

# VILLERE & C<sup>o</sup>

SELECTIVE INVESTING SINCE 1911

## **FORM ADV PART 2A – FIRM BROCHURE**

March 19, 2020

### **ST. DENIS J. VILLERE & COMPANY LLC**

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New Orleans, Louisiana 70130

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This brochure provides information about the qualifications and business practices of St. Denis J. Villere & Company LLC (“Villere”). If you have any questions about the contents of this brochure, please contact us at 504.525.0808 or email us at [georgey@villere.com](mailto:georgey@villere.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Villere also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since our last filing, there have been no material changes.

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## Item 4 – Description of Advisory Business

- A. For over 100 years, Villere has offered investment advice to a variety of clients including individuals, institutions, retirement plans, IRAs and our mutual funds (Villere Balanced Fund and Villere Equity Fund). St. Denis J. Villere founded our firm in 1911. At that time, we were a member of the New Orleans Stock Exchange and were involved in public underwriting and brokerage of local stocks and bonds. In 1926, Ernest C. Villere joined his father, becoming a partner in 1928. Following his father's death in 1938, Ernest began to engage increasingly in investment advice. Ernest's son, St. Denis J. Villere II, joined the firm in 1960 and, in 1968, George, his other son, also became a member of the firm. Shortly before Ernest's death in 1986, George Villere Young joined his uncles, ushering in the fourth generation of family involvement. St. Denis J. Villere III joined his father, uncle and cousin in the firm in 1999 and became a partner in 2004. Lamar Gable Villere, George Villere's son, joined the firm in 2013 and became a partner in 2016. Owners of our firm today are: St. Denis J. Villere II, George V. Young, St. Denis J. Villere III and Lamar G. Villere.
- B. We offer investment advice and management. We offer advice on publicly traded equities, fixed income, and preferred stocks on both a discretionary and non-discretionary basis. Our investment services include purchase and sale of securities for our clients, ongoing monitoring of securities held in clients' portfolios, and regular portfolio reporting of accounts, including performance compared to selected indices.
- C. The first step in structuring a financial portfolio is ascertaining the needs and goals of the client, whether long-term growth, maximum income, capital preservation or varying degrees of each. Initially, we meet with clients to identify their income and capital appreciation needs and their tolerance for risk and volatility. This process involves careful determination of the proper mix of equity to fixed income in each individual portfolio. We focus on traditional investment approaches—preferred and common equities, corporate and tax-free bonds, government securities and convertible issues. We seek to enhance portfolio returns while minimizing risk. Although short-term trading and margin are occasionally employed, options, commodities, and limited partnerships are not used. Provided the valuation premium remains reasonable, Villere feels that greater returns can be achieved by long-term retention of common stocks.
- Having ascertained our client's goals, we monitor performance and assess any adjustments that may be necessary as their needs change. We recognize that clients may be averse to certain investments and we will make portfolio adjustments when warranted. Some clients impose unique restrictions in their accounts.
- D. We do not participate in any wrap fee programs.
- E. As of December 31, 2019, we managed approximately \$2.159 billion for our clients. Of that amount, \$2.130 billion is managed on a discretionary basis and \$29 million is managed on a non-discretionary

basis. Of these assets, as of December 31, 2019, Villere Balanced Fund had assets of \$224 million and the Villere Equity Fund had assets of \$43 million.

## **Item 5 – Fees and Compensation**

- A. Our fees are computed as a percentage of assets managed. We charge 1% on the first \$5 million, and then 0.75% on the amount between \$5 million and \$10 million, and then 0.50% on the amount above \$10 million. The minimum fee is \$10,000 annually. Fees are negotiable in limited circumstances.
- B. Our fees are computed quarterly in arrears and, when authorized, deducted directly from client custodial accounts. Clients can be billed directly.
- C. Clients are responsible for brokerage fees and limited custody and administrative fees. We strive to negotiate favorable fees on the client's behalf when possible. (This is discussed further in Item 12 below.) We receive no transaction fee or any other compensation via client trading activity, nor do we charge any exit or cancellation fees.
- D. We do not collect fees in advance.
- E. None of our supervised persons accepts compensation for the sale of securities or other investment work product.

## **Item 6 – Performance-Based Fees**

We do not charge performance-based fees.

## **Item 7 – Types of Clients**

We have a large variety of clients including individuals, multi-generational families, institutions, retirement plans, corporations, and our mutual funds. Although we do not have a minimum account size, we charge an annual minimum fee of \$10,000. Although negotiable in limited circumstances, we generally discourage accounts less than \$1 million on the advisory side of our business. We also offer the Villere Balanced Fund and the Villere Equity Fund as investment options; their minimum is \$2,000.

## **Item 8 – Methods of Analysis**

- A. Villere seeks to enhance portfolio returns while minimizing risk. The objective for equity holdings is to outperform the Standard & Poor's 500 Index and similar indexes over a full market cycle and take advantage of market or security inefficiencies. Provided the valuation premium remains reasonable, Villere feels that greater returns can be achieved by long-term retention of common stocks.

- B. Depending on the goals and objectives of the client, portfolios generally include fixed income securities to provide the potential for stability as well as income. Normally, municipal and investment-grade corporate issues of shorter durations are used due to their less volatile nature.
- C. A typical portfolio is composed of 20-30 securities, the equity positions being culled from an actively followed universe of approximately 100 stocks. Each portfolio is constantly monitored and priced using custom-designed software to track and re-examine both performance and strategy. Portfolio evaluations are furnished quarterly, or as otherwise agreed upon.
- D. Our research efforts include careful examination of company-prepared information such as annual reports, prospectuses, 10-Ks, and press releases; management is usually interviewed and corporate activities closely monitored. In short, our research is thorough and complete. Our firm has sufficient assets under management to attract the attention of major securities firms. Frequent contact is maintained with regional, as well as national securities analysts identified as the most knowledgeable in their respective industries.
- E. Investing in securities is inherently risky. We strive to reduce risk where possible through diversification and asset allocation. We believe it important that clients appreciate such risk and they communicate their tolerance for risk and loss. We have minimal turnover of assets in our managed accounts. We believe that turnover inhibits investment performance and incurs higher tax liabilities over time.
- F. We do not recommend any particular type of security as we have a broad base of clients with varied needs and objectives.

## **Item 9 – Disciplinary Information**

We have not had any complaints from clients or any legal or disciplinary action taken against us by any supervisory authority, civil or criminal.

## **Item 10 – Other Financial Industry Activities**

Our firm is registered with the SEC and is the investment advisor for the Villere Balanced Fund and the Villere Equity Fund, which are distributed by Quasar Distributors (a subsidiary of Foreside Financial Group, LLC). Each firm partner shares the responsibility of marketing, managing and oversight of the fund. Additionally, Sandy Villere III is a registered representative with Quasar Distributors. We do not maintain any other relationship with the financial industry that would cause a material conflict of interest for our clients. We do not recommend or select other advisors for clients.

## Item 11 – Code of Ethics

- A. In order to safeguard our clients' interests, we implemented a comprehensive Code of Ethics in 2005, a full copy of which is available for review on request. Our Code establishes rules of conduct for employees and members of our firm, including personal transactions, conflicts of interest, insider trading, disclosure and reporting, gift policy, sanctions and reviews. Our Code is reviewed annually and updated as needed.
- B. Where suitable, in some circumstances, we recommend the purchase of the Villere Balanced Fund and/or the Villere Equity Fund, mutual funds for which we serve as investment advisor. We receive advisory fees from these Funds (generally 0.75% of its assets). Accordingly, we could receive more compensation than we would receive if we recommended other non-affiliated mutual funds or securities. We do not recommend purchase of our mutual funds for advisory accounts where we earn a management fee. With regard to our investment advice, we treat our funds as we do other advisory clients and aggregate orders as much as possible with other clients. We do not believe any material conflicts of interest arise in the course of that management.
- C. The partners of Villere often invest their personal funds in the same securities that we recommend to clients. Before initiating a Personal Transaction, all trades must be pre-cleared by the Chief Compliance Officer (CCO) or the Assistant CCO. We evaluate all personal trades so that the clients' interests are placed first. Employees and firm partners are prohibited from trading a given security on the same day as a client to avoid affecting the pricing or availability of a particular security.

## Item 12 – Brokerage Practices

- A. We select brokers based primarily on:
- Commission rates offered
  - Historical quality and accuracy of research supplied to Villere
  - Whether the broker is a market-maker in the Security
  - Quality of execution of trades, and
  - Soft Dollar Purchases.

“Soft Dollar Purchases” refers to the assigning of transactions to a broker in exchange for brokerage and research services, the primary use of which must directly assist Villere in its investment decision making process. We regard the following as appropriate Soft Dollar Purchases:

- Proprietary research and information on companies, industries, sectors, and the economy
- Meetings in person or telephone with management of companies
- Performance measurement
- Third-party research
- Fundamental databases
- Technical analysis software
- Statistical periodicals and journals

- Portfolio analysis software, and
- Political or economic analysis.

We use soft dollars to purchase statistical periodicals and journals, a pricing service, and proprietary research and recommendations from broker-dealers. When we use client soft dollars to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services received. Any soft dollar purchase will be used to benefit all clients of Villere and not merely the clients involved at the time the soft dollar purchase was made. We may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than our client's interest in receiving most favorable execution. We compile and maintain records of each soft dollar purchase, including any agreements, and for each broker: a list of proprietary and third-party research providers and the service or product obtained from each provider. Our CCO samples, evaluates, and records the execution quality of selected brokers on a monthly basis. In addition, we annually generate a report listing the brokers used, commissions paid, and the transactions handled for each broker. Our CCO analyzes the selection, use, execution quality and commission rates of the brokers selected and whether the current usage comports with Villere's selection and soft dollar criteria.

- A. We previously participated in a client-referral program with Charles Schwab & Co. and we still pay fees with regard to several accounts that were referred through this program. We no longer actively participate in this referral program.
- B. Clients are allowed to direct brokerage, but we believe we can greatly improve execution when we are allowed to choose the broker. Such designation to direct brokerage must be in writing and updated annually. Moreover, directed brokerage often acts as an impediment to best execution of client transactions. We believe that aggregation of orders is important to efficient and equitable execution among clients and try to utilize this procedure as much as possible. Accordingly, directed brokerage in many circumstances will cost our client more money and hinder performance.

We do aggregate trades frequently when it benefits our clients.

## **Item 13 – Review of Accounts**

Accounts are reviewed at least quarterly by a supervising partner to keep the asset allocation in conformity with investment objectives. Holdings are cross referenced to assure that clients are treated equally when action is required. On an annual basis, we send to each client a copy of that client's Confidential Client Questionnaire and request that the client update the information. In addition, we review annually each client's account in light of the client's investment objectives, risk tolerance and goals as stated in the Confidential Client Questionnaire. To the extent that the account is materially in conflict with the stated investment objectives and goals, we will contact the client to discuss the issue. Written portfolio evaluations are normally sent to clients on a quarterly basis unless a client requires a different interval. Evaluations are also furnished at any time by request. Reports include a statement of investments owned

with cost basis, estimated income and market value. We also provide performance compared to appropriate indexes and a statement of realized gains and losses.

## **Item 14 – Client Referrals**

We do not receive any compensation for client referrals.

## **Item 15 – Custody**

We do not custody any of our clients' funds or securities. A client may use an existing qualified custodian, such as a broker-dealer or bank, to hold investments, or we can recommend an appropriate qualified custodian. Account statements will be sent directly from the qualified custodian that maintains client assets. We also send periodic statements which should be reviewed and compared to the account statement sent by the custodian.

We are deemed to have custody of certain accounts by the SEC whereby we have authority to make transfers from those client accounts. In those instances, we follow SEC regulations and guidance on required documentation and procedures to make those transfers.

## **Item 16 – Investment Discretion**

We ascertain our clients' investment objectives and goals and request investment discretion from them to execute their individual strategy. We believe this allows the investing process to be more efficient and productive for both the client and the advisor. Although discouraged, any client has the right to give investment instructions, which may limit or conflict with our advice. In certain limited circumstances, specific holdings may be monitored, but excluded from both performance and billing. As investment advisor and as part of our client agreement, we maintain the right to place orders in the accounts which we manage.

## **Item 17 – Voting Client Securities**

We ask for, and normally receive, client permission to vote proxies. We have engaged a third-party service to assist us in voting client securities and believe that our familiarity with the investment potential of a security also allows us to research and vote proxies in a knowledgeable manner. Clients may vote their own proxies for shares held in their accounts at Villere. Clients who wish to vote their own shares through proxies must complete, sign and date a Proxy Opt-Out Form, and submit it to us. The proxy voting process is overseen by the CCO who is responsible for casting the votes for all proxies held by Villere. If the CCO perceives that there may be a potential conflict of interest between Villere and its clients with respect to a particular vote, the CCO will contact the Compliance Committee to address the vote. If the Compliance Committee feels in good conscience that we cannot make the decision to exercise the proxy because of a conflict of interest, the CCO will choose among the following options:



- i. Contact the client(s) who own the particular issue and ask that they vote the particular shares with respect to that particular vote; or
- ii. Contract with an independent third party to assist in the resolution of the voting of the clients' shares. Clients may request a copy of Villere's voting policies and procedures, including information on how securities were voted by contacting Villere at 601 Poydras Street, Suite 1808, New Orleans, LA 70130.

Villere engaged a third-party service, on behalf of our clients, to monitor securities class actions settlements for securities held in accounts managed by Villere. When there is a class action settlement, the third-party service collects any settlement payments due to our clients; and pays those amounts to our clients. The third-party service deducts 20 percent of the amount collected as a fee. We do not receive any fees or compensation from the third-party service and we do not pay any fees to the third-party service.

## **Item 18 – Financial Information**

There have been no events that we deem likely to impair our financial condition or our ability to meet contractual commitments to clients.

## **BROCHURE SUPPLEMENT**

St. Denis J. Villere & Company LLC  
601 Poydras Street, Suite 1808  
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This Brochure Supplement provides information about St. Denis J. Villere II, George Young, St. Denis J. Villere III, and Lamar Villere who provide investment advice, and it supplements the Villere Brochure.

You should have received a copy of that brochure. Please contact us at 504.525.0808 or email us at georgey@villere.com, if you did not receive the Villere brochure or if you have any questions about the contents of this supplement.

## **Education and Business Standards**

Villere requires that any employee whose function involves determining or giving investment advice to clients must be a graduate of a four-year college and must be properly licensed for all advisory activities in which they are engaged.

## **Professional Certifications**

Employees who have earned professional designations from the CFA Institute are subject to the following conditions and requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48-months of acceptable professional work experience in the investment decision making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement and any additional documentation requested by CFA Institute.

## **Item 2 – Educational Background and Business Experience**

**St. Denis J. Villere II (“Sandy”)** was born in 1936 and attended Tulane and Vanderbilt Universities. He joined Villere in 1960 and has been a partner/member of the firm since 1965. Prior to that, Sandy trained with Spencer Trask & Co. in New York. He is a current member of the CFA Institute and past president of the Financial Analysts of New Orleans.

**George V. Young** was born in 1958 and graduated from the University of Virginia. He joined Villere in 1986 and has been a partner/member of Villere since 1992. Previously, George trained with Morgan Keegan & Co. He is a current member of the CFA Institute and a past president of the Financial Analysts of New Orleans.

**St. Denis J. Villere III (“Sandy”)** was born in 1975 and graduated from Southern Methodist University. He joined Villere in 1999 and has been a partner/member of Villere since 2004. Before that Sandy was an institutional research analyst and equity salesman with Gerard Klauer Mattison, a Wall St. research firm. He is a current member of the CFA Institute.

**Lamar G. Villere, CFA** was born in 1975 and graduated from Washington & Lee and Vanderbilt University’s Owen Graduate School of Management. Before joining Villere in 2013, he oversaw global private equities, hedge funds, and public equities for the states of Tennessee and Illinois. Lamar is a current member of the CFA Institute. He became a partner/member of Villere in 2016.

### **Item 3 – Disciplinary**

There are no legal or disciplinary events material to a client’s or prospective client’s evaluation of St. Denis J. Villere II, George Young, St. Denis J. Villere III, and Lamar Villere.

### **Item 4 – Other Business Activities**

Lamar Villere is compensated as a board member of Barron Collier Companies. St. Denis J. Villere II, George Young, and St. Denis J. Villere III are not involved in any outside business activities.

### **Item 5 – Additional Compensation**

St. Denis J. Villere II, George Young, St. Denis J. Villere III, and Lamar Villere do not receive any additional compensation or economic benefit for investment advisory services, other than their compensation from Villere.

### **Item 6 – Supervision**

George Young is our Chief Compliance Officer and the person responsible for monitoring each of our associates and the advice rendered to our clients. He is supervised by the Assistant Chief Compliance Officer, Lamar Villere. George and Lamar may be reached at 504.525.0808. George reviews daily, monthly, quarterly, and annual reports that describe the holdings of our clients and the particulars of each transaction. In addition, he participates in regular weekly meetings in which investing strategy is discussed, in addition to numerous meetings throughout the week with the principals of Villere to discuss the same.