

Market Review: Stocks surged on vaccine news and the Fed’s continued support

2020 was a most remarkable year for the stock market. After the COVID-19 pandemic triggered the worst crash in a generation, unprecedented monetary and fiscal stimulus and the vaccine breakthrough sent stocks rallying across the board to record highs by the end of the year.

The S&P 500 Index gained 12.2% in the fourth quarter and 18.4% for the year. The Russell 2000 Index, which tracks stock performance of small companies, rose 31.4% and 20.0%, respectively. The Lipper Mid-Cap Growth Funds Index was up 18.8% and 36.0%. The yield on the U.S. 10-year Treasury was 0.9% at the end of the quarter, down from 1.9% at the start of the year—effectively an increase in price of 10%.

Technology companies were the clear winners in 2020 as the pandemic sped up digitalization, video-conferencing, and online shopping. Since the news of the vaccines came out in November, small-cap stocks had an incredible run as investors believe that vaccines will help the broader economy recover. The small stock Russell 2000 index had its best quarter ever, ending the year up more than 100% from its March lows. With no viable alternative to stocks, investors turned to areas of the market in the fourth quarter that had lagged during the market rally. As we have noted previously, we believed smaller stocks would start to outperform larger stocks as they had underperformed large caps, and as small-cap stocks also historically perform better during an economic recovery.

The market also rallied on the election outcome as Wall Street tends to prefer a gridlock between Republicans and Democrats. While the Georgia Senate battle could upset the market due to potential tax increases, having the Presidential election behind us was another uncertainty cleared.

**“Don’t fall in love with a stock,
it won’t love you back.”**

—George Young

VILLERE EQUITY FUND PERFORMANCE (VLEQX)

INCEPTION 05/31/2013*

12/31/2020	Total Return			Average Annual Total Return			Cumulative	
	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	*Since Inception	*Since Inception
Villere Equity Fund	20.09%	14.76%	14.76%	9.95%	9.53%	N/A	5.61%	51.26%
Lipper Mid-Cap Growth Funds Index	18.77%	35.98%	35.98%	20.63%	18.62%		15.44%	197.30%
S&P 500 TR	12.15%	18.40%	18.40%	14.18%	15.22%		13.91%	168.54%

Expense Ratio: 1.25%

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

The Fund rose 20.09% in the fourth quarter, while the Lipper Mid-Cap Growth Funds Index gained 18.77%, and the S&P 500 Index increased 12.15%. Stock selection and the strong performance of small-cap stocks were key drivers why the fund outperformed the benchmark indexes. Our relatively large cash position, which we held given the high valuations and volatility in the market, worked against us as stocks posted such strong returns.

ON Semiconductors Corp., Euronet Worldwide, Inc., and Caesars Entertainment, Inc. all had an outstanding quarter and were the top contributors to the Fund's performance. All equity holdings in the portfolio, except for eHealth, Inc., generated a positive return during the fourth quarter. The portfolio allocation to cash detracted from the performance as equities turned in a stellar quarter.

During the quarter, we purchased Palomar Holdings, Inc. Palomar is a fast-growing, small-cap specialty insurer that offers protection for properties damaged from earthquake, wind, and flood. We believe that Palomar uses technology more efficiently than its competitors, and the company has a large exposure to the California earthquake market, where it uses more granular data to more accurately price policies and risk.

We added to our position in Progressive Corp. and trimmed Steris, PLC. We sold both Howard Hughes, Corp. and LKQ, Corp. entirely.

4TH QUARTER TOP CONTRIBUTORS

ON Semiconductors Corp.

ON Semiconductor manufactures and sells semiconductors for various devices worldwide. The stock gained 50.9% in the fourth quarter. Semiconductors have been important drivers of the overall growth in technology and ON has benefitted from the continued stay-at-home trends during the COVID-19 pandemic. We believe that ON is well-positioned to benefit from the massive 5G cellular buildout over the next several years, as well as the trend to increase technology in automobiles, including growth in electric and autonomous vehicles. The 5G wireless transition should continue to lift chipmakers involved in cellular infrastructure and smartphones, and ON handles power in wireless base stations.

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 rose 59.1% in the fourth quarter, aided by a better outlook as a result of the vaccine news and the expectation of more travel and tourism later in 2021.

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

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. All of Caesar's casinos have reopened since the Covid-19 crisis. Caesars' stock gained 32.5% in the fourth quarter, continuing the sharp rally from the March lows. The management team has a proven history of quickly deleveraging after acquisitions and outperforming lofty cost reduction expectations. These tight controls on expenses should help make the company's regional casinos more profitable and the shrinking marketing spend does not seem to affect demand. The explosive growth in U.S. sports betting is also providing momentum and Caesars' purchase of William Hill makes them a top contender in online gaming.

4TH QUARTER TOP DETRACTORS

eHealth, Inc.

eHealth, Inc. is a leading online health insurance platform that simplifies the process for consumers to compare and shop for private health insurance plans. eHealth offers more than 10,000 plans from over 180 companies, including many of the nation's leading health insurance companies. The company primarily provides plans related to Medicare, with an opportunity to capitalize on the large number of Americans turning 65 every day and the growth in Medicare Advantage. eHealth fell 10.6% in the fourth quarter despite reporting earnings above Wall Street earnings expectations. We believe that eHealth should benefit from investments in Medicare-related marketing initiatives and the expansion of online sales.

Villere Equity Fund—Top Contributions & Detractors

Top Performers 9/30/2020–12/31/2020	Average Portfolio Weight (%)	Return (%)
ON Semiconductor Corp.	5.54	50.90
Euronet Worldwide, Inc.	4.70	59.08
Caesars Entertainment Inc.	6.23	32.48
Ebix, Inc.	2.91	84.73
First Hawaiian, Inc.	2.94	64.93

Bottom Performers 9/30/2020–12/31/2020	Average Portfolio Weight (%)	Return (%)
eHealth, Inc.	4.42	-10.62
Short-Term Invts Tr Gov Agn Instl	15.37	0.00
Ligand Pharmaceuticals Inc.	4.05	4.33
J.B. Hunt Transport Services, Inc.	2.31	8.36
Progressive Corp.	4.27	4.56

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

Outlook and Strategy

Between the already-strong recovery and massive vaccine spike, the overall stock market seems somewhat overextended. There are signs of potential exuberance: historically elevated stock valuation metrics, record inflows into exchange-traded funds with high concentration in popular stocks, very high levels of retail investors borrowing money to trade stocks, and excessive investor optimism reaching a “euphoric” level. The large technology stocks make up 22% of the S&P 500, pushing up valuations and making the index expensive.

While we now have vaccines, the coronavirus is spreading at a rapid pace, which could result in further partial shutdowns and months of social distancing and precautionary guidelines. Rollout of the vaccines will likely be slower than expected due to the difficulty of distribution and prioritization, and there is also a risk that people may be more resistant to taking the vaccine than expected. This is a near-term risk to the markets, as are stretched stock valuations. We should see a broader, improving economic recovery as vaccines become more available; however, corporate earnings and fundamentals need to improve to validate lofty stock prices.

The stock market seems to look past the short-term turmoil, knowing that there is light at the end of the tunnel, but the disconnect between Wall Street and Main Street has continued much longer than people expected back in the summer. The market has priced in a lot of good news, however we believe that more gains are possible by the end of 2021. The Federal Reserve is committed to keeping interest rates low and continuing its bond-buying program to support the economy, and once we get through this challenging time, pent-up consumer demand should boost economic growth and corporate profits.

We believe, tech high-flyers are still “priced for perfection” and extremely risky at these levels. While small caps had a good year in 2020, we believe they can go higher and offer better value than large caps. Many large companies need to “buy growth” by acquiring small- and mid-sized companies. It is a stock picker’s market.

Our focus continues to be on individual companies. Given the prospects of more uncertainty and a recovery path that will likely be uneven and varied across industries, 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 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.

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 12/31/2020 were:

VILLERE EQUITY FUND

Caesars Entertainment, Inc.	(CZR)	6.8%
ON Semiconductor, Inc.	(ON)	6.0%
Pool Corp.	(POOL)	5.4%
Euronet Worldwide	(EEFT)	5.4%
Visa, Inc.	(V)	5.2%
Open Lending Corp.	(LPRO)	5.0%
Abiomed, Inc.	(ABMD)	4.8%
Stryker Corp.	(SYK)	4.8%
Roper Technologies, Inc.	(ROP)	4.7%
Teleflex, Inc.	(TFX)	4.7%

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.

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

Lipper Mid Cap Growth Fund Index is an equally weighted performance index of the largest qualifying funds in its Lipper Category. 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.

It is not possible to invest directly in an index.

The Villere Funds are distributed by Quasar Distributors, LLC.