



## MUTUAL FUNDS COMMENTARY

### Brexit Fears Spook Investors

Unlike the first quarter, where tough early losses were reversed late in the quarter, the second quarter started strong but ended with eroding investor sentiment as a result of the Brexit vote. Small caps reversed the trend and outperformed their large cap counterparts in the second quarter, as the S&P 500's 2.46% return was well short of the small cap Russell 2000's 3.79% return. Unfortunately, our Funds were flattish in the quarter, with the Villere Balanced Fund returning 0.36%, and the Villere Equity Fund returning 0.10%.

#### What worked in the quarter for the equity component of the Villere Funds?

- **Taser International.** Shares of Taser rose 27% during the quarter as the company continued to make significant customer wins in its body worn camera business,

including its largest-ever contract with Los Angeles. Subsequent to the end of the quarter, Taser shares continued to rise as the tragic deaths in Dallas and other areas put focus on the value of both body worn cameras and non-lethal weaponry.

- **2U.** Online education provider 2U, which is held in the Villere Equity Fund, saw its shares rise 30% as it continued to add new partner programs, including its first Juris Doctor (JD) program through Syracuse Law School. Further illustrating its value to partner schools, University of Southern California signed a 12-year extension to its education programs with 2U, extending the contract through 2030. Finally, the company announced that it expects to be cash flow profitable for 2016, ahead of schedule.

#### VILLERE BALANCED FUND PERFORMANCE (%)

Expense Ratio: 0.89% Inception 9/30/1999<sup>1</sup>

6/30/2016	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	<sup>1</sup> Since Inception	<sup>1</sup> Since Inception
Villere Balanced Fund	0.36	-9.00	6.02	6.04	7.57	239.31
Lipper Balanced Fund Index	1.99	1.49	6.70	5.54	5.06	128.48
S&P 500 Index	2.46	3.99	12.10	7.42	4.97	128.48

#### VILLERE EQUITY FUND PERFORMANCE (%)

Expense Ratio: Gross 1.11%; Net 1.17%\* Inception 5/31/2013<sup>2</sup>

6/30/2016	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	<sup>2</sup> Since Inception	<sup>2</sup> Since Inception
Villere Equity Fund	0.10	-13.29	N/A	N/A	-0.27	-0.83
Lipper Mid Cap Growth Fund Index	3.79	-6.73	N/A	N/A	6.71	22.17
S&P 500 Index	2.46	3.99	N/A	N/A	10.84	37.33
Russell 2000 Index	2.45	-5.33	N/A	N/A	8.26	27.70

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Current performance data to the most recent month end may be obtained by visiting [www.villere.com](http://www.villere.com).*

*Investment performance for Villere Equity Fund reflects fee waivers in effect. In the absence of such waivers, total returns would be reduced. The Fund imposes a 2.00% redemption fee on shares held for less than 60 days.*

*\*The advisor has contractually agreed to reduce its fees and/or pay the Fund's expense through December 31, 2016.*

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- **Gulfport Energy Corp.** Natural gas producer Gulfport benefited from improved pricing in natural gas as well as continued solid execution. We continue to be impressed with Gulfport's ability to remain profitable despite an ongoing difficult commodity pricing environment.

### What Didn't Work?

- **Financial Engines.** Shares of Financial Engines fell after the company reported its financial results for the first quarter, which included guidance for the full year that was below consensus expectations. We maintain our belief that Financial Engines fills a valuable role for 401k investors, and we expect the company will likely benefit from its acquisition of The Mutual Fund Store.
- **Tailored Brands.** We exited the position in this men's clothing business entirely during the quarter. Our experience with this stock was both painful and educational, and we have reallocated the proceeds of Tailored Brands into other securities.
- **Apple Inc.** Shares of Apple fell 12% during the quarter as iPhone sales continued to disappoint investors. Adding further concern to investors, the Wall Street Journal reported that it does not expect the new iPhones to differ materially from the current model. While we share the concern that Apple appears to be losing some market share, the stock's valuation appears attractive to us.

As discussed above, we completely exited our position in Tailored Brands during the quarter. Our original investment thesis was that the management team of Men's Wearhouse, a strong men's clothing retailer, would be able to successfully integrate recently acquired JoS. A. Bank Clothiers. While the team was successful in cutting costs and continuing the strong performance of Men's Wearhouse, the changes implemented at JoS. A. Bank were not, and we decided to move on.

We began adding two stocks to the Funds during the quarter. First, we purchased shares of Skyworks, designers of microchips used by connected devices that allow them to link to WiFi, Cellular, Bluetooth, etc., while seamlessly switching from signal to signal. We bought Skyworks when its shares fell due to concerns over Apple's iPhone sales. While we felt that was a reasonable concern, Skyworks sells its chips to every cellphone manufacturer, and we believe the connectivity trend (both cellphone and smart home) is here to stay.

We also began adding shares of Steris, a healthcare company focused on providing infection prevention products and services. Infections are a critical concern within healthcare, and we believe Steris is a high quality company that should benefit from numerous trends in this space.

### Patience and the Long-Term Investor

There's a narrative around Wall Street that goes like this: As the market becomes more globalized and interconnected, volatility inevitably increases. Once the market dips in one part of the globe over real or imagined fears, the theory goes, those repercussions will be felt everywhere – much like the ripples on a pond – to exacerbate volatility.

Long-term investors like Villere, however, watch patiently for those ripples to recede into the distance, secure in our knowledge that near-term volatility can signal opportunities may be at hand. By overlooking ripples in the market (and closing bell distractions) we feel we are more likely to find companies with good growth prospects at reasonable prices.

Perhaps legendary economist and investor Benjamin Graham best emphasized the importance of patience. Instead of being fearful of the market's unknowns, Graham believed that investors are better served by using their knowledge about company fundamentals in their quest for performance. To illustrate his point, Mr. Graham used this analogy: "In the short run, the market is a voting machine but in the long run it is a weighing machine." Unlike a voting machine that measures the popularity of stocks on any given business day, a weighing machine that accounts for a company's true growth potential can operate across a broader, more meaningful time frame – even a business cycle.

### Villere Balanced Fund

Designed for investors seeking a blend of primarily small and mid cap stocks as well as bonds, Villere & Company launched its Balanced Fund in 1999. Since its inception, as you can see in the accompanying table, the Fund has easily outpaced the Lipper Balanced Fund Index.

As of June 30, the Fund returned 0.36% for the quarter, trailing its benchmark, the Lipper Balanced Index, which returned 1.99%.

Concerning our fixed income allocation, we are holding close to our minimum bond allocation as we believe that with interest rates near historical lows, bond prices seem to have nowhere to go but down. Consistent with that view, our bond portfolio currently has a duration of just over three and a half years. Our

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bond allocation is primarily designed to help temper potential downside portfolio risk. That said, 8% of the bond portfolio is below investment grade bonds—these are mainly situations where we know the company and management team from our equity research. We generally prefer to buy a bond when issued and hold it to maturity.

#### Villere Balanced Fund Top Contributors & Detractors

Top Performers — Balanced 3/31/2016–6/30/2016	Portfolio Weight (%)	Return
Taser International Inc.	7.03	26.75
Gulfport Energy Corp.	3.40	10.30
Howard Hughes Corp.	6.13	7.96
Pool Corp.	4.12	7.55
Legett & Platt Inc.	4.89	6.33

Bottom Performers — Balanced 3/31/2016–6/30/2016	Portfolio Weight (%)	Return
Tailored Brands Inc.	1.65	-21.17
Financial Engines Inc.	5.96	-17.47
Apple Inc.	4.31	-11.75
3D Systems Corp.	4.32	-11.51
Oceaneering International	5.05	-9.43

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.

## Villere Equity Fund

The Villere Equity Fund was launched in 2013 to meet the needs of investors who wanted an equity portfolio similar to the Balanced Fund but without the bonds. Emphasizing opportunities for the growth potential found in small- to mid-sized companies, the Fund is grounded in the same disciplined approach Villere & Co. has been applying to its investments for more than a century.

As of June 30, the Fund returned 0.10% for the quarter, lagging its benchmarks, the Russell 2000 Index and the Lipper Mid-Cap Growth Fund Index, which returned 3.79% and 2.45% respectively.

Generally speaking, the stocks held in the Villere Equity Fund will tend to be similar (but not identical) to the equity portion of the Villere Balanced Fund. Individual stock weightings will also differ between the two funds.

#### Villere Equity Fund Top Contributors & Detractors

Top Performers — Equity 3/31/2016–6/30/2016	Portfolio Weight (%)	Return
2U Inc.	2.95	30.13
Taser International Inc.	5.66	26.75
Gulfport Energy Corp.	3.05	10.30
Howard Hughes Corp.	4.98	7.96
Pool Corp.	4.84	7.55

Bottom Performers — Equity 3/31/2016–6/30/2016	Portfolio Weight (%)	Return
Financial Engines Inc.	4.99	-17.47
Tailored Brands Inc.	2.99	-13.24
Apple Inc.	4.33	-11.75
3D Systems Corp.	4.17	-11.51
Skyworks Solutions Inc.	3.24	-11.49

Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.

## Summary

Patient by temperament, we apply our research discipline in a persistent, ongoing manner. We not only use company-provided information; such as annual reports, prospectuses, and press releases in our selection approach, we also use our own proprietary research sources and visit senior management on-site to interview them in depth about their strategies and plans.

Our regular monitoring of our companies is also facilitated by the fact we have sufficient assets under management to attract the attention of major securities firms who can provide us with both research and trade execution at attractive pricing levels.

While we are quick to remain loyal to good businesses that may be undergoing a temporary setback; when we lose confidence in a company's long term prospects, the stock is quickly sold. That's why we continue to hold Financial Engines, which plays a valuable role for 401k investors and looks poised to benefit from its acquisition of The Mutual Fund Store. On the other hand, we exited our position in Tailored Brands due to the chronic underperformance of JoS. A. Bank.

Looking ahead to the second half of 2016, our preference for nimble, innovative companies will be tempered by our stringent criteria for selection. Each company must dominate its particular niche, have low debt, and the display the ability

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to generate above-average cash flow to be considered for purchase. While we may take opportunistic profits on our selections throughout the next quarter when appropriate, we think you will agree that each of our holdings represents strong growth prospects at reasonable prices.

As always, we look forward to your calls and questions. Feel free to talk to us any time. Also, don't forget to visit us at [www.villere.com](http://www.villere.com) for informative fact sheets, colorful downloads and other materials.

Thank you for your confidence in the Villere Funds.

St. Denis J. Villere, George G. Villere, George V. Young,  
St. Denis J. Villere III, Lamar G. Villere, CFA

### Important Information

***A mutual fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 866-209-1129 or visiting [www.villere.com](http://www.villere.com). Read carefully before investing.***

**Mutual fund investing involves risk; loss of principal is possible. Investments in smaller and medium sized companies involve additional risks such as limited liquidity and greater volatility than large cap companies. The Balanced Fund will invest in debt securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a great risk of loss to principal and interest than higher rated securities. The Equity Fund may invest in foreign securities. Foreign investments involve additional risks, including currency fluctuation, political and economic instability, lack of liquidity and differing legal and accounting standards. These risks are magnified in emerging markets. The Equity Fund's ability to invest in initial public offerings (IPOs) involves a higher degree of risk than more seasoned companies.**

The opinions expressed above are those of St. Denis J. Villere, George G. Villere, George V. Young, St. Denis J. Villere III, and Lamar G. Villere and are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security.

The Top 10 holdings in the funds as of 6/30/2016 were:

#### **Villere Balanced Fund:**

Taser International, Inc.	(TASR)	6.6%
B/E Aerospace, Inc.	(BEAV)	5.2%
Epiq Systems, Inc.	(EPIQ)	4.6%
Howard Hughes Corp.	(HHC)	4.6%
Visa, Inc.	(V)	4.3%
Financial Engines, Inc.	(FNGN)	4.2%
Leggett & Platt, Inc.	(LEG)	3.9%
Kearny Financial Corp.	(KRNY)	3.8%
Luminex Corp.	(LMNX)	3.6%
Everbank Financial Corp.	(EVER)	3.6%

#### **Villere Equity Fund:**

Taser International, Inc.	(TASR)	6.2%
Luminex Corp.	(LMNX)	5.9%
LKQ Corp.	(LKQ)	5.0%
B/E Aerospace, Inc.	(BEAV)	4.8%
Howard Hughes Corp.	(HHC)	4.7%
Pool Corp.	(POOL)	4.7%
Genesee & Wyoming, Inc.	(GWR)	4.6%
3-D Systems Corp.	(DDD)	4.6%
Leggett & Platt, Inc.	(LEG)	4.4%
Steris PLC	(STE)	4.4%

All holdings in the portfolio are subject to change without notice and may or may not represent current or future portfolio composition. The mention of specific securities is not intended as a recommendation or an offer of a particular security, nor is it intended to be a solicitation for the purchase or sale of any security.

Cash flow is the net amount of cash and cash-equivalents moving into and out of a business.

Duration, expressed as a number of years, is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

**Indexes: Lipper Balanced Index and the Lipper Mid Cap Growth Fund Index** are equally weighted performance index of the largest qualifying funds in their respective Lipper Categories. Each Lipper average represents a universe of Funds with similar investment objectives. **S&P 500** is an unmanaged index which is widely regarded as the standard for measuring large-cap U.S. stock market performance. The stock index does not incur expenses and is not available for investment. **Russell 2000** is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. One cannot invest directly in an index.

The Villere Funds are distributed by Quasar Distributors, LLC.