



MUTUAL FUNDS COMMENTARY

Concentrate.

When is a good thing not enough?

One answer to that riddle can be found in the investment concept of “diversification,” a primary feature of most mutual funds. By spreading assets – and risk – across a range of stocks, a portfolio has better potential to buffer the impact of a single stock’s sudden downward movement.

On the face of it, not putting all of your eggs in one proverbial basket just makes good sense.

However, as Villere Balanced Fund Co-Portfolio Manager George Young pointed out in his article, *Avoiding the Pitfalls of Over-Diversification*, “In many cases, two stocks may be too few and 100 stocks may be too many.”

Our firm focuses on the companies it knows best, because we study them intently. The result: the number of holdings in our fund typically ranges between 25 and 30. By choosing diversification’s “middle path,” we track fewer variables, avoid distractions and give our concentrated approach a chance to amplify stock outperformance when it occurs to benefit you and your fellow shareholders.

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

- **3D Systems.** Our top-performing stock for the quarter was three dimensional printer manufacturer 3D Systems, up 25.0%. A worthwhile illustration of Villere’s calm and patient approach, we have stayed the course with 3D Systems by

VILLERE BALANCED FUND PERFORMANCE (%)

Expense Ratio: 0.98% Inception 9/30/1999¹

6/30/2017	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	¹ Since Inception	¹ Since Inception
Villere Balanced Fund	4.21	14.20	7.33	6.63	7.93	287.50
Lipper Balanced Fund Index	2.52	10.80	8.53	5.11	5.37	153.15
S&P 500 Index	3.09	17.90	14.63	7.18	5.66	165.88

VILLERE EQUITY FUND PERFORMANCE (%)

Expense Ratio: Gross 1.26% Inception 5/31/2013²

6/30/2017	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	² Since Inception	² Since Inception
Villere Equity Fund	3.49	14.65	N/A	N/A	3.20	13.70
Lipper Mid Cap Growth Fund Index	5.65	20.19	N/A	N/A	11.07	53.49
S&P 500 Index	3.09	17.90	N/A	N/A	12.53	61.91

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.

focusing on the firm's fundamental, underlying strengths as we waited for the firm to find its footing over the past three years. With CEO Vyomesh (VJ) Joshi now in place for over a year, the company's growth trajectory appears solid. 3D reported first quarter revenues that were ahead of expectations and reaffirmed its full-year guidance.

- **2U.** 2U is on the leader board again, with shares up 18.3% during the quarter. During the period, 2U acquired GetSmarter, a South African company that collaborates with universities to offer online short courses. GetSmarter complements 2U's degree programs, and adds partnerships with Cambridge, Harvard, University of Chicago, London School of Economics, and more. While 2U has not given detailed financial information about GetSmarter, our conversation with 2U's co-founder and CEO indicated that the acquisition is expected to accelerate revenue growth..
- **Steris.** Shares of infection prevention provider Steris rose 17.8% as the company reported results that exceeded expectations. We originally purchased Steris after the Brexit vote spooked investors (the company is technically based in the UK even though 69% of revenues come from the United States).

What Didn't Work?

- **Energy.** Both Apache and Gulfport Energy were material detractors during the quarter, as the energy industry continues to flounder. We have had the opportunity to recently meet with both management teams, and despite our concerns with the industry and the performance of these stocks lately, we believe that both have promising prospects.
- **Financial Engines** Shares of Financial Engines gave back much of the prior quarter's gains as the company reported first quarter revenues that were short of expectations. With that said, Financial Engines raised its 2017 net income guidance. We continue to believe that the company's offering to 401k plan participants is attractive and that the acquisition of The Mutual Fund Store is likely to boost growth and profitability.

Villere: The Opposite of Passive

In his May interview for ThinkAdvisor Lamar Villere, portfolio manager and partner at Villere & Co., explained

why he prefers to buy the stocks of people who are selling.²

"We don't really have a small-cap bias, as much as we find large-caps are typically too expensive," Mr. Villere said. As a true stock picker, he is relentlessly on the hunt for companies with low debt, strong cash flow and that dominate their niche.

Favoring companies that are growing in double digits, he told the publication he is looking for those difficult-to-find companies that are still trading at a reasonable price. "Especially in the last two years," he said, "We've looked to buy stocks on the heels of a sudden price drop."

To keep pace and uncover opportunities, management must stay active. "We're basically the opposite of passive," Mr. Villere said.

Other Actions

We added to our holdings in Axon Enterprise (AAXN) Axon, formerly known as Taser. This firm is rapidly becoming a dominant player in the nonlethal weapons industry through its growing body camera business. In April, Axon announced that they would equip every officer in the U.S. with a free body camera for a one-year trial including data storage, support and training. While the market reacted negatively to the move because it thought the giveaway would subtract from profits, we quickly added more shares to our position on the price drop.

We are also watching another holding, Howard Hughes Corp (HHC) which develops and operates master planned communities. After completing construction projects in Houston, Hawaii and Las Vegas, the firm is currently developing in South Street Seaport in New York City, which we recently toured.

While Acuity Brands subtracted somewhat from return during the quarter, we are holding fast to this up-and-coming stock. During an April interview with Bottomline, Villere Balanced Fund (VILLX) Co-Portfolio Manager George Young explained why he thinks the lighting firm has a bright future.³

"Acuity Brands has made a major push into LEDs over the past four years, which are much more efficient than incandescent lights and less harsh than fluorescents," Mr. Young said. "With currently only 5% of the market, LED products have a lot of room for growth."

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 table on page 1, the Fund has easily outpaced the Lipper Balanced Fund Index.

As of June 30, the Fund returned 4.21% for the quarter, well ahead of its benchmark, the Lipper Balanced Index, which returned 2.52%.

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 under three 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 3/31/2017–6/30/2017	Portfolio Weight (%)	Return
3D Systems Corporation	4.07	25.00
STERIS Plc	4.31	17.75
2U, Inc.	3.92	18.31
Axon Enterprise Inc	6.52	10.31
Luminex Corp	3.14	15.30

Bottom Performers — Balanced 3/31/2017–6/30/2017

Bottom Performers — Balanced 3/31/2017–6/30/2017	Portfolio Weight (%)	Return
Financial Engines, Inc.	4.51	-15.81
Gulfport Energy Corporation	2.51	-14.19
Apache Corporation	3.15	-6.26
Sanchez Energy Corporation	1.72	-11.95
Skyworks Solutions, Inc.	6.25	-1.80

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. It is similar to the Villere Balanced Fund but without the bonds. Emphasizing

Villere Equity Fund Top Contributors & Detractors

Top Performers — Equity 3/31/2017–6/30/2017	Portfolio Weight (%)	Return
3D Systems Corporation	5.63	25.00
2U, Inc.	4.52	18.31
STERIS Plc.	4.26	17.75
Luminex Corp.	4.38	15.30
Axon Enterprise Inc.	5.37	10.31

Bottom Performers — Equity 3/31/2017–6/30/2017

Bottom Performers — Equity 3/31/2017–6/30/2017	Portfolio Weight (%)	Return
Financial Engines, Inc.	5.88	-15.81
Gulfport Energy Corporation	2.91	-14.19
Apache Corporation	3.99	-6.26
Euronet Worldwide, Inc.	4.79	2.16
Skyworks Solutions, Inc.	6.13	-1.80

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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 3.49% for the quarter, lagging its benchmark the Lipper Mid-Cap Growth Fund Index return of 5.65% but ahead of the S&P 500 which returned 3.09%.

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

In a way, Villere & Company acts as a counterpoint to the broader investment world.

Where market sentiment is transitory, we are steadfast and stay true to our principles of disciplined fundamental analysis. What worked for Villere's investors more than 100 years ago can still work today: the pursuit of attractive companies that demonstrate strong financial metrics and good earnings potential.

As mentioned above, second quarter's best performer, 3D Systems, provides an instructive example of our disciplined patience.

VILLERE & CO.

Investment Counsel Since 1911™

It was just two years ago that we had written “The continued decline in 3D Systems was worsened by a slowdown in its international business. On the positive side, we have seen firsthand how their quality improvement programs are creating better products. Each new product is subjected to a rigorous battery of tests to ensure a greater degree of product reliability.”

By October 2016, we were reporting that 3D Systems had risen 31% for the third quarter as investors applauded the firm’s new CEO, Vyomesh Joshi, and his renewed focus on profitability.

Looking ahead to the second half of 2017, our preference for nimble, innovative companies will continue to be tempered by our stringent criteria for selection. While we will take opportunistic profits on our selections throughout the next quarter when appropriate, we believe that each of our holdings represents outstanding potential with attractive valuations.

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 to download our fact sheets, and other materials.

Thank you for your continued confidence in the Villere Funds.

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

Important Information

¹ Villere Resources <http://www.villere.com/media/pdfs/Moderation.pdf>

² ThinkAdvisor <http://www.villere.com/press.html>

³ BottomLine <http://www.villere.com/press.html>

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 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 6/30/2017 were:

Villere Balanced Fund:

Axon Enterprise, Inc.	(AAXN)	6.9%
Skyworks Solutions, Inc.	(SWKS)	6.0%
Steris PLC	(STE)	4.7%
LKQ Corp.	(LKQ)	4.3%
2U, Inc.	(TWOU)	4.3%
Financial Engines, Inc.	(FNGN)	4.2%
Euronet Worldwide, Inc.	(EEFT)	3.7%
Kearny Financial Corp.	(KARNY)	3.5%
Western Digital Corp.	(WDC)	3.5%
Visa, Inc.	(V)	3.5%

Villere Equity Fund:

Skyworks Solutions, Inc.	(SWKS)	5.7%
3D Systems Corp.	(DDD)	5.6%
Axon Enterprise, Inc.	(AAXN)	5.5%
Financial Engines, Inc.	(FNGN)	5.4%
Western Digital Corp.	(WDC)	5.0%
Euronet Worldwide, Inc.	(EEFT)	4.9%
Acuity Brands, Inc.	(AYI)	4.8%
Genesee & Wyoming, Inc.	(GWR)	4.8%
Pool Corp.	(POOL)	4.7%
LKQ Corp.	(LKQ)	4.6%

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.

The Villere Funds are distributed by Quasar Distributors, LLC.