

Market Review: Best Start For U.S. Stocks Since 1998

U.S. stocks posted their best quarter since 2009 and best start to a year in more than two decades. The market rally since the lows on Christmas Eve was sharp across the broader market as the clouds that hung over the markets began to clear up. The first quarter of 2019 erased a large portion of the losses posted in the previous quarter. Stocks rallied on growing optimism that a trade agreement between the U.S. and China may be imminent.

The Federal Reserve was blamed in part for the market sell-off in the fourth quarter, when it raised interest rates for the fourth time in 2018 and signaled two more increases in 2019 amid signs of a slowing economy. However, the Fed has received some credit for the market rally in 2019. The markets calmed when the Fed made a 180 degree turn and reassured nervous investors that it would be patient and flexible in its approach to additional rate hikes.

After the very strong rally in January and February, we saw a slowdown in March. Investors seemed happy to take some money off the table, particularly those who (like us) were buying instead of selling during the late 2018 dip.

Small- and mid-cap stocks outperformed large-cap stocks in the first quarter, as they often do during a market rebound. The Russell 2000 Index (which tracks small-cap stocks) was up 14.6%, the Russell Midcap Index rose 16.5%, while the S&P 500 gained 13.6%. Leading the way for U.S. stocks this quarter was the technology sector, and the technology-dominated NASDAQ increased 16.5%. On the fixed income side, the Bloomberg Barclays Intermediate Government/Credit Bond Index posted a gain of 2.3% in the first quarter.

“Small-cap stocks took it on the chin for no real reason in late 2018, so they were due for a recovery”

—Lamar Villere, CFA

VILLERE BALANCED FUND PERFORMANCE (%) VILLX

INCEPTION 9/30/1999*

3/31/2019	Total Return					Average Annualized		Cumulative
	Quarter	YTD	1 Year	3 Year	5 Year	10 Year	*Since Inception	*Since Inception
Villere Balanced Fund	13.09	13.09	1.72	7.19	2.86	12.46	7.59	316.36
Lipper Balanced Funds Index	8.50	8.50	4.44	7.69	5.81	10.02	5.42	179.79
S&P 500 TR	13.65	13.65	9.50	13.51	10.91	15.92	6.18	221.92
Bloomberg Barclays Intermediate Government/Credit Index	2.32	2.32	4.24	1.66	2.12	3.14	4.37	130.32

Expense Ratio: 0.97%

VILLERE EQUITY FUND PERFORMANCE (%) VLEQX

INCEPTION 5/31/2013*

3/31/2019	Total Return					Average Annualized		Cumulative
	Quarter	YTD	1 Year	3 Year	5 Year	10 Year	*Since Inception	*Since Inception
Villere Equity Fund	14.55	14.55	1.03	6.97	1.79	N/A	3.36	21.27
Lipper Mid Cap Growth Funds Index	18.75	18.75	10.96	15.89	10.07		12.03	94.00
S&P 500 TR	13.65	13.65	9.50	13.51	10.91		12.23	96.04

Expense Ratio: 1.23%

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

Euronet Worldwide, Inc. was the top contributor to the performance of the Funds in the first quarter. Other strong contributors included Progressive, 2U, Roper Technologies, and Visa. All equity holdings in the portfolio, except for WW (formerly Weight Watchers International), generated a positive return during the first quarter. Any portfolio allocation to cash detracted from performance, specifically during the market rally in January and February.

During the quarter, we trimmed our position in Visa, which has been a long-term strong performer in the Funds. We sold our holdings in WW and Genesee & Wyoming in both Funds. We also sold our remaining position in Apache in the Balanced Fund. We added to our holdings in Axon Enterprise, Ebix, and Western Digital in the Equity Fund.

1ST QUARTER TOP CONTRIBUTORS

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 39.3% for the quarter, aided by strong fourth-quarter results and new growth opportunities. Beginning in April 2019, 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.

Progressive 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. The stock rose 24.1% in the first quarter. Progressive continued to offer solid revenue growth, strong earnings, recurring cash flow, and an attractive dividend payout. We believe Progressive is well positioned for growth and may help offset rising interest rate risk in our overall portfolio as the company should do better with their invested assets in such an environment.

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. The stock rose 42.5% in the first quarter as 2U delivered strong fourth-quarter 2018 results. The company also announced a number of new partnerships and graduate programs, including its first full-degree program in Latin America.

1ST QUARTER TOP DETRACTORS

WW International, Inc. (formerly Weight Watchers Intl.)

WW International, is an American company operating in about 30 countries around the world. It went through a large brand overhaul in 2018, changing its name and positioning itself as a health and wellness brand rather than a diet company. The stock fell sharply during the quarter, down 46.9%. Fortunately, it was a relatively small position in the Funds. The company reported poor fourth quarter results and earning guidance for 2019, with disappointing winter recruiting and lower than expected number of subscribers. We have sold our positions in WW in both Funds as our outlook for the company was not favorable.

As mentioned, all other holdings in the portfolio generated a positive return during the quarter. The smallest contribution to the performance came from Kearny Financial, which was up modestly at 0.8%, and 3D Systems, which rose 5.8%.

Villere Balanced Fund

The Fund gained 13.1% during the quarter, outperforming the Lipper Balanced Funds Index was up 8.5%, while the S&P 500 Index rose 13.6%. Stock selection helped the Fund perform well during the period. The Fund is also somewhat different from the typical balanced fund in that it holds primarily small- and mid-cap stocks versus its peers, which tend to hold large-cap stocks.

As long-term investors, it is also worth noting that the Fund's 10-year and since inception annualized returns were 12.5% and 7.6%, respectively, outpacing the 10.0% and 5.4% results of the Lipper benchmark.

At the end of March, the Fund's asset allocation was 70.1% in stocks, 18.1% in bonds, and 11.8% in cash. The asset allocation is generally a byproduct of the valuations we see on the equity side through our bottom up research efforts. If the market is rich and it is hard to find reasonably priced stocks, we increase the fixed income and cash components. We use the fixed income allocation to balance the risk in the portfolios. The fixed income component usually ranges from 20-30% of assets, depending on market conditions. We have kept it near the low end of the range for a while now as we have not seen a good opportunity in bonds with the Fed increasing interest rates.

Villere Balanced Fund—Top Contributions & Detractors

Top Equity Performers 1/1/2019–3/31/2019	Average Portfolio Weight (%)	Return (%)
Euronet Worldwide, Inc.	4.33	39.28
Visa Inc. Class A	5.79	18.59
Progressive Corporation	4.62	24.06
2U, Inc.	2.74	42.50
Roper Technologies, Inc.	3.39	28.53

Bottom Equity Performers 1/1/2019–3/31/2019	Average Portfolio Weight (%)	Return (%)
WW International, Inc.	1.86	-46.95
Kearny Financial Corp.	4.31	0.84
3D Systems Corp.	2.51	5.80
Apache Corp.	0.16	17.56
Pool Corp.	4.00	11.29

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

Villere Equity Fund

The Fund gained 14.6% during the fourth quarter, while the Lipper Mid Cap Growth Funds Index was up 18.8% and the S&P 500 Index increased 13.6%. The Fund's mixed results versus the benchmarks for the quarter were mainly due to investors' bias for small and medium size companies, with mid-cap growth stocks significantly outperforming both small caps and large caps. The Fund held a significant amount of cash as we looked to reduce risk and patiently await attractive buying opportunities.

Villere Equity Fund—Top Contributions & Detractors

Top Equity Performers 1/1/2019–3/31/2019	Average Portfolio Weight (%)	Return (%)
Euronet Worldwide, Inc.	5.01	39.28
Progressive Corporation	5.32	24.06
Roper Technologies, Inc.	4.36	28.53
Visa Inc. Class A	6.17	18.59
2U, Inc.	3.00	42.50

Bottom Equity Performers 1/1/2019–3/31/2019	Average Portfolio Weight (%)	Return (%)
WW International, Inc.	2.24	-46.95
Kearny Financial Corp.	4.47	0.84
3D Systems Corp.	2.85	5.80
Pool Corp.	4.18	11.29
Genesee & Wyoming, Inc.	3.33	9.90

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

Outlook and Strategy

Equity investors have been on a volatile ride over the past year. The stock market has gone from a record high in September, to being close to a bear market in December, to now being back near the September peak.

After a very strong run during the first quarter of 2019, we have a cautious outlook for the equity market, especially for small- and mid-cap stocks, which have led the way during this rally. We believe that while the Federal Reserve may have taken a break from raising interest rates, it is not finished with the rate hikes. Once we get back to a more normal environment, we will likely see further rate hikes. With that said, we are more concerned about how the Fed will go about raising interest rates.

The market seems to reflect some optimism that a trade deal with China will happen. However, we believe that if the trade talks get resolved with an agreement in place, we will likely see an uptick in the stock market since it will take away some uncertainty. The risk could potentially be more acute on the downside if we don't get an agreement.

The U.S. economy continues to do well. While companies do not have the benefits of a tailwind with tax cuts as they did in 2018, U.S. companies are beating analysts' expectations this earnings season, although to a smaller degree than last year. There may be a decline in the level of earnings growth this year, but we do not believe there is a high risk of the economy dipping into a recession in the near or medium term.

Given the prospects of more uncertainty and volatility, we will continue to run our selective, disciplined investment process. Investing in quality companies is especially important in this uncertain environment, particularly since we are in the late stage of a long economic cycle. We will continue to invest in growing, quality companies with strong free cash flow and strong balance sheets.

We are keeping a balance between being optimistic and being defensive, and approach the market cautiously. We are staying invested in our concentrated portfolio, but have a higher allocation to cash than usual as we think we may get some attractive opportunities to put cash to work on market weakness.

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 3/31/2019 were:**VILLERE BALANCED FUND**

Euronet Worldwide, Inc.	(EFT)	4.9%
Progressive Corp.	(PGR)	4.8%
WABCO Holdings Inc.	(WBC)	4.1%
Pool Corp.	(POOL)	4.1%
Kearny Financial Corp.	(KRNY)	4.1%
Howard Hughes Corp.	(HHC)	4.0%
Roper Technologies, Inc.	(ROP)	3.8%
Axon Enterprise, Inc.	(AAXN)	3.7%
Leggett & Platt, Inc.	(LEG)	3.7%
Cypress Semiconductor Corp.	(CY)	3.7%

VILLERE EQUITY FUND

Euronet Worldwide, Inc.	(EFT)	5.5%
Progressive Corp.	(PGR)	5.3%
WABCO Holdings Inc.	(WBC)	5.0%
Cypress Semiconductor Corp.	(CY)	4.9%
Axon Enterprise, Inc.	(AAXN)	4.8%
Roper Technologies, Inc.	(ROP)	4.6%
Visa, Inc.	(V)	4.6%
First Hawaiian, Inc.	(FHB)	4.4%
Teleflex, Inc.	(TFX)	4.3%
STERIS Plc	(STE)	4.3%

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.

Earnings growth is a key indicator for measuring a company's success and a driving force behind stock price appreciation. Earnings growth is the percentage gain in net income over time.

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.

Russell Midcap Index measures the performance of the 800 smallest of the 1,000 largest publicly traded U.S. companies, based on total market capitalization.

It is not possible to invest directly in an index.

The Villere Funds are distributed by Quasar Distributors, LLC.