Q&A WITH SANDY VILLERE
Portfolio Manager

Q. Many say active management is a zero sum game, given fees and expenses. Do you agree or disagree?

A. I disagree. There are a lot of inefficiencies in smaller cap stocks, the area that we invest in. If you do invest in large cap, actively managed funds I would imagine it would be tougher to outperform an index, just given the efficiencies of the larger cap stocks. I believe you can outperform, but that potential is more likely to be in smaller cap, which is one of the more inefficient parts of the market.

Q. Do you think specific market conditions offer opportunities for active managers to really outshine passive investing?

A. Yes, we believe the latest Brexit vote is a good example. When Britain left the European Union (EU), Villere had an opportunity to buy a company called STERIS. It's very basic business, with 78 percent recurring revenue coming from sterilizing hospitals, pharmaceutical companies and research labs.

Because of the Brexit vote, we were able to jump in and buy what looked to us like a great company at a reasonable price. So in this instance, volatility and market uncertainty offered us a great potential opportunity.

Q. In your opinion, what will market conditions be like in the coming 12-24 months?

A. In 2014, the S&P 500 returned 13.69%, while the Russell 2000 only returned 3.53%. In 2015, the Russell fell -5.71% while the S&P was up another 1.4%. We believe in reversion to the mean and looking forward we think there will be an opportunity for smaller caps (represented by the Russell 2000) to outperform large caps (represented by the S&P 500).

Recently we've seen significant inflows into larger cap index funds which tend to be very efficient. Over time those efficient stocks' valuations can get too high causing investors to consider less efficient smaller cap stocks thus creating a scenario that may help those smaller inefficient companies outperform.

Q. What advice do you have for people who are moving to ETFs given their great performance over the years?

A. I believe people should be cautious when investing in ETFs right now. Since 2009 there has been a one trillion dollar swing, with approximately $750 billion coming out of actively managed funds and about $330 billion going into exchanged traded funds and index funds. With all the money "pouring in" at one time, usually, I'd run the other direction.

Q. What do you think it takes to be a successful actively managed fund?

A. So what we like to do, we like to kick the tires; we like to visit with each company that we invest in. We like to look at peer group analysis and try to find out what companies are cheap relative to their peers and we like to buy what we believe are the very best companies. Why buy Hewlett Packard and EMC when you can buy Apple or Facebook or something similar? We very much like to cherry pick what we view as the very best companies with moats dug around them at reasonable prices.

I think it gives active managers a leg up. In addition, if you do have a down market, which we haven't had in some years, being able to hold cash is key. When everything goes up ETFs have tended to be great, but as we all know that just doesn't happen every year. So we think there's a big advantage to being actively managed

Q. Is there a place for passive investments in a portfolio?

A. Yes, you can have some passive investments in a portfolio, but at Villere & Co., we believe you can capture potential outperformance by owning good companies at reasonable prices that dominate a niche. We prefer to conduct rigorous research and hand pick each company rather than have a passive style.

RISK CONSIDERATIONS

One cannot invest directly in an index.

Mutual fund investing involves risk; principal loss is possible. Investments in smaller and medium sized companies involve additional risks such as limited liquidity and greater volatility. 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 through ADRs. 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.

Investments in ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value ("NAV"), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Funds ability to sell its shares.

Active investing has higher management fees because of the manager's increased level of involvement while passive investing has lower management and operating fees. Investing in both actively and passively managed mutual funds involves risk and principal loss is possible. Both actively and passively managed mutual funds generally have daily liquidity. There are no guarantees regarding the performance of actively and passively managed mutual funds. Actively managed mutual funds may have higher portfolio turnover than passively managed funds. Excessive turnover can limit returns and can incur capital gains.

Small- and Medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies.

S&P 500 Index is an unmanaged index which is widely regarded as the standard for measuring large-cap U.S. stock market performance.

Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization and serves as a benchmark for small-cap stocks in the United States.

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

The stocks mentioned herein represent the following percentages of the total net assets of the Villere Balanced Fund as of August 31, 2016: Apple Inc. 3.45%, Dell EMC 0.00%, Facebook 0.00%, Hewlett Packard 0.09%, and STERIS Plc 3.30%, and of the Villere Equity Fund as of August 31, 2016: Apple Inc. 3.80%, Dell EMC 0.00%, Facebook 0.00%, Hewlett Packard 0.00%, and STERIS Plc 4.15%. The Villere Balanced Fund has a gross expense ratio of 0.89%, and the Villere Equity Fund has a gross expense ratio of 1.11%.

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 866-209-1129. Read carefully before you invest.

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

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