VILLERE & C°
SELECTIVE INVESTING SINCE 1911

Market Review: The economy reopening, strong corporate earnings, and a supportive Fed

The stock market rally continued in the second quarter as investors remained optimistic about strong economic growth, the Federal Reserve ("Fed") keeping interest rates low and continuing its massive monthly bond-buying program, and the pandemic coming to an end.

The S&P 500 Index gained 8.55% in the second quarter and 15.25% for the first half of the year. The Russell 2000 Index, which tracks stock performance of small companies, had its best first half of a calendar year in 30 years, rising 4.29% during the quarter and 17.54% year-to-date. The Lipper Mid-Cap Growth Funds Index was up 6.97% and 8.78% respectively. Large-capitalization stocks outperformed small caps in the second quarter, and after lagging since late last year, growth stocks outperformed value stocks as fears of inflation and rate hikes cooled in June.

A big part of the story since the market crash last year has been the Fed and its unprecedented support of the markets. While inflation concerns have dominated the markets in recent weeks—and the possibility that the Fed could raise interest rates sooner than expected to combat inflation—strong corporate earnings and the reopening of the economy have helped the markets reach all-time highs. The Fed recently raised its expectation for inflation this year, but maintained a stance that the spike in inflation is temporary as the economy is recovering from the pandemic.

After the Fed signaled it was closely watching inflation pressures, bonds recovered some from a rough first quarter. The yield on the 10-year U.S. Treasury Note fell to 1.45% at end of the second quarter, up from 0.93% at the end of last year, but down from 1.74% at the end of March.

> "Small-cap stocks tend to do well during an economic recovery and in a rising interest rate environment."
>
> —Sandy Villere III

VILLERE EQUITY FUND PERFORMANCE (VLEQX) **INCEPTION 05/31/2013***

6/30/2021	Total Return			Average Annual Total Return				Cumulative
	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	*Since Inception	*Since Inception
Villere Equity Fund	4.39%	9.03%	36.34%	8.96%	10.71%	N/A	6.39%	64.92%
Lipper Mid-Cap Growth Funds Index	6.97%	8.78%	40.83%	21.00%	20.42%		15.63%	223.40%
S&P 500 TR	8.55%	15.25%	40.79%	18.67%	17.65%		15.00%	209.50%

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 4.39% in the first quarter, while the Lipper Mid-Cap Growth Funds Index gained 6.97%, and the S&P 500 Index increased 8.55%. As mentioned, larger stocks significantly outperformed smaller stocks in the second quarter, hurting the fund's relative performance. The Fund also held more cash than normal during the quarter as the stock market reached record levels and valuations were high, and our cash position detracted from the relative performance.

Pool Corp., Caesars Entertainment, Inc., and Open Lending Corp. all had a strong quarter and were the top contributors to the Fund's performance. Detractors from performance included eHealth, Inc., Ligand Pharmaceutical, Inc., and ON Semiconductor Corp.

During the quarter, we added to our positions in ViacomCBS, Inc. and eHealth on pullbacks in those stocks., and trimmed Caesars Entertainment as shares surged.

2ND QUARTER TOP CONTRIBUTORS

Pool Corp.

One of our long-term holdings is Pool Corp. It is the dominant distributor of products for swimming pools. During the pandemic, we have seen consumers spend heavily on their homes and other forms of recreation that do not necessarily involve significant social contact. Pool became a "stay-at-home COVID-19 stock" due to the incredible number of people investing in their homes. After a pullback in the stock in the first quarter as investors shifted to stocks considered "reopening plays"—positioned to benefit once the economy reopens after the pandemic—the stock continued its strong rally in the second quarter, gaining 33.1%. We believe Pool will continue to enjoy not only the spike in swimming pool installations, but also the long-term maintenance spend (chemicals, replacement parts) for these new pools for years to come. About two-thirds of Pool's sales are repair and maintenance of swimming pools. We continue to like Pool's growth profile and competitive position

Caesars Entertainment, 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 Caesars' casinos have reopened since the COVID-19 crisis. Caesars' stock gained 18.6% during the quarter, continuing the sharp rally from the lows in March 2020. The management team has a proven history of quickly deleveraging after acquisitions and exceeding 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 profits from the slot machines have been at record-high levels. The explosive growth in U.S. sports betting is also providing momentum, and Caesars' purchase of William Hill makes it a top contender in online gaming. Municipalities are strapped for cash coming out of the pandemic and legalizing online sports gambling may be a way to bring in additional tax revenue, providing a potential opportunity for Caesars.

Open Lending Corp.

Open Lending helps automotive lenders offer loans to traditionally underserved borrowers with near-prime credit ratings. Open Lending's primary offering pairs loan default insurance with its proprietary analytics to allow the lenders to give these car buyers more attractive rates. The company itself is not a lender, and does not provide the insurance coverage, but serves as an intermediary. The stock rose 21.6% in the second quarter as strong revenue growth continued. We expect revenues to grow in excess of 40% per year for the next several years as Open Lending continues to partner with the car companies themselves to boost auto sales.

2ND 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 Medicare Advantage plans. eHealth offers more than 10,000 plans from over 180 companies, including many of the nation's leading health insurance companies. The company has the opportunity to capitalize on the large number of Americans turning 65 every day and the growth in Medicare Advantage. eHealth fell 19.7% in the second quarter despite reporting earnings above Wall Street earnings expectations as investors were concerned about customer retention, or "churn." eHealth raised its 2021 outlook and earnings guidance, and the company has a debt-free balance sheet and large amount of cash. We believe that eHealth should benefit from investments in Medicare-related marketing initiatives and the shift to online sales.

Ligand Pharmaceuticals, Inc.

Ligand Pharmaceuticals is a biopharmaceutical company focused on developing or acquiring technologies that help pharmaceutical companies discover and develop medicines. Ligand again reported earnings that significantly beat expectations, and confirmed its previously announced guidance for higher sales and earnings in 2021. The stock pulled back 13.9% in the second quarter after rising 53.3% in the first quarter. The company has strong products in the pipeline and partnerships in place, which we believe should provide opportunities for future revenue generation that could lead to meaningful upside potential for the shares.

ON Semiconductor Corp.

ON Semiconductor manufactures and sells semiconductors for various devices worldwide. ON has benefited from the global chip shortage, especially the shortage of automotive chips. After a very strong first quarter for the stock, which more than quadrupled since the lows in March of last year, ON pulled back 8.0% in the second quarter as gains were harder to come by. We believe that ON Semiconductor is well-positioned to benefit from the massive 5G cellular buildout over the next several years, as well as benefiting from 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 makes chips that handle power in wireless base stations. We are also optimistic that ON's new CEO, Hassane El-Khoury, will be able to make ON more capital efficient.

Villere Equity Fund—Top Contributions & Detractors

Top Performers 3/31/2021–6/30/2021	Average Portfolio Weight (%)	Return (%)
Pool Corp.	5.77	33.10
Caesars Entertainment Inc.	5.61	18.64
Open Lending Corp. Class A	5.19	21.65
Roper Technologies, Inc.	4.57	16.74
Palomar Holdings, Inc.	4.31	12.56

Bottom Performers 3/31/2021–6/30/2021	Average Portfolio Weight (%)	Return (%)
eHealth, Inc.	3.85	-19.70
Ligand Pharmaceuticals Incorp.	5.15	-13.95
ON Semiconductor Corp.	4.39	-8.00
Teleflex Inc.	4.46	-3.21
J.B. Hunt Transport Services, Inc.	2.56	-2.88

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

Outlook and Strategy

Optimism about the economic recovery, strong labor and housing data, the prospect of more fiscal stimulus, and confidence that the Fed will continue to support the markets have boosted investor sentiment. A lot of good news is priced into the markets as valuations are at historically elevated levels and the post-pandemic economic recovery appears to have been largely priced into the equity market.

Big market gains and the potential that the Fed will have to act sooner than investors expect if inflation remains high have led to concerns that investors may have become too complacent. Pullbacks, which are normal during a bull market, have so far been minor in 2021, with the largest drop being less than 4%.

As long as the Fed is accommodative and provides a "backstop" for the markets, we will continue to be constructive and cautiously optimistic about the outlook. With stock valuations at these levels, there is more risk in the market, so we will continue to take a balanced approach to our holdings. We have generally reduced portfolio risk, will continue to focus on individual companies, and will look to take advantage of select opportunities that any pullback provides.

We believe that we are in a stock picker's market. Rather than simply investing in the "market" via passive ETFs, it is important to carefully select individual stocks and avoid following the herd. We focus on the fundamentals of each business, and companies with strong balance sheets and solid management teams that are positioned for growth. We prefer stocks that are more tied to the reopening of the economy and also tend to perform better in a rising rate scenario than stocks tied to another wave of the pandemic.

While we can and do purchase shares in larger companies when attractive opportunities arise, we continue to focus on 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 fund as of 6/30/2021 were:

VILLERE EQUITY FUND

Pool Corp.	(POOL)	6.3%
Open Lending Corp.	(LPRO)	5.8%
Visa, Inc.	(V)	5.2%
Ligand Pharmaceuticals, Inc.	(LGND)	5.0%
ViacomCBS, Inc.	(VIACP)	5.0%
Roper Technologies, Inc.	(ROP)	4.8%
Euronet Worldwide	(EEFT)	4.8%
Stryker Corp.	(SYK)	4.7%
Palomar Holdings	(PLMR)	4.5%
Caesars Entertainment, Inc.	(CZR)	4.5%

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.

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 Index 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.