VILLERE & Co.
SELECTIVE INVESTING SINCE 1911

Market Review: Stocks see first pullback of 2021

The stock market continued its strong showing in July and August, reaching several record highs. Strong corporate earnings reports and improving economic conditions helped bolster investor confidence, despite the surge in the Delta variant of Covid-19. The Federal Reserve ("Fed") also kept interest rates low and continued its massive monthly bond-buying program to support the markets.

Pullbacks, which are normal during a bull market, had, until September, been both few and minimal in 2021. However, the U.S. equity markets were down across the board in September over concerns about Covid-19, the highest inflation in 30 years, supply-chain disruptions, budget issues in Washington D.C. regarding the debt ceiling and spending bills, and the impact of a potential collapse of the Chinese real estate titan Evergrande.

The S&P 500 Index gained 0.58% in the third quarter and 15.92% year-to-date. The Russell 2000 Index, which tracks stock performance of small companies, fell 4.36% during the quarter, but was still up 12.41% year-to-date. In September, we saw a reversal in market leadership with small-cap stocks outperforming large caps, value stocks outperforming growth stocks, and technology stocks underperforming as fears of inflation and higher yields increased. The Bloomberg Barclays Intermediate Government/Credit Bond Index was almost flat for the quarter, gaining 0.02%.

Bond yields bear watching as they have risen recently amid optimism regarding the pace of the U.S. economic growth and concerns about higher inflation. Rising interest rates and yields arguably make stocks less attractive. The 10-year Treasury yield at 1.52% is now slightly higher than the average yield for the S&P 500.

> "As long as the Fed remains accommodative and provides a 'backstop' for the markets, we will continue to be constructive and cautiously optimistic about the market."
>
> —Lamar Villere, CFA

Portfolio Review—Asset Allocation

The Fund declined 0.84% during the quarter, while the Lipper Balanced Funds Index fell 0.32% and the S&P 500 Index gained 0.58%. 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. As mentioned, small stocks outperformed larger stocks in September, however, the reverse was true in July and August, overall hurting the Fund's relative performance for the quarter. The Fund held more cash than normal during a large part of the quarter after trimming and selling some holdings as the stock market reached record levels and valuations were high, and our cash position detracted from the relative performance.

The asset allocation in the Fund was 77.6% in stocks, 18.6% in bonds, and 3.8% in cash at the end of September.

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

9/30/2021	Total Return			Average Annual Total Return				Cumulative
	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	*Since Inception	*Since Inception
Villere Balanced Fund	-0.84%	6.15%	23.50%	6.31%	7.78%	8.95%	7.86%	428.60%
Lipper Balanced Funds Index	-0.32%	8.31%	18.69%	10.71%	9.98%	9.76%	6.24%	278.85%
S&P 500 TR	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%	7.70%	411.19%
Bloomberg Barclays Intermediate Government/Credit Index	0.02%	-0.87%	-0.40%	4.63%	2.60%	2.52%	4.32%	153.64%

Expense Ratio: 0.99%

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—Bonds

We still do not believe the bond market is attractive as yields are artificially depressed. In this environment, any return in bonds is likely to come from the interest income generated. Since we mainly use the fixed income component for potential income and stability, we kept duration short in an effort to reduce risk and we are not buying lower rated bonds in search of yield.

Portfolio Review—Equities

ON Semiconductor Corp., Open Lending Corp. and Caesars Entertainment, Inc. were the top contributors to the Fund's performance. Detractors from performance included eHealth, Inc., Ebix, Inc., and ViacomCBS, Inc.

During the quarter, we purchased Porch Group, Inc., Open Lending Corp., Freeport-McMoRan, Inc., and TTEC Holdings, Inc. We trimmed our positions in Visa, Inc., Pool Corp., ON Semiconductor, and Ligand Pharmaceuticals, Inc.

Porch Group provides software and services to more than 17,000 home services companies such as home inspectors, moving companies, real estate agencies, utility companies, and warranty companies. Through these relationships, Porch provides a moving concierge service to homebuyers, helping them save time and make better decisions. Porch has a valuable information advantage which it can use in several innovative ways.

Freeport-McMoRan is the largest public copper miner. We believe electric vehicles will see significant growth for a long time, and they use more than twice as much copper as internal combustion engine vehicles. Also, to grow out the infrastructure for the charging network, more copper is needed. We think copper is going to be a strong commodity going forward and Freeport-McMoRan is well positioned to take advantage.

TTEC Holdings is a customer experience (CX) technology and services company, primarily focused on offering personalized customer experiences to organizations worldwide. Serving both iconic and disruptive brands, TTEC's outcome-based solutions span the entire enterprise and touch every virtual interaction channel to improve each step of the customer journey. We believe TTEC is well positioned to benefit from favorable trends within a large and growing addressable market, and the need for companies to further incorporate digital technology and capabilities into their customer experiences.

3RD QUARTER TOP CONTRIBUTORS

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. The stock gained 19.6% in the third quarter. We believe that ON Semiconductor 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 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.

Open Lending Corp.

The company 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 company reported strong results during the quarter, exceeding expectations. As mentioned, we bought Open Lending in August on weakness in the stock as investors worried that automotive supply-chain issues would reduce the number of cars sold. While new car sales have slowed, over 80% of Open Lending's loan certifications during the last year have been related to used cars. 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.

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 8.2% 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 reduced marketing spend does not seem to affect demand. 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.

3RD QUARTER TOP DETRACTORS

eHealth, Inc.

eHealth 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 30.6% during the quarter despite reporting earnings above Wall Street earnings expectations, as investors were concerned about the "churn" rate, the number of customers that canceled their policies. eHealth raised its outlook and earnings guidance, and the company has a debt-free balance sheet and large amount of cash. We are comforted by the activist presence on the board, and expect improved performance during the Medicare enrollment period.

Ebix, Inc.

Ebix is a provider of software and e-commerce solutions and services to the insurance, finance, and healthcare industries. Ebix was down 20.4% in the third quarter as investors worried about the dire Covid-19 outbreak in India and its impact on travel. The company has built a very predictable and highly profitable business model. A big part of its revenue is from online software-based insurance exchanges which bring in revenue based on transactions. While Ebix has been a volatile stock, patient investors may be rewarded through an upcoming initial public offering (IPO) of Ebix growing EbixCash division. Ebix is expected to retain about 80% of the ownership of EbixCash, and the potentially much higher valuation of EbixCash, we believe, should reflect back positively on the valuation of Ebix.

ViacomCBS, Inc.

We bought ViacomCBS back in the spring when its shares plummeted as hedge fund Archegos Capital Management and banks it worked with became forced sellers of the stock. The stock declined 12.0% in the third quarter. We believe the intrinsic value of the company, which includes Paramount Studios, CBS, Nickelodeon, Comedy Central, and BET, is significantly higher than the current share price implies. In addition to the high-quality scripted content it produces, the company is also aggressive in its live television offerings—thus far this year, it has televised the Super Bowl, the Grammy Awards, and the NCAA March Madness basketball tournament. Paramount+, the company's paid streaming product, has 42 million subscribers, up six million in the second quarter of this year.

Villere Balanced Fund—Top Contributions & Detractors

Top Performers 6/30/2021–9/30/2021	Average Portfolio Weight (%)	Return (%)
ON Semiconductor Corp.	3.30	19.57
Open Lending Corp. Class A	1.63	11.12
Ligand Pharmaceuticals, Inc.	3.99	6.20
Palomar Holdings, Inc.	3.77	7.12
Caesars Entertainment, Inc.	2.97	8.22

Bottom Performers 6/30/2021–9/30/2021	Average Portfolio Weight (%)	Return (%)
eHealth, Inc.	2.03	-30.65
Ebix, Inc.	2.16	-20.36
ViacomCBS Inc. Class B	3.49	-12.05
Progressive Corp.	3.13	-7.87
Euronet Worldwide, Inc.	3.97	-5.96

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

Outlook and Strategy

The Federal Reserve has started to signal that it may retreat from some of its aggressive bond-buying, however, as long as the Fed remains accommodative and provides a "backstop" for the markets, we will continue to be constructive and cautiously optimistic about the outlook. Arguably, the biggest risk facing equity markets in the months ahead is the potential for the Fed to slow its asset purchases more sharply than expected to combat higher and more persistent inflation. Delta and other variants of Covid-19 are a concern, but both the world and investors have formulated a pandemic response. The virus is not the unknown quantity it was last year, so we believe the panic-selling we saw during the crash is less likely.

Regarding the debt ceiling, the Congress has raised or suspended the ceiling 78 times since 1960, and we don't see this as a risk. We also believe any fallout from Evergrande in China will be short-lived as there is no contagion in the U.S. financial system. We also believe supply-chain issues are short-term bottle necks and that we will get past these issues.

With stock valuations at current levels, there is more risk in the market, so we continue to take a balanced approach to our holdings. 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 prefer stocks that are more correlated to the reopening of the economy as they tend to perform better in a rising rate scenario than stocks tied to another wave of the pandemic. 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. 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 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 fund as of 9/30/2021 were:

VILLERE BALANCED FUND

First Hawaiian, Inc.	(FHB)	4.7%
Stryker Corp.	(SYK)	4.2%
Abiomed, Inc.	(ABMD)	3.9%
Euronet Worldwide	(EEFT)	3.9%
Ligand Pharmaceuticals, Inc.	(LGND)	3.9%
Palomar Holdings	(PLMR)	3.8%
Roper Technologies, Inc.	(ROP)	3.7%
Kearny Financial Corp.	(KRNY)	3.7%
Open Lending Corp.	(LPRO)	3.6%
Steris PLC	(STE)	3.5%

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.

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 Funds 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 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.