



Villere & Co.

Fourth Quarter 2017

VILLERE MUTUAL FUNDS — QUARTERLY COMMENTARY

Market Review — The Year of the FAANG Stocks

2017 was a remarkable year for stocks, with indexes across the board making strong gains for the year. Small-cap value was relatively weak during the year. 2017 marked the ninth consecutive year of positive returns for the S&P 500. This has only occurred one other time since the inception of the S&P 500 (1991-1999). The equity-friendly environment caused stock prices, as measured by the S&P 500 Index, to increase every month for the first time in history, and volatility was very low.

As frequently highlighted in the media, the FAANG stocks – which consist of Facebook, Amazon, Apple, Netflix, and Alphabet's Google – crushed the broader market in 2017, buoyed by strong earnings growth and a momentum-chasing mindset from investors looking to buy proven winners. In fact, the five FAANG stocks contributed nearly a quarter of the total return for the entire S&P 500 Index in 2017.

It was very much a market where growth outperformed value, and larger companies outperformed small companies. The S&P 500 gained 21.83% in 2017, while small-caps as measured by the Russell 2000 Index was up 14.65%, and the Russell MidCap Index rose 18.52%.

Small-cap stocks, which were the laggards in the first half of 2017, staged a strong comeback in the second half on tax reform optimism and an accelerating economy. In the fourth quarter, small- and mid-cap stocks increased 3.34% and 6.07% respectively, and the S&P 500 gained 6.64%.

Once again, political and macroeconomic events were a major factor affecting the performance of the U.S. equity market.

After struggling its way from the House and the Senate, the tax bill finally got through Congress and the White House with President Trump's signature and became law. The corporate tax cut from 35% to 21% should be a big boon to small-cap stocks as small-cap companies have been paying a higher effective tax rate than larger and multinational companies.

With the bull market heading toward its ninth anniversary on March 9th and an environment with solid economic and corporate earnings growth, the Federal Reserve raised its interest rates for the fifth time on December 13th to help combat potentially higher inflation.

VILLERE BALANCED FUND PERFORMANCE (%) VILLX

Expense Ratio: 0.94%

Inception 9/30/1999¹

12/31/2017	Total Return			Average Annualized		Cumulative	
	Quarter	1 Year	5 Year	10 Year	¹ Since Inception	¹ Since Inception	
Villere Balanced Fund	1.25	9.13	5.58	7.09	7.77	291.62	
Lipper Balanced Fund Index	3.58	14.10	8.73	5.73	5.60	170.52	
S&P 500 Index	6.64	21.83	15.79	8.50	6.13	196.24	

VILLERE EQUITY FUND PERFORMANCE (%) VLEQX

Expense Ratio: 1.26%

Inception 5/31/2013²

12/31/2017	Total Return			Average Annualized		Cumulative	
	Quarter	1 Year	5 Year	10 Year	² Since Inception	² Since Inception	
Villere Equity Fund	0.92	7.34	N/A	N/A	2.86	13.81	
Lipper Mid Cap Growth Fund Index	5.79	25.90	N/A	N/A	12.17	69.34	
S&P 500 Index	6.64	21.83	N/A	N/A	13.72	80.40	

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.

Villere Portfolio Review - Equities

4th Quarter Top Contributors

Pool Corporation

With more than 3,400 employees and over 300 locations worldwide, POOLCORP leads the pack as the world's largest wholesale distributor of swimming pool supplies, equipment and related leisure products. Pool also distributes irrigation and landscape products in the United States. With solid revenue growth and earnings topping the consensus estimate, the stock continued to perform well during a seasonally weak period. It has been on a solid run after a brief pullback last summer, gaining 20.2% in the fourth quarter.

Axon Enterprise

Axon Enterprise (formerly Taser Intl.) engages in the development, manufacturing and sale of conducted electrical weapons for the law enforcement, federal, military, corrections, private security, and personal defense markets. Axon makes some of the most indispensable products in law enforcement, providing Taser non-lethal weapons and Axon body cameras around the world. Axon stock was up 16.9% in the fourth quarter as shares rebounded when the SEC announced that it concluded its investigation without any finding of wrongdoing. Axon also announced significant new orders for the Axon Fleet in-car video systems, including both the New Orleans Police Department and Louisiana State Police. We will be on the lookout.

2U Inc.

2U works with major universities to create online graduate degree programs, providing systems and logistical support. 2U is at the forefront of this growing business, partnering with universities such as Yale, Harvard, New York University, and Georgetown. 2U gained 15.1% in the fourth quarter, continuing a strong run after third quarter results exceeded expectations and the guidance was raised. 2U also announced two new degree programs with University of Southern California, and a plan to launch total of 16 new programs in 2018 and 19 in 2020.

4th Quarter Top Detractors

3D Systems

3D Systems is the originator of 3D printing and provides comprehensive 3D products and services, including 3D printers, print materials, on-demand parts services and digital design tools. 3D declined 35.5% during the quarter, continuing a recent slide as the company reported much lower quarterly financial performance than expected and withdrew its full-year guidance given management's focus on turning around the company. 3D is implementing significant organizational changes and is dealing with the fallout from an acquisition spree carried out by former management. 3D's Figure 4 production printing system launch was also pushed

from 2017 to the first half of 2018. With new products coming out in 2018, we believe the outlook looks more promising but are watching the company closely.

Financial Engines

Financial Engines is a provider of technology-enabled portfolio management services and investment advice to participants in employer-sponsored retirement plans. The stock was down 12.6% in the fourth quarter as a result of disappointing third quarter results and guidance, as well as some concerns about industry pricing issues. We remain optimistic as they get traction rolling out their Personal Advisor service to allow them to handle assets from 401k participants rolling over to IRAs.

Euronet Worldwide

Euronet Worldwide is an industry leader in providing secure electronic financial transaction solutions. The company operates one of the largest independent ATM networks in Europe, and is the world's largest payment network for prepaid mobile top-up and the third-largest global money transfer company. Despite solid results, the stock floundered in the fourth quarter due to regulatory concerns and fell 11.1%. Also, questions remained about whether Ant Financial's proposed acquisition of MoneyGram would go through. The transaction was terminated on Jan. 3rd, 2018 and Euronet's stock rebounded significantly as investors considered the possibility that Euronet may once again make a bid to acquire MoneyGram.

Villere Balanced Fund

The Fund posted a gain of 1.25% during the quarter, but trailed the Lipper Balanced Fund Index which was up 3.58%, and the S&P 500 Index which gained 6.64%, primarily due to investors' bias for large company stocks. Most peers in the balanced fund category invest primarily in large-cap stocks vs. Villere's bias toward small- and mid-sized companies.

The fixed income exposure in the fund remains near the minimum end of the Fund's asset allocation range as we anticipate possible increases in interest rates. The Fund can hold 25-40% in bonds, and we are at 26.3%. The Fund's allocation to stocks can be 60-75%, and was at 69.6% as of the end of the year. The remaining allocation is in cash, at 4.1%, which we are looking to deploy as opportunities arise.

The Fund's fixed income allocation is primarily designed to help temper potential downside risk. The portfolio allocation currently has a duration of just under three years. The Fund's fixed income portfolio is invested in 91% investment-grade bonds, and 9% in below investment-grade bonds to add potential for additional yield and return. The holdings in below investment-grade bonds are mainly in securities where we know the company and management team well from our equity research.

Villere Balanced Fund Top Contributors & Detractors

Top Performers — Balanced 9/30/2017-12/31/2017	Portfolio Weight (%)	Return (%)
Axon Enterprise Inc.	7.24	16.89
2U, Inc.	6.38	15.11
Pool Corporation	3.70	20.23
LKQ Corporation	4.06	13.00
Howard Hughes Corporation	3.71	11.31

Bottom Performers — Balanced 9/30/2017-12/31/2017	Portfolio Weight (%)	Return (%)
3D Systems Corporation	1.72	-35.47
Financial Engines, Inc.	3.98	-12.59
Euronet Worldwide, Inc.	4.32	-11.10
Western Digital Corporation	3.71	-7.38
Cypress Semiconductor Corporation	1.42	-8.52

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

Villere Equity Fund

The Fund posted a gain of 0.92% during the quarter, but trailed the Lipper Mid Cap Growth Fund Index which was up 5.79%, and the S&P 500 Index which gained 6.64%. As discussed earlier, pullbacks in a small number of stocks hurt the Fund's performance.

Villere Equity Fund Top Contributors & Detractors

Top Performers — Equity 9/30/2017-12/31/2017	Portfolio Weight (%)	Return (%)
Pool Corporation	4.98	20.23
Axon Enterprise Inc.	5.41	16.89
LKQ Corporation	5.46	13.00
2U, Inc.	4.83	15.11
Ebix, Inc.	2.70	21.57

Bottom Performers — Equity 9/30/2017-12/31/2017	Portfolio Weight (%)	Return (%)
3D Systems Corporation	3.16	-35.47
Financial Engines, Inc.	4.72	-12.59
Euronet Worldwide, Inc.	5.30	-11.10
Cypress Semiconductor Corporation	2.30	-9.22
Western Digital Corporation	4.92	-7.38

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2018 Outlook—A potential reversion to the mean favors small-cap stocks

Our outlook for small- and mid-cap stocks remains moderately constructive. As these companies lagged significantly in 2017, we see a possibility that money rotates into them as opposed to some of the larger-cap, more popular and expensive stocks. We believe that lower corporate tax rates, potentially rising interest rates, and a reversion to the mean all favor small-cap stocks over large-cap.

Volatility will likely climb and market gains across the board will likely be tougher to come by than they were in 2017. While passive investment strategies have seen large inflows during the past year, given the prospects of more uncertainty, volatility and the current valuations, we believe gains in 2018 may almost certainly require the kind of selective approach to sectors and securities practiced by active managers.

We will continue to run our disciplined investment process that has served us well over time – finding “growth at a reasonable price” opportunities and targeting securities whose prices may not reflect their true potential value. Sector allocation continues to be a byproduct of the investment process as we primarily evaluate companies on their own merit, and the Funds typically hold a concentrated portfolio of Villere's 20-30 best ideas.

In summary, we believe an active, selective investment approach will be important in 2018. We own predominantly small- and mid-cap stocks, as opposed to large, for the reasons we mentioned earlier. We anticipate that higher interest rates, tax reform, and a reversion to the mean all have the potential to lead to small-cap companies performing better than their large counterparts.

Thank you for your continued support and confidence in the Villere Funds.

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

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

Important Information

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.

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.

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

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 12/31/2017 were:

Villere Balanced Fund:

Axon Enterprise, Inc.	(AAXN)	8.3%
2U, Inc.	(TWOU)	6.8%
Visa, Inc.	(V)	4.8%
LKQ Corp.	(LKQ)	4.5%
Pool Corp.	(POOL)	4.1%
Euronet Worldwide, Inc.	(EFT)	4.1%
Howard Hughes Corp.	(HHC)	4.0%
Financial Engines, Inc.	(FNGN)	4.0%
Kearny Financial Corp	(KARNY)	3.9%
Steris PLC	(STE)	3.8%

Villere Equity Fund:

Axon Enterprise, Inc.	(AAXN)	6.0%
LKQ Corp.	(LKQ)	5.9%
Genesee & Wyoming, Inc.	(GWR)	5.7%
Visa, Inc.	(V)	5.6%
Pool Corp.	(POOL)	5.4%
Steris PLC	(STE)	5.1%
2U, Inc.	(TWOU)	5.0%
Howard Hughes Corp.	(HHC)	5.0%
Euronet Worldwide, Inc.	(EFT)	4.9%
Western Digital Corp.	(WDC)	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.

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.

Investment-grade is a rating that indicates that a municipal or corporate bond has a relatively low risk of default.

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 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.

Russell MidCap Index is a market capitalization weighted index representing the smallest 800 companies in the Russell 1000 Index.

It is not possible to invest directly in an index.

The Villere Funds are distributed by Quasar Distributors, LLC.