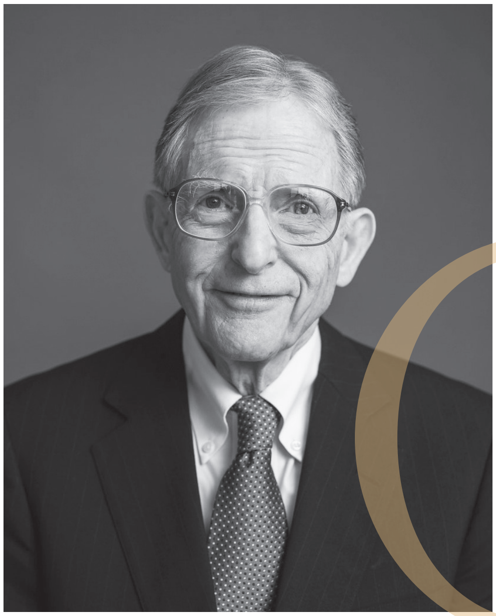
VILLERE & Co.
SELECTIVE INVESTING SINCE 1911



St. Denis "Sandy" Villere II, Partner & Portfolio Manager

The Value of a Long-Term Perspective

Insights from nearly 60 years of investing

Q. You have experienced virtually every market environment during your nearly 60 years in the investment industry. What would you tell investors who may be nervous about the market given that we are in the later stages of the economic cycle and have had a long bull market?

Align your portfolio with your goals. When investing, all investors should keep in mind their risk tolerance, time horizon, and liquidity needs. I also believe investors should never try to time the market as you not only have to be right when you sell, but also when you buy back. After downturns, the market has always recovered, though some recoveries have taken longer than others. We tend to stay invested knowing that the bull markets are generally much longer than the shorter term bear markets.

Q. You invest primarily in small- and mid-cap stocks. What makes this area of the market appealing and why should it not be overlooked by long-term investors?

Small- and mid-cap companies are typically younger and faster growing businesses compared to large-cap companies which tend to be mature with slower growth ahead. We go to great effort to pick the businesses that are growing faster than average, so over time these stocks have the potential to give investors above average returns. There are many inefficiencies in small-cap stocks as well. Many times, great fast growing and highly profitable businesses trade at lower price-to-earnings multiples simply based on the fact that they have not been "discovered" yet.

Q. Why does active management matter when investing in small- and mid-cap stocks?

Small- and mid-cap stocks tend to be more volatile than S&P 500 types of companies. This can sometimes push small- and mid-cap stocks higher than we value them and, as a result, they need to be trimmed back in the portfolios. Volatility can also push them to valuations that are too cheap, giving us an opportunity to add to existing positions or buy new companies. Actively managing smaller-cap portfolios is very important from that standpoint.

When investors buy a passively-managed index fund or ETF, regardless of market-cap or style focus, they are blindly buying the whole index and are not discriminating among stocks. As an active manager, we are not limited to just the stocks in the indexes, but have a broader set of companies to invest in, and are also able to add value by being more selective in our investment choices.

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“We are able to add value by being more selective in our investment choices.”

Q. Can you elaborate on why you use a concentrated portfolio approach?

We use a concentrated portfolio approach as we seek to get above average returns. We believe investors have two options. They can buy an index or an exchange-traded fund (ETF) and get market returns, or they can use a concentrated portfolio with as few as 20-25 stocks and look to outperform that index. We feel that many investors make the mistake of overdiversifying and we believe that often leads to mediocrity. Why buy a basket of stocks that are average when one can pick the potentially best companies in that basket? We focus on our best ideas, whereas many portfolio managers have 30 favorite stocks and then add in another 70 names as filler for diversification. We think that is a mistake.

Q. Are you concerned that there is too much concentration in too few stocks due to the popularity of exchange-traded funds (ETFs)?

Small-cap indexes are often skewed as heavy cash flows have forced the larger, more liquid member stocks to be artificially valued. This creates inefficiencies for active managers to exploit through fundamental analysis and stock selection. Also, when we see baskets of stocks in a sector moving equally and in unison, it allows us to pounce on a stock that may be down for the wrong reasons and therefore cheap. We believe that many stocks after reporting third-quarter earnings fell too sharply due to quantitative funds and computer algorithm selling. When stocks fell, computer programming would trigger more sell orders, pushing them down even further. When we see stocks down sharply like this, it can be a great opportunity for a fundamental investor to add or increase a position.

Q. Villere’s investment philosophy is built on the core belief that growth should be achieved at a reasonable price. What are a couple of examples of stocks you hold in the portfolio that represent your investment approach? Why do you like them?

We do believe in buying great companies at reasonable prices. If a company will earn $1 this year and can grow 15% per year, then that company should earn $2 in five years. If the earnings double in five years at 15% growth, your investment should double. If that stock was trading at a multiple of 10 you would have a $10 stock turn into a $20 stock in five years. If, however, you were able to get that multiple to expand from 10 to 15, a multiple of 15 on $2 in earnings is a $30 stock. The point is that multiple expansion is where you can really grow your money.

LKQ Corp. is a U.S.-based provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. LKQ is a common term for “Like Kind and Quality” and the company supplies, mostly to body shops, refurbished and recycled auto parts that are identical to new or OEM parts. We believe LKQ is well positioned as the industry continues to grow and insurance companies compete on price and need to be cost effective on claims expenses. When you wreck your car, you simply call your insurance company and they must restore your car back to the way it was. In the fine print your contract states that it can be fixed with “like” parts, not necessarily new parts. The like parts are just as good, but typically 20-50% less expensive.

As the largest player in a fragmented industry, LKQ enjoys economies of scale and parts availability that competitors cannot match. LKQ is also considered a logistics company that happens to be in the auto parts business. This is necessary because they get parts faster than new or OEM parts, saving the insurance company even more money by having to pay less in rental car costs, etc.

LKQ has tempered margin expectations in the second half of 2018 so the stock has stayed range bound, creating an excellent opportunity to buy a dominant company at what we believe is a very cheap price. LKQ just finalized their acquisition of Stahlgruber; the leading aftermarket parts distributor in Germany. The stock is trading at just 12x 2018 earnings and we believe it should trade closer to 17-18x. Their business would be incredibly difficult to replicate, which is another reason we are attracted to it.

"I believe compound growth is the eighth wonder of the world."

POOL Corp. is another long-term holding and one of those dominant companies that is not very well known. With more than 3,400 employees and over 300 locations worldwide, POOL leads the pack as the world's largest wholesale distributor of swimming pool supplies, equipment and related leisure products. POOL is larger than its top 50 competitors combined and, for example, if you are buying your chlorine or other recurring expenses for your swimming pool in California, Texas, or New York, you are most likely getting your pool supplies from POOL Corp.

Q. What are some key lessons you have learned from your decades of investing?

Investors must have patience. Investors should believe in the companies in which they invest in. Try to find companies that have the ability to grow faster than average corporate growth. I believe compound growth is the eighth wonder of the world. Some other things to keep in mind are:

- All investments go up—and down
- Most people do the wrong thing at the wrong time
- Markets usually overreact
- No one knows what the future will bring
- Uncertainty produces opportunity
- CDs and savings accounts don't create wealth

Investor behavior is often illogical and based on emotion. This does not lead to wise long-term investing decisions. As a result, there is a difference between investment performance and investor performance, where the average investor earns below-average returns.

Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

RISK CONSIDERATIONS

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 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 Villere 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 Villere 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.
Past performance does not guarantee future results.

It is not possible to invest directly in an index.

Price-to-Earnings (P/E) Ratio measures share price compared to earnings per share for a stock or stocks in a portfolio.

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

S&P 500 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.

As of November 19, 2018, Villere Balanced Fund held 305,900 shares of LKQ Corp. and 59,367 shares of Pool Corp. Villere Equity Fund held 54,100 shares of LKQ Corp. and 10,170 shares of Pool Corp.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

The Villere Funds are distributed by Quasar Distributors, LLC.