



MUTUAL FUNDS COMMENTARY

Maintaining Focus on Picking Stocks in Spite of Headwinds

This was a difficult quarter for the Villere Funds, as they lagged both their indices as well as peer group benchmarks. Small caps continued to lag their large cap counterparts in the fourth quarter, as the S&P 500's 7.04% return more than doubled the small cap Russell 2000's 3.20% return as of 12/31/2015. This trend of small caps underperformance has been particularly frustrating for us, but has not shaken our belief that a portfolio of carefully chosen small, growth-oriented companies has the potential to outperform their larger, more mature counterparts over the long run. Additionally, the Funds both had significant positions in retailer Men's Wearhouse, which lost a stunning 65% of its market value during the period (more discussion below).

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

- **Luminex Corp.** Shares of this lab testing company surged when third quarter results came in well ahead of expectations. We look forward to seeing the sales and margin impact of Luminex's Project Aries, for which the company recently received clearance from the Food and Drug Administration (FDA). We believe that Project Aries, a diagnostics platform designed to increase laboratory efficiency and productivity, has a great deal of potential to drive future growth for Luminex.
- **Financial Engines.** Shares of Financial Engines, an algorithm-based advisor (or "robo-advisor") to 401k-plan participants rose as the company acquired The Mutual Fund Store, a Kansas City-based registered investment advisor, for \$560 million in cash and stock. We met with management following the announcement of the acquisition and were impressed. We see a lot of cross-selling opportunity with this transaction, as it expands Financial Engines' reach into multiple new areas and gives the company 125 locations where its customers can get face-to-face interaction. We were pleased that Warburg Pincus, the private equity firm that owned the majority interest in The Mutual Fund Store, showed its confidence

in the deal by taking stock in the combined company instead of cash.

- **Pool Corp.** Shares of Pool, a wholesale distributor of swimming pool supplies and equipment that dominates this niche market, continued their steady march, gaining 11% in the quarter. We discussed Pool in last quarter's commentary as well, as this company has continued to put up solid results and shares have continued to reward investors.

What Didn't Work?

- **Men's Wearhouse.** Men's Wearhouse was the primary culprit of our underperformance during the quarter. Shares of this men's dress clothing retailer were pounded when results of the company's acquired Jos A. Bank stores were significantly below expectations. A key part of our thesis in buying the shares was the management team's ability to bring the performance of Jos A. Bank up to the level of Men's Wearhouse by reducing its marketing spend, eliminating its margin-killing buy one-get three free deals, and bringing best practices to the stores. Based on results so far, the turnaround is going to be a lot harder than we thought.
- **Taser International.** Shares of Taser have suffered as the company has been focused on growing its body camera business. Unlike its traditional non-lethal weapons business, the body camera business generates low-margin revenues when the cameras are actually sold, but much higher margins (and recurring revenues) as Taser provides storage and archiving services via evidence.com. Put another way, we believe the market is valuing Taser using hardware company metrics, whereas the real growth driver of the company is its software-as-a-service (or "SAAS") business. We spoke with decision makers all over the country that have recently chosen to outfit their officers with body cameras, and based on our findings we believe (1) use of body cameras on police is a trend that will continue, as it can save money and improves behavior on both sides of

VILLERE BALANCED FUND PERFORMANCE (%)

12/31/2015	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	Since Inception ¹	Since Inception ¹
Villere Balanced Fund	-3.58	-8.24	7.56	6.01	7.55	226.24
Lipper Balanced Fund Index	2.97	-0.42	6.98	5.43	5.01	121.17
S&P 500 Index	7.04	1.38	12.57	7.31	4.89	117.19
Expense Ratio: 0.89%					¹ Inception 9/30/1999	

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 Fund 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.

the badge, (2) Taser is not the cheapest solution, but we believe it is the best.

- **3D Systems.** Shares of this manufacturer of 3D printers continued to fall during the quarter, another disappointing period. While we continue to believe in this sector and company and have spent significant time with the management team, the share performance has been extremely painful since the stock's all-time highs at the end of 2013. 3D Systems recently fired its CEO, and has shut down the underperforming consumer business, which we believe indicates the Board's willingness to focus on the more proven industrial sector.

Sticking to Our Knitting

We expect continued volatility as investors fret about the presidential race, movements in oil prices, and political unrest in the Middle East and elsewhere. At Villere & Company, we spend our time speaking with the management teams of our companies, interviewing their customers, suppliers, and competitors, and evaluating their prospects. In short, we are laser focused on putting together a portfolio of our best ideas that we believe will outperform the overall market regardless of the macro environment. Our bias, as always, is to focus on stocks that others overlook or shy away from due to temporary setbacks. While these mainly small- and medium-sized companies are frequently more volatile in the short run, we believe that over the long term investors can be rewarded for their patience.

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 December 31, the Fund returned -3.58% for the quarter, lagging its benchmark, the Lipper Balanced Index, which returned 2.97%.

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, 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 9/30/2015-12/31/2015	Portfolio Weight (%)	Return
Luminex Corp.	6.65	26.49
Financial Engines, Inc.	5.10	14.48
Pool Corp.	5.44	12.08
Visa, Inc.	5.76	11.52
Kearny Financial Corp.	3.48	10.64
Bottom Performers — Balanced 9/30/2015-12/31/2015	Portfolio Weight (%)	Return
Men's Wearhouse Inc.	3.13	-65.07
Sanchez Energy Corp.	1.21	-29.92
Taser International, Inc.	3.40	-25.83
3D Systems Corp.	2.16	-24.76
Gulfport Energy Corp.	0.90	-20.15

VILLERE & CO.

Investment Counsel Since 1911™

VILLERE EQUITY FUND PERFORMANCE (%)

12/31/2015	Total Return		Average Annualized		Cumulative	
	Quarter	1 Year	5 Year	10 Year	Since Inception ¹	Since Inception ¹
Villere Equity Fund	-4.54	-11.19	N/A	N/A	-1.58	-4.04
Lipper Mid Cap Growth Fund Index	3.40	-0.96	N/A	N/A	9.54	26.58
S&P 500 Index	7.04	1.38	N/A	N/A	11.42	32.26
Russell 2000 Index	3.20	-5.71	N/A	N/A	5.70	15.42

Expense Ratio: Gross 1.11%; Net 1.17%

¹Inception 5/31/2013

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 Fund 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 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.

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 December 31, 2015, the Fund returned -4.54% for the quarter, lagging its benchmarks, the Lipper mid-Cap Growth Fund Index, the S&P 500 Index and the Russell 2000 Index, which returned 3.40%, 7.04 and 3.20% 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.

Summary

As active managers, we often rely on our long-term perspective to buy stocks that face the kind of short-term setbacks which might frighten those with shorter-term views.

We typically hold stocks for three to five years or more. In addition to minimizing trading costs, this long holding period orientation can help create a lower tax burden for our taxable investors. Our philosophy at Villere & Co. does not include worrying about what happens in China – or at the Fed – anyway. It does include an exhaustive analytical effort to find, research and select good companies for our shareholders.

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

Villere Equity Fund Top Contributors & Detractors		
Top Performers — Equity 9/30/2015-12/31/2015	Portfolio Weight (%)	Return
Luminex Corp.	5.96	26.49
Financial Engines, Inc.	5.25	14.48
Pool Corp.	6.69	12.08
Visa, Inc.	5.33	11.52
Kearny Financial Corp.	3.40	10.64

Bottom Performers — Equity 9/30/2015-12/31/2015	Portfolio Weight (%)	Return
Men's Wearhouse Inc.	3.96	-65.07
Sanchez Energy Corp.	1.87	-29.92
3D Systems Corp.	2.12	-24.76
Taser International, Inc.	4.12	-23.46
Sotheby's	4.39	-19.17

VILLERE & CO.
Investment Counsel Since 1911™

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.

Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice.

The Top 10 holdings in the funds as of 12/31/2015 were:

Villere Balanced Fund:			Villere Equity Fund:		
Luminex Corp.	(LMNX)	5.7%	Pool Corp.	(POOL)	6.8%
Howard Hughes Corp.	(HHC)	5.7%	Luminex Corp.	(LMNX)	6.4%
DST Systems, Inc.	(DST)	4.8%	Financial Engines, Inc.	(FNGN)	5.3%
Financial Engines, Inc.	(FNGN)	4.2%	Leggett & Platt, Inc.	(LEG)	4.8%
Apple, Inc.	(AAPL)	4.1%	Everbank Financial Corp.	(EVER)	4.8%
Leggett & Platt, Inc.	(LEG)	4.0%	Howard Hughes Corp.	(HHC)	4.8%
LKQ Corp.	(LKQ)	4.0%	LKQ Corp.	(LKQ)	4.7%
Pool Corp.	(POOL)	4.0%	Apple, Inc.	(AAPL)	4.7%
Everbank Financial Corp.	(EVER)	3.8%	B/E Aerospace, Inc.	(BEAV)	4.5%
Sotheby's	(BID)	3.8%	Taser International, Inc.	(TASR)	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.

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.

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.

Earnings growth is not representative of the fund's future performance.