,030
Trust performance-based fees	349	NM	—	(100)	101
Other revenues, net	534	(175)	(708)	109	(339)
Total revenues	89,781	31	68,681	(6)	73,054
Expenses:					
Employee compensation and benefits	52,918	32	40,124	(6)	42,532
Sales and marketing	2,990	49	2,003	56	1,280
Westwood mutual funds	3,133	42	2,201	(17)	2,657
Information technology	9,650	25	7,719	(5)	8,161
Professional services	5,132	(4)	5,357	22	4,391
General and administrative	12,512	38	9,057	12	8,074
(Gain) loss from change in fair value of contingent consideration	(2,768)	NM	—	NM	—
Acquisition expenses	209	(97)	7,093	NM	—
Total expenses	83,776	14	73,554	10	67,095
Net operating income (loss)	6,005	(223)	(4,873)	(182)	5,959
Realized gains on private investments	—	NM	—	(100)	8,371
Net change in unrealized appreciation (depreciation) on private investments	6	(100)	(1,495)	(17)	(1,797)
Investment income	1,191	348	266	(69)	868
Other income	6,241	588	907	51	602
Income (loss) before income taxes	$ 13,443	(359)%	$ (5,195)	(137)%	$ 14,003
Income tax provision	2,872	(607)	(567)	(113)	4,240
Net income (loss)	$ 10,571	(328)%	$ (4,628)	(147)%	$ 9,763
Total comprehensive income (loss)	$ 10,571	(328)%	$ (4,628)	(147)%	$ 9,763
Less: Comprehensive income (loss) attributable to noncontrolling interest	1,051	NM	—	NM	—
Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.	$ 9,520	(306)%	$ (4,628)	(147)%	$ 9,763

NM - Not meaningful

<u>Year Ended December 31, 2023 Compared to Year Ended December 31, 2022</u>

Total Revenues. Total revenues increased $21.1 million, or 31%, to $89.8 million compared with $68.7 million for 2022. The increase was attributable to higher average assets under management following our acquisition of Salient Partners' asset management business during the fourth quarter of 2022, partially offset by a $1.4 million decrease in Trust fees due to lower average AUM.

Employee Compensation and Benefits. Employee compensation and benefits expenses increased due to additional headcount resulting from the Salient Acquisition.

Sales and Marketing. Sales and marketing expenses increased due to higher product placement fees for certain Salient funds.

Westwood Mutual Funds. Westwood mutual funds expenses increased primarily due to an increase in mutual fund placement fees for certain mutual funds acquired in the Salient Acquisition.

Information Technology. Information technology costs increased primarily due to additional software licenses and investment research expenses.

General and administrative. General and administrative expenses increased 38% to $12.5 million compared to $9.1 million in 2022 primarily due to increased intangible asset amortization following the Salient Acquisition.

(Gain) loss from change in fair value of contingent consideration. We recorded a gain of $2.8 million upon the remeasurement of contingent consideration of the Salient Acquisition primarily due to changes in growth projections and volatility assumptions.

Net change in unrealized appreciation (depreciation) on private investments. In 2022 we recorded a $1.6 million net change in unrealized depreciation to reflect a market transaction related to our previous investment in Charis.

Other income. We recorded life insurance proceeds of $5.0 million in 2023.

Provision for Income Taxes. The effective tax rate was 23.2% for 2023 compared to 10.9% for 2022. Our income tax rate differed from the 21% statutory tax rate 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 date, along with the impact of state and local taxes.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Total Revenues. Total revenues decreased $4.4 million, or 6%, to $68.7 million compared with $73.1 million for 2021. The decrease was attributable to a $2.3 million decrease in Trust fees due to lower average AUM, and a decrease in performance fees, partially offset by a $0.8 million increase in asset-based advisory fees.

Employee Compensation and Benefits. Employee compensation and benefits expenses decreased due to lower commissions and incentive compensation, partially offset by higher salaries following an increase in headcount from the Salient Acquisition.

Sales and Marketing. Sales and marketing expenses increased as in-person sales activities returned to pre-COVID-19 levels.

Professional Services. Professional services expenses increased primarily due to higher subadvisory expenses and various legal costs.

General and administrative. General and administrative expenses increased 12% to $9.1 million compared to $8.9 million in 2021 primarily due to higher rent expense following our Houston, Texas office space expansion.

Acquisition expenses. Acquisition expenses are related to the Salient Acquisition and consisted primarily of investment banking fees, legal fees, information technology expenses related to systems integrations, mutual fund costs related to proxy solicitations and information technology integration costs. $1.8 million of acquisition expenses incurred in the nine months ended September 30, 2022 were included in Professional Services ($1.0 million), Westwood Mutual Funds ($0.5 million) and Information Technology ($0.3 million) before being reclassified to acquisition expenses upon consummation of the Salient Acquisition.

Net change in unrealized appreciation (depreciation) on private investments. We recorded a $1.6 million net change in unrealized depreciation to reflect a market transaction related to our previous investment in Charis.

Provision for Income Taxes. The effective tax rate was 10.9% for 2022 compared to 30.3% for 2021. Our income tax rate differed from the 21% statutory tax rate 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 date, along with the impact of state and local taxes.

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, Comprehensive income (loss) attributable to Westwood Holdings Group, Inc. and earnings (loss) per share, which are reported on a GAAP basis. Our management and Board 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 Comprehensive income (loss) attributable to Westwood Holdings Group, Inc. 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 Comprehensive income (loss) attributable to Westwood Holdings Group, Inc. plus non-cash equity-based compensation expense, impairment expense, amortization of intangible assets, currency translation adjustment reclassification 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. Although gains and losses from changes in the fair value of contingent consideration are non-cash, we do not add or subtract those back when calculating Economic Earnings because gains and losses on changes in the fair value of contingent consideration are considered regular following an acquisition. 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.

For the year ended December 31, 2023, our Economic Earnings increased by 589% to $18.3 million compared with $2.7 million for the year ended December 31, 2022. 2023 Economic Earnings was impacted by higher revenues and the receipt of life insurance proceeds, offset by higher expenses following the Salient Acquisition.

The following table provides a reconciliation of Comprehensive income (loss) attributable to Westwood Holdings Group, Inc. to Economic Earnings. We have included the tax impact of adjustments for all periods presented:

	For the years ended December 31, (in thousands, except percentages and per share data)								
	2023	**Change**	**2022**	**Change**	**2021**	**Change**	**2020**	**Change**	**2019**
Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.	$ 9,520	(306)%	$ (4,628)	(147)%	$ 9,763	(209)%	$ (8,947)	(251)%	$ 5,911
Stock-based compensation expense	6,518	9	6,001	3	5,834	(13)	6,701	(35)	10,305
Impairment expense	—	NM	—	NM	—	NM	3,403	NM	—
Intangible amortization	4,149	120	1,889	16	1,624	(6)	1,721	—	1,726
Currency translation adjustment reclassification	—	NM	—	NM	—	NM	4,169	NM	—
Tax benefit from goodwill amortization	500	66	302	27	237	—	237	—	237
Tax impact of adjustments to GAAP comprehensive income (loss)	(2,345)	160	(901)	(61)	(2,309)	(179)	2,922	(164)	(4,539)
Economic Earnings	$ 18,342	589 %	$ 2,663	(82)%	$ 15,149	48 %	$ 10,206	(25)%	$ 13,640
Economic Earnings per Share	$ 2.26	402 %	$ 0.45	(80)%	$ 2.20	142 %	$ 0.91	(58)%	$ 2.15

The following tables provide Economic Earnings by segment:

	For the years ended December 31, (in thousands, except percentages)								
	2023	**Change**	**2022**	**Change**	**2021**	**Change**	**2020**	**Change**	**2019**
Advisory comprehensive income (loss)	$ 13,585	23 %	$ 11,010	(34)%	$ 16,783	781 %	$ 1,905	(86)%	$ 13,654
Stock-based compensation expense	4,456	16	3,847	15	3,347	5	3,199	(40)	5,362
Impairment expense	—	NM	—	NM	—	(100)	3,403	NM	—
Intangible amortization	2,674	633	365	183	129	(37)	206	21	170
Tax benefit from goodwill amortization	262	297	66	NM	—	NM	—	NM	—
Tax impact of adjustments to GAAP comprehensive income (loss)	(2,404)	(38)	(3,865)	44	(2,679)	(177)	3,495	(173)	(4,790)
Economic Earnings	$ 18,573	63 %	$ 11,423	(35)%	$ 17,580	44 %	$ 12,208	(15)%	$ 14,396

	For the years ended December 31, (in thousands, except percentages)								
	2023	Change	2022	Change	2021	Change	2020	Change	2019
Trust comprehensive income (loss)	$ 1,777	78 %	$ 1,000	(82)%	$ 5,660	89 %	$ 2,991	(28)%	$ 4,147
Stock-based compensation expense	326	(31)	471	(37)	743	(28)	1,027	(35)	1,587
Intangible amortization	1,359	(1)	1,379	—	1,378	(2)	1,413	(7)	1,516
Tax benefit from goodwill amortization	238	1	236	—	237	—	237	—	237
Tax impact of adjustments to GAAP comprehensive income (loss)	(424)	(46)	(779)	(27)	(1,060)	(147)	2,274	(222)	(1,869)
Economic Earnings	$ 3,276	42 %	$ 2,307	(67)%	$ 6,958	(12)%	$ 7,942	41 %	$ 5,618

	For the years ended December 31, (in thousands, except percentages)								
	2023	Change	2022	Change	2021	Change	2020	Change	2019
Westwood Holdings comprehensive income (loss)	$ (5,842)	(65)%	$ (16,638)	31 %	$ (12,680)	(8)%	$ (13,843)	16 %	$ (11,890)
Stock-based compensation expense	1,736	3	1,683	(3)	1,744	(30)	2,475	(26)	3,356
Intangible amortization	146	1	145	24	117	15	102	155	40
Currency translation adjustment reclassification	—	NM	—	NM	—	NM	4,169	NM	—
Tax impact of adjustments to GAAP comprehensive income (loss)	453	(88)	3,743	162	1,430	(150)	(2,847)	(234)	2,120
Economic Earnings	$ (3,507)	(68)%	$ (11,067)	18 %	$ (9,389)	(6)%	$ (9,944)	56 %	$ (6,374)

Liquidity and Capital Resources

	As of December 31,	
Balance Sheet Data (in thousands)	**2023**	**2022**
Cash and cash equivalents	$ 20,422	$ 23,859
Accounts receivable	14,394	13,900
Total liquid assets	$ 34,816	$ 37,759
Investments, at fair value	$ 32,674	$ 15,342

Historically we have funded our operations and cash requirements with cash generated from operating activities. We may also use cash from operations to pay dividends to our stockholders or for deferred contingent consideration payments. We had no debt as of December 31, 2023 and 2022. 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.

We had cash and short-term investments of $53.1 million and $39.2 million as of December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, working capital aggregated $53.6 million and $40.6 million, respectively.

Westwood Trust is required by the Texas Finance Code to maintain cash and investments in an amount equal to the minimum restricted capital of $4.0 million. Restricted capital is included in Investments in the accompanying Consolidated Balance Sheets. At December 31, 2023, Westwood Trust had approximately $11.1 million in excess of its minimum capital requirement.

Cash Flow Data (in thousands)	For the years ended December 31, 2023	2022	2021
Operating cash flows	$ (1,185)	$ 51,490	$ 19,385
Investing cash flows	4,112	(33,739)	9,566
Financing cash flows	(6,364)	(9,103)	(26,806)

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. Changes in working capital, especially accounts receivable and accounts payable, generally result from timing differences between collection of fees billed and payment of operating expenses.

During 2023, cash flow used in operating activities was $1.2 million, compared to cash provided by operating activities of $51.5 million during 2022 and $19.4 million during 2021. The decrease of $52.7 million from 2022 to 2023 primarily reflected the net purchases of investments in 2023, compared to net sales of investments in 2022 to fund the Salient Acquisition. The increase of $32.1 million from 2021 to 2022 primarily reflected net sales of investments and net income in 2021.

Cash flow provided by investing activities in 2023 was primarily related to the receipt of life insurance proceeds offset by the Broadmark Acquisition, while cash flow used in investing activities in 2022 was primarily related to the Salient Acquisition. Cash flow provided by investing activities in 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 used in financing activities was $6.4 million in 2023 compared to $9.1 million and $26.8 million in 2022 and 2021, respectively. The change from 2022 to 2023 related to treasury stock purchases in 2022. The change from 2021 to 2022 primarily related to lower dividends in 2022.

Our future liquidity and capital requirements will depend upon numerous factors, including results of operations, the timing and magnitude of capital expenditures or strategic initiatives, our dividend policy and other business and risk factors described under “Item 1A. Risk Factors” in this Report. We believe that current cash and short-term investment balances plus cash generated from operations will be sufficient to meet 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. 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.

Cash Dividends

The following table summarizes dividends declared during 2023 and 2022:

2023 Dividends

Declaration Date	Record Date	Paid Date	Dividend Per Share
February 15, 2023 (1)	March 1, 2023	April 3, 2023	$0.15
April 26, 2023 (1)	June 2, 2023	July 3, 2023	$0.15
August 2, 2023 (1)	September 1, 2023	October 2, 2023	$0.15
October 31, 2023 (1)	December 1, 2023	January 3, 2024	$0.15
			$0.60

2022 Dividends

Declaration Date	Record Date	Paid Date	Dividend Per Share
February 9, 2022	March 4, 2022	April 1, 2022	$0.15
April 27, 2022	June 3, 2022	July 1, 2022	$0.15
July 27, 2022	September 2, 2022	October 1, 2022	$0.15
October 26, 2022 (1)	December 22, 2023	January 23, 2023	$0.15
			$0.60

(1) This dividend was treated for accounting purposes as a return of capital.

Contractual Obligations

Purchase commitments

Our purchase commitments primarily consist of outsourced information technology services, software licenses and commitments for financial research tools. As of December 31, 2023, our purchase commitments for the next five years and thereafter were as follows (in thousands):

	Payments due in:				
	Total	Less than 1 year	1-3 years	4-5 years	Thereafter
Purchase commitments[(1)]	$ 14,637	$ 6,519	$ 5,674	$ 2,444	$ —

(1) A "purchase commitment" is defined as an agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms, including (a) fixed or minimum quantities to be purchased; (b) fixed, minimum or variable price provisions; and (c) the approximate timing of the transaction. The above purchase commitments exclude agreements that are cancelable without significant penalty.

Critical Accounting Estimates

The preparation of our Consolidated Financial Statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent losses and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we often must make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. We believe the following are areas where the degree of judgment and complexity in determining amounts recorded in our Consolidated Financial Statements make accounting estimates critical.

Business Combinations

Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date with respect to tangible and intangible assets acquired and liabilities assumed. In a business combination, we allocate the purchase price to the acquired business' identifiable assets and liabilities at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill.

The assets acquired and liabilities assumed in our business combinations consist of acquired working capital and finite-lived and indefinite-lived intangible assets. The carrying value of acquired working capital approximates its fair value, given the short-term nature of these assets and liabilities. We estimated the fair value of finite-lived and indefinite-lived intangible assets acquired using a discounted cash flow approach, which included an analysis of the future cash flows expected to be generated by such assets and the risk associated with achieving such cash flows. The key assumptions used in the discounted cash flow model include the discount rate that is applied to the discretely forecasted future cash flows to calculate the present value of those cash flows and the estimate of future cash flows attributable to the acquired intangible assets, which include revenues, operating expenses and taxes. Our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of assets acquired and liabilities assumed, with the corresponding offset to goodwill.

Contingent Consideration

When an acquisition includes future contingent consideration on achieving certain milestones, the Company estimates the earn-out fair value using Monte Carlo simulation models. The Monte Carlo simulations considered assumptions including revenue volatility, risk free rates, discount rates and payment discount rates. The projected contingent payment is discounted back to the current period using a discounted cash flow model. Increases or decreases in projected revenues, probabilities of payment, discount rates or projected payment dates may result in higher or lower fair value measurements. Fluctuations in any of the inputs may result in a significantly lower or higher fair value measurement. A liability is recorded for the estimated fair value of the contingent consideration on the acquisition date, and the fair value of the contingent consideration is remeasured at each subsequent reporting period with any change in fair value recognized as income or expense within the Consolidated Statements of Comprehensive Income (Loss). For the year ended December 31, 2023, changes in growth projections and volatility assumptions were the primary drivers of changes in our fair value estimates.

Consolidation

We assess each legal entity that we manage to determine whether consolidation is appropriate at the onset of the relationship. We first determine whether the entity is a variable interest entity ("VIE"), or a voting interest entity ("VOE"), under GAAP and whether we have a controlling financial interest in the entity. Assessing whether or not an entity is a VOE or VIE and if it requires consolidation involves judgment and analysis.

To assess whether we have the power to direct the activities of an entity that most significantly impact the VIE's economic performance, we consider all the facts and circumstances, including, but not limited to, the legal organization of the

VIE, our equity ownership and contractual involvement with the entity and any related party or de facto agent implications of our involvement with the entity. This assessment includes identifying the activities that most significantly impact the entity's economic performance and identifying which party, if any, has power over those activities.

Entities that do not qualify as a VIE are assessed for consolidation under the VOE model. Under the VOE model, we consolidate the entity if we determine that we have a controlling financial interest in the entity through our ownership of greater than 50% of the outstanding voting shares of the entity and that other equity holders do not have substantive voting, participating or liquidation rights.

A VOE is an entity that is outside the scope of the guidance for VIEs. Consolidation of a VOE is required when a reporting entity owns a controlling financial interest in a VOE. Ownership of a majority of the voting interests is the usual condition for a controlling financial interest.

Goodwill

Goodwill is tested at least annually for impairment. We assess the recoverability of the carrying amount of goodwill either qualitatively or quantitatively as of July 1 of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We test more frequently if indicators are present or changes in circumstances suggest that impairment may exist. These indicators include declines in revenues, earnings or cash flows, or the development of a material adverse change in the business climate.

We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, which is referred to as a component. We have identified two reporting units, which are consistent with our reporting segments: Advisory and Trust. The Company is not required to calculate the fair value of a reporting unit unless we determine that it is more likely than not that its fair value is less than the carrying amount. We assess goodwill for impairment using either a qualitative or quantitative assessment.

The qualitative goodwill impairment assessment requires evaluating factors, based on the weight of evidence, to determine whether a reporting unit's carrying value would more likely than not exceed its fair value. As part of our goodwill qualitative testing process, we evaluate various factors that are specific to the reporting unit as well as industry and macroeconomic factors in order to determine whether they are reasonably likely to have a material impact on the fair value of our reporting units. Based on the qualitative analyses performed in 2023, we concluded that there were no changes that were reasonably likely to cause the fair value of the Advisory and Trust reporting units to be less than those reporting unit's carrying values, and determined that there was no impairment of our goodwill. In the event we were to determine that a reporting unit's carrying value would more likely than not exceed its fair value, quantitative testing would be performed comparing carrying values to estimated fair values.

The quantitative analysis requires a comparison of each reporting unit's carrying value to the fair value of the respective unit. If the carrying value exceeds the fair value, an impairment charge is recorded based on that difference.

We completed our most recent annual goodwill impairment assessment during the third quarter of 2023 and determined that no goodwill impairment related to the Advisory or Trust segment was required. There was no goodwill impairment for either segment during the years ended December 31, 2023, 2022 or 2021.

Accounting for Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, which requires recognition of the amount of taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the reported amounts on the Consolidated Financial Statements. We include penalties and interest on income-based taxes, if any, in the "General and administrative" line on our Consolidated Statements of Comprehensive Income (Loss).

Significant judgment is required in determining the provision for income taxes and, in particular, factors considered when assessing whether a valuation allowance should be established and our estimated uncertain tax positions.

We are required to assess whether a valuation allowance should be established against our deferred tax assets based on consideration of all available evidence, using a more-likely-than-not standard. Evidence considered includes, but is not limited to, consideration of taxable income in prior carryback year(s), estimates of future taxable income from operations, and the expiration dates and amounts of carryforwards related to net operating losses and capital losses. A valuation allowance against deferred tax assets is recorded if, based on the weight of the available evidence it is more likely than not that some or all the deferred tax assets will not be realized.

We account for uncertain tax positions by recognizing the impact of a tax position in our Consolidated Financial Statements when we believe it is more likely than not that the tax position would not be sustained upon examination by the appropriate tax authority based on the merits of the position. We periodically review our tax positions and adjust the balances as new information becomes available. In making these assessments, we often must analyze complex tax laws of multiple domestic and international jurisdictions.

Accounting Developments

See Note 2 “Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in Part II, Item 8, “Financial Statements and Supplementary Data” for a description of any new accounting standards and their anticipated effects on our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Our revenues are primarily generated from fees derived as a percentage of our AUM and AUA, which is subject to market risks. Additionally, we invest corporate capital in various financial instruments, including U. S. treasury bills and equity funds, all of which present inherent market risks. We do not currently participate in any hedging activities, nor do we utilize any derivative financial instruments. The following information describes key aspects of certain financial instruments that involve market risks.

Securities Markets and Interest Rates

The value of AUM and AUA is affected by fluctuations in securities markets and changes in interest rates. Since we derive a substantial portion of our revenues from investment advisory and trust fees based on the value of AUM and AUA, our revenues may be adversely affected by a decline in the prices of securities or changing interest rates. A hypothetical 10% decrease in our average AUM and AUA during the year ended December 31, 2023 would have reduced our reported consolidated total revenue by approximately $9 million.

Our cash equivalents and other investment instruments are exposed to financial market risk due to fluctuations in interest rates, which may affect interest income. We do not expect interest income to be significantly affected by sudden changes in market interest rates.

Item 8. Financial Statements and Supplementary Data

The independent registered public accounting firm's report and our Consolidated Financial Statements listed in the accompanying index are included in Item 15 of this Report. See “Index to Financial Statements” on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this report. Our acquisition of Broadmark was excluded from the assessment of the effectiveness of Disclosure Controls and Procedures. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2023 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act was (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Changes in Internal Control over Financial Reporting

During the quarterly period ended December 31, 2023, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF WESTWOOD HOLDINGS GROUP, INC.'S MANAGEMENT ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of

Westwood Holdings Group, Inc.:

The management of Westwood Holdings Group, Inc. ("Westwood") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Westwood's internal control system was designed to provide reasonable assurance to the company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, contain inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The management of Westwood assessed the effectiveness of Westwood's internal control over financial reporting as of December 31, 2023. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control — Integrated Framework.* Based on our assessment, we believe that, as of December 31, 2023, Westwood's internal control over financial reporting is effective based on those criteria.

Management excluded Broadmark Asset Management, LLC, in which the Company acquired a controlling interest in January 2023, from its assessment of the effectiveness of internal control over financial reporting as the Company may omit an assessment of an acquired business's internal control over financial reporting from its assessment of the registrant's internal control for up to one year from the acquisition date. As of December 31, 2023, Broadmark represents approximately 5% of total revenues and approximately 7% of total assets of our consolidated financial statement amounts.

Westwood is not required to, nor did it, engage an independent registered public accounting firm to issue an audit report on our assessment of Westwood's internal control over financial reporting.

By: /s/ Brian O. Casey
Brian O. Casey, Chief Executive Officer

/s/ Murray Forbes III
Murray Forbes III, Chief Financial Officer & Treasurer

March 7, 2024
Dallas, Texas

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is, or will be, set forth in the definitive proxy statement relating to the 2024 Annual Meeting of Stockholders of Westwood Holdings Group, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Exchange Act (the "Proxy Statement"). The Proxy Statement relates to a meeting of stockholders involving the election of directors, and the portions therefrom required to be set forth in this Report by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 11. Executive Compensation.

The information required by this item is, or will be, set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors, and the portions therefrom required to be set forth in this Report by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table gives information as of December 31, 2023 about shares of our common stock that may be issued upon the exercise of options, warrants and rights under our Ninth Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan, which is our only equity compensation plan in effect at that time. The material terms of this plan were approved by our stockholders and are discussed in Note 8 "Employee Benefits" to our Consolidated Financial Statements included in Part II. Item 8 "Financial Statements and Supplementary Data."

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted- average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	—	$ —	646,000 (1)

(1) 646,000 shares are available under our Ninth Amended and Restated Stock Incentive Plan.

The other information required by this item is, or will be, set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors, and the portions therefrom required to be set forth in this Report by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is, or will be, set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors, and the portions therefrom required to be set forth in this Report by this item are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item is, or will be, set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors, and the portions therefrom required to be set forth in this Report by this item are incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Financial Statement Schedules

The financial statements included in this Report are listed in the Index to Financial Statements on page 1 of this Report. Schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions or are not applicable.

Exhibits

The exhibits required to be furnished pursuant to Item 15 are listed in the Index to Exhibits filed herewith, which Index to Exhibits is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WESTWOOD HOLDINGS GROUP, INC.

By: /s/ Brian O. Casey
Brian O. Casey
Chief Executive Officer and Director

Dated: March 7, 2024

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of Westwood Holdings Group, Inc., a Delaware corporation, and the undersigned directors and officers of Westwood Holdings Group, Inc. hereby constitutes and appoints Brian O. Casey its, his or her true and lawful attorney-in-fact and agent, for it, him or her and in its, his or her name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this Report, and to file each such amendment to the Report, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises as fully to all intents and purposes as it, he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title
/s/ Brian O. Casey Brian O. Casey	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Murray Forbes III Murray Forbes III	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ Richard M. Frank Richard M. Frank	Chairman of the Board of Directors
/s/ Susan M. Byrne Susan M. Byrne	Vice Chairman of the Board of Directors
/s/ Ellen H. Masterson Ellen H. Masterson	Director
/s/ Geoffrey R. Norman Geoffrey R. Norman	Director
/s/ Randy A. Bowman Randy A. Bowman	Director

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Westwood Holdings Group, Inc.
Dallas, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Westwood Holdings Group, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Contingent Consideration Liabilities

As described in Notes 3 and 7 to the consolidated financial statements, the Company consummated a business combination on November 18, 2022, for total purchase consideration of $46.3 million, net of cash acquired. The total purchase consideration included the estimated fair value of contingent consideration subject to the acquired business's achievement of certain revenue targets. The transaction was accounted for as a business combination using the acquisition method of accounting. Accordingly, the consideration paid was recorded at fair value at the acquisition date and is remeasured at each subsequent reporting period. The fair value of the contingent consideration liabilities is $10.1 million at December 31, 2023.

We identified the estimation of the fair value of the contingent consideration liabilities at December 31, 2023 as a critical audit matter. The fair value of the contingent consideration liabilities utilized a Monte Carlo simulation model, which is a complex valuation model and required certain subjective estimates and assumptions related to revenue growth projections, revenue volatility, discount rates, and payment discount rates. Auditing these assumptions involved especially subjective and complex auditor judgment due to the nature and extent of audit effort required to address these matters, including the use of personnel with specialized knowledge and skills in valuation.

The primary procedures we performed to address the critical audit matter included:

- Evaluating the reasonableness of the revenue growth projections considering the consistency with external industry and market data.

- Utilizing personnel with specialized knowledge and skills in valuation to assist in evaluating the appropriateness of the Company’s valuation model and the reasonableness of the revenue volatility, discount rates and payment discount rates, by developing independent estimates using market data.

We have served as the Company's auditor since 2022.

/s/ BDO USA, P.C.
Dallas, Texas
March 7, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Westwood Holdings Group, Inc.

Opinion on the Financial Statements We have audited the accompanying consolidated balance sheet of Westwood Holdings Group, Inc. and subsidiaries (the "Company") as of December 31, 2021, the related consolidated statement of comprehensive income (loss), stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Deloitte & Touche LLP

Dallas, Texas

March 4, 2022

We began serving as the Company's auditor in 2015. In 2022 we became the predecessor auditor.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except par values and share amounts)

	December 31, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 20,422	$ 23,859
Accounts receivable	14,394	13,900
Investments, at fair value	32,674	15,342
Income taxes receivable	205	446
Other current assets	4,543	4,645
Total current assets	72,238	58,192
Investments	7,247	4,455
Equity method investments	4,284	6,574
Noncurrent investments at fair value	241	3,027
Goodwill	39,501	35,732
Deferred income taxes	726	1,762
Operating lease right-of-use assets	3,673	4,976
Intangible assets, net	24,803	28,952
Property and equipment, net of accumulated depreciation of $10,078 and $9,277	1,444	1,828
Other long-term assets	1,010	929
Total long-term assets	82,929	88,235
Total assets	$ 155,167	$ 146,427
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 6,130	$ 5,678
Dividends payable	1,692	1,745
Compensation and benefits payable	9,539	8,689
Operating lease liabilities	1,286	1,502
Total current liabilities	18,647	17,614
Accrued dividends	675	701
Contingent consideration	10,133	12,901
Noncurrent operating lease liabilities	3,266	4,563
Total long-term liabilities	14,074	18,165
Total liabilities	32,721	35,779
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Common stock, $0.01 par value, authorized 25,000,000 shares, issued 11,856,737 and 11,527,544, respectively and outstanding 9,140,760 and 8,881,831, respectively	119	115
Additional paid-in capital	201,622	199,914
Treasury stock, at cost – 2,715,977 and 2,645,713, respectively	(85,990)	(85,128)
Retained earnings (accumulated deficit)	4,650	(4,253)
Total Westwood Holdings Group, Inc. stockholders' equity	120,401	110,648
Noncontrolling interest in consolidated subsidiary	2,045	—
Total equity	122,446	110,648
Total liabilities and stockholders' equity	$ 155,167	$ 146,427

See Notes to Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands, except shares and per share data)

	Years ended December 31,		
	2023	2022	2021
Revenues:			
Advisory fees:			
Asset-based	$ 67,391	$ 46,685	$ 45,927
Performance-based	1,265	1,018	3,335
Trust fees	20,242	21,686	24,030
Trust performance-based	349	—	101
Other, net	534	(708)	(339)
Total revenues	89,781	68,681	73,054
Expenses:			
Employee compensation and benefits	52,918	40,124	42,532
Sales and marketing	2,990	2,003	1,280
Westwood mutual funds	3,133	2,201	2,657
Information technology	9,650	7,719	8,161
Professional services	5,132	5,357	4,391
General and administrative	12,512	9,057	8,074
(Gain) loss from change in fair value of contingent consideration	(2,768)	—	—
Acquisition expense	209	7,093	—
Total expenses	83,776	73,554	67,095
Net operating income (loss)	6,005	(4,873)	5,959
Realized gains on private investments	—	—	8,371
Net change in unrealized appreciation (depreciation) on private investments	6	(1,495)	(1,797)
Investment income	1,191	266	868
Other income	6,241	907	602
Income (loss) before income taxes	13,443	(5,195)	14,003
Provision for income taxes	2,872	(567)	4,240
Net income (loss)	$ 10,571	$ (4,628)	$ 9,763
Total comprehensive income (loss)	$ 10,571	$ (4,628)	$ 9,763
Less: comprehensive income (loss) attributable to noncontrolling interest	1,051	—	—
Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.	$ 9,520	$ (4,628)	$ 9,763
Earnings (loss) per share:			
Basic	$ 1.20	$ (0.59)	$ 1.24
Diluted	$ 1.17	$ (0.59)	$ 1.23
Weighted average shares outstanding:			
Basic	7,964,423	7,844,363	7,875,395
Diluted	8,112,139	7,844,363	7,927,972

See Notes to Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Westwood Holdings Group, Inc. Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Noncontrolling Interest	Total
	Shares	Amount					
BALANCE, December 31, 2020	8,326,948	$ 105	$ 210,268	$ (77,967)	$ (1,695)	$ —	$ 130,711
Net income	—	—	—	—	9,763	—	9,763
Issuance of restricted stock, net of forfeitures	158,098	2	(2)	—	—		—
Stock-based compensation expense	—	—	5,835	—	—	—	5,835
Return of capital ($2.50 per share)	—	—	(20,823)	—	—	—	(20,823)
Dividends declared ($0.45 per share), net of forfeitures	—	—	—	—	(3,706)	—	(3,706)
Purchase of treasury stock under employee stock plans	(182,549)	—	—	(2,990)	—	—	(2,990)
Issuance of treasury stock under employee stock plans	2,353	—	(91)	91	—	—	—
Restricted stock returned for payment of taxes	(51,359)	—		(884)	—	—	(884)
BALANCE, December 31, 2021	8,253,491	$ 107	$ 195,187	$ (81,750)	$ 4,362	$ —	$ 117,906
Net loss	—	—	—	—	(4,628)	—	(4,628)
Issuance of restricted stock, net of forfeitures	868,900	8	(8)	—	—	—	—
Stock-based compensation expense	—	—	6,001	—	—	—	6,001
Return of capital ($0.15 per share)	—	—	(1,166)	—	—	—	(1,166)
Dividends declared ($0.45 per share), net of forfeitures	—	—	—	—	(3,987)	—	(3,987)
Purchases of treasury stock	(205,521)	—	—	(2,851)	—	—	(2,851)
Issuance of treasury stock under employee stock plans	2,564	—	$ (100)	$ 100	—	—	—
Restricted stock returned for payment of taxes	(37,603)	—	—	(627)	—	—	(627)
BALANCE, December 31, 2022	8,881,831	$ 115	$ 199,914	$ (85,128)	$ (4,253)	$ —	$ 110,648
Net income	—	—	—	—	9,520	1,051	10,571
Acquisition	—	—	—	—	—	994	994
Issuance of restricted stock, net of forfeitures	329,194	4	(4)	—	—	—	—
Stock-based compensation expense	—	—	6,518	—	—	—	6,518
Return of capital ($0.60 per share)	—	—	(4,806)	—	—	—	(4,806)
Dividends declared, net of forfeitures	—	—	—	—	(617)	—	(617)
Restricted stock returned for payment of taxes	(70,265)	—	—	(862)	—	—	(862)
BALANCE, December 31, 2023	9,140,760	$ 119	$ 201,622	$ (85,990)	$ 4,650	$ 2,045	$ 122,446

See Notes to Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended December 31,		
	2023	**2022**	**2021**
Cash flows from operating activities:			
Net income (loss)	$ 10,571	$ (4,628)	$ 9,763
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	670	687	750
Amortization of intangible assets	4,149	1,889	1,624
Net change in unrealized (appreciation) depreciation on investments	(839)	2,136	1,845
Realized gains on private investments	—	—	(8,371)
Stock-based compensation expense	6,518	6,001	5,835
Deferred income taxes	1,036	(916)	620
Non-cash lease expense	1,103	1,110	1,235
Loss on asset disposition	69	—	—
Gain on remeasurement of lease liabilities	(119)	—	—
Fair value change of contingent consideration	(2,768)	—	—
Gain on insurance settlement	(5,000)	—	—
Gain on asset disposition	—	—	(148)
Changes in operating assets and liabilities:			
Net (purchases) sales of investments – trading securities	(16,609)	48,977	4,513
Accounts receivable	135	(313)	(1,702)
Other current assets	660	(1,842)	189
Accounts payable and accrued liabilities	(447)	1,251	1,009
Compensation and benefits payable	851	(861)	2,042
Income taxes payable	241	(687)	1,750
Other liabilities	(1,406)	(1,314)	(1,569)
Net cash provided by (used in) operating activities	(1,185)	51,490	19,385
Cash flows from investing activities:			
Acquisition, net of cash acquired	(741)	(33,419)	—
Insurance settlement proceeds	5,000	—	—
Sale of investments	—	—	9,258
Purchases of investments	—	—	(15)
Purchases of property and equipment	(147)	(320)	(178)
Proceeds on sale of property and equipment	—	—	501
Net cash provided by (used in) investing activities	4,112	(33,739)	9,566
Cash flows from financing activities:			
Purchases of treasury stock	—	(2,851)	(2,990)
Restricted stock returned for payment of taxes	(862)	(627)	(884)
Cash dividends	(5,502)	(5,625)	(22,932)
Net cash used in financing activities	(6,364)	(9,103)	(26,806)
Effect of currency rate changes on cash	—	5	45
Net increase (decrease) in cash and cash equivalents	(3,437)	8,653	2,190
Cash and cash equivalents, beginning of year	23,859	15,206	13,016
Cash and cash equivalents, end of year	$ 20,422	$ 23,859	$ 15,206
Supplemental cash flow information:			
Cash paid during the year for income taxes	$ 1,594	$ 1,858	$ 1,858
Right-of-use assets obtained in exchange for operating lease liabilities	$ 173	$ 1,217	$ —
Accrued dividends	$ 2,368	$ 2,446	$ 2,933
Acquired contingent consideration	$ —	$ 12,901	$ —

See Notes to Consolidated Financial Statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO 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., Westwood Advisors, L.L.C. and Salient Advisors, L.P. (referred to hereinafter together as “Westwood Management”), and Westwood Trust.

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. 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") and 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 adviser under the Investment Advisers Act of 1940. Westwood Trust is chartered and regulated by the Texas Department of Banking.

Acquisition of Broadmark Asset Management LLC

We acquired a 48% interest in Broadmark Asset Management LLC ("Broadmark") via the Salient Acquisition. In January 2023 we acquired an additional 32% interest in Broadmark for $1.2 million (net of cash acquired), increasing our ownership of Broadmark to approximately 80%, which represents a controlling interest for financial statement consolidation purposes (the "Broadmark Acquisition"). Broadmark is a San Francisco-based RIA managing and/or sub-advising mutual funds, retail and institutional separately-managed accounts.

Acquisition of Controlling Interest in Asset Management Business of Salient Partners, L.P.

On November 18, 2022, we completed our acquisition (the "Salient Acquisition") of the asset management business of Salient Partners, L.P., a Delaware limited partnership (“Salient Partners”).

Salient Partners is a Houston-based real asset and investment firm that offered a suite of strategies focused on energy and infrastructure, real estate and tactical alternative investments. Westwood purchased substantially all of the properties, rights and assets and assumed certain liabilities of Salient Partners. Westwood acquired Salient Partners’ four distinct investment capabilities: Energy Infrastructure, Tactical Absolute Return, Real Estate, and Private Investments.

As part of the Salient Acquisition, we also acquired Salient Capital, L.P. ("SCLP") and Salient Advisors, L.P. ("Salient Advisors"). SCLP is an SEC-registered broker-dealer and Financial Industry Regulatory Authority ("FINRA") member and serves as a sub-placement agent for private placements. Salient Advisors is an SEC registered investment adviser, a Commodity Futures Trading Commission ("CFTC") registered Commodity Pool Operator ("CPO") and a National Futures Association ("NFA") member. Salient Advisors is an advisor to the Westwood Salient Tactical Plus Fund, which is subadvised by Broadmark.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of Westwood and its subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

We assess each legal entity that we manage to determine whether consolidation is appropriate at the onset of the relationship. We first determine whether the entity is a variable interest entity (“VIE”), or a voting interest entity (“VOE”), under GAAP and whether we have a controlling financial interest in the entity. Assessing whether or not an entity is a VOE or VIE and if it requires consolidation involves judgment and analysis. Factors considered in this assessment include, but are not limited to, the legal organization of the entity, our equity ownership and contractual involvement with the entity and any related party or de facto agent implications of our involvement with the entity. We reconsider whether entities are a VIE or VOE whenever contractual arrangements change, the entity receives additional equity or returns equity to its investors or changes in facts and circumstances occur that change investors’ abilities to direct the activities of the entity.

A VIE is an entity in which (i) the total equity investment at risk is not sufficient to enable the entity to finance its activities without subordinated financial support, (ii) the at-risk equity holders, as a group, lack the characteristics of a controlling financial interest or (iii) the entity is structured with disproportionate voting rights, and substantially all of the activities are conducted on behalf of an investor with disproportionately few voting rights. That is, the at-risk equity holders do not have the obligation to absorb significant losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity's economic performance. An enterprise must consolidate all VIEs of which it is the primary beneficiary. We determine if a sponsored investment meets the definition of a VIE by considering whether the fund's equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the fund's at-risk equity holders absorb any losses, have the right to receive residual returns and have the right to direct the activities of the entity most responsible for the entity's economic performance. The primary beneficiary of a VIE is defined as the party that, considering the involvement of related parties and de facto agents, has (i) the power to direct the activities of the VIE that most significantly affect its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. This evaluation is updated on a continuing basis.

A VOE is an entity that is outside the scope of the guidance for VIEs. Consolidation of a VOE is required when a reporting entity owns a controlling financial interest in a VOE. Ownership of a majority of the voting interests is the usual condition for a controlling financial interest.

We evaluated (i) our relationship as sponsor of the Common Trust Funds ("CTFs") and managing member of the private equity funds Westwood Hospitality, Westwood Technology Opportunities Fund I, LP and Westwood Energy Secondaries (collectively the "Private Funds"), (ii) our advisory relationships with the Westwood Funds® and (iii) our investments in InvestCloud, Vista, Zarvona Energy Fund GP and Zarvona Energy Fund II-A as discussed in Note 6 "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, Private Funds and Zarvona Energy Fund II-A 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, while 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, the Company is not exposed to a majority of the economics of those entities and does not qualify as primary beneficiaries for those entities. We have not consolidated our investments in those entities for the periods ending December 31, 2023 and 2022.

Based on our analyses, we determined the Westwood Funds®, InvestCloud, Vista, and Zarvona Energy Fund GP (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 and are VOEs. As we do not own controlling financial interests in those entities, we have not consolidated our investments in those entities for the periods ending December 31, 2023 and 2022.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Such estimates include, but are not limited to, the Company's estimates in connection with values of long lived assets, provision for income tax, goodwill, intangible assets, contingent consideration and accrued expenses. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market accounts and other short-term, highly liquid investments with maturities of three months or less, other than pooled investment vehicles that are considered investments. We maintain some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits. The Company has not experienced losses on uninsured cash accounts, which are held at large, well-capitalized financial institutions.

Accounts Receivable

Accounts receivable represents balances arising from services provided to customers and are recorded on an accrual basis, net of any allowance for credit losses. Accounts receivable are written off when they are determined to be uncollectible. Any allowance for doubtful accounts is estimated based on the Company's historical amounts written off, existing conditions in the industry, and the financial stability of the customer. The majority of our accounts receivable balances consist of advisory and trust fees receivable from customers that we believe are, and have experienced to be, fully collectible. Accordingly, our Consolidated Financial Statements include neither an allowance for credit losses, nor provision for credit losses.

Investments

Investments that are measured at fair market value are classified as trading securities and are carried at quoted market values on the accompanying Consolidated Balance Sheets. Net unrealized holding gains or losses on investments classified as trading securities are reflected as a component of other revenues. We measure realized gains and losses on investments using the specific identification method.

For an investment 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. The Company will reassess whether such an investment qualifies for the measurement alternative at each reporting period. In evaluating an investment for impairment or observable price changes, we will use inputs including recent financing events, as well as other available information regarding the investee's historical and forecasted performance.

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements* ("ASC 820") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We determined the estimated fair values of our financial instruments using available information. The fair value amounts discussed in Notes 6 “Investments” and 7 “Fair Value Measurements” are not necessarily indicative of either the amounts realizable upon disposition of these instruments or of our intent or ability to dispose of these assets. The estimated fair value of cash and cash equivalents, included in Level 1 of the fair value hierarchy as discussed in Note 7 "Fair Value Measurements", approximates their carrying value due to their short-term maturities. The carrying amount of investments designated as “trading” securities, primarily U.S. Government securities, money market funds, equity funds, equities and exchange-traded bond funds, equals fair value based on prices quoted in active markets and, with respect to funds, the reported net asset value (“NAV”) of the shares held. Market values of our money market holdings generally do not fluctuate.

Our investments in InvestCloud and Vista are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes.

Our investment in Westwood Hospitality is measured at fair value using NAV as a practical expedient.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of acquired assets over the fair value of the underlying liabilities assumed at the date of acquisition. Goodwill is tested at least annually for impairment.

We test more frequently if indicators are present or changes in circumstances suggest that impairment may exist. These indicators include declines in revenues, earnings or cash flows, or the development of a material adverse change in the business climate. We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, which is referred to as a component. We have identified two reporting units, which are consistent with our reporting segments: Advisory and Trust. The Company is not required to calculate the fair value of a reporting unit unless we determine that it is more likely than not that its fair value is less than the carrying amount. We assess goodwill for impairment using either a qualitative or quantitative assessment. The qualitative assessment includes consideration of the current trends in the industry in which we operate, macroeconomic conditions and recent financial performance of our reporting units. The quantitative analysis requires a comparison of each reporting unit’s carrying value to the fair value of the respective unit. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The fair value of each reporting unit is estimated using a market multiple approach and an income approach.

We completed our most recent annual goodwill impairment assessment during the third quarter of 2023, and determined that no goodwill impairment related to the Advisory and Trust segments was required. There was no goodwill impairment in either segment during the years ended December 31, 2023, 2022 or 2021.

Our intangible assets represent the acquisition date fair value of the acquired client relationships, trade names, non-compete agreements and the cost of internally-developed software, each of which is reflected net of amortization. In valuing these assets, we made significant estimates regarding their useful lives, growth rates and potential attrition. We periodically review our intangible assets for events or circumstances that would indicate impairment. See Note 11 “Goodwill and Other Intangible Assets.”

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from 3 to 7 years), and depreciation on leasehold improvements is provided over the lesser of the estimated useful life or lease term using the straight-line method. We capitalize leasehold improvements, furniture and fixtures, computer hardware and most office equipment purchases. We include depreciation in the “General and administrative” line on our Consolidated Statements of Comprehensive Income (Loss).

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 such as gains and losses from our seed money investments into net investment strategies. The "Other, net" revenues on our Consolidated Statements of Comprehensive Income (Loss) are the unrealized gains and losses on our seed money investments, and our seed money investments are included in "Investments, at fair value" on our Consolidated Balance Sheets. Our seed money investments were $3.0 million and $7.3 million at December 31, 2023 and 2022, respectively. Advisory and Trust fees are calculated based on a percentage of AUM and AUA, and the performance obligation is realized over the then-current calendar quarter. Once clients receive our investment advisory services we have an enforceable right to payment.

Incremental costs to obtain a contract are eligible to be capitalized if the costs are expected to be recovered over the service period. We incur certain incremental costs in obtaining new business and continually evaluate whether costs should be capitalized and amortized over the expected period of benefit of the asset. Certain costs used to fulfill a contract such as the distribution services utilized to sell our Westwood Funds® are expensed as incurred. We recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Stock-Based Compensation

We have issued restricted stock to certain U.S. employees and Board of Directors (the "Board") in accordance with our Ninth Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (the "Plan").

Stock-based compensation expense reflects the fair value of stock-based awards measured at grant date and is recognized over the relevant service period. We expense the fair value of stock-based compensation awards granted to our employees and directors in our Consolidated Financial Statements on a straight-line basis over the period that services are required to be provided in exchange for the award ("requisite service period"), which is typically the period over which the award vests. Stock-based compensation is recognized only for awards that vest. We measure the fair value of compensation cost related to restricted stock awards based on the closing market price of our common stock on the grant date. For performance-based share awards, we assess actual performance versus the predetermined performance goals and record compensation expense once we conclude it is probable that we will meet the performance goals required to vest the applicable performance-based awards. We account for restricted stock forfeitures as they occur.

Income Taxes

We file a U. S. federal income tax return as a consolidated group for Westwood and its U.S.-based subsidiaries. Deferred income tax assets and liabilities are determined based on temporary differences between the financial statements and income tax bases of assets and liabilities as measured at enacted income tax rates.

Deferred income tax expense is generally the result of changes in deferred tax assets and liabilities. Deferred taxes relate primarily to incentive compensation and stock-based compensation expense. We record net deferred tax assets to the extent we believe such assets will more likely than not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event we were to determine that we would not be able to realize our deferred income tax assets in the future, we would record a valuation allowance. No such valuation allowance has been recorded in our Consolidated Financial Statements.

We account for uncertain tax positions by recognizing the impact of a tax position in our Consolidated Financial Statements when we believe it is more likely than not that the tax position would not be sustained upon examination by the appropriate tax authority based on the merits of the position. We include penalties and interest on income-based taxes, if any, in the "General and administrative" line on our Consolidated Statements of Comprehensive Income (Loss). See Note 9 "Income Taxes."

Leases

We determine if an arrangement contains a lease at inception, and leases are classified as either operating or finance leases at the lease commencement date. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized upon commencement of the lease based on the present value of the lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we generally use our estimated incremental borrowing rate at commencement date to determine the present value of lease payments. When readily determinable, we use the rate implicit in the lease.

Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Expenses associated with operating leases are recorded in “General and administrative” expenses on our Consolidated Statements of Comprehensive Income (Loss). Short-term leases with a term of 12 months or less are not capitalized.

Business Combinations

In allocating the purchase price of a business combination, the Company records all assets acquired and liabilities assumed at fair value, with the excess of the purchase price over the aggregate fair values recorded as goodwill. The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. The Company determines the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and estimates made by management. The fair value assigned to identifiable intangible assets acquired is based on estimates and assumptions made by management at the time of the acquisition. The Company adjusts the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as it obtains more information as to facts and circumstances existing as of the acquisition date. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

The acquired client relationships, trade names and non-compete agreements are subject to fair value measurements based primarily on significant inputs not observable in the market and thus represent level 3 measurements. The valuation of an acquired client relationship utilizes an income approach, which provides an estimate of the fair value of an asset based on discounted cash flows and management estimates, including the estimated growth associated with existing clients, market growth and client attrition. The valuation of acquired trade names uses a relief from royalty method in which the fair value of the intangible asset is estimated to be the present value of royalties saved because the Company owns the intangible asset. Revenue projections and estimated useful lives are used in estimating the fair value of the trade names. The non-compete agreements are calculated using the differential cash flow method (with-or-without method), which utilizes the probability of certain employees competing with the Company and revenue projections to calculate the valuation of non-competition agreements.

When an acquisition includes future contingent consideration on achieving certain milestones, the Company estimates the earn-out fair value using Monte Carlo simulation models. The Monte Carlo simulations considered assumptions including revenue volatility, risk free rates, discount rates and payment discount rates. The projected contingent payment is discounted back to the current period using a discounted cash flow model. Increases or decreases in projected revenues, probabilities of payment, discount rates or projected payment dates may result in higher or lower fair value measurements. Fluctuations in any of the inputs may result in a significantly lower or higher fair value measurement. A liability is recorded for the estimated fair value of the contingent consideration on the acquisition date, and the fair value of the contingent consideration is remeasured at each subsequent reporting period with any change in fair value recognized as income or expense within the Consolidated Statements of Comprehensive Income (Loss).

Equity Method Investments

Investments in entities where we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in "Equity method investments" on our Consolidated Balance Sheets. Significant influence typically exists if we have a 20% to 50% ownership interest in the investee. We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

The Company’s proportionate share of the net income or loss of equity method investments is included in "Other income" on the Consolidated Statements of Comprehensive Income (Loss), and any dividends received reduce the carrying value of the investment.

Recent Accounting Pronouncements

Segment Reporting

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires an entity to disclose significant segment expenses and other segment items on an annual and interim basis, and provide in interim periods all disclosures about a reportable segment’s profit or loss and assets that are currently required annually. Additionally, it requires an entity to disclose the title and position of the Chief Operating Decision Maker. This ASU does not change how an entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. An entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. We expect this ASU to impact our disclosures, with no impact to our results of operations, cash flows or financial condition.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which focuses on the income tax rate reconciliation and income taxes paid. ASU 2023-09 requires an entity to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories, with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign, and by jurisdiction if the amount is at least 5% of total income tax payments, net of refunds received. The new standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. An entity may apply the amendments in this ASU prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all period presented. We expect this ASU to impact our disclosures, with no impact to our results of operations, cash flows, or financial condition.

3. BUSINESS COMBINATIONS

Broadmark

Westwood completed the Broadmark Acquisition in January 2023, increasing our investment by approximately 32%, to 80%, giving Westwood a controlling interest and requiring an allocation of the Broadmark Acquisition purchase price. The total consideration recorded for accounting purposes consisted of $1.2 million in cash (net of cash acquired).

Prior to the Broadmark Acquisition, Westwood had a $2.4 million equity method investment in Broadmark, the fair value of which was estimated using recent market transactions. Westwood's equity method investment was derecognized without gain or loss following the Broadmark Acquisition, however there was a corresponding increase to goodwill.

The Broadmark Acquisition was accounted for using the acquisition method of accounting. Accordingly, the purchase price was allocated to tangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The total consideration of $1.6 million has been allocated based on valuations of acquired assets and assumed liabilities in connection with the acquisition.

The allocation of the Broadmark Acquisition purchase price was as follows (in thousands):

	(in thousands)
Cash consideration	$ 1,570
Cash acquired	(402)
Total consideration, net of cash acquired	$ 1,168
Fair value of Westwood's investment in Broadmark before the business combination	2,417
Fair value of noncontrolling interest in Broadmark	994
Assets	
Accounts receivable	$ 629
Other current assets	150
Property and equipment	11
Other long-term assets	511
Liabilities	
Accounts payable and accrued liabilities	919
Total Identifiable Net Assets	$ 382
Goodwill	$ 4,197

Westwood recognized approximately $1.0 million of a noncontrolling interest in a consolidated subsidiary at the acquisition date. Fair value of this interest was estimated using recent market transactions.

At the time of the Broadmark Acquisition, the Company believed that its expanded operational opportunities, enhanced range of investment strategies and expected realization of synergies were the primary factors that contributed to a total purchase price that resulted in the recognition of goodwill. Goodwill arising from the Broadmark Acquisition is not expected to be deductible for tax purposes.

For the year ended December 31, 2023, the Company has included $4.4 million of revenue and $4.1 million of net income related to Broadmark in its Consolidated Statements of Comprehensive Income (Loss).

Pro Forma Financial Information

The following unaudited pro forma results of operations for the years ended December 31, 2023 and 2022 assume the Broadmark Acquisition had occurred as of January 1, 2022. This unaudited pro forma information should not be relied upon as being necessarily indicative of historical results that would have been obtained had the Broadmark Acquisition actually occurred on that date, nor of results that may be obtained in the future.

	Year Ended December 31,	
(in thousands)	2023	2022
Total revenues	$ 89,781	$ 73,058
Net income (loss)	$ 10,571	$ (100)

Salient

Westwood completed the Salient Acquisition on November 18, 2022. The total consideration recorded for accounting purposes consisted of (i) $33.4 million in cash (net of cash acquired) and (ii) estimated contingent consideration of $12.9 million.

The Salient Acquisition was accounted for using the acquisition method of accounting. Accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values as of the acquisition date. The total consideration of $46.3 million was allocated at November 18, 2022 based on valuations of acquired assets and assumed liabilities in connection with the acquisition.

The allocation of the Salient Acquisition purchase price was as follows (in thousands):

	(in thousands)
Cash consideration	$ 33,953
Estimated contingent consideration	12,901
Cash acquired	(534)
Total consideration, net of cash acquired	$ 46,320
Assets	
Current assets:	
Accounts receivable	$ 2,435
Other current assets	850
Total current assets	3,285
Equity method investments	6,519
Property and equipment	81
Intangible assets	18,900
Total Assets	$ 28,785
Liabilities	
Accounts payable and accrued liabilities	$ 1,796
Total Liabilities	$ 1,796
Less: Net Assets Acquired	$ 26,989
Goodwill	$ 19,331

The estimated $12.9 million of contingent consideration, as of the acquisition date, relates to two separate earn-outs:

1. Revenue retention earn-out

The Salient Acquisition contains contingent consideration related to revenue retention, which has a maximum payment amount of $15.0 million. The gross amount is based on the retention of a minimum level of net revenue in the fifteen, eighteen, twenty-one and twenty-four months following the close of the Salient Acquisition. As this earn-out is expected to be settled with cash it was accounted for as a liability on our Consolidated Balance Sheets.

The acquisition-date fair value of the revenue retention earn-out was estimated by using overall revenue growth projections combined with existing customer base revenues, both discounted and probability-weighted. Fair value measurement of the revenue retention earn-out was estimated using Monte Carlo simulation models and was based primarily on significant inputs not observable in the market and thus represents a level 3 measurement as defined in ASC 820. See further discussion in Note 7 "Fair Value Measurements."

2. Growth earn-out

The Salient Acquisition contains contingent consideration related to growth, which has a maximum payment amount of $10.0 million. The growth earn-out payment is based on growth in net revenue in the second and third years following the close of the Salient Acquisition. The growth earn-out payment, if any, would be paid in shares of the Company's common stock in amounts equivalent to the dollar value of the earn-out. As this earn-out did not satisfy the equity classification criteria of ASC 805*, Business Combinations* it was accounted for as a liability on our Consolidated Balance Sheets.

The acquisition-date fair value of the growth earn-out was estimated by using overall revenue growth projections combined with existing customer base revenues, both discounted and probability-weighted. Fair value measurement of the growth earn-out was estimated using Monte Carlo simulation models and was based primarily on significant inputs not observable in the market and thus represents a level 3 measurement as defined in ASC 820. See further discussion in Note 7 "Fair Value Measurements."

The following are the identifiable intangible assets acquired (in thousands) and their respective useful lives:

	Estimated Fair Value (in thousands)	Weighted Average Amortization Period (in years)
Client relationships	$ 14,000	11.1
Trade name	3,800	0.6
Non-compete agreements	1,100	0.2
Total	$ 18,900	11.9

The client relationships asset was valued using the income approach (multi-period excess earnings method) and is amortized to "General and administrative" expense on our Consolidated Statements of Comprehensive Income (Loss) over an estimated useful life of fifteen years. Significant assumptions and estimates utilized in the model include the revenue growth projections, earnings growth rates, contributory asset charges and the selection of discount rates.

The trade name asset was valued using the relief-of-royalty method and is amortized to "General and administrative" expense on our Consolidated Statements of Comprehensive Income (Loss) over an estimated useful life of three years. Significant assumptions and estimates utilized in the model include the revenue growth projections, earnings growth rates, royalty rates and the selection of discount rates.

The non-compete agreements asset was valued using the differential discounted cash flow method (with and without method) and is amortized to "General and administrative" expense on our Consolidated Statements of Comprehensive Income (Loss) over an estimated useful life of three years. Significant assumptions and estimates utilized in the model include the revenue growth projections, earnings growth rates, length of the non-compete agreements, ability to compete, the impact of competition and the selection of discount rates.

At the time of the acquisition, the Company believed that its enhanced size, expanded range of investment strategies and expected realization of synergies were the primary factors that contributed to a total purchase price that resulted in the recognition of goodwill. As of December 31, 2022, $5.9 million of the goodwill arising from the acquisition was expected to be deductible for tax purposes. During the year ended December 31, 2023, the Company reduced the Salient Acquisition goodwill by $0.4 million due to post-acquisition adjustments.

For the year ended December 31, 2022, the Company included $3.1 million of revenue and $0.1 million of net loss related to Salient in its Consolidated Statements of Comprehensive Income (Loss).

Pro Forma Financial Information

The following unaudited pro forma results of operations for the twelve months ended December 31, 2022 and 2021 assume the Salient Acquisition had occurred on January 1, 2021, after giving effect to acquisition accounting adjustments relating to amortization of the valued intangible assets and to record additional compensation costs related to restricted stock granted as a result of the acquisition. These unaudited pro forma results exclude one-time, non-recurring costs related to the acquisition, including $7.1 million of acquisition expenses in 2022. This unaudited pro forma information should not be relied upon as being necessarily indicative of the historical results that would have been obtained if the Salient Acquisition had actually occurred on that date, nor of the results that may be obtained in the future.

	Year Ended December 31,	
(in thousands)	2022	2021
Total revenues	$ 95,094	$ 99,467
Net loss	$ (2,310)	$ (1,664)

4. REVENUE

Advisory Fee Revenues

Our advisory fees are generated by Westwood Management for managing client accounts under investment advisory and sub-advisory agreements. Advisory fees are typically calculated based on a percentage of AUM and AUA 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 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) sub-advisory relationships where Westwood provides investment management services for funds offered by other financial institutions; (iii) pooled investment vehicles, including collective investment trusts; and (iv) managed account relationships with brokerage firms and other registered investment advisors that offer Westwood products to their customers.

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 suite of 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. Performance-based fees are paid after the performance obligation has been satisfied.

The revenue is based on future market performance and is subject to many 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, and are paid monthly and quarterly in arrears. Since billing periods for most of Westwood Trust's clients coincide with the calendar quarter, revenue is fully recognized within the quarter and our Consolidated Financial Statements contain no deferred fee revenues.

Revenue Disaggregated

Sales taxes are excluded from revenues. The following table presents our revenue disaggregated by account type (in thousands).

	Year Ended December 31,		
	2023	2022	2021
Advisory Fees:			
Institutional	$ 37,738	$ 26,653	$ 31,069
Mutual Funds	29,745	20,245	17,507
Wealth Management	1,172	805	686
Trust Fees	20,592	21,686	24,131
Other	534	(708)	(339)
Total revenues	$ 89,781	$ 68,681	$ 73,054

We have clients in various locations around the world. The following table presents our revenue disaggregated by our clients' geographical locations (in thousands):

Year Ended December 31, 2023	Advisory	Trust	Performance-based	Other	Total
Canada	$ 1,105	$ —	$ —	$ —	$ 1,105
U.S.	66,286	20,242	1,614	534	88,676
Total	$ 67,391	$ 20,242	$ 1,614	$ 534	$ 89,781

Year Ended December 31, 2022	Advisory	Trust	Performance-based	Other	Total
Canada	1,171	—	—	—	1,171
U.S.	45,514	21,686	1,018	(708)	67,510
Total	$ 46,685	$ 21,686	$ 1,018	$ (708)	$ 68,681

Year Ended December 31, 2021	Advisory	Trust	Performance-based	Other	Total
Canada	1,163	—	—	—	1,163
Europe	638	—	262	—	900
U.S.	45,512	24,131	1,687	(339)	70,991
Total	$ 47,313	$ 24,131	$ 1,949	$ (339)	$ 73,054

5. 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 uses to review 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.

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) sub-advisory 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 collective investment trusts. Salient and Westwood Management, which provide investment advisory services to similar clients, are included in our Advisory segment.

Trust

Westwood 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
Year Ended December 31, 2023					
Revenues:					
Net fee revenues from external sources	$ 68,656	$ 20,591	$ —	$ —	$ 89,247
Net intersegment revenues	6,270	279	—	(6,549)	—
Other revenue	534	—	—	—	534
Total revenues	75,460	20,870	—	(6,549)	89,781
Net income (loss)	$ 14,636	$ 1,776	$ (5,841)	$ —	$ 10,571
Segment assets	$ 285,179	$ 46,754	$ 14,256	$ (191,022)	$ 155,167
Segment goodwill	$ 23,100	$ 16,401	$ —	$ —	$ 39,501
Segment equity method investments	$ 4,284	$ —	$ —	$ —	$ 4,284
Expenditures for long-lived assets	$ 135	$ 94	$ (82)	$ —	$ 147
Year Ended December 31, 2022					
Revenues:					
Net fee revenues from external sources	$ 47,703	$ 21,686	$ —	$ —	$ 69,389
Net intersegment revenues	2,080	336	—	(2,416)	—
Other revenue	(708)	—	—	—	(708)
Total revenues	49,075	22,022	—	(2,416)	68,681
Net income (loss)	$ 11,062	$ 1,005	$ (16,695)	$ —	$ (4,628)
Segment assets	$ 283,027	$ 53,644	$ 30,308	$ (220,552)	$ 146,427
Segment goodwill	$ 19,331	$ 16,401	$ —	$ —	$ 35,732
Segment equity method investments	$ 6,574	$ —	$ —	$ —	$ 6,574
Expenditures for long-lived assets	$ 137	$ 84	$ 99	$ —	$ 320
Year Ended December 31, 2021					
Revenues:					
Net fee revenues from external sources	$ 49,262	$ 24,131	$ —	$ —	$ 73,393
Net intersegment revenues	2,415	356	—	(2,771)	—
Other revenue	(339)	—	—	—	(339)
Total revenues	51,338	24,487	—	(2,771)	73,054
Net income (loss)	$ 16,780	$ 5,656	$ (12,673)	$ —	$ 9,763
Segment assets	$ 222,335	$ 56,965	$ 12,784	$ (152,479)	$ 139,605
Segment goodwill	$ —	$ 16,401	$ —	$ —	$ 16,401
Expenditures for long-lived assets	$ 66	$ 61	$ 51	$ —	$ 178

Geographical information

Refer to Note 4, "Revenue" for our revenue disaggregated by our clients' geographical location. As of December 31, 2023 and 2022, all of our property and equipment was in the United States.

6. INVESTMENTS:

Since 2018, the Company has made strategic investments to enhance the services we provide our customers. Each of these investments is discussed below.

We made a strategic investment during 2018 in InvestCloud, which is included in "Investments" on our Consolidated Balance Sheets at its carrying value of $4.4 million. 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 InvestCloud's recapitalization in the first quarter of 2021, we re-invested $4.4 million of our proceeds into newly-issued shares of InvestCloud. No impairments of this investment were recorded during the years ended December 31, 2023, 2022 or 2021.

Our investment in Vista is included in “Investments” on our Consolidated Balance Sheets at its carrying value of $2.8 million. 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. No impairments of this investment were recorded during the years ended December 31, 2023, 2022 or 2021.

Our investment in Charis was included in “Noncurrent investments at fair value” on our December 31, 2022 Consolidated Balance Sheets and was measured at fair value on a recurring basis. On April 3, 2023, Charis was acquired by Vista Bank ("Vista") in a transaction in which the Company exchanged its shares in Charis for shares in Vista.

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

Zarvona Energy Fund GP, L.P. and Zarvona Energy Fund II-A, L.P. These investments represent ownership interests in non-controlled partnerships. These investments are included in “Equity method investments” on our Consolidated Balance Sheets and are measured based on our share of the net earnings or losses of the investees.

Broadmark Asset Management LLC. This investment represented a 47.5% ownership interest in a non-controlled corporation prior to the Broadmark Acquisition in 2023. This investment was included in “Equity method investments” on our Consolidated Balance Sheets at December 31, 2022. In January 2023, as a result of the Broadmark Acquisition, we acquired additional equity interests in Broadmark and subsequently have accounted for that investment as a consolidated subsidiary.

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
December 31, 2023:				
U.S. Government securities	$ 22,522	$ 14	$ (75)	$ 22,461
Money market funds	5,367	111	—	5,478
Equity funds	4,295	195	(260)	4,230
Equities	381	—	(24)	357
Exchange-traded bond funds	152	—	(4)	148
Total trading securities	$ 32,717	$ 320	$ (363)	$ 32,674
Private investment fund	265	7	(31)	241
Total investments carried at fair value	$ 32,982	$ 327	$ (394)	$ 32,915
December 31, 2022:				
U.S. Government securities	$ 5,728	$ —	$ (389)	$ 5,339
Money market funds	4,093	111	—	4,204
Equity funds	4,863	32	(446)	4,449
Equities	1,278	—	(65)	1,213
Exchange-traded bond funds	159	—	(22)	137
Total trading securities	$ 16,121	$ 143	$ (922)	$ 15,342
Private investment fund	265	—	(30)	235
Private equity	3,475	—	(683)	2,792
Total investments carried at fair value	$ 19,861	$ 143	$ (1,635)	$ 18,369

The investments shown below are included in our Consolidated Balance Sheets as Equity method investments (in thousands):

	December 31, 2023		December 31, 2022	
	Carrying value	Ownership	Carrying value	Ownership
Zarvona Energy Fund GP , L.P .	$ 3,565	50.0 %	$ 3,438	50.0 %
Zarvona Energy Fund II-A, L.P .	700	0.5 %	700	0.5 %
Broadmark Asset Management LLC	—	— %	2,417	47.5 %
Salient MLP Total Return Fund, L.P.	11	— %	11	— %
Salient MLP Total Return TE Fund, L.P.	8	0.2 %	8	0.2 %
Total	$ 4,284		$ 6,574	

The following amounts represent income from all investments, except for income tax amounts, are included in our Consolidated Statements of Comprehensive Income (Loss) under the headings “Other revenues, net," "Net change in unrealized appreciation (depreciation) on private investments," or "Investment Income" (in thousands):

	For the Years Ended December 31,		
	2023	2022	2021
Realized gains	$ 73	$ 1	$ 41
Realized losses	(190)	(363)	(212)
Net realized gains (losses)	$ (117)	$ (362)	$ (171)
Income tax expense from gains (losses)	$ (25)	$ (76)	$ (36)
Interest income – trading	$ 640	$ 414	$ 716
Dividend income	$ 61	$ 90	$ 35
Unrealized gains/(losses)	$ 1,425	$ (2,131)	$ 923

7. FAIR VALUE MEASUREMENTS:

ASC 820 defines fair value, establishes a framework for measuring fair value and requires additional 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 and liabilities
- Level 2 – inputs other than quoted prices that are directly or indirectly observable
- Level 3 – unobservable inputs where there is little or no market activity

Our strategic investments in InvestCloud and Vista, discussed in Note 6 "Investments" are excluded from the recurring fair value table shown below, as we have elected to apply the measurement alternative for those investments.

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

	Level 1	Level 2	Level 3	Measured at NAV (1)	Total
As of December 31, 2023					
Investments in trading securities	$ 32,674	$ —	$ —	$ —	$ 32,674
Private investment fund	—	—	—	241	241
Total assets measured at fair value	$ 32,674	$ —	$ —	$ 241	$ 32,915
Salient Acquisition contingent consideration	$ —	$ —	$ 10,133	$ —	$ 10,133
Total liabilities measured at fair value	$ —	$ —	$ 10,133	$ —	$ 10,133
As of December 31, 2022					
Investments in trading securities	$ 15,342	$ —	$ —	$ —	$ 15,342
Private investment fund	—	—	—	235	235
Private equity	—	—	2,792	—	2,792
Total assets measured at fair value	$ 15,342	$ —	$ 2,792	$ 235	$ 18,369
Salient Acquisition contingent consideration	$ —	$ —	$ 12,901	$ —	$ 12,901
Total liabilities measured at fair value	$ —	$ —	$ 12,901	$ —	$ 12,901

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

Prior to our exchange of Charis shares for shares in Vista, our investment in Charis was included within Level 3 of the fair value hierarchy as we valued it utilizing inputs not observable in the market. Historically, our investment was measured at fair value on a recurring basis using a market approach based on either a price to tangible book value multiple range determined to be reasonable in the current environment, or on market transactions. On April 3, 2023, Charis was acquired by Vista in a transaction in which the Company exchanged its shares in Charis for shares in Vista.

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

	Years ended December 31, 2023	Years ended December 31, 2022
Beginning balance	$ 2,792	$ 4,369
Exchange of shares	(2,792)	—
Net change in unrealized appreciation (depreciation) on private investments	—	(1,577)
Ending balance	$ —	$ 2,792

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

	Years ended December 31, 2023	Years ended December 31, 2022
Beginning balance	$ 12,901	$ —
Acquisition	—	12,901
Total (gains) losses included in earnings	(2,768)	—
Ending balance	$ 10,133	$ 12,901

The December 31, 2023 contingent consideration fair value of $10.1 million was valued based upon updated revenue growth projections and financial inputs. The fair value of contingent consideration related to both the revenue retention earn-out and the growth earn-out is measured using the Monte Carlo simulation model, which considered assumptions including revenue growth projections, revenue volatility, risk free rates and discount rates. The projected contingent payment is discounted to the current period using a discounted cash flow model. Increases or decreases in projected revenues, probabilities of payment, discount rates, projected payment dates and other inputs may result in significantly higher or lower fair value measurements. Fluctuations in any of the inputs may result in a significantly lower or higher fair value measurement.

The following table represents the range of the unobservable inputs utilized in the December 31, 2023 fair value measurement of the contingent consideration classified as level 3:

		Range		
Earn-out	**Unobservable Input**	**Low**	**High**	**Weighted Average Rate**
Revenue Retention earn-out	Discount rate	11.5%	12.0%	11.75%
	Volatility	8.3%	16.3%	11.30%
Growth earn-out	Discount rate	12.8%	13.3%	13.00%
	Volatility	14.9%	24.9%	19.90%

8. EMPLOYEE BENEFITS:

Restricted Stock Awards

We have issued restricted shares to certain employees and non-employee directors. The Ninth Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan ("the Plan") reserves shares of Westwood common stock for issuance to eligible employees, directors and consultants of Westwood or its subsidiaries in the form of restricted stock and stock options. In April 2023, stockholders approved an additional 350,000 shares to be authorized under the Plan, increasing the total number of shares issuable under the Plan (including predecessor plans to the Plan) to 6,248,100 shares. In the event of a change in control of Westwood, the Plan contains provisions providing for the acceleration of the vesting of restricted stock. At December 31, 2023, approximately 646,000 shares remain available for issuance under the Plan.

The following table presents the total stock-based compensation expense recorded and the total income tax benefit recognized for stock-based compensation arrangements for the years indicated (in thousands):

	For the years ended December 31,		
	2023	**2022**	**2021**
Service condition restricted stock expense	$ 6,479	$ 5,729	$ 5,253
Performance-based restricted stock expense	39	272	581
Total stock-based compensation expense	$ 6,518	$ 6,001	$ 5,834
Total income tax benefit recognized related to stock-based compensation	$ 714	$ 672	$ 804

Restricted Stock

Under the Plan, we have granted to certain employees and non-employee directors restricted stock subject to service conditions and to certain key employees restricted stock subject to both service and performance conditions. We accrue dividends on unvested restricted stock, which are due and payable upon vesting of restricted stock. Accrued dividends coming due within the next twelve months are included in “Dividends payable” on the Consolidated Balance Sheets, with the remaining noncurrent portion of accrued dividends included in “Accrued dividends” on the Consolidated Balance Sheets. At December 31, 2023, we had $1.7 million and $0.7 million in "Dividends payable" and "Accrued dividends", respectively, and the Dividends payable were related to unvested restricted stock. At December 31, 2022, we had $1.7 million and $0.7 million in Dividends payable and Accrued dividends, respectively.

As of December 31, 2023, there was approximately $9.4 million of unrecognized compensation cost for restricted stock grants under the Plan, which we expect to recognize over a weighted-average period of 2.4 years. In order to satisfy tax liabilities that employees will owe on shares that vest, we may withhold a sufficient number of vested shares from employees on the date vesting occurs to cover minimum tax withholding requirements. We withheld 67,743 shares in 2023 for this purpose. Our two types of restricted stock grants under the Plan are discussed below.

Restricted Stock Subject Only to a Service Condition

For the years ended December 31, 2023, 2022 and 2021, we granted restricted stock to certain employees and non-employee directors. Employee shares generally vest over three years and Director shares vest over one year. We calculate compensation cost for restricted stock grants using the fair market value of our common stock at the date of grant, the number of shares issued and an adjustment for restrictions on dividends. This compensation cost is amortized on a straight-line basis over the applicable vesting period.

The following table details the status and changes in our restricted stock grants that are subject only to a service condition for the year ended December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2023	1,098,008	$ 15.49
Granted	507,244	12.26
Vested	(294,340)	20.66
Forfeited	(178,051)	13.99
Non-vested, December 31, 2023	1,132,861	$ 12.94

The following table shows the weighted-average grant date fair value for shares granted and the total fair value of shares vested during the years indicated:

	Years ended December 31,		
	2023	2022	2021
Weighted-average grant date fair value	$ 12.26	$ 13.26	$ 17.10
Fair value of shares vested (in thousands)	$ 6,081	$ 5,278	$ 7,630

Restricted Stock Subject to Service and Performance Conditions

Under the Plan, certain key employees were provided agreements for grants of restricted shares that vest over multiple year periods subject to achieving annual performance goals established by the Compensation Committee of Westwood's Board. Each year the Compensation Committee establishes specific goals for that year's vesting of the restricted shares. The date that the Compensation Committee establishes annual goals is considered to be the grant date and the fair value measurement date to determine expense on the shares that are likely to vest. The vesting period ends when the Compensation Committee formally approves the performance-based restricted stock vesting based on the specific performance goals from the Company's audited consolidated financial statements. If a portion of the performance-based restricted shares does not vest, no compensation expense is recognized for that portion and any previously recognized compensation expense related to shares that do not vest is reversed.

The following table details the status and changes in our restricted stock grants subject to service and performance conditions for the year ended December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2023	6,243	$ 37.42
Vested	(6,243)	6.24
Non-vested, December 31, 2023	—	$ —

The following table shows the total fair value of shares vested during the years indicated:

	Years ended December 31,		
	2023	2022	2021
Fair value of shares vested (in thousands)	$ 39	$ 235	$ 913

Mutual Fund Share Incentive Awards

We may grant mutual fund incentive awards, which are annual bonus awards based on our mutual funds achieving specific performance goals, to specific employees. Awards granted are notionally credited to a participant account maintained by us that contains a number of mutual fund shares equal to the award amount divided by the net closing value of a fund share on the date the amount is credited to the account. We maintain the award in a corporate investment account until vesting. The investment may increase or decrease based on changes in the value of the mutual fund shares awarded, including reinvested income from the mutual funds during the vesting period. We account for these awards similarly to stock-based compensation awards. As of December 31, 2023 and 2022, approximately $2.0 million of unvested mutual fund awards was included under "Investments, at fair value" on our Consolidated Balance Sheets.

Awards vest after approximately two years of service following the year in which the participant earned the award. We begin accruing a liability for mutual fund incentive awards when we believe it is probable that the award will be earned and record expense for these awards over the service period of the award. During the year in which the amount of the award is determined, we record expense based on its expected value. After the award is earned, we record expense based on the value of the shares awarded and the percentage of the vesting period that has elapsed. Our liability under these awards may increase or decrease based on changes in the value of the mutual fund shares awarded, including reinvested income from the mutual funds during the vesting period. Upon vesting, participants receive the mutual fund share awards adjusted for earnings or losses attributable to the underlying mutual funds. For the years ended December 31, 2023 and 2022, we recorded expense of $0.7 million and $0.6 million, respectively, related to mutual fund share incentive awards. For the year ended December 31, 2021, mutual fund share incentive award activity was insignificant. As of December 31, 2023 and 2022, approximately $1.5 million and $1.0 million, respectively, of mutual funds award liability was included under "Compensation and benefits payable" on our Consolidated Balance Sheets.

Benefit Plans

Westwood has a defined contribution and profit-sharing plan that was established in July 2002 and covers substantially all employees. Discretionary employer profit-sharing contributions become fully vested after four years of service by the participant. For U.S. employees, Westwood provides a 401(k) match of up to 6% of eligible compensation and contributions vest immediately.

The following table displays our profit-sharing and retirement plan contributions for the periods presented (in thousands):

	Years ended December 31,		
	2023	2022	2021
Profit-sharing contributions, net	$ —	$ —	$ 13
Retirement plan matching contributions	1,616	1,295	1,256

9. INCOME TAXES:

Income Tax Provision

Income (loss) before income taxes by jurisdiction was as follows (in thousands):

	Years ended December 31,		
	2023	2022	2021
U.S.	$ 12,419	$ (5,112)	$ 13,989
Canada	(27)	(83)	14
Total	$ 12,392	$ (5,195)	$ 14,003

Income tax expense differs from the amount that would otherwise have been calculated by applying the U.S. Federal corporate tax rate of 21% to income before income taxes. The difference between the Federal corporate tax rate and the effective tax rate is comprised of the following (in thousands).

	Years ended December 31,					
	2023		2022		2021	
Income tax provision computed at US federal statutory rate	$ 2,603	21.0 %	$ (1,091)	21.0 %	$ 2,935	21.0 %
Canadian rate differential	—	—	87	(1.7)	—	—
State and local income taxes, net of federal income taxes	349	2.8	128	(2.5)	372	2.7
Stock-based compensation	452	3.6	319	(6.1)	859	6.1
Compensation subject to Section 162(m)	—	—	—	—	180	1.3
Other, net	(532)	(4.2)	(10)	0.2	(106)	(0.8)
Total income tax expense	$ 2,872	23.2 %	$ (567)	10.9 %	$ 4,240	30.3 %
Effective income tax rate	23.2 %		10.9 %		30.3 %	

We include penalties and interest on income-based taxes in the “General and administrative” line on our Consolidated Statements of Comprehensive Income (Loss). Penalties and interest were insignificant for the years ended December 31, 2023, 2022 and 2021.

Income tax provision as set forth in the Consolidated Statements of Comprehensive Income (Loss) consisted of the following components (in thousands):

	Years ended December 31,		
	2023	2022	2021
Current taxes:			
U.S. Federal	$ 1,370	$ 14	$ 3,482
State and local	466	237	356
Foreign	—	98	(218)
Total current taxes	1,836	349	3,620
Deferred taxes:			
U.S. Federal	1,014	(888)	446
State and local	22	(44)	30
Foreign	—	16	144
Total deferred taxes	1,036	(916)	620
Total income tax provision	$ 2,872	$ (567)	$ 4,240

Deferred Income Taxes

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below (in thousands).

	As of December 31,	
	2023	2022
Deferred tax assets:		
Stock-based compensation expense	$ 1,160	$ 1,138
Deferred rent	1,039	1,330
Compensation and benefits payable	1,465	1,328
Federal unrecognized tax benefit	—	4
Deferred compensation	464	446
Acquisition expenses	876	841
Other	—	9
Total deferred tax assets	5,004	5,096
Deferred tax liabilities:		
Property and equipment	(160)	(186)
Intangibles	(1,917)	(1,593)
Unrealized gains on investments	(614)	(318)
Leases	(915)	(1,214)
Contingent consideration	(636)	—
Other	(36)	(23)
Total deferred tax liabilities	(4,278)	(3,334)
Net deferred tax assets	$ 726	$ 1,762

The Company is subject to taxation in the U. S. and various state and foreign jurisdictions. As of December 31, 2023, the Company's 2020, 2021 and 2022 tax years are open for examination by the Internal Revenue Service, and various state and foreign jurisdiction tax years remain open to examination.

At December 31, 2023 and 2022, the Company's gross liability related to uncertain tax positions was de minimis. A number of years may elapse before an uncertain tax position is finally resolved. To the extent that the Company has favorable tax settlements, or determines that accrued amounts are no longer needed due to a lapse in the applicable statute of limitations or other changes in circumstances, such liabilities, as well as the related interest and penalties, are reversed as a reduction of income tax expense, net of federal tax effects, in the period such determination is made. A reconciliation of the change in recorded uncertain tax positions during the years ended December 31, 2023 and 2022 follows (in thousands):

Balance at December 31, 2021	$ 25
Reductions for tax positions related to prior years	(4)
Balance at December 31, 2022	21
Reductions for tax positions related to prior years	(21)
Balance at December 31, 2023	$ —

10. EARNINGS (LOSS) PER SHARE:

Basic earnings (loss) per common share is computed by dividing comprehensive income (loss) attributable to Westwood Holdings Group, Inc. 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 using the treasury stock method. There were approximately 63,000, 120,000 and 116,000 anti-dilutive restricted shares as of December 31, 2023, 2022 and 2021, respectively, which were excluded from weighted average shares outstanding.

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

	Years ended December 31,		
	2023	2022	2021
Comprehensive income (loss) attributable to Westwood Holdings Group, Inc.	$ 9,520	$ (4,628)	$ 9,763
Weighted average shares outstanding – basic	7,964,423	7,844,363	7,875,395
Dilutive potential shares from unvested restricted shares	147,716	—	52,577
Weighted average shares outstanding – diluted	8,112,139	7,844,363	7,927,972
Earnings (loss) per share:			
Basic	$ 1.20	$ (0.59)	$ 1.24
Diluted	$ 1.17	$ (0.59)	$ 1.23

11. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill

Goodwill represents the excess of the cost of acquired assets over the fair value of the underlying liabilities assumed at the date of acquisition. Changes in goodwill were as follows (in thousands):

	Trust Segment	Advisory Segment	Total
Balance at December 31, 2021	$ 16,401	$ —	$ 16,401
Salient Acquisition	—	19,331	19,331
Balance at December 31, 2022	16,401	19,331	35,732
Salient Acquisition adjustment[1]	—	(428)	(428)
Broadmark Acquisition	—	4,197	4,197
Balance at December 31, 2023	$ 16,401	$ 23,100	$ 39,501

[1] Represents subsequent purchase price adjustments for the Salient Acquisition.

Goodwill is not amortized but is tested for impairment at least annually. We completed our annual goodwill impairment assessment during the third quarter of 2023 and determined that no impairment loss was required. No impairments were recorded during the years ended December 31, 2023, 2022 or 2021.

Other Intangible Assets

Our intangible assets represent the acquisition date fair value of acquired client relationships, internally-developed software, non-compete agreements and trade names, and are reflected net of amortization. In valuing these assets, we made significant estimates regarding their useful lives, growth rates and potential attrition.

The following is a summary of intangible assets at December 31, 2023 and 2022 (in thousands, except years):

	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2023				
Client relationships	15.0	$ 34,397	$ (12,906)	$ 21,491
Internally developed software	5.8	1,439	(1,258)	181
Trade name	3.0	3,800	(1,372)	2,428
Non-compete agreements	3.0	1,100	(397)	703
		$ 40,736	$ (15,933)	$ 24,803
2022				
Client relationships	15.0	$ 34,397	$ (10,636)	$ 23,761
Internally developed software	5.8	1,439	(1,012)	427
Trade name	3.0	3,800	(105)	3,695
Non-compete agreements	3.0	1,100	(31)	1,069
		$ 40,736	$ (11,784)	$ 28,952

Amortization expense, which is included in "General and administrative" expense on our Consolidated Statements of Comprehensive Income (Loss), was $4.1 million, $1.9 million and $1.6 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Estimated amortization expense for intangible assets over the next five years, and thereafter, is as follows (in thousands):

For the year ending December 31,	Estimated Amortization Expense
2024	$ 4,095
2025	3,939
2026	2,293
2027	2,293
2028	2,293
Thereafter	9,890
Total	$ 24,803

12. LEASES:

We have operating leases for corporate offices and certain office equipment. The lease terms of our corporate offices vary and have remaining lease terms ranging from one to six years. The corporate office lease payments are fixed and are based upon contractual monthly rates. The majority of our corporate office leases do not include options to extend or terminate the leases. We lease office equipment for a period of two years, and the incremental borrowing rate was 5%.

In 2022, we expanded our Houston, Texas office space and extended that lease through September 2029. We evaluated the corporate debt environment in 2022 to determine a collateralized discount rate of 7%. In 2023 we leased additional office space in Chicago, Illinois through the second quarter of 2029.

The following table presents the components of lease costs related to our leases (amounts in thousands):

	Years Ended December 31,		
	2023	2022	2021
Operating lease costs	$ 1,512	$ 1,682	$ 1,655
Sublease income	862	771	602

Sublease income relates to subleasing a portion of our corporate offices.

The following table presents supplemental cash flow information related to our leases (amounts in thousands):

	Years Ended December 31,		
	2023	2022	2021
Operating cash flows from operating leases	$ 1,774	$ 1,762	$ 1,990
Right-of-use assets obtained in exchange for lease obligations	$ 173	$ 1,217	$ —

Operating lease costs are included in "General and administrative" expense on our Consolidated Statements of Comprehensive Income (Loss). We lease our offices under non-cancelable operating lease agreements with expiration dates that run through 2029.

The following table presents information regarding our operating leases (in thousands, except years and rates):

	December 31,	
	2023	2022
Operating lease right-of-use assets	$ 3,673	$ 4,976
Operating lease liabilities	$ 1,286	$ 1,502
Non-current lease liabilities	3,266	4,563
Total lease liabilities	$ 4,552	$ 6,065
Weighted-average remaining lease term (in years)	3.3	4.1
Weighted-average discount rate	5.7 %	5.6 %

The maturities of lease liabilities are as follows (in thousands):

Year ending December 31,	**Operating Leases**
2024	$ 1,842
2025	1,930
2026	707
2027	383
2028	389
Thereafter	288
Total undiscounted lease payments	$ 5,539
Less: discount	(987)
Total lease liabilities	$ 4,552

13. BALANCE SHEET COMPONENTS:

Property and Equipment

The following table reflects information about our property and equipment as of December 31, 2023 and 2022 (in thousands):

	As of December 31,	
	2023	2022
Leasehold improvements	$ 5,173	$ 4,921
Furniture and fixtures	2,792	2,786
Computer hardware and office equipment	3,557	3,317
Accumulated depreciation	(10,078)	(9,196)
Property and equipment, net	$ 1,444	$ 1,828

14. COMMITMENTS AND CONTINGENCIES:

Purchase commitments

Our purchase commitments primarily consist of outsourced information technology services, software licenses and commitments for financial research tools. As of December 31, 2023, our purchase commitments for the next five years and thereafter were as follows (in thousands):

	Payments due in:				
	Total	Less than 1 year	1-3 years	4-5 years	Thereafter
Purchase obligations	$ 14,637	$ 6,519	$ 5,674	$ 2,444	$ —

As of December 31, 2023, we did not have any material off-balance sheet arrangements.

15. REGULATORY CAPITAL REQUIREMENTS:

Westwood Trust must maintain cash and investments in an amount equal to the required minimum restricted capital of $4.0 million as required by the Texas Finance Code. Restricted capital is included in Investments in the accompanying Consolidated Balance Sheets. At December 31, 2023, Westwood Trust had approximately $11.1 million in excess of its minimum capital requirement.

Westwood Trust is limited under applicable Texas law in the payment of dividends of undivided profits, which is that part of equity capital equal to the balance of net profits, income, gains and losses since formation minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate Board resolutions. At the discretion of its Board, Westwood Trust may make quarterly and special dividend payments, or other distributions, to Westwood out of its undivided profits. No dividend payments were made in 2023, 2022 or 2021.

SCLP, a broker-dealer of the Company, is registered with the SEC as broker-dealers and members of FINRA. The Company's broker-dealer subsidiaries are subject to SEC Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, to not exceed 15 to 1. As such, they are subject to the minimum net capital requirements promulgated by the SEC. As of December 31, 2023, SCLP had net capital of $558,000 which was $526,000 in excess of its required minimum net capital of $32,000. As of December 31, 2022, SCLP had net capital of $320,000, which was $315,000 in excess of its required minimum net capital of $5,000.

16. VARIABLE INTEREST ENTITIES:

As discussed in Note 2 "Summary of Significant Accounting Policies," the CTFs and Private Funds (together the "Westwood VIEs") are considered VIEs, and the Westwood Funds® and Private Equity are considered VOEs (together the "Westwood VOEs"). We receive fees for managing assets in these entities commensurate with market rates. As of December 31, 2023 and 2022, we evaluated all of the Westwood VIEs and Westwood VOEs to determine whether or not we should consolidate the entities into our Consolidated Financial Statements. For the Westwood VIEs, we evaluated whether or not we qualify as the primary beneficiary based on whether we have the obligation to absorb significant losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity's economic performance, and concluded that we do not qualify as a primary beneficiary for those entities. For the Westwood VOEs, we evaluated whether or not we own a controlling financial interest in the entities, and we concluded that we do not. Based on our analyses, we have not consolidated the Westwood VIEs or Westwood VOEs into our Consolidated Financial Statements for the years ended December 31, 2023 or 2022.

We have not otherwise provided any financial support that we were not previously contractually obligated to provide and there are no arrangements that would require us to provide additional financial support to any of these entities. Our seed investments in the Westwood Funds® are accounted for as investments in accordance with our other investments described in Note 6 “Investments.”

We recognized fee revenue from the Westwood VIEs and Westwood VOEs of approximately $32.4 million, $23.2 million and $22.8 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table displays the AUM, the amount of our seed investments that are included in “Investments” and “Investments, at fair value” on the Consolidated Balance Sheets, and the financial risk of loss in each vehicle (in millions):

	As of December 31, 2023		
	Assets Under Management	Corporate Investment	Amount at Risk
VIEs/VOEs:			
Westwood Funds®	$ 4,103	$ —	$ —
Common Trust Funds	668	$ —	$ —
Private Funds	56	$ 0.3	$ 0.3
Private Equity	—	$ 7.2	$ 7.2
All other assets:			
Wealth Management	3,417		
Institutional	7,215		
Total AUM	$ 15,459		

17. RELATED PARTY TRANSACTIONS:

Some of our directors, executive officers and their affiliates invest personal funds directly in trust accounts that we manage. At both December 31, 2023 and at December 31, 2022, there was approximately $0.1 million in fees due from these accounts. For the years ended December 31, 2023 and 2022 we recorded trust fees from these accounts of $0.3 million. For the year ended December 31, 2021 we recorded trust fees from these accounts of $0.4 million.

One director serves as a consultant to the Company under a consulting agreement for which we recorded expenses of $0.1 million for each of the years ended December 31, 2023, 2022 and 2021.

18. CONCENTRATION:

For the years ended December 31, 2023, our ten largest clients accounted for approximately 21% of our fee revenue. For the years ended December 31, 2022 and 2021, our ten largest clients accounted for approximately 22% of our fee revenue. No single customer accounted for 10% or more of our fee revenues in any of these years. The following table presents advisory fee revenue received from our single largest client in each year (in thousands):

	Years ended December 31,		
	2023	2022	2021
Advisory fees from our largest client:			
Asset-based fees	$ 3,892	$ 2,582	$ 2,682
Percent of fee revenue	4.4 %	3.7 %	3.7 %

19. SUBSEQUENT EVENTS:

Dividends Declared

On February 14, 2024, the Board of Directors declared a quarterly cash dividend of $0.15 per share of common stock payable on April 3, 2024 to stockholders of record on March 1, 2024.

Restricted Stock Grants

On February 23, 2024 we issued approximately $3.2 million of restricted stock to employees, or approximately 268,000 shares based on the closing price of our stock on February 23, 2024. The shares are subject to vesting conditions described in Note 8 “Employee Benefits” of our Consolidated Financial Statements in this Report.

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibits
2.1	Securities Purchase Agreement by and among Westwood Holdings Group, Inc., McCarthy Group Advisors, LLC, MGA Holdings, LLC, and The Members of MGA Holdings, LLC (incorporated by reference from the Form 10-K filed with the SEC on February 28, 2013)
2.2	Reorganization Agreement and Agreement and Plan of Merger dated as of January 15, 2015 by and among Westwood Holdings Group, Inc., Westwood Trust, Woodway Financial Advisors, A Trust Company and the Shareholders of Woodway Financial Advisors, A Trust Company (incorporated by reference from the Form 8-K filed with the SEC on January 16, 2015)
2.3	Purchase Agreement, dated May 25, 2022, by and among Westwood Holdings Group, Inc., Salient Capital Management, LLC, Salient Partners, L.P. and the other Seller parties identified on Annex I (incorporated by reference from the Form 8-K filed with the SEC on May 26, 2022)
3.1	Amended and Restated Certificate of Incorporation of Westwood Holdings Group, Inc. (incorporated by reference from the Form S-8 filed with the SEC on September 28, 2022)
3.2	Amended and Restated Bylaws of Westwood Holdings Group, Inc. (incorporated by reference from the Form 8-K filed with the SEC on November 2, 2021)
4.1	Form of Common Stock Certificate of Westwood Holdings Group, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement on Form 10/A filed with the SEC on April 30, 2002)
10.1	Eighth Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan, as amended (incorporated by reference from the Schedule 14A filed with the SEC on March 22, 2022)
10.2	Tax Separation Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc. (incorporated by reference from Amendment No. 5 to Registration Statement on Form 10/A filed with the SEC on June 6, 2002)
10.3	Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, L.P., dated as of April 4, 1990, and amendment thereto (incorporated by reference from the Registration Statement on Form 10 filed with the SEC on February 8, 2002)
10.3.1	Ninth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of November 25, 2003 (incorporated by reference from the Form 10-K filed with the SEC on February 27, 2004)
10.3.2	Tenth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of February 23, 2004 (incorporated by reference from the Form 10-K filed with the SEC on February 27, 2004)
10.3.3	Eleventh Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of December 9, 2010 (incorporated by reference from the Form 10-K filed with the SEC on February 25, 2011)
10.3.4	Twelfth Modification of Office Lease between Westwood Management Corp. and Crescent TC Investors LP, dated as of August 17, 2012 (incorporated by reference from the Form 10-K filed with the SEC on February 28, 2013)
10.3.5	Thirteenth Modification of Office Lease between Westwood Management Corp. and Crescent TC Investors LP, dated as of October 9, 2014 (incorporated by reference from the Form 10-K filed with the SEC on February 25, 2016)
10.3.6	Fourteenth Modification of Office Lease between Westwood Management Corp. and Crescent TC Investors LP, dated as of February 5, 2015 (incorporated by reference from the Form 10-K filed with the SEC on February 25, 2016)
10.3.7	Fifteenth Modification of Office Lease between Westwood Management Corp. and Crescent TC Investors LP, dated as of July 30, 2015 (incorporated by reference from the Form 10-K filed with the SEC on February 25, 2016)
10.3.8	Sixteenth Modification of Office Lease between Westwood Management Corp. and Crescent TC Investors LP, dated as of July 5, 2018 (incorporated by reference from the Form 10-Q filed with the SEC on October 24, 2018)

Exhibit Number	Description of Exhibits
10.4	Software License and Support Agreement between Advent Software, Inc. and Westwood Management Corp., dated as of December 30, 1996 (incorporated by reference from the Registration Statement on Form 10 filed with the SEC on February 8, 2002)
10.5	Investment Sub-advisory Agreement between Teton Advisers, LLC and Westwood Management Corp., dated as of October 6, 1994 (incorporated by reference from the Form 10-K filed with the SEC on February 28, 2013)
10.6+	Form of Indemnification Agreement for Westwood Holdings Group, Inc. (incorporated by reference from the Form 10-K filed with the SEC on February 27, 2004)
10.7+	Form of Indemnification Agreement for Westwood Management Corp. (incorporated by reference from the Form 10-K filed with the SEC on February 27, 2004)
10.8+	Form of Indemnification Agreement for Westwood Trust (incorporated by reference from the Form 10-K filed with the SEC on February 27, 2004)
10.9+	Executive Employment Agreement between Westwood Holdings Group, Inc. and Brian O. Casey (incorporated by reference from the Form 8-K filed with the SEC on December 18, 2015)
10.10+	Form of Performance Share Agreement between Westwood Holdings Group, Inc. and Brian O. Casey (incorporated by reference from the Form 8-K filed with the SEC on March 14, 2016)
10.11+	One-Time Performance Share Agreement, dated as of March 10, 2016, between Westwood Holdings Group, Inc. and Brian O. Casey (incorporated by reference from the Form 8-K filed with the SEC on March 14, 2016)
10.12+	Waiver of Certain Performance Shares Under the Performance Share Agreement, dated as of February 22, 2017 (incorporated by reference from the Form 8-K filed with the SEC on February 28, 2017)
10.13+	Form of Performance Share Agreement (incorporated by reference from the Form 8-K filed with the SEC on March 10, 2017)
10.14+	Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries (incorporated by reference from the Registration Statement on Form S-8 filed with the SEC on April 18, 2013)
10.15+	Consulting Agreement, dated as of March 17, 2015, between Westwood Holdings Group, Inc. and Susan Byrne (incorporated by reference from the Form 10-Q filed with the SEC on July 29, 2015)
10.16+	Severance Agreement, dated as of February 9, 2018, between Westwood Holdings Group, Inc. and Fabian Gomez (incorporated by reference from the Form 8-K filed with the SEC on February 3, 2018)
10.17+	Employee Confidentiality and Non-compete Agreement, effective November 1, 2018, between Westwood Holdings Group, Inc. and Murray "Terry" Forbes III (incorporated by reference from the Form 8-K/A filed with the SEC on October 29, 2018)
10.18+	Employee Confidentiality and Non-Compete Agreement dated as of May 25, 2022 by and between Fabian Gomez and Westwood Holdings Group, Inc. (incorporated by reference from the Form 8-K filed with the SEC on May 26, 2022)
10.19+	Side Letter Agreement dated as of May 25, 2022 by and between Fabian Gomez and Westwood Holdings Group, Inc. (incorporated by reference from the Form 8-K filed with the SEC on May 26, 2022)
10.20+	Employee Confidentiality and Non-Compete Agreement dated as of April 8, 2021 by and between Porter Montgomery and Westwood Holdings Group, Inc. (incorporated by reference from the Form 8-K filed with the SEC on May 26, 2022)
21.1	Subsidiaries (incorporated by reference from the Form 10-K filed with the SEC on February 28, 2013)
23.1*	Consent of BDO USA, P.C.
23.2*	Consent of Deloitte & Touche LLP
24.1*	Power of Attorney (included on first signature page)
31.1*	Certification of the Chief Executive Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description of Exhibits
32.1#	Certification 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
32.2#	Certification 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
97	Compensation Recovery Policy
101*	The following financial information from Westwood Holdings Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets as of December 31, 2023 and 2022; (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023, 2022 and 2021; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2023, 2022 and 2021; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021; and (v) Notes to the Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

* Filed herewith.

\+ Indicates management contract or compensation plan, contract or arrangement.

\# Pursuant to Item 601(b)(32) of SEC Regulation S-K, these exhibits are furnished rather than filed with this Report.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-27720, 333-269604, 333-267641 333-258305, 333-238965, 333-232595, 333-228335, 333-224886, 333-218080, 333-203728, 333-188002, 333-187998, 333-175696, 333-160377, 333-133963, and 333-98841) of Westwood Holdings Group, Inc., of our report dated March 7, 2024, relating to the consolidated financial statements, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.

Dallas, Texas

March 7, 2024

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-187998, 333-238965, 333-232595, 333-228335, 333-224886, 333-218080, 333-203728, 333-188002, 333-175696, 333-160377, 333-133963, 333-98841, 333-258305, 333-267641, 333-269604 and 333-277220 on Form S-8 of our report dated March 4, 2022 relating to the consolidated financial statements of Westwood Holdings Group, Inc. and subsidiaries (the "Company"), appearing in the Annual Report on Form 10-K of the Company for the year ended December 31, 2023.

/s/ Deloitte & Touche LLP

Dallas, Texas

March 7, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14

I, Brian O. Casey, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 7, 2024

/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 AND 15D-14

I, Murray Forbes III, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 7, 2024

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

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 Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, 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: March 7, 2024

/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 Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, 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: March 7, 2024

/s/ Murray Forbes III
Murray Forbes III
Chief Financial 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.

Westwood Holdings Group, Inc.
Compensation Recovery Policy

1. **Purpose**. The purpose of this Policy is to describe the circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to the Company Group. Each Executive Officer shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A pursuant to which such Executive Officer will agree to be bound by the terms of and to comply with this Policy. This Policy replaces the Clawback Policy adopted by the Committee effective December 17, 2015 (the "*Prior Policy*").

2. **Administration**. This Policy shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

3. **Definitions**. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) "*Accounting Restatement*" shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial restatements that is material to the previously issued financial statements (a "Big R" restatement), or (ii) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were not corrected in the current period or left uncorrected in the current period (a "little r" restatement).

For purposes of this policy, an Accounting Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (*i.e.*, when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; or (v) revision for stock splits, reverse stock splits, stock dividends, or other changes in capital structure.

(b) "*Board*" shall mean the Board of Directors of the Company.

(c) "*Clawback Period*" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(d) "*Committee*" shall mean the Compensation and Human Capital Committee of the Board.

(e) “*Company*” shall mean Westwood Holdings Group, Inc., a Delaware corporation.

(f) “*Company Group*” shall mean the Company, together with each of its direct and indirect subsidiaries.

(g) “*Covered Incentive Compensation*” shall mean, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-based Compensation Received by such Executive Officer (i) on or after October 2, 2023, (ii) after beginning service as an Executive Officer, (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the applicable Clawback Period.

(h) “*Effective Date*” shall mean December 1, 2023.

(i) “*Erroneously Awarded Compensation*” shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Covered Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed on a pre-tax basis.

(j) “*Executive Officer*” shall mean each individual who is or was designated as an “officer” of the Company in accordance with 17 C.F.R. 240.16a-1(f). Identification of an executive officer for purposes of this Policy would include at a minimum executive officers identified pursuant to 17 C.F.R. 229.401(b).

(k) “*Financial Reporting Measures*” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total stockholder return (and any measures that are derived wholly or in part from stock price or total stockholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(l) “*Incentive-based Compensation*” shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(m) *“NYSE*” shall mean the New York Stock Exchange.

(n) “*Policy*” shall mean this Compensation Recovery Policy, as the same may be amended and/or restated from time to time.

(o) "*Received*" shall, with respect to any Incentive-based Compensation, mean actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period.

(p) "*Restatement Date*" shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

(q) "*SEC*" shall mean the U.S. Securities and Exchange Commission.

4. **Repayment of Erroneously Awarded Compensation**.

(a) In the event of an Accounting Restatement, the Committee shall promptly (and in all events within ninety (90) days after the Restatement Date) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Executive Officer with a written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-based Compensation based on (or derived from) stock price or total stockholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to NYSE).

(b) The Committee shall have broad discretion to determine the appropriate means of recovery of Erroneously Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to stockholders of delaying recovery. To the extent that the Committee determines that any method of recovery (other than repayment by the Executive Officer in a lump sum in cash or property) is appropriate, the Company shall offer to enter into a repayment agreement (in a form reasonable acceptable to the Committee) with the Executive Officer. If the Executive Officer accepts such offer and signs the repayment agreement within thirty (30) days after such offer is extended, the Company shall countersign such repayment agreement. If the Executive Officer fails to sign the repayment agreement within thirty (30) days after such offer is extended, the Executive Officer will be required to repay the Erroneously Awarded Compensation in a lump sum in cash (or such property as the Committee agrees to accept with a value equal to such Erroneously Awarded Compensation) on or prior to the date that is one hundred twenty (120) days following the Restatement Date. For the avoidance of doubt, except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder. Notwithstanding anything to the contrary herein, the Committee has no obligation to seek recoupment of amounts that are granted, vested, or earned based solely upon the occurrence or non-occurrence of non-financial events. Such exempt compensation includes, without limitation, base salary; time-vesting awards; compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures; and compensation awarded solely at the discretion of the Committee, the Board, or a group composed entirely of independent members of the Board; provided that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure.

(c) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(d) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(b) above if the following conditions are met and the Committee determines that recovery would be impracticable:

(i) The direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to NYSE;

(ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to NYSE, that recovery would result in such a violation and a copy of the opinion is provided to NYSE; or

(iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. **Reporting and Disclosure**. The Company shall file all disclosures with respect to this Policy in accordance with the requirement of the federal securities laws, including the disclosure required by the applicable SEC filings.

6. **Indemnification Prohibition**. No member of the Company Group shall be permitted to indemnify any Executive Officer against (a) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (b) any claims relating to the Company Group's enforcement of its rights under this Policy. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

7. **Interpretation**. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

8. **Effective Date**. This Policy shall be effective as of the Effective Date.

9. **Amendment**; **Termination**. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

10. **Other Recoupment Rights**; **No Additional Payments**. The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company Group. For avoidance of doubt, any excess compensation received prior to October 2, 2023, shall be subject to the terms of the Prior Policy.

11. **Successors**. This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

* * *

Adopted October 30, 2023

<u>Exhibit A</u>

Westwood Holdings Group, Inc.
Compensation Recovery Policy

Acknowledgement Form

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Westwood Holdings Group, Inc. Compensation Recovery Policy (the "*Policy*"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "*Acknowledgement Form*") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to the Company Group to the extent required by, and in a manner permitted by, the Policy.

____
Signature

____
Printed Name

____
Date