



MUTUAL FUNDS COMMENTARY

Where's The Volatility?

After a wild second quarter in which investors found the Brexit vote terrifying, then boring, the third quarter was mostly conspicuous for a lack of volatility. Given the amount of controversy surrounding the U.S. presidential election, we candidly had anticipated a much wilder ride. We hope this trend continues.

Both funds posted solid quarters, with the Villere Balanced Fund returning 7.09%, and the Villere Equity Fund returning 8.99% in spite of higher-than-normal cash balances.

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

- **3D Systems.** 3D Systems, a manufacturer of 3D printers, rose 31% as investors have been impressed with new CEO

Vyomesh Joshi. Joshi is the former executive vice-president of Hewlett-Packard's Imaging and Printing group. Joshi joined the company in April 2016, and has brought a focus on profitability that investors have cheered.

- **2U.** Online education company 2U, which is held by the Equity Fund, rose 30% during the quarter as the company reported results and guidance ahead of analyst expectations.
- **EverBank Financial.** Shares of EverBank surged 25% during the quarter, as the company announced that it is being acquired by TIAA in a cash transaction.

What Didn't Work?

- **Flowers Foods.** Flowers Foods, the second largest baker

VILLERE BALANCED FUND PERFORMANCE (%)

Expense Ratio: 0.89% Inception 9/30/1999¹

9/30/2016	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	¹ Since Inception	¹ Since Inception
Villere Balanced Fund	7.09	7.39	10.13	6.87	7.89	263.36
Lipper Balanced Fund Index	3.07	9.64	9.54	5.46	5.17	135.49
S&P 500 Index	3.85	15.43	16.37	7.24	5.13	134.21

VILLERE EQUITY FUND PERFORMANCE (%)

Expense Ratio: Gross 1.11%; Net 1.17% Inception 5/31/2013²

9/30/2016	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	² Since Inception	² Since Inception
Villere Equity Fund	8.99	7.53	N/A	N/A	2.36	8.09
Lipper Mid Cap Growth Fund Index	4.62	9.14	N/A	N/A	9.08	33.61
S&P 500 Index	3.85	15.43	N/A	N/A	11.24	42.62
Russell 2000 Index	9.05	15.47	N/A	N/A	8.98	33.22

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.

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.

in the U.S., had a tough quarter, with disappointing performance as well as a negative outlook for Flowers ongoing lawsuit with its distributors. The lawsuit alleges that the distributors, which Flowers classified as independent contractors, were in fact employees and entitled to benefits including overtime pay.

- **Energy Stocks.** Shares of both Gulfport Energy and Oceaneering International lagged during the quarter in tandem with energy prices. We held onto shares of Gulfport, which is focused on natural gas drilling in Ohio's Utica Shale, while we exited our position in offshore support provider Oceaneering.
- **Leggett & Platt.** Leggett & Platt's stock sold off sharply at the end of the quarter when rival Tempur Sealy announced disappointing results and an outlook below analyst expectations.

As mentioned above, we sold all of our shares in offshore oilfield support operator Oceaneering International. Regardless of the outlook for oil prices, we felt that we could find better opportunities to maintain our energy exposure. We replaced Oceaneering with shale driller Apache Corporation. We recently met with Apache's management, and came away feeling optimistic that the company's newly announced Alpine High discovery provides it with potential for significant growth.

We also exited our position in Sotheby's. While we continue to think highly of Sotheby's market position, we grew concerned with the outlook for the overall art market in the current environment, and sold all of our shares.

Finally, we sold all of our shares in Apple. We purchased Apple after Steve Jobs died, as we felt the company had a solid growth trajectory and compelling valuation. While Apple clearly fell outside of our small and mid- capitalization focus, we do not have any constraints against buying large companies and were rewarded with solid total returns during our holding period. While our general outlook for the company is positive, we believe that its prospects for growth are not what they once were.

Presidential Election Years and Long-Term Investors

As wild as our current political season has been, it's worth taking a breath to consider our current national moment in the broader historical context.

One good reason for staying calm is this: As volatile as the political rhetoric might be, the marketplace has stayed relatively unruffled. According to The Wall Street Journal, "the past 30 days have been the least volatile of any 30-day period in more than two decades. Only five days during the most recent stretch saw the S&P 500 move by more than 0.5% in either direction, the lowest since the fall of 1995."¹

Election history also shows us the importance of not giving in to presidential campaign jitters. While the 2016 contest may seem to be one for the record books, it is still worth noting that election years tend to be positive for investors. In fact, during the 13 presidential election years since 1964, according to Bloomberg,² the Standard & Poor's 500 Index gained 11 times, or the equivalent of 5.5 winning years for each losing year.

Of course, past results do not guarantee future returns. For those tempted to wonder which party is best for the markets during election years, we think the answer is "neither." When the record is examined in detail, both parties have delivered comparable levels of performance across a variety of measurements and time periods.

In our view, investment success depends more on the underlying fundamentals of a given company than on which party occupies the White House. Still, the act of voting itself may be broadly interpreted by investors as a vote for a brighter future no matter who wins.

One point is certain, presidential campaigns certainly draw the public's attention to a cavalcade of upsetting headlines. For those who can turn down the volume, however, and avoid the distractions of trying to time the market, a patient, thoughtful, long-term focus may be preferable.

By keeping volatile news events in perspective, we think you will inevitably remain true to your personal investment objectives and long-term goals regardless of who occupies the White House in 2017.

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 September 30, the Fund returned 7.09% for the quarter, outperforming its benchmark, the Lipper Balanced Index, which returned 3.07%.

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 bond allocation is primarily designed to help temper potential downside portfolio risk. That said, 11% 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 6/30/2016-9/30/2016	Portfolio Weight (%)	Return
3D Systems Corp.	4.98	31.12
EverBank Financial Corp.	1.72	25.44
Skyworks Solutions, Inc.	4.50	20.84
Genesee & Wyoming, Inc.	2.22	16.96
Financial Engines, Inc.	6.17	15.12

Bottom Performers — Balanced 6/30/2016-9/30/2016

Bottom Performers — Balanced 6/30/2016-9/30/2016	Portfolio Weight (%)	Return
Flowers Foods, Inc.	1.52	-18.49
Oceaneering International	3.52	-13.39
Leggett & Platt, Inc.	4.80	-10.20
Gulfport Energy Corp.	3.24	-9.63
Sotheby's Class A	0.27	-0.22

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 September 30, the Fund returned 8.99% for the quarter, outpacing its benchmark, the Lipper Mid-Cap Growth Fund Index, which returned 4.62%.

Villere Equity Fund Top Contributors & Detractors

Top Performers — Equity 6/30/2016-9/30/2016	Portfolio Weight (%)	Return
3D Systems Corp.	5.48	31.12
2U, Inc.	3.72	30.19
EverBank Financial Corp.	1.97	25.44
Skyworks Solutions, Inc.	5.10	20.84
Genesee & Wyoming, Inc.	5.58	16.96

Bottom Performers — Equity 6/30/2016-9/30/2016

Bottom Performers — Equity 6/30/2016-9/30/2016	Portfolio Weight (%)	Return
Flowers Foods, Inc.	3.47	-18.49
Oceaneering International	2.59	-11.59
Leggett & Platt, Inc.	4.83	-10.20
Gulfport Energy Corp.	2.80	-9.63
Howard Hughes Corp.	5.23	0.16

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

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.

Summary

From inside the bubble of the 24-hour cable news cycle, it is easy to overlook the assurance that comes from applying proven, fundamental principles to the search for investment value.

First, regardless of the crisis du jour, sustainable growth prospects always have a place in our Villere portfolios. You just have to know how to find them. That is why our comprehensive research approach helps us identify those companies that seem likely to provide above-average returns during periods of market strength while still having the capacity to preserve capital during periods of market weakness. We are particularly pleased at how well our strategy has contributed to our small capitalization performance, a sector which has been doing significantly better following a period of underperformance relative to the large capitalization sector.

Next, we undertake a thorough review of a company's financial records to evaluate its cash flow metrics and ability to demonstrate strong earnings potential regardless of the broader trends taking place in any given market environment. We also

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engage with a selection's corporate management to make sure they have the talent, track record, and innovative spark to succeed in their given industry.

Finally, we look to identify those undervalued opportunities which have the potential to deliver a level of risk-adjusted total return that may be overlooked by the broader consensus of investment analysts and researchers. This aspect of active management may be particularly important during relatively low volatility periods like the present. We think those who are considering passively managed selections should keep in mind that index-type funds simply track the market's behavior – in sharp contrast to active managers like Villere that seek to outperform market benchmarks.

Our passion for identifying value for our investors was explored recently in Sandy Villere, III's August CNBC Interview. He noted that while small-cap stocks have been running ahead of the broader market, the Villere team has still been able to identify a number of attractive selections including several "out-of-favor small-caps with modest debt and plenty of cash flow, whose prices look reasonable relative to their growth potential." Both of Villere's funds tilt toward out-of-favor small-caps with modest debt and plenty of cash flow, whose prices look reasonable relative to their growth potential.

Our visitors are invited to watch both the interview or read the accompanying article [here](#).

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 for informative fact sheets, colorful downloads and other materials.

Thank you for your confidence in the Villere Funds.

St. Denis J. Villere, George V. Young,

St. Denis J. Villere III, Lamar G. Villere, CFA

Important Information

¹<http://www.wsj.com/articles/its-getting-scarily-quiet-in-the-stock-market-1471889703>

²Bloomberg <https://www.bloomberg.com/view/articles/2016-08-01/investors-like-election-years-no-matter-who-wins>.

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. 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 9/30/2016 were:

Villere Balanced Fund:

Taser International, Inc.	(TASR)	7.8%
Epiq Systems, Inc.	(EPIQ)	5.3%
Financial Engines, Inc.	(FNGN)	5.0%
3D Systems Corp.	(DDD)	4.7%
Howard Hughes Corp.	(HHC)	4.7%
Kearny Financial Corp.	(KRNY)	4.3%
Skyworks Solutions, Inc.	(SWKS)	3.9%
LKQ Corp.	(LKQ)	3.8%
Visa, Inc.	(V)	3.6%
B/E Aerospace, Inc.	(BEAV)	3.5%

Villere Equity Fund:

Taser International, Inc.	(TASR)	6.4%
Luminex Corp.	(LMNX)	6.0%
3D Systems Corp.	(DDD)	5.5%
LKQ Corp.	(LKQ)	5.0%
Genesee & Wyoming, Inc.	(GWR)	4.9%
Skyworks Solutions, Inc.	(SWKS)	4.6%
B/E Aerospace, Inc.	(BEAV)	4.6%
Apache Corp.	(APA)	4.5%
Financial Engines, Inc.	(FNGN)	4.5%
Howard Hughes Corp.	(HHC)	4.3%

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.

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