

Market Review: U.S. Stocks Climbed Higher

Solid economic growth and strong corporate earnings drove U.S. stocks higher in the third quarter, while investors endured headlines about trade war concerns, tariffs, and emerging markets turmoil. All the major U.S. equity market indexes rose, with large company stocks leading the way. The S&P 500 increased 7.71%, the Russell 2000 Index was up 3.58%, while the technology-dominated NASDAQ gained 7.14% in the third quarter.

Robust economic growth, deregulation, corporate tax cuts, a strong U.S. dollar, and international trade concerns have all favored and boosted small-cap stocks in 2018. Small caps sharply outperformed the broader market during the first eight months of the year. In September, we saw a pullback in small caps as trade tensions showed

signs of moderation and investors took some profits. The U.S. dollar advance paused, which also helped large U.S. multi-national companies relative to smaller more U.S.-focused companies.

In September, the Federal Reserve raised interest rates for the third time this year and the eighth time since 2015. We expect another rate hike in December and further increases in 2019. With the Federal Reserve committed to raising interest rates to battle inflation, the bond market struggled as interest rates rose and investment-grade corporate credit spreads widened. The Bloomberg Barclays Intermediate Govt/Credit Bond Index was nearly flat for the quarter, gaining 0.21%.

“We are primarily focused on U.S. small- and mid-cap stocks, so we are somewhat insulated from the trade war concerns.”

—Lamar Villere, CFA

VILLERE BALANCED FUND PERFORMANCE (%) VILLX

INCEPTION 9/30/1999*

9/30/2018	Total Return		Average Annualized			Cumulative	
	Quarter	YTD	1 Year	5 Year	10 Year	*Since Inception	*Since Inception
Villere Balanced Fund	2.56	12.34	13.74	5.06	9.47	8.11	339.95
Lipper Balanced Funds Index	3.07	3.21	6.91	7.29	7.70	5.55	179.22
Bloomberg Barclays Intermediate Government/Credit Index	0.21	-0.76	-0.96	1.52	3.22	4.27	121.43
S&P 500 TR	7.71	10.56	17.91	13.95	11.97	6.44	227.54

Expense Ratio: 0.94%

VILLERE EQUITY FUND PERFORMANCE (%) VLEQX

INCEPTION 5/31/2013*

9/30/2018	Total Return		Average Annualized			Cumulative	
	Quarter	YTD	1 Year	5 Year	10 Year	*Since Inception	*Since Inception
Villere Equity Fund	2.93	15.31	16.38	4.21	N/A	5.23	31.24
Lipper Mid Cap Growth Funds Index	7.14	15.49	22.18	12.37		13.40	95.57
S&P 500 TR	7.71	10.56	17.91	13.95		13.82	99.46

Expense Ratio: 1.26%

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

Bottom-up company research and stock selection continue to be central to our process and strategy.

Top contributors to the performance of the Funds in the third quarter included 3D Systems Corp., Euronet Worldwide, Inc., and Progressive Corp. Detractors included Western Digital Corp., Weight Watchers International, Inc., and 2U, Inc.

During the quarter, we purchased WABCO Holdings—a leading global supplier of technologies and services that improve the safety, efficiency and connectivity of commercial vehicles—in both Funds.

We also bought Weight Watchers International, Inc.—a global wellness company with one of the world’s leading commercial weight management programs—in the Equity Fund (Weight Watchers was already in the Balanced Fund).

The buyout of Financial Engines, Inc. by private equity firm Hellman & Friedman was completed in July. The stock had risen sharply after the announcement and we said goodbye to this long-term portfolio holding of both Funds.

During the quarter, we also trimmed our positions in a few of our top performers, including Axon Enterprise, Inc., Pool Corp., and 2U, Inc.

3RD QUARTER TOP CONTRIBUTORS

3D Systems Corp.

3D Systems is a pioneer in 3D printing and provides comprehensive 3D products and services, including 3D printers, print materials, on-demand parts services, and digital design tools. Shares of 3D’s stock increased 36.9% during the quarter as second-quarter results topped Wall Street expectations. 3D Systems had a large increase in printer sales, which should continue to drive sales of high-margin print materials over the life of the printers. The company is also gaining strong traction in several large sectors, such as healthcare providers.

Euronet Worldwide, Inc.

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. The stock gained 19.6% for the quarter, aided by the news that Visa will make it possible for Euronet to provide a wider set of transactions at automated teller machines internationally and expand its offering to all Visa-issued cards globally.

Progressive Corp.

The Progressive Corporation is one of the largest providers of car insurance in the United States. The company also insures motorcycles, boats, RVs and commercial vehicles, and provides home insurance. With solid revenue growth and earnings topping consensus estimates, the stock rose 20.1% in the third quarter. We believe Progressive is well positioned for growth and that may help offset rising interest rate risk in our portfolio as the company may actually do better with their invested assets in such an environment.

3RD QUARTER TOP DETRACTORS

Western Digital Corp.

Western Digital Corp. is a computer data storage company and one of the largest computer hard disk drive manufacturers in the world. The stock declined in the third quarter, falling 23.7%, as concerns about memory pricing weighted on investors’ minds. Chip, memory, and storage stocks have declined across the board. However, we believe that Western Digital should benefit from the growth in enterprise cloud services and trends like the Internet of Things, which is the connection of all sorts of everyday devices to the internet so that users can track data or automate their lives. We also believe that the trend of autonomous vehicles will likely boost storage demand worldwide.

Weight Watchers International, Inc.

Weight Watchers, an American company operating in about 30 countries around the world, offers various products and services to assist weight loss, maintenance, and healthy habits. Despite reporting strong second-quarter results, the stock was down 21.7% in the third quarter, primarily due to fewer subscribers than expected. Weight Watchers changed its name to WW in September, saying that it would focus on wellness, and rolled out a new tagline “Wellness that works”. We believe the company is positioned to take advantage of the trend to focus on a person’s total wellbeing, not just weight loss, and consumers seem willing to pay for that wellness. The company is introducing an enhanced digital infrastructure to better connect with a larger and more diverse audience of subscribers.

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, Georgetown, and USC. 2U had better than expected second-quarter results and raised its full-year 2018 outlook and guidance. However, the stock decreased 10.1% in the third quarter after a very strong run. As mentioned, we trimmed our positions during the quarter in a few of our top performers, including 2U, to reduce the weight in the portfolio and to take some profits.

Villere Balanced Fund

The Fund posted a gain of 2.56% during the quarter, while the Lipper Balanced Fund Index was up 3.07% and the S&P 500 Index increased 7.71%. The Fund’s relative underperformance for the quarter was mainly due to investors’ bias for large company stocks. Most peers in the balanced fund category invest primarily in large-cap stocks versus Villere’s bias toward small-and mid-sized companies.

As long-term investors, it is also worth noting that the Fund’s 10-year and since inception returns were 9.47% and 8.11%, respectively, outpacing the 7.70% and 5.55% results of the Lipper benchmark.

At 16.2%, the fixed income exposure in the fund remains near the low end of the Fund’s target as we anticipate that the Federal Reserve will continue to raise interest rates. The Fund’s fixed income allocation is primarily designed to help temper potential downside risk and provide some cushion in the event of a market decline. 90% of the fixed income portfolio is invested in investment-grade bonds and up to 10% in below investment-grade bonds to add potential for additional yield and return.

The Fund’s allocation to stocks was at 69.2% at the end of September. The remaining allocation was in cash, at 14.6%, which we intend to deploy when opportunities arise.

Villere Balanced Fund—Top Contributions & Detractors

Top Performers—Balanced 6/30/2018–9/30/2018	Portfolio Weight (%)	Return (%)
3D Systems Corp.	3.41	36.86
Euronet Worldwide, Inc.	4.28	19.64
Visa, Inc. Class A	5.64	13.49
Progressive Corp.	3.45	20.10
Pool Corp.	4.54	10.46

Bottom Performers—Balanced 6/30/2018–9/30/2018	Portfolio Weight (%)	Return (%)
Western Digital Corp.	2.94	-23.73
Weight Watchers International, Inc.	2.00	-28.79
2U, Inc.	2.89	-10.02
Sanchez Energy Corp.	1.24	-18.14
Howard Hughes Corp.	3.82	-6.25

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 2.93% during the third quarter, while the Lipper Mid Cap Growth Fund Index was up 7.14% and the S&P 500 Index increased 7.71%. While smaller was better in the second quarter as pertaining to company size, the reverse was true in the third quarter. The Fund's relative underperformance for the quarter was mainly due to investors' bias for larger companies.

Villere Equity Fund—Top Contributions & Detractors

Top Performers—Equity 6/30/2018–9/30/2018	Portfolio Weight (%)	Return (%)
3D Systems Corp.	4.26	36.86
Euronet Worldwide, Inc.	4.92	19.64
Progressive Corp.	4.57	20.10
Visa, Inc. Class A	6.37	13.49
Pool Corp.	5.70	10.46

Bottom Performers—Equity 6/30/2018–9/30/2018	Portfolio Weight (%)	Return (%)
Western Digital Corp.	3.90	-23.73
Weight Watchers International, Inc.	2.83	-21.73
2U, Inc.	3.65	-10.02
WABCO Holdings Inc.	2.17	-7.24
Howard Hughes Corp.	4.54	-6.25

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

Outlook and Strategy

Our outlook for small- and mid-cap stocks remains moderately constructive. The strong performance of large-cap companies in the third quarter was partly driven by a catch-up rotation after those stocks lagged significantly in the first half.

Six months ago, most investors expected trade issues to slow down the U.S. economy, but that didn't happen. The U.S. has now reached an agreement with Mexico and Canada for a revised North American Free Trade Agreement, now known as "USMCA". However, trade relations between the U.S. and its largest trading partner, China, remain a concern. If the economy continues to perform well, small- and mid-cap stocks should continue to do well. These are companies that have comparatively little revenue from overseas and as a result are less exposed to tariffs than their larger brethren.

The Trump administration has been very pro-growth with lower taxes and deregulation, which has helped small-cap stocks, and we believe this will continue. Many small-cap companies will reinvest the excess cash flow that has been generated by tax reform, and we believe that this should generate additional growth.

Almost ten years into the bull market and with the stock market near record highs, stock valuations and risks are clearly elevated. If inflation increases significantly, the Federal Reserve could also be forced to accelerate its interest rate increases to the point that it hurts the economy.

Attractive buying opportunities are harder to come by in this market, which is reflected in our higher than normal cash position. However, as we have mentioned before, there are always hiccups in company valuations as a result of such things as corporate earnings misses, management dislocations, and other unique events. Our job is to discern whether these are temporary, which may allow us to take advantage of the market's valuation, or if the problems are inherent and indicative of a long-term, insurmountable problem.

Given the prospects of more uncertainty and volatility, we will continue to run our selective, disciplined investment process that has served us well in the past.

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

St. Denis J. Villere II, 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 nonrated 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.

The opinions expressed above are those of St. Denis J. Villere II, 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 09/30/2018 were:**VILLERE BALANCED FUND**

Visa, Inc.	(V)	6.0%
Steris PLC	(STE)	4.7%
Euronet Worldwide, Inc.	(EEFT)	4.6%
Progressive Corp.	(PGR)	3.8%
Howard Hughes Corp.	(HHC)	3.6%
Kearny Financial Corp.	(KRNY)	3.5%
Pool Corp.	(POOL)	3.4%
Apache Corp.	(APA)	3.4%
LKQ Corp.	(LKQ)	3.3%
Western Digital Corp.	(WDC)	3.2%

VILLERE EQUITY FUND

Visa, Inc.	(V)	6.8%
Steris PLC	(STE)	6.1%
Genesee & Wyoming, Inc. - Class A	(GWR)	5.4%
Euronet Worldwide, Inc.	(EEFT)	5.3%
Progressive Corp.	(PGR)	5.1%
Apache Corp.	(APA)	4.7%
WABCO Holdings Inc.	(WBC)	4.4%
Kearny Financial Corp.	(KRNY)	4.3%
Howard Hughes Corp.	(HHC)	4.3%
Weight Watchers International, Inc.	(WTW)	4.2%

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.

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

Cash Flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

INDEXES

Bloomberg Barclays US Intermediate Government/Credit Bond Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

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.

NASDAQ Composite Index, a market value-weighted index of all domestic and international common stocks listed on the NASDAQ stock market.

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.

It is not possible to invest directly in an index.

The Villere Funds are distributed by Quasar Distributors, LLC.