



**Westwood®**

Investing Where It Counts

# Investor Relations Presentation

As of September 30, 2017

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## Westwood | Firm Overview

Our mission is to exceed client expectations through exceptional performance and ethical conduct.

### Multi-Investment Team Structure

U.S. Value  
Global and Emerging Markets Equities  
Global Convertible Securities



### Employee Ownership Culture

Employees and directors own equity, totaling approximately 23%;<sup>3</sup> no employee owns more than 5%

### Deep, Experienced Investment Staff

Over 50 investment professionals

### Thoughtful Growth Strategy

Carefully manage capacity of investment strategies

Institutional  
Mutual Funds  
Private Wealth

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

Founded | 1983

AUM | \$23.6 B

Employees | 180

Publicly Listed | NYSE: WHG 2002



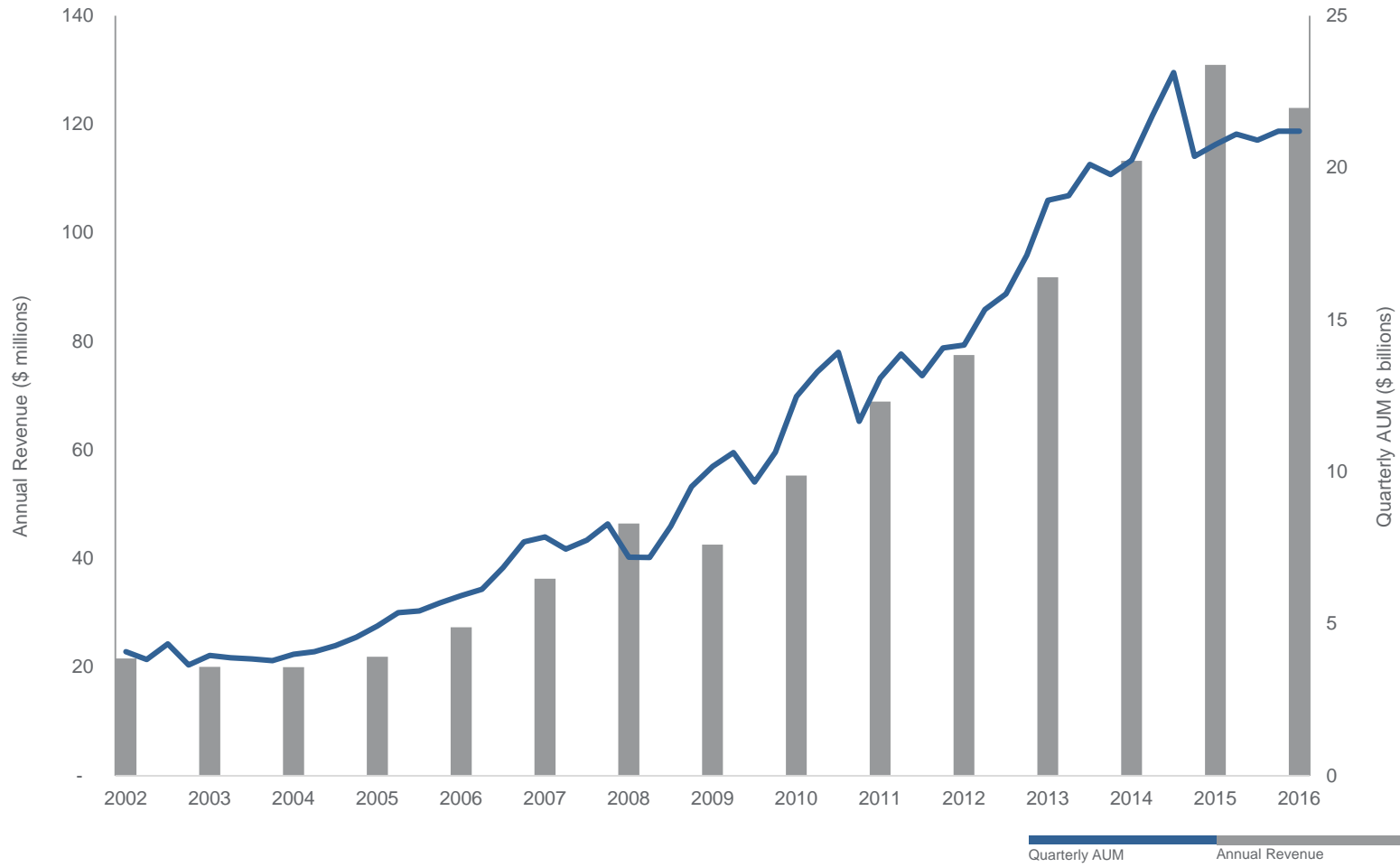
<sup>1</sup>Westwood Management Corp. was founded and registered with the SEC in April 1983. Its parent company, Westwood Holdings Group, Inc., was launched as a public company in 2002, trading on the New York Stock Exchange under the symbol WHG. Except as otherwise noted, all references to or information about the "firm" or "Westwood" throughout this presentation describe Westwood Holdings Group, Inc. and its wholly owned subsidiaries, which include Westwood Management Corp., Westwood Trust, Westwood Advisors, LLC, and Westwood International Advisors Inc.

<sup>2</sup>Selection criteria based 25% on corporate application and 75% on anonymous employee questionnaires within the "100-499 employees" category. Ranked top nine and awarded on December 12, 2016.

<sup>3</sup> As of March 06, 2017



### Westwood Growth in Revenues and Assets Under Management



As of December 31, 2016



# Business Growth | Shareholder Value Creation

Current Yield 4.0%\*

Over \$165 million paid out in dividends since 2002

## Total Shareholder Return Comparison



Source: Bloomberg, daily data from 7.1.02 to 9.30.17

\*Current yield as of October 24, 2017

Past performance is not indicative of future results.

Westwood Holdings  
Group, Inc. – Total Return

Russell 2000 (TR) – Total  
Return

S&P 500 (TR) – Total  
Return



# Westwood | High-Conviction and Outcome-Oriented Solutions

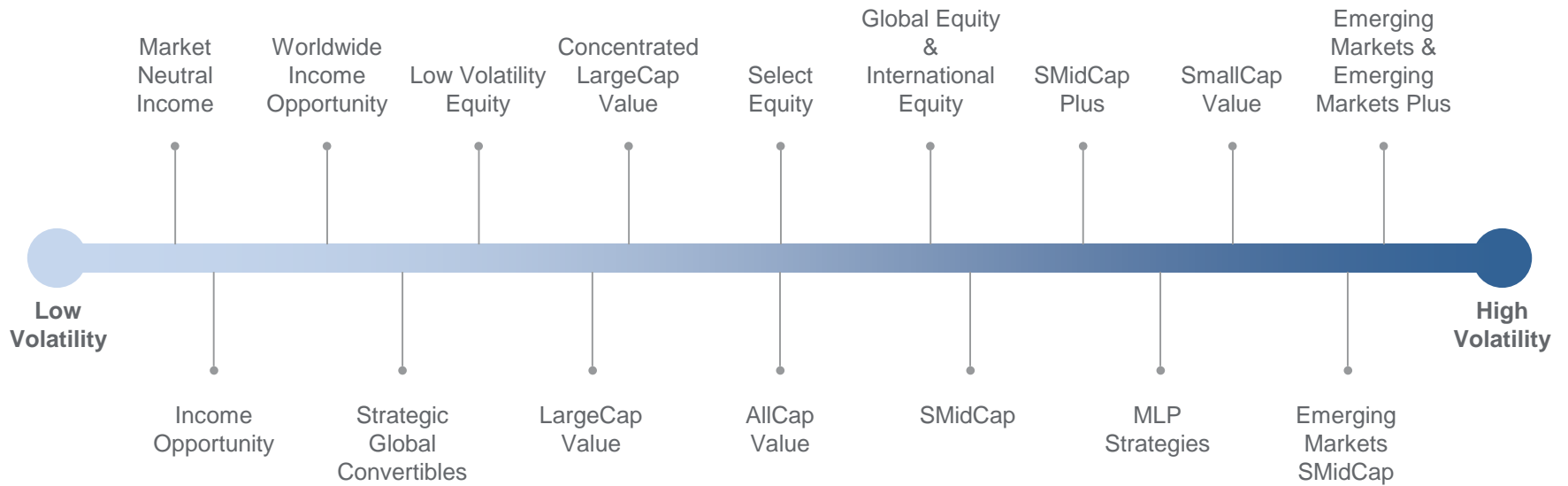
Separately Managed Accounts | Mutual Funds | Collective Funds | UCITS

<b>U.S. VALUE EQUITY</b> <hr/> <p>LargeCap Value Concentrated LargeCap Value AllCap Value SMidCap SMidCap Plus SmallCap Value</p>	<b>MULTI-ASSET</b> <hr/> <p>Income Opportunity Worldwide Income Opportunity</p>	<b>LIQUID REAL ASSETS</b> <hr/> <p>MLP Infrastructure Renewal MLP Opportunities MLP and Strategic Energy</p>
<b>GLOBAL &amp; EMERGING MARKETS EQUITY</b> <hr/> <p>Emerging Markets Emerging Markets Plus Emerging Markets SMidCap Global Equity International Equity</p>	<b>LIQUID ALTERNATIVES</b> <hr/> <p>Market Neutral Income</p>	<b>LOW VOLATILITY EQUITY</b> <hr/> <p>Strategic Global Convertibles Low Volatility Equity</p>

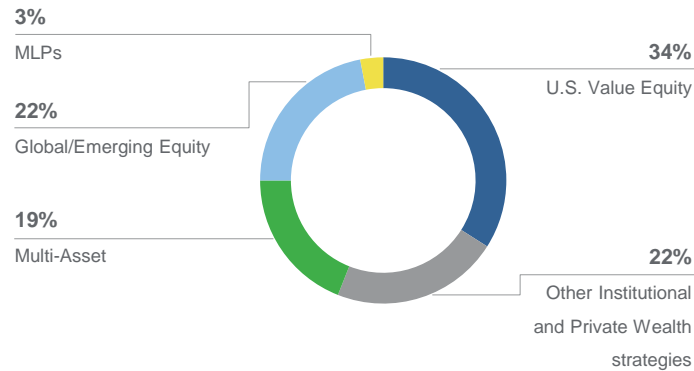
As of September 30, 2017.



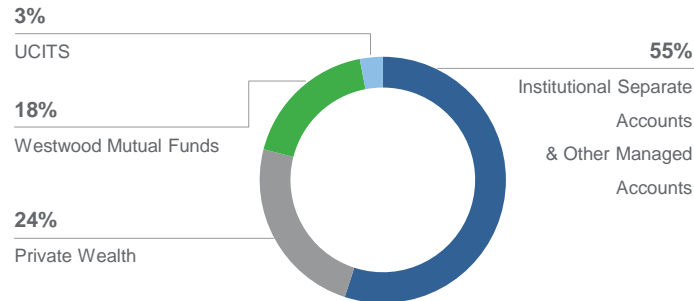
# Westwood | Product Breadth Across the Risk Spectrum



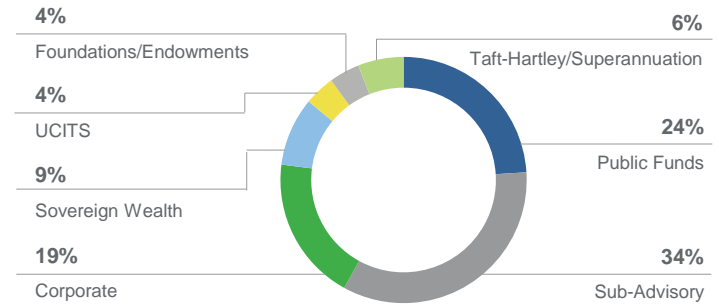
**STRATEGY BREAKDOWN**



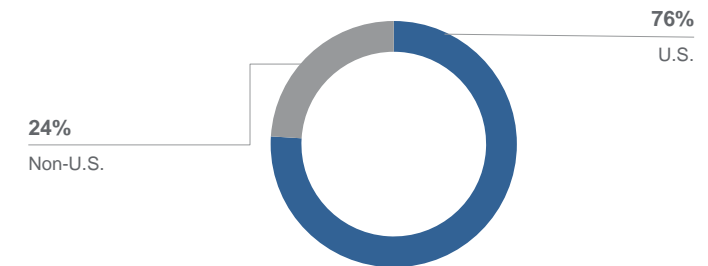
**ASSETS BY ACCOUNT TYPE**



**INSTITUTIONAL CLIENT TYPE**



**ASSETS BY CLIENT DOMICILE**

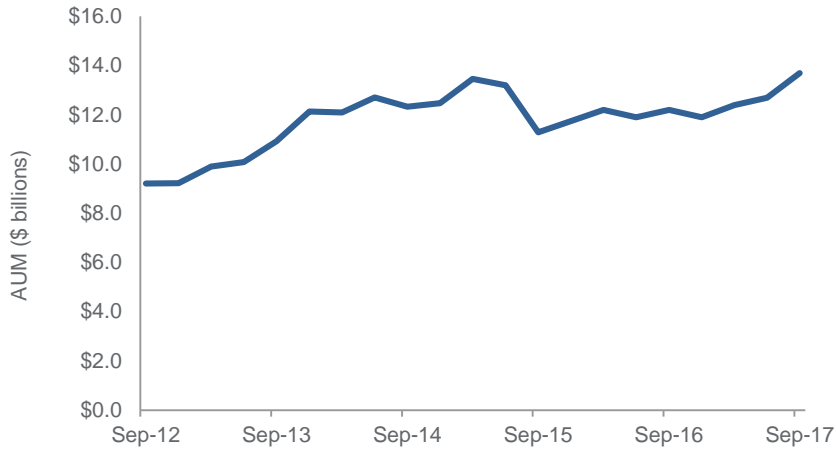


Percentages in the Strategy Breakdown, Assets by Account Type, and Assets by Client Domicile charts are based upon firm-wide assets under management as of September 30, 2017. Percentages in the Institutional Client Type chart are based upon the combined assets under management of Westwood Management Corp. and Westwood International Advisors Inc. only, less assets managed for private individuals, investment LLCs, managed accounts, and collective investment trusts.

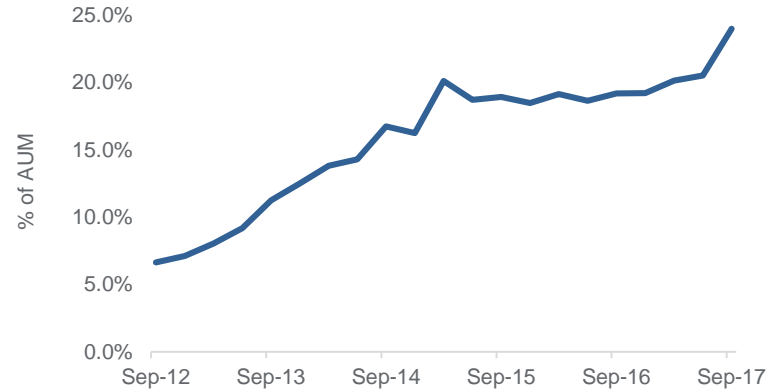


# Distribution | Multi-Channel Breakdown

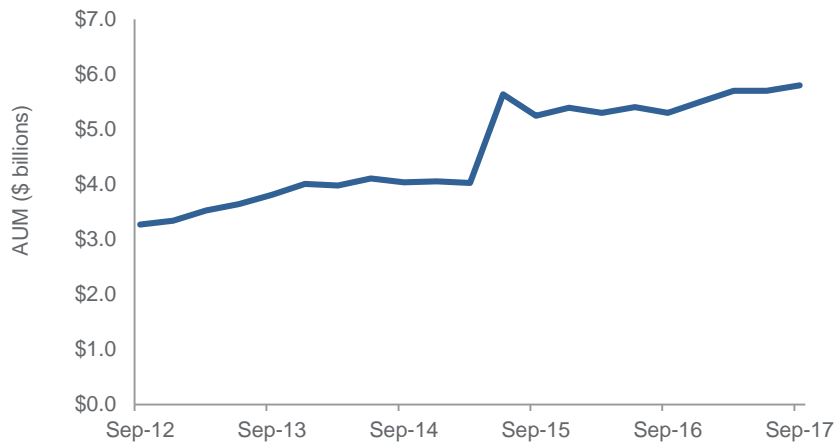
### Institutional AUM



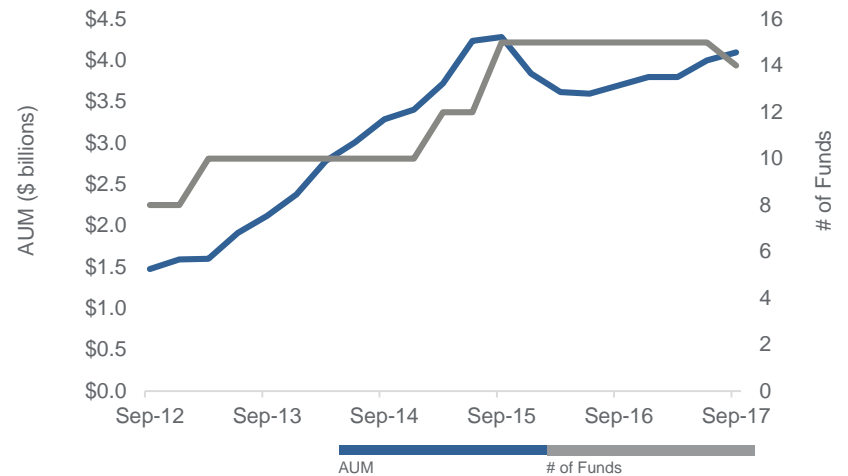
### Non-U.S. Client Assets



### Private Wealth AUM



### Mutual Funds AUM



Please see mutual fund disclaimer in the Disclosures section of this presentation. As of September 30, 2017





# Strategic Focus | Executive Overview



## | 2017-2018

### **Investment Performance**

Building and maintaining multiple investment engines to deliver top-tier performance across asset classes.

### **Organizational Performance**

Focused on improving sales execution and brand visibility while centralizing go-to-market functions to support global multi-channel distribution initiatives. Continued investments in technology to improve work flows, data management and security.

### **Accelerate Digital**

Focused on creating a robust digital platform that can promote our investment products, branded content and client experience while expanding distribution to new market segments (i.e., digital wealth).

### **Talent Management**

Performance management and alignment of compensation structure with strategic initiatives. Preserving our culture and continuing to drive value for our shareholders.

### **Organic Growth**

Strengthening product development to diversify our product portfolio and capitalize on structural industry trends.

### **M&A**

Focused on acquisition opportunities that will result in revenue and cost synergies including product line expansion, new markets and increased distribution.



2018 growth objectives are highly focused on sales execution across high-conviction and outcome-oriented investment solutions. We expect to gain traction in our global expansion initiatives by ramping up our European and third-party partnership programs.



### Sales Focus

- Small Cap Value
- Emerging Markets
- Multi-Asset
- Tax-Managed
- Global Convertibles
- Market Neutral



### Global Expansion

- Continued global expansion with third-party distribution partners across continental Europe and the UK
- Focused on sales of our global convertibles mandate with AVIVA which represents \$1.3B in AUM



### Partnership Programs

- Our advisor referral program is designed to partner with large financial institutions to provide a solution for their clients seeking local investment advice from experienced wealth managers



### Digital

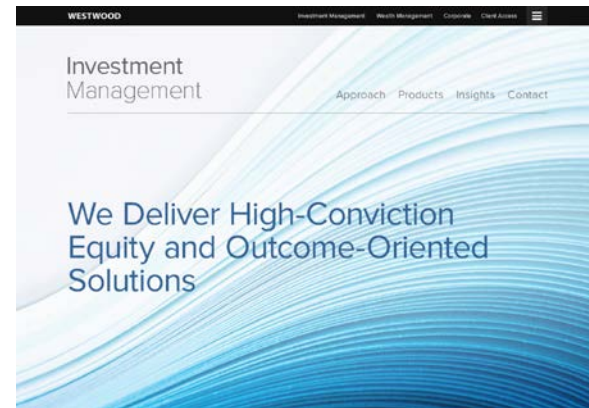
- Launch new website in conjunction with social media platform to support new lead generation and branding efforts



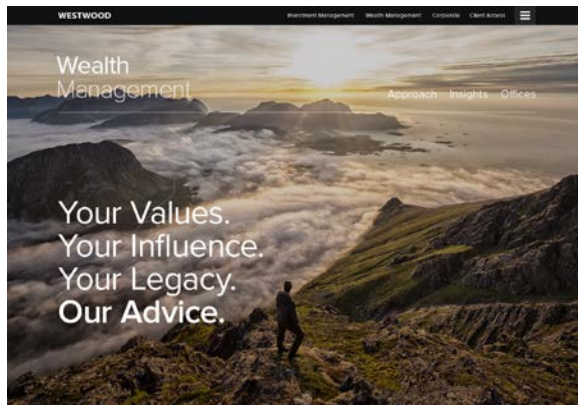
Expected Launch: Q4 2017



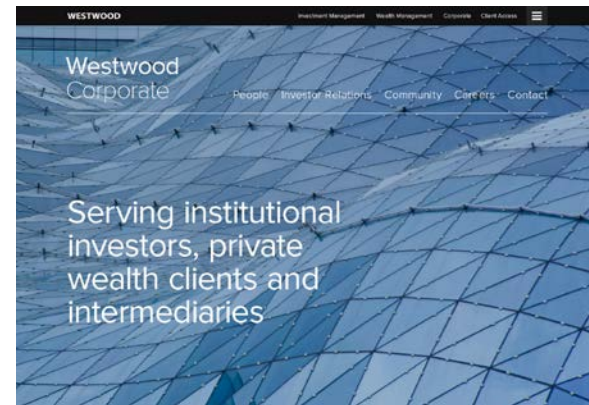
Home



Investment Management



Wealth Management



Corporate





**Emerging Markets SMidCap**  
9/1/2013

**Concentrated LargeCap Value**  
1/1/2014

**Select Equity**  
1/1/2017

**Worldwide Income Opportunity**  
4/1/2015

**Strategic Global Convertibles**  
10/1/2014

**Low Volatility Equity**  
1/1/2016

**Market Neutral Income**  
10/1/2014

**MLP Opportunities**  
1/1/2014

**MLP and Strategic Energy**  
1/1/2015

*Dates represent strategy inception date.*



## Financial | Highlights



Within our U.S. value strategies, first half performance momentum continued into the third quarter, most notably for our SmallCap Value and LargeCap Value strategies.

### Assets Under Management

- Total AUM of \$23.6 billion and AUA of \$362 million at September 30, 2017
- Transitioned approximately \$713M in assets related to a long-only convertibles fund from AUA to AUM in July 2017

### Investment Strategies

- Top quartile performance was delivered by our SmallCap Value and LargeCap Value strategies.
- U.S. Value strategies provided strong absolute and relative returns for two consecutive quarters.

### Operating Results

- Total revenues of \$33.5 million for Q3 2017
- Net income of \$4.1<sup>2</sup> million and Economic Earnings of \$9.0 million<sup>1</sup> for Q3 2017

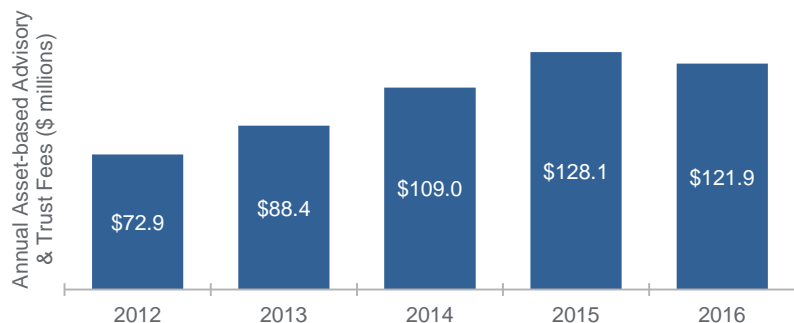
### Capital Management

- Quarterly dividend of \$0.68 per share, an increase of 10%, declared in October 2017, at a current yield of 4.0%<sup>3</sup>
- Liquid cash and investments of \$99.5 million at September 30, 2017

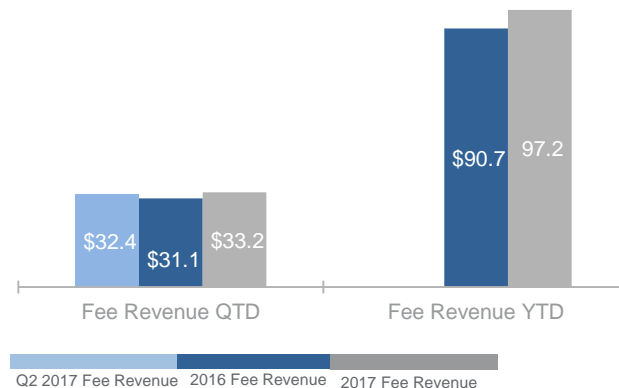
1. See the Reconciliation of Net Income to Economic Earnings on slide 16 of this presentation.  
2. 3Q 2017 net income includes a \$2.5 million one-time legal settlement charge, net of insurance recovery and taxes.  
3. As of October 24, 2017



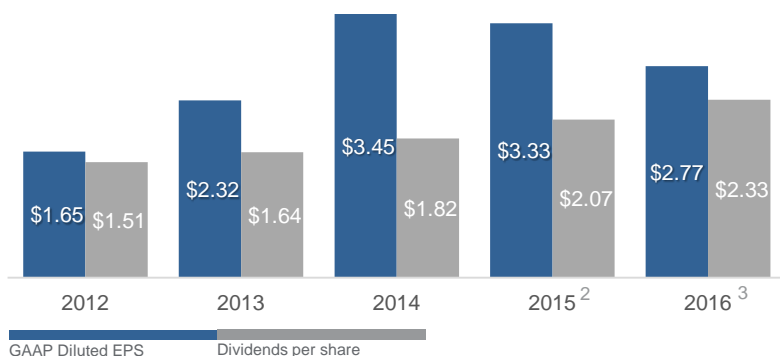
### Fee Revenue<sup>1</sup> - Historical



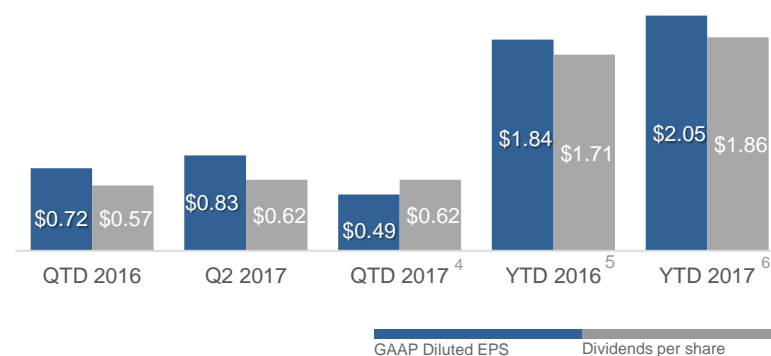
### Fee Revenue<sup>1</sup> – QTD and YTD



### Earnings and Dividends Per Share - Historical



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



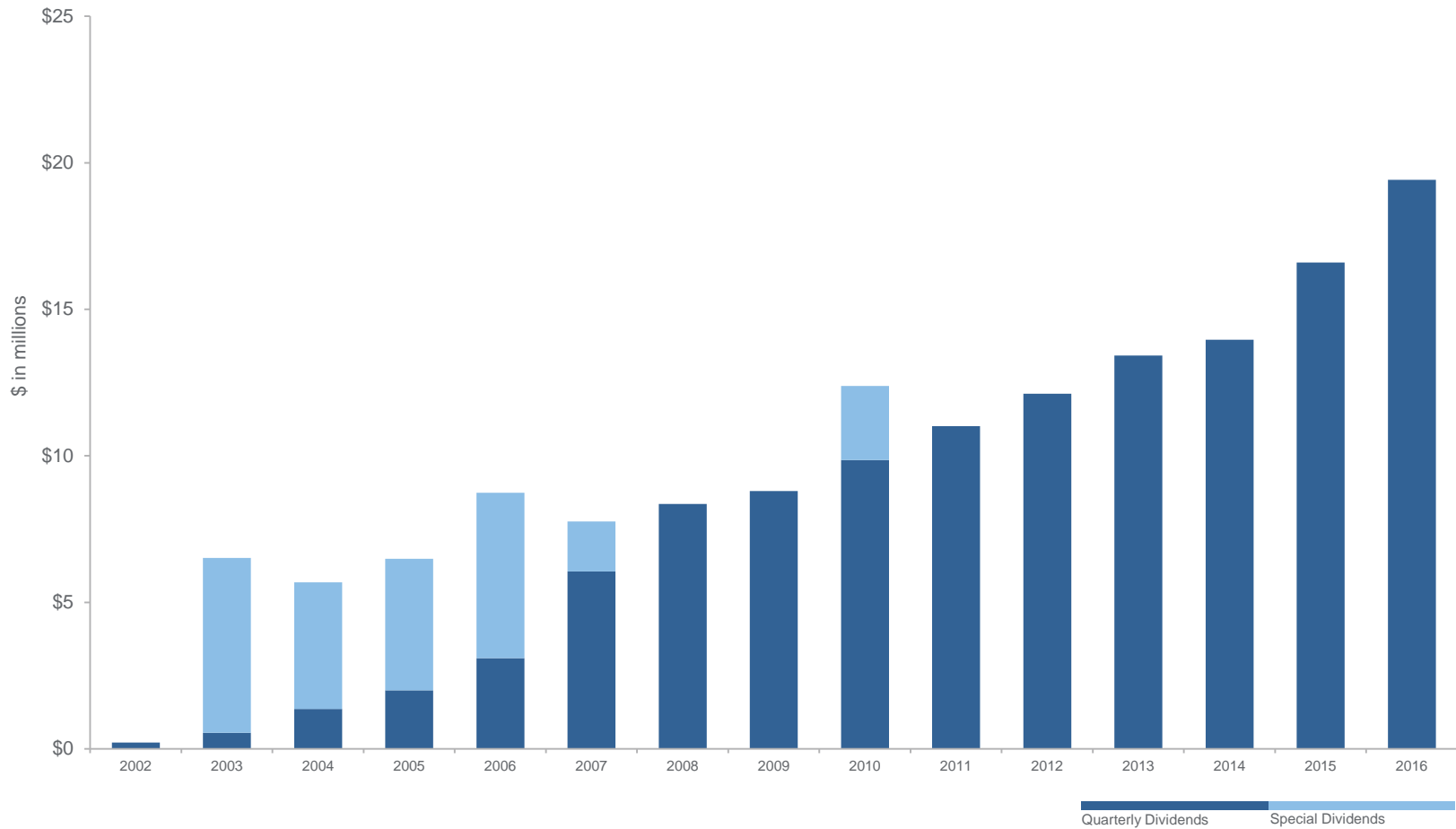
1. Asset-based fee revenue, excluding performance fees.  
 2. 2015 GAAP Diluted EPS includes a \$0.10 negative tax adjustment and an \$0.08 non-cash compensation charge, net of taxes.  
 3. 2016 GAAP Diluted EPS includes a \$0.16 one-time information technology implementation costs charge, net of taxes.  
 4. 3Q 2017 GAAP EPS includes a \$0.30 one-time legal settlement charge, net of insurance recovery and taxes.  
 5. YTD 2016 GAAP EPS includes a \$0.17 one-time information technology implementation costs, net of taxes.  
 6. YTD 2017 GAAP EPS includes a \$0.31 one-time legal settlement charge, net of insurance recovery and taxes.





### Annual Dividends

Over \$145 million of dividends paid out from 2002 to 2016



As of December 31, 2016.



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

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

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

The following table provides a reconciliation of net income to Economic Earnings for the three months ended September 30, 2017 (\$ thousands):

	<u>9/30/2017</u>
Net Income	\$ 4,132
Add:	
Stock Based Compensation Expense	4,233
Intangible Amortization	469
Tax Benefit from Goodwill Amortization	156
Economic Earnings	<u>\$ 8,990</u>

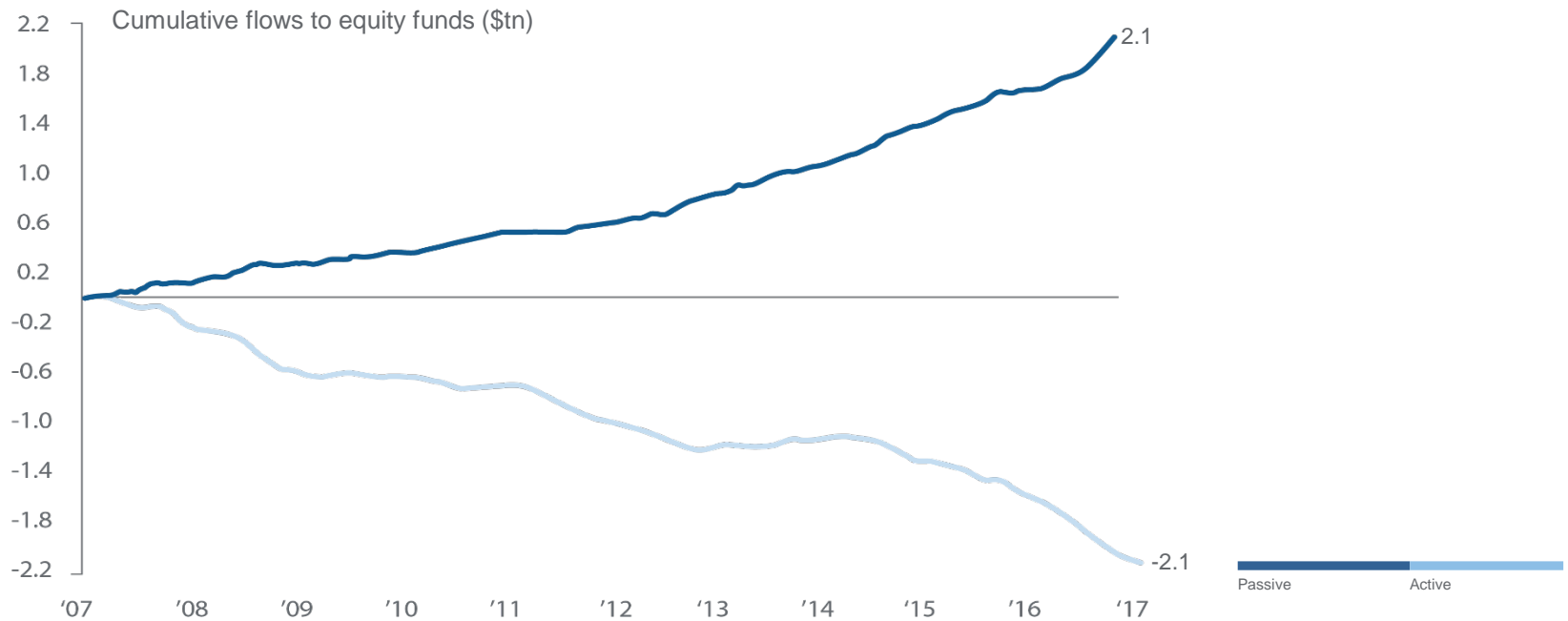


# Appendix



## Is It Time to Short **Passive**?

### | Passive vs. Active Over the Past 10 Years



- \$2.1tn inflows to passive equity funds vs. \$2.1tn redemptions from active equity funds...
- \$2.9tn inflows to passive funds (bond + equity) vs. \$1.3tn redemptions from active funds...
- 2008 helps explain “the most detested bull market of all-time”...
- The question going forward: Will market’s losses be amplified on downside as “blind buyers” become “blind sellers” when the market corrects?



### **Utilize Technology to Improve Work Flows and Data Management**

- Upgrade Westwood Trust accounting system to provide consistency across offices and scalability for future offices
- Third phase of the data architecture program with the primary focus on data governance

### **Enhance Marketing and Product Management Focus**

- Strategic branding initiatives to deliver a consistent client experience across channels
- Increase and improve digital presence
- Accelerate sales growth by supporting the Westwood brand globally
- Expand product and service offerings

### **Transparent Goal Setting and Accountability**

- Strategic planning for all departments and establish one- to five-year departmental initiatives and goals
- Succession planning for all senior investment positions
- Input solicited from every person in the company, members of the Board and senior management for agreed upon top goals for the firm
- Internal scorecard developed for tracking progress:
  - Investment performance (relative and peer group)
  - Sales and client service (new sales and client retention)
  - Financial results (earnings before taxes/TSR/dividend growth)
  - Strategic goals (technology investment/strategic planning/growth initiatives, branding)



### 2016 Executive Compensation Program Changes

- Independent third party compensation consultant engaged
- New employment agreement for CEO which includes a three-year term, double-trigger change-in-control and no-gross up provisions for taxes
- Stock ownership guidelines adopted for the CEO (6x base salary) and certain other executives (3x base salary) and members of the Board of Directors (5x cash retainer)
- Adopted a clawback policy
- Modified CEO annual incentive plan from a fixed percentage of pre-tax income to a scorecard with multiple pre-established performance goals
- Modified CEO long-term incentive plan from a front-loaded five-year time-based equity award to annual performance-based with additional time-based vesting
- Developed anti-hedging and anti-pledging policies for executives and directors
- Implemented maximum caps on all incentive plans
- Benchmark executives against industry survey data
- Prohibition against back-dating, re-pricing or retroactive equity awards
- Updated peer group of companies to include:

Artisan Partners Asset Management, Inc.  
Cohen & Steers, Inc.  
GAMCO Investors, Inc.  
OM Asset Management Plc  
Virtus Investment Partners, Inc.  
Wisdom Tree Investments, Inc.

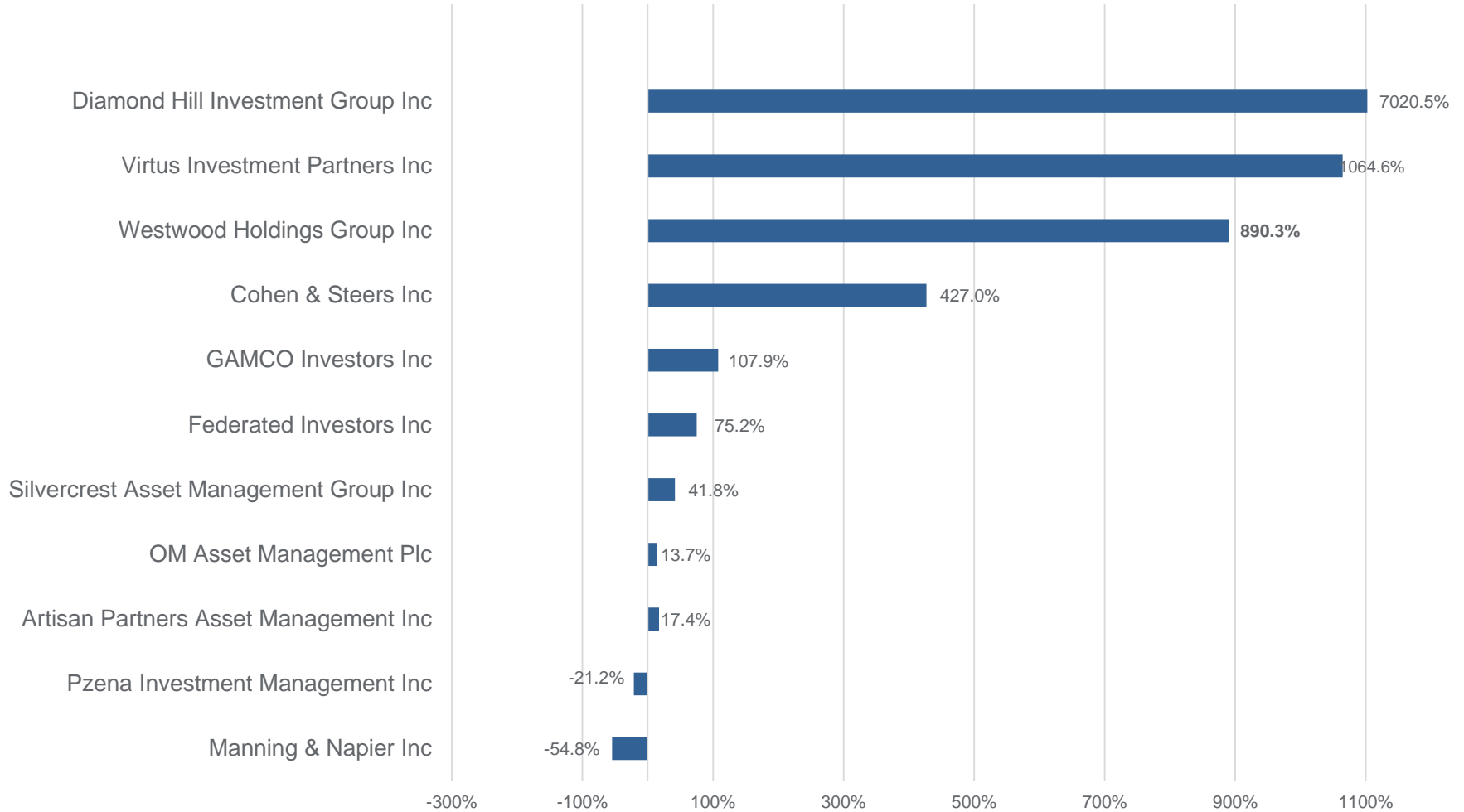
Diamond Hill Investment Group, Inc.  
Federated Investors, Inc.  
Manning & Napier, Inc.  
Pzena Investment Management, Inc.  
Silvercrest Asset Management Group, Inc.

### 2017 Executive Compensation Program Changes

- New employment agreement for CIO which includes a three-year term, double-trigger change-in-control and no-gross up provisions for taxes
- Modified CIO annual incentive plan from a fixed percentage of pre-tax income to a scorecard with multiple pre-established performance goals
- Modified CIO long-term incentive plan from a front-loaded five-year time-based equity award to annual performance-based with additional time-based vesting



**Total Return Since 2002 Westwood Spin-off**



Source: Bloomberg

As of September 30, 2017  
Past performance is not indicative of future results.



## Westwood | Forward Looking Statements

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

- the composition and market value of our assets under management;
- regulations adversely affecting the financial services industry;
- competition in the investment management industry;
- our assets under management includes investments in foreign companies;
- our ability to develop and market new investment strategies successfully;
- our relationships with current and potential customers;
- our ability to retain qualified personnel;
- our ability to maintain effective cyber security;
- our ability to maintain effective information systems;
- our ability to pursue and properly integrate acquired businesses;
- litigation risks;
- our ability to properly address conflicts of interest;
- our ability to maintain adequate insurance coverage;
- our ability to maintain an effective system of internal controls;
- our ability to maintain our fee structure in light of competitive fee pressures;
- our relationships with investment consulting firms; and
- the significant concentration of our revenues in a small number of customers.

Additional factors that could cause our actual results to differ materially from our expectations are discussed under the section entitled “Risk Factors” in our Form 10-K for the year ended December 31, 2016 and our quarterly report on Form 10-Q for the quarter ended March 31, 2017, June 30, 2017, and September 30, 2017 which together with our other filings can be viewed at [www.sec.gov](http://www.sec.gov). You should not unduly rely on these forward-looking statements. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this investor presentation or to reflect the occurrence of unanticipated events or otherwise.





## Mutual Fund **Disclaimer**

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

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

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

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

Name	Symbol
LargeCap Value	WHGLX
SMidCap	WHGMX
SMidCap Plus	WHGPX
SmallCap	WHGSX
Low Volatility Equity Fund	WLVIX
MLP and Strategic Energy	WMLPX
Income Opportunity	WHGIX
Worldwide Income Opportunity	WWIOX
Market Neutral Income	WMNIX
Short Duration High Yield	WHGHX
Opportunistic High Yield	WWHYX

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

Name	Symbol
Emerging Markets	WWEMX
Global Equity	WWGEX
Strategic Convertibles	WSCIX





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