VILLERE & Co
SELECTIVE INVESTING SINCE 1911

Market Review: Hopes for a vaccine and support from the Fed boosted stocks

It was another strong quarter for stocks as the market rally continued in July and August, with the large-cap S&P 500 Index reaching an all-time high before a pullback in September. The S&P 500 Index gained 8.9% in the third quarter and the Russell 2000 Index, which tracks stock performance of small companies, rose 4.9%. The yield on the U.S. 10-year Treasury was 0.7% at the end of the third quarter, down from 1.9% at the start of the year, but the same as at the end of the second quarter.

Obviously, the pandemic and the shutdown of the overall economy was a complete shock to the system. The real surprise was how quickly the market seemed to shrug off the unprecedented social and economic paralysis. With the Federal Reserve ("Fed") promising to do whatever is needed to support the markets, many investors feel the Fed has provided a backstop for the markets. The Fed has said that it will keep interest rates low for a long time, and it has added significant liquidity (cash) into the economy and made unprecedented asset purchases to keep credit markets stable, while indirectly boosting the stock market.

The U.S. government was also aggressive in its response to the pandemic, quickly passing bills that offered trillions of dollars in relief to businesses and individual Americans. It is now still possible that another bill could be passed. Hopes that a COVID-19 vaccine will soon be available, allowing more businesses to reopen and consumers to spend more confidently, have also supported equities.

Because the Fed's policies have pushed interest rates so low, investors continue to buy stocks as they believe there is no alternative. "Big tech" has been incredibly strong in terms of stock market performance, pushing the market so high that it became disconnected from the still grim economic reality. This has in turn boosted large-cap indices, which has led to more investor money flowing into those passive indices. The largest five stocks in the S&P 500 Index recently accounted for nearly 25% of the index. While we are hesitant to call this a bubble, we are always highly skeptical of exceedingly popular investment trends.

U.S. growth stocks, including technology, which benefited from the shift online caused by COVID-19 this year, came under pressure in early September as valuations had become extremely high.

> "Stocks are seldom cheap and popular at the same time."
>
> —George Young

VILLERE BALANCED FUND PERFORMANCE (%) VILLX — **INCEPTION 9/30/1999***

9/30/2020	Total Return			Average Annual Total Return				Cumulative
	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	*Since Inception	*Since Inception
Villere Balanced Fund	4.38%	-4.60%	0.82%	3.43%	4.81%	8.25%	7.17%	328.00%
Lipper Balanced Funds Index	6.20%	3.51%	8.94%	6.92%	8.25%	7.93%	5.68%	219.20%
S&P 500 TR	8.93%	5.57%	15.15%	12.28%	14.15%	13.74%	6.74%	293.21%
Bloomberg Barclays Intermediate Government/Credit Index	0.61%	5.92%	6.32%	4.43%	3.39%	2.91%	4.55%	154.65%

Expense Ratio: 1.00%

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 Fund 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.

Portfolio Review-Asset Allocation

The Fund rose 4.38% during the quarter, while the Lipper Balanced Funds Index gained 6.20% and the S&P 500 Index increased 8.93%. The Fund is 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. Large-cap stocks significantly outperformed smaller stocks in the third quarter, hurting the fund's relative performance.

At the end of September, the Fund's asset allocation was 67.7% in stocks, 20.0% in bonds, and 12.3% in cash.

We use the fixed income allocation mainly to balance the risk in the Fund. The fixed income component usually ranges from 20-30% of assets, depending on market conditions. We find current bond yields relatively unappealing and the Fund is positioned at the low end of that range. Since we mainly use the fixed income component for potential income and stability, we have kept duration short in an effort to reduce risk. We held more cash than normal at the end of the quarter after trimming some strong performers.

Portfolio Review–Equities

Caesars Entertainment, Inc., (formerly Eldorado Resorts, Inc.), Progressive Corp., and Pool Corp. all had an outstanding quarter and were the top contributors to the Fund's performance. Detractors from performance included Ligand Pharmaceuticals, Inc., First Hawaiian, Inc., and Kearny Financial Corp.

We added to our positions in eHealth, Inc. and Euronet Worldwide, Inc. on the pullback in those stocks. We also added to our Stryker Corp. holdings.

During the quarter, we trimmed our positions in Progressive, Roper Technologies, Inc., and Teleflex, Inc. after strong gains due to the run-up in the market. We sold our shares in 3D Systems.

3RD QUARTER TOP CONTRIBUTORS

Caesars Entertainment, Inc., (formerly Eldorado Resorts, Inc.)

Eldorado's acquisition of Caesars closed in July, and promptly rebranded as Caesars Entertainment. Caesars is now the largest casino-entertainment company in the U.S. and one of the world's most diversified casino-entertainment providers. It operates primarily under the Caesars, Harrah's, Horseshoe, and Eldorado brand names. Caesars' stock gained 46.6% in the third quarter, continuing the rally from the previous quarter. The management team has a proven history of quickly deleveraging after acquisitions and outperforming lofty cost reduction expectations. These tight controls on expenses as the casinos reopen are helping to make the company's regional casinos more profitable. The explosive growth in U.S. sports betting is also providing momentum.

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 is growing its home insurance business. The stock rose 18.3% in the third quarter. Progressive's profits more than doubled in July, aided by a decline in car accidents due to the stay-at-home restrictions put in place as a result of the COVID-19 pandemic. We believe Progressive is well positioned for growth and offers solid long-term potential for revenue growth, strong earnings, recurring cash flow, and an attractive dividend payout.

Pool Corp.

One of our long-term holdings is Pool. It is the dominant distributor of products for swimming pools. During this period of social distancing, we have seen consumers spend heavily on their homes and other forms of recreation that do not necessarily involve significant social contact. We have anecdotally heard of pool builders who literally are not returning phone calls to hopeful homeowners. The stock gained 23.3% in the third quarter. We believe Pool will continue to enjoy not only this spike in swimming pool installations, but also the long-term maintenance spend (chemicals, replacement parts) for these new pools for years to come. We continue to like the growth profile and the competitive position that Pool enjoys.

3RD QUARTER TOP DETRACTORS

Ligand Pharmaceuticals, Inc.

Ligand Pharmaceuticals is a biopharmaceutical company focused on developing or acquiring technologies that help partner pharmaceutical companies discover and develop medicines. After a big rally in the second quarter, its stock declined 14.8% in the third quarter despite reporting strong quarterly revenue and earnings growth, and increasing its full-year outlook. The results were aided by Ligand's Captisol drug delivery technology that it is selling to Gilead Sciences for Remdesivir to treat COVID-19. The company has great products in the pipeline and partnerships in place, providing opportunities for future revenue generation that could lead to meaningful upside potential for the company and stock.

First Hawaiian, Inc.

First Hawaiian is a bank holding company headquartered in Honolulu. Its principal subsidiary, First Hawaiian Bank, is the largest banking franchise in Hawaii. The banking industry has been hard-hit by the heightened credit risk from COVID-19, compelling banks to ramp-up loan loss reserves. First Hawaiian has also been negatively affected by the pause in tourism during the pandemic. The stock fell 14.7% in the third quarter. We believe that strong military spending in Hawaii, tourism, and the geographically isolated loan portfolio provide an investment opportunity in First Hawaiian. It also has an experienced management team, strong business clientele, and is paying a very attractive dividend. It is also worth noting that First Hawaiian was included in the S&P 600 small-cap index as of July 24th.

Kearny Financial Corp.

Kearny Financial is the parent company of Kearny Bank, which has 42 retail branch offices in New Jersey and New York. The stock was down 10.9% in the quarter. As with First Hawaiian, the banking industry has been hard-hit by the heightened credit risk from COVID-19. Kearny's acquisition of MSB Financial Corp. was completed in July, which has expanded Kearny's footprint. Kearny is paying an attractive dividend and also reported strong revenues and earnings in July, beating expectations.

Villere Balanced Fund—Top Contributions & Detractors

Top Performers 6/30/2020–9/30/2020	Average Portfolio Weight (%)	Return (%)
Caesars Entertainment Inc.	2.96	46.60
Progressive Corp.	5.54	18.32
Pool Corp.	4.65	23.27
STERIS Plc	5.73	15.12
ON Semiconductor Corp.	4.31	9.43

Bottom Performers 6/30/2020–9/30/2020	Average Portfolio Weight (%)	Return (%)
Ligand Pharmaceuticals Inc.	3.81	-14.78
First Hawaiian, Inc.	2.77	-14.72
Kearny Financial Corp.	3.11	-10.94
eHealth, Inc.	3.01	-19.58
Euronet Worldwide, Inc.	2.90	-4.93

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

Outlook and Strategy

We believe a sector rotation will likely occur as growth stocks have had a strong run despite the September correction and value stocks appear to offer better opportunities and valuations. The disparity is at an historically extreme level with growth stocks up 24% year-to-date, while value stocks were down 12%. We also believe smaller stocks should start to outperform larger stocks.

With the S&P 500 Index up more than 50% since the March lows and stocks pricing in an optimistic recovery in both the economy and corporate profits, we believe the stock market volatility will continue. Investors will have to consider news about COVID-19 vaccines, the latest efforts to push through a new stimulus package, the unemployment rate, and the upcoming election in November. Add to that the recent news regarding President Trump's COVID-19 diagnosis, and the only surprise would be no further surprises.

Our focus continues to be on individual companies. Given the prospects of more uncertainty, we will continue to run our selective, disciplined investment process. We invest in high quality small- and medium-sized companies with growing profits, reasonable valuations, and strong outlooks.

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 opinions expressed above are those of Villere & Co., are subject to change, are not guaranteed, and should not be considered recommendations to buy or sell any security.

The Top 10 equity holdings in the funds as of 9/30/2020 were:

VILLERE BALANCED FUND

Steris Plc	(STE)	6.4%
Visa, Inc.	(V)	5.8%
Pool Corp.	(POOL)	5.1%
Caesars Entertainment, Inc.	(CZR)	4.8%
LKQ Corp.	(LKQ)	4.6%
ON Semiconductor, Inc.	(ON)	4.5%
eHealth, Inc.	(EHTH)	3.8%
Stryker Corp.	(SYK)	3.6%
Progressive Corp.	(PGR)	3.4%
Ligand Pharmaceuticals, Inc.	(LGND)	3.4%

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.

The Fund does not hold any shares of Gilead Sciences.

Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa. Average Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

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 is an equally weighted performance index of the largest qualifying funds in its Lipper Categories. The 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.

S&P SmallCap 600 Index is a capitalization-weighted index consisting of 600 domestic stocks, measures the small company segment of the U.S. market.

It is not possible to invest directly in an index.

The Villere Funds are distributed by Quasar Distributors, LLC.