



MUTUAL FUNDS COMMENTARY

Thinking Beyond the Tweets “and Arrows of Outrageous Fortune”

Question: What do Supreme Court nominees, President Donald Trump’s tweets, and White House Advisor Jared Kushner’s efforts in the Middle East have in common?

Answer: They have no impact on Villere & Company’s investment process. We spend no time wondering or worrying about the 24-hour news cycle’s impact on the market. So, to borrow from Shakespeare; our patient, long-term approach to investing means we don’t try “to take arms against a sea of troubles.”

Instead, we focus on seeking out high quality stocks at a reasonable price. That is our commitment to you, our investors.

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

- **Skyworks Solutions.** Our top-performing stock for the quarter was Skyworks Solutions, which has been on a tear since investors have begun looking ahead to the expected release of Apple’s 10th anniversary iPhone later this year. Most expect Apple to produce a splashy device that they believe will sell well. Even if the Apple device loses share to its competitors, Skyworks will play a large role in whatever cell phones catch the eye of consumers. Further, as consumers continue to buy connected devices – Sonos speakers, Nest thermostats, Amazon Echo, and others -- Skyworks’ semiconductors should continue to be in demand.

VILLERE BALANCED FUND PERFORMANCE (%)

Expense Ratio: 0.98% Inception 9/30/1999¹

3/31/2017	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	¹ Since Inception	¹ Since Inception
Villere Balanced Fund	3.63	9.99	6.48	6.57	7.79	271.86
Lipper Balanced Fund Index	4.15	10.22	7.56	5.28	5.30	146.94
S&P 500 Index	6.07	17.17	13.30	7.51	5.56	157.91

VILLERE EQUITY FUND PERFORMANCE (%)

Expense Ratio: Gross 1.26 Inception 5/31/2013²

3/31/2017	Total Return		Average Annualized			Cumulative
	Quarter	1 Year	5 Year	10 Year	² Since Inception	² Since Inception
Villere Equity Fund	-0.66	10.89	N/A	N/A	2.48	9.86
Lipper Mid Cap Growth Fund Index	1.12	16.55	N/A	N/A	10.24	45.28
S&P 500 Index	0.12	17.17	N/A	N/A	12.50	57.06

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.

- **2U.** Shares of 2U sharply reversed last quarter's downward direction, finishing the first quarter of 2017 with a stellar 31.5% increase. Investors have also cheered 2U's transition to profitable growth as its revenues and earnings in the fourth quarter exceeded Wall Street expectations. The company continues to show investors that it has strong appeal at both partner universities and among graduate students. Additionally, 2U raised the number of schools it expects to partner with, anticipating 13 launches in 2018, 16 in 2019, and 19 in 2020.
- **Financial Engines.** One of our top holdings in the fourth quarter, Financial Engines, remains in its strong position after returning 18.7% during the first quarter. As we have mentioned, Financial Engines offers automated low cost, fee-based financial guidance to the employees of hundreds of Fortune 500 companies. The integration of its acquisition of The Mutual Fund Store with Financial Engines also appears to be going smoothly.

What Didn't Work?

- **Energy.** Both Apache and Gulfport Energy were material detractors during the quarter, as the energy industry continues to flounder. We recently had the opportunity to meet with both management teams, and despite our concerns with the industry and the performance of these stocks recently, we believe that both have promising prospects.
- **Taser/Axon.** Taser, which changed its name to Axon Enterprise on April 6, disappointed investors with its first quarter results. We continue to believe that Axon's body camera business has significant growth and profitability ahead. On April 5, the company announced that it would provide any interested police force with free cameras and service for all of their police officers for an entire year. We believe this has the possibility of significantly disrupting the body camera market in Axon's favor, as it would be difficult for competitors to match this offer.

Other Actions

Last year, long-time holding BE Aerospace announced that it is being acquired by Rockwell Collins for cash and stock. The transaction price will represent a 22.5% premium to the company's share price and is expected to close in the first half of this year. Once the stock reflected this transaction, we decided to sell our shares as we were not interested in the shares of Rockwell and wanted to deploy that cash elsewhere.

We purchased three new positions during the quarter. First, we bought shares of Acuity Brands, a leader in the North American market in LED lighting technology. We believe in the future of LED lighting, and think Acuity is well-positioned in that market. Second, we purchased shares of Western Digital, a market leader in digital memory, both in the slow and cheap hard drive space, as well as the fast and expensive NAND Flash memory space (after its recent acquisition of SanDisk). With the growth in cloud and other technologies, the amount of total stored information is expected to double every two years, which should provide a tailwind for Western Digital. Finally, we bought shares of electronic payment services provider Euronet Worldwide, which offers ATMs, money transfers, and other services. We know Euronet well, having owned it in the past.

We're *Still* Sticking to our Knitting

A year ago, we wrote in the Villere Commentary, "We expect continued volatility as investors fret about the presidential race, movements in oil prices, and political unrest in the Middle East and elsewhere."

Sounds like today, doesn't it? Our response to global events then was the same as it is now: Stay laser-focused on crafting portfolios we believe will outperform the overall market regardless of what happens at the macro-economic level.

For Lamar Villere, co-manager of the Villere Balanced Fund, that means steering a course independent of investor mood swings as well. He was recently asked by USA Today to comment on President Trump's economic agenda; big tax cuts for corporations, less business regulation and large spending on infrastructure projects.

Mr. Villere answered: "The market is saying all this stuff is going to happen, all this stuff is going to work, all this stuff is going to be good for the economy. The first time one of Trump's major economic policy platforms gets shut down by Congress, you might get the market to say, 'Hmm, maybe this won't happen.' The market could start to get shaky. You could have a pullback, as it would remove one of the main reasons for the rally."²¹

In contrast, whether the market pulls back – or rallies – our approach at Villere & Company doesn't waver. What worked for Villere's investors more than 100 years ago still works today: the pursuit of attractive companies that demonstrate strong financial metrics and good earnings potential. Our stocks represent consistent, well-managed companies which are somewhat out-of-favor and undervalued, yet still dominate their niche, maintain low levels of debt and show strong cash flow.

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In short, we expect the companies we select to do well in different environments regardless of investor sentiment.

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 March 31, the Fund returned 3.63% for the quarter, trailing its benchmark, the Lipper Balanced Index, which returned 4.15%.

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, 9% 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 12/31/2016–3/31/2017	Portfolio Weight (%)	Return
Skyworks Solutions, Inc	5.21	31.64
Financial Engines, Inc.	6.34	18.71
2U, Inc.	3.01	31.54
Pool Corporation	3.87	14.66
Visa, Inc.	4.16	14.12

Bottom Performers — Balanced 12/31/2016–3/31/2017

Bottom Performers — Balanced 12/31/2016–3/31/2017	Portfolio Weight (%)	Return
Apache Corp.	3.40	-18.71
Gulfport Energy Corp..	2.96	-20.56
Taser International	6.18	-5.98
Luminex Corp.	3.22	-8.89
LKQ Corp.	3.78	-4.50

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

Villere Equity Fund Top Contributors & Detractors

Top Performers — Equity 12/31/2016–3/31/2017	Portfolio Weight (%)	Return
Skyworks Solutions, Inc	5.51	31.64
2U, Inc.	4.64	31.54
Financial Engines, Inc.	5.96	18.71
Euronet Worldwide	4.33	17.05
Pool Corp.	4.56	14.66

Bottom Performers — Equity 12/31/2016–3/31/2017

Bottom Performers — Equity 12/31/2016–3/31/2017	Portfolio Weight (%)	Return
Gulfport Energy Corp.	3.72	-20.56
Apache Corp.	4.02	-18.71
Luminex Corp.	5.04	-8.89
First Hawaiian, Inc.	2.42	-13.48
Taser International	5.52	-5.98

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 March 31, the Fund returned 3.62% for the quarter, lagging its benchmarks, the Lipper Mid-Cap Growth Fund Index and the S&P 500 which returned 8.01% and 6.07% 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

With warmer weather ahead, one of New Orleans' favorite dishes is sure to be featured at many a cook-out.

For Villere Partner George V. Young the principles behind the perfect gumbo recipe share a startling number of similarities with portfolio management.

"Gumbo is made to the cook's liking," he wrote in his white paper, Portfolio Soup: Finding A Recipe That Suits Your

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Investment Needs². “There is a wide variety of ingredients available, but the chef must pick and choose the ones that will create the best flavors and textures. Recipes may change from time to time based on knowledge and insights shared by others... but the cook who stays true to the family recipe is likely to win the most praise.”

Mr. Young points out that every investor has a unique set of investment objectives and their own taste for risk. “It’s worthwhile to consider that each ingredient in both gumbo and your portfolio add flavor,” he added.

While anyone with a pot and stove might be able to make gumbo, it takes knowledge and experience to make a great gumbo, he continues.

“Similarly, we believe the recipe for successful long-term investing requires diversification, knowledge and patience – and the insights of an experienced, insightful investment manager,” he concludes.

While enjoying your own cook-outs this spring and summer, know your team at Villere & Company will be crafting and monitoring its own blend of value securities for your fund portfolio – based on the ingredients we employ from our in-depth knowledge and extensive research.

As always, we look forward to your calls and questions. Feel free to talk to us any time.

Also, please don’t miss our latest Q&A with Portfolio Manager Sandy Villere, as well as visit other places on our website www.villere.com for informative fact sheets and other materials.

Thank you for investing in the Villere Funds.

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

Important Information

¹USA Today <http://www.villere.com/press.html>

²Portfolio Soup: Finding A Recipe That Suits Your Investment Needs http://www.villere.com/media/pdfs/Villere_2013-5_Portfolio_Soup.pdf

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 12/31/2016 were:

Villere Balanced Fund:

Taser International, Inc.	(TASR)	6.0%
Skyworks Solutions, Inc.	(SWKS)	5.9%
Howard Hughes Corp.	(HHC)	5.7%
Financial Engines, Inc.	(FNGN)	4.9%
3D Systems Corp.	(DDD)	4.7%
Steris PLC	(STE)	3.9%
LKQ Corp.	(LKQ)	3.7%
2U, Inc.	(TWOU)	3.5%
Euronet Worldwide, Inc.	(EEFT)	3.5%
Kearny Financial Corp.	(KARNY)	3.5%

Villere Equity Fund:

Financial Engines, Inc.	(FNGN)	6.5%
Skyworks Solutions, Inc.	(SWKS)	5.9%
2U, Inc.	(TWOU)	5.2%
Taser International, Inc.	(TASR)	5.1%
Euronet Worldwide, Inc.	(EEFT)	4.8%
Pool Corp.	(POOL)	4.8%
Luminex Corp.	(LMNX)	4.8%
Genesee & Wyoming, Inc.	(GWR)	4.8%
Western Digital Corp.	(WDC)	4.7%
3D Systems Corp.	(DDD)	4.5%

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.

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