



# LKCM AQUINAS CATHOLIC EQUITY FUND

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## LKCM Aquinas Catholic Equity Fund

### Semi-Annual Report June 30, 2019

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the LKCM Funds' shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the LKCM Funds (if you hold your Fund shares directly with the LKCM Funds) or from your financial intermediary, such as a broker-dealer or bank (if you hold your Fund shares through a financial intermediary). Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you hold your Fund shares directly with the LKCM Funds, you may elect to receive shareholder reports and other communications electronically from the LKCM Funds by calling 1-800-688-LKCM or, if you hold your Fund shares through a financial intermediary, by contacting your financial intermediary.

You may elect to receive all future reports on paper free of charge. If you hold your Fund shares directly with the LKCM Funds, you can inform the LKCM Funds that you wish to continue receiving paper copies of your shareholder reports by calling 1-800-688-LKCM or, if you hold your Fund shares through a financial intermediary, contacting your financial intermediary. Your election to receive reports in paper will apply to all of the LKCM Funds you hold directly with LKCM Funds or all of the funds you hold through your financial intermediary, as applicable.

## Dear Fellow Shareholders:

We report the following performance information for the LKCM Aquinas Catholic Equity Fund for indicated periods ended June 30, 2019:

<u>Fund</u>	<u>Inception Date</u>	<u>NAV @ 6/30/19</u>	<u>Net Expense Ratio*, **</u>	<u>Gross Expense Ratio**</u>	<u>Six Month Total Return Ended 6/30/19</u>	<u>One Year Total Return Ended 6/30/19</u>	<u>Five Year Average Annualized Return Ended 6/30/19</u>	<u>Ten Year Average Annualized Return Ended 6/30/19</u>	<u>Avg. Annual Total Return Since Incept.***</u>
LKCM Aquinas Catholic Equity Fund <sup>(1)</sup>	7/11/05	\$15.74	1.00%	1.44%	22.97%	8.45%	7.25%	12.45%	7.70%
S&P 500 <sup>®</sup> Index <sup>(2)</sup>					18.54%	10.42%	10.71%	14.70%	8.80%

*Performance data quoted represents past performance and 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 the original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-423-6369. The Fund imposes a 1.00% redemption fee on shares held less than 30 days. If reflected, the fee would reduce performance shown.*

\* Luther King Capital Management Corporation, the Fund's investment adviser, has contractually agreed to waive all or a portion of its management fee and/or reimburse expenses of the Fund to maintain an expense ratio of 1.00% per annum through May 1, 2020. This expense limitation excludes interest, taxes, brokerage commissions, indirect fees and expenses related to investments in other investment companies, including money market funds, and extraordinary expenses. Investment performance reflects fee waivers, if any, in effect during the relevant period. In the absence of such waivers, total return would be reduced. Investment performance is based upon the net expense ratio. LKCM waived management fees and/or reimbursed expenses for the Fund during the six months ended June 30, 2019.

\*\* Expense ratios above are as reported in the Fund's current prospectus dated May 1, 2019. Expense ratios reported for other periods in the financial highlights of this report may differ.

\*\*\* The assets of the Aquinas Value Fund, Aquinas Growth Fund and Aquinas Small-Cap Fund were acquired by the LKCM Aquinas Value Fund, LKCM Aquinas Growth Fund and LKCM Aquinas Small Cap Fund, respectively, on July 11, 2005. Due to the change in adviser and investment technique, performance is being quoted for the period after the merger. The LKCM Aquinas Small Cap Fund and LKCM Aquinas Growth Fund were reorganized into the LKCM Aquinas Value Fund effective upon the close of business on July 29, 2016, after which the LKCM Aquinas Value Fund's name, investment strategies and expenses changed to those of the LKCM Aquinas Catholic Equity Fund. The performance shown prior to August 1, 2016 is that of the LKCM Aquinas Value Fund.

(1) Effective upon the close of business on July 29, 2016, the LKCM Aquinas Small Cap Fund and the LKCM Aquinas Growth Fund reorganized into the LKCM Aquinas Value Fund (the "Reorganizations"). Immediately after the Reorganizations were completed, the LKCM Aquinas Value Fund changed its name to the LKCM Aquinas Catholic Equity Fund and its investment strategies and expenses, including the expense limitation agreement, changed to the investment strategies and expenses, including the expense limitation agreement, of the LKCM Aquinas Catholic Equity Fund. The Fund's performance prior to August 1, 2016 reflects the Fund's prior investment strategies.

(2) The S&P 500<sup>®</sup> Index is an unmanaged capitalization-weighted index of 500 selected stocks that is generally considered representative of the performance of large capitalization companies in the U.S. stock market.

*Note: The indices defined above are not available for direct investment and the index performance therefore does not include fees, expenses or taxes.*

## 2019 Review and Outlook

The U.S. economy has grown for 121 consecutive months, marking the longest economic expansion in American history. Since June 2009 the U.S. economy has grown without a recession and now surpasses the previous record expansion set between March 1991-March 2001 that ended with the bursting of the dot-com bubble. The current decade-long expansion has been fueled primarily by job growth, steadily lower unemployment, and low interest rates. However, we believe this cycle also has the distinction of being the weakest expansion of the eleven post-war economic cycles.

Economic indicators suggest that global growth is showing additional signs of slowing. While still positive, the more uneven pattern of growth has generally caused central bankers to adopt a more dovish posture. The tightening bias the Federal Reserve had at the beginning of the year appears to have shifted to an inclination to ease monetary policy. We believe that recessions are generally brought about when imbalances in the economy emerge and are met with rising interest rates. However, in our view, we do not yet see any overly-concerning imbalances in the domestic real economy or capital markets, with the exception of debt levels in certain circumstances. Further, we believe the Federal Reserve's recent signaling that it may consider additional interest rate cuts should pull forward consumption and, therefore, extend the current record expansion.

We believe the unexpected change in direction on monetary policy by the Federal Reserve has been embraced by the financial markets, which appear to have fully recovered from the weakness in the fourth quarter of 2018. Equity prices, as measured by the S&P 500<sup>®</sup> Index, rose 18.5% during the first half of 2019. The Dow Jones Industrial Average Index advanced 7.3% in June 2019, its best June since 1938. At the same time, the yield on the 10-year Treasury note closed the second quarter of 2019 at 2.01%, down from a seven-year high of 3.24% in November 2018.

Despite the recent performance of the equity markets, we believe that downside risks to the outlook for the U.S. economy are building. We believe that many investors and business managers had anticipated a quicker resolution to trade issues than has materialized, and we are already seeing evidence of a potential trade war in recent economic data. In our view, deteriorating economic readings and falling inflation expectations have caused U.S. and European central banks to signal to the capital markets that they are biased towards easing

monetary policies to sustain the economic expansion. While the list of potential downside risks is growing, our base case forecast reflects our belief that the economic expansion will remain intact near-term, albeit at a slower pace.

### **LKCM Aquinas Catholic Equity Fund**

During the six months ended June 30, 2019, the LKCM Aquinas Catholic Equity Fund returned 22.97% against the 18.54% advance for the Fund's benchmark, the S&P 500<sup>®</sup> Index. During the period, the Fund benefited from stock selection as well as sector allocation decisions relative to the benchmark. The Fund benefited from being overweight the Information Technology sector as well as being underweight the Healthcare and Utilities sectors. As opposed to 2018, the Fund was positively impacted by limited exposure to the Healthcare sector relative to the Fund's benchmark given the Fund's Catholic values investing mandate, which limits the Fund from investing in a number of companies within this sector. Solid stock selection in the Materials, Healthcare, Industrials and Consumer Staples sectors also contributed positively to the Fund's relative performance during the first half of the year, which was offset somewhat by stock selection in the Communications Services and Energy sectors.

The stock market strength exhibited during the first quarter of 2019 extended into the second quarter of 2019 after a brief corrective phase. In our view, the areas of concern that disrupted the stock market during the fourth quarter of 2018, including the potential for higher interest rates, concerns around corporate profit growth, and trade/tariff issues, appeared to shift toward more positive factors in 2019, including the continued benefits from the 2017 tax legislation and confidence in the continued sustainability of low inflation. While we believe that trade issues continue to concern investors and corporate profit growth expectations are being trimmed, we believe the prospect of lower interest rates through a proactive move by the Federal Reserve to increase economic growth has presently mitigated those issues. In our view, in the later stages of a traditional economic expansion, business spending usually accelerates in response to improved demand, increased capacity utilization, and tight labor markets, and generally represents a primary incremental economic growth driver. We believe the 2017 tax legislation, including accelerated capital expenditure expensing and favorable foreign cash repatriation, further encourage corporate investment activities. However, we believe that strained trade relations, U.S. dollar strength, domestic monetary policy tightening during 2018, and broadly decelerating global growth all represent meaningful concerns and may be delaying or possibly derailing positive corporate investment plans. The resolution of these and a myriad of other developments will likely influence the direction of forward market returns, but given our current views, we believe that this already record economic expansion will continue. As a result, we continue to believe stock valuations are reasonable as long as modest corporate profit growth continues and inflation remains near current levels.



J. Luther King, Jr., CFA, CIC  
July 5, 2019

The information provided herein represents the opinion of J. Luther King, Jr., CFA, CIC and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Please refer to the Schedule of Investments found on page 6 of the report for more information on Fund holdings. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

***Mutual fund investing involves risk. Principal loss is possible. Past performance is not a guarantee of future results. Small and medium capitalization funds typically carry additional risks, since smaller companies generally have a higher risk of failure, and, historically, their stocks have experienced a greater degree of market volatility than stocks on average. These risks are discussed in the Fund's summary and statutory prospectuses. Since the Fund practices socially responsible investing within the framework provided by the United States Conference of Catholic Bishop's Socially Responsible Investing Guidelines, the Fund may forego a profitable investment opportunity or sell a security when it may be disadvantageous to do so.***

Earning growth is not a measure of future performance.

The Dow Jones Industrial Average Index is a stock market index that tracks 30 large, publicly-owned companies that trade on the New York Stock Exchange.

*Investors should consider the investment objective, risks and charges and expenses of the Fund carefully before investing. The Fund's summary prospectus and prospectus contain this and other information about the Fund. Investors can obtain the summary prospectus and the prospectus by calling 1-800-423-6369. The summary prospectus and prospectus should be read carefully before investing in the Fund.*

Quasar Distributors, LLC, distributor.

## LKCM Aquinas Catholic Equity Fund Expense Example — June 30, 2019 (Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees; and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (1/1/19-6/30/19).

### ACTUAL EXPENSES

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period. Although the Fund charges no sales load, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC (doing business as U.S. Bank Global Fund Services) the Fund’s transfer agent. If you request that a redemption be made by wire transfer, currently a \$15 fee is charged by the Fund’s transfer agent. You will be charged a redemption fee equal to 1.00% of the net amount of the redemption if you redeem your shares of the Fund within 30 days of purchase, unless otherwise determined by the Fund in its discretion. To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the example below. The example below includes management fees, registration fees and other expenses. However, the example below does not include portfolio trading commissions and related expenses and other extraordinary expenses as determined under generally accepted accounting principles.

### HYPOTHETICAL EXAMPLES FOR COMPARISON PURPOSES

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactions costs were included, your costs would have been higher.

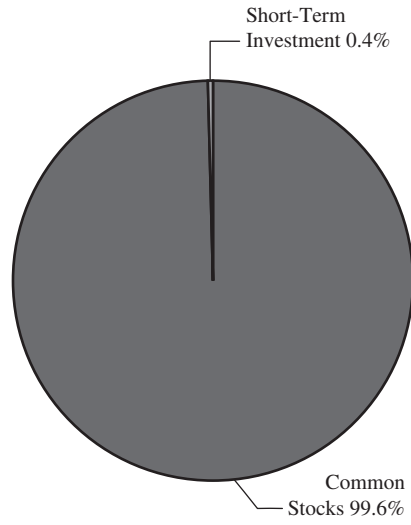
	LKCM Aquinas Catholic Equity Fund		
	Beginning Account Value 1/1/19	Ending Account Value 6/30/19	Expenses Paid During Period* 1/1/19 – 6/30/19
Actual .....	\$1,000.00	\$1,229.70	\$5.53
Hypothetical (5% return before expense) .....	\$1,000.00	\$1,019.84	\$5.01

\* Expenses are equal to the Fund’s annualized net expense ratio of 1.00%, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

**ALLOCATION OF PORTFOLIO HOLDINGS — LKCM Aquinas Catholic Equity Fund — June 30, 2019 (Unaudited)**

Percentages represent market value as a percentage of total investments.

**LKCM Aquinas Catholic Equity Fund**



# LKCM AQUINAS CATHOLIC EQUITY FUND

## SCHEDULE OF INVESTMENTS

June 30, 2019 (Unaudited)

COMMON STOCKS - 99.9%	Shares	Value	COMMON STOCKS	Shares	Value
<b>Aerospace &amp; Defense - 3.8%</b>			<b>Pharmaceuticals - 7.6%</b>		
Honeywell International, Inc.	10,000	\$ 1,745,900	Abbott Laboratories	20,000	\$ 1,682,000
<b>Banks - 10.7%</b>			Zoetis, Inc.	16,000	1,815,840
Comerica, Inc.	19,000	1,380,160			3,497,840
Cullen/Frost Bankers, Inc.	5,000	468,300	<b>Professional Services - 3.5%</b>		
SunTrust Banks, Inc.	25,000	1,571,250	Verisk Analytics, Inc.	11,000	1,611,060
Zions Bancorp N.A.	32,500	1,494,350	<b>Software - 13.5%</b>		
		4,914,060	Adobe, Inc. (a)	5,800	1,708,970
<b>Beverages - 3.1%</b>			Microsoft Corp.	10,000	1,339,600
PepsiCo, Inc.	11,000	1,442,430	Oracle Corp.	27,500	1,566,675
<b>Chemicals - 5.5%</b>			RealPage, Inc. (a)	27,500	1,618,375
Corteva, Inc. (a)	20,000	591,400			6,233,620
Ecolab, Inc.	8,000	1,579,520	<b>Software &amp; Services - 3.7%</b>		
FMC Corp.	4,500	373,275	Akamai Technologies, Inc. (a)	21,000	1,682,940
		2,544,195	<b>Specialty Retail - 6.8%</b>		
<b>Computers &amp; Peripherals - 3.4%</b>			The Home Depot, Inc.	7,000	1,455,790
Apple, Inc.	8,000	1,583,360	The Sherwin-Williams Co.	1,900	870,751
<b>Construction Materials - 1.5%</b>			Tiffany & Co.	8,500	795,940
Martin Marietta Materials, Inc.	3,000	690,330			3,122,481
<b>Diversified Telecommunication Services - 2.0%</b>			<b>Textiles, Apparel &amp; Luxury Goods - 3.6%</b>		
AT&T, Inc.	27,500	921,525	Tapestry, Inc.	15,000	475,950
<b>Electrical Equipment &amp; Instruments - 3.6%</b>			VF Corp.	13,500	1,179,225
Roper Technologies, Inc.	4,500	1,648,170			1,655,175
<b>Electronic Equipment &amp; Instruments - 5.5%</b>			<b>TOTAL COMMON STOCKS</b>		
FLIR Systems, Inc.	24,500	1,325,450	(Cost \$24,265,348)		45,978,555
Trimble, Inc. (a)	27,000	1,217,970	<b>SHORT-TERM INVESTMENT - 0.4%</b>		
		2,543,420	<b>Money Market Fund - 0.4%</b>		
<b>Energy Equipment &amp; Services - 1.1%</b>			Invesco Short-Term Investments Trust- Government & Agency Portfolio - Institutional Shares, 2.27% (c)	195,497	195,497
Schlumberger Ltd. (b)	12,500	496,750	<b>TOTAL SHORT-TERM INVESTMENT</b>		
<b>Food Products - 2.1%</b>			(Cost \$195,497)		195,497
Mondelez International, Inc. - Class A	17,500	943,250	<b>Total Investments - 100.3%</b>		
<b>Internet &amp; Catalog Retail - 3.3%</b>			(Cost \$24,460,845)		46,174,052
Amazon.com, Inc. (a)	800	1,514,904	Liabilities in Excess of Other Assets - (0.3)%		(136,921)
<b>IT Consulting &amp; Services - 3.2%</b>			<b>TOTAL NET ASSETS - 100.0%</b>		\$46,037,131
PayPal Holdings, Inc. (a)	13,000	1,487,980			
<b>Machinery - 2.7%</b>					
Stanley Black & Decker, Inc.	8,500	1,229,185			
<b>Media &amp; Entertainment - 3.8%</b>					
Alphabet, Inc. - Class A (a)	1,600	1,732,480			
<b>Multiline Retail - 2.3%</b>					
Dollar Tree, Inc. (a)	10,000	1,073,900			
<b>Oil &amp; Gas &amp; Consumable Fuels - 3.6%</b>					
EOG Resources, Inc.	13,000	1,211,080			
Occidental Petroleum Corp.	9,000	452,520			
		1,663,600			

- (a) Non-income producing security.  
(b) Security issued by non-U.S. incorporated company.  
(c) The rate quoted is the annualized seven-day yield of the fund at period end.

*Investments are classified by industry pursuant to the Global Industry Classification Standard (GICS®), which was developed by and/or is the exclusive property of Morgan Stanley Capital International, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.*

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF ASSETS AND LIABILITIES**

**June 30, 2019 (Unaudited)**

**LKCM Aquinas Catholic Equity Fund**

<b>Assets:</b>	
Investments, at value* .....	\$46,174,052
Cash .....	2,678
Receivable for Fund shares sold .....	727
Dividends and interest receivable .....	28,225
Other assets .....	15,977
Total assets .....	<u>46,221,659</u>
<b>Liabilities:</b>	
Payable for investment advisory fees (Note B) .....	46,098
Payable for distribution expense (Note B) .....	45,208
Payable for Fund shares redeemed .....	30,267
Payable for professional fees .....	15,750
Payable for reports to shareholders .....	15,446
Payable for accounting and transfer agent fees and expenses .....	14,145
Payable for trustees' fees and officer compensation (Note B) .....	9,295
Payable for administrative fees .....	7,334
Payable for custody fees and expenses .....	985
Total liabilities .....	<u>184,528</u>
<b>Net Assets</b> .....	<u>\$46,037,131</u>
<b>Net Assets Consist of:</b>	
Paid in capital .....	\$19,199,100
Total distributable earnings .....	26,838,031
<b>Net Assets</b> .....	<u>\$46,037,131</u>
Shares of beneficial interest outstanding (unlimited shares of no par value authorized) .....	2,925,452
Net asset value per share (offering and redemption price) .....	<u>\$ 15.74</u>
* Cost of investments .....	<u>\$24,460,845</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF OPERATIONS**  
**For the Six Months Ended June 30, 2019 (Unaudited)**

**LKCM Aquinas Catholic Equity Fund**

**Investment Income:**

Dividends .....	\$ 346,045
Interest .....	5,503
Total income .....	351,548

**Expenses:**

Investment advisory fees (Note B) .....	219,493
Accounting and transfer agent fees and expenses .....	37,913
Distribution expense (Note B) .....	24,388
Administrative fees .....	21,071
Trustees' fees and officer compensation (Note B) .....	20,553
Federal and state registration .....	16,322
Reports to shareholders .....	15,223
Professional fees .....	12,886
Custody fees and expenses .....	3,062
Other .....	1,292
Total expenses .....	372,203
Less, expense waiver and/or reimbursement (Note B) .....	(128,322)
Net expenses .....	243,881
Net investment income .....	107,667

**Realized and Unrealized Gain on Investments:**

Net realized gain on investments .....	5,039,397
Net change in unrealized appreciation/depreciation on investments .....	4,860,888

**Net Realized and Unrealized Gain on Investments** ..... 9,900,285

**Net Increase in Net Assets Resulting from Operations** ..... \$10,007,952

The accompanying notes are an integral part of these financial statements.



# STATEMENTS OF CHANGES IN NET ASSETS

## LKCM Aquinas Catholic Equity Fund

	<i>Six Months Ended June 30, 2019 (Unaudited)</i>	<i>Year Ended December 31, 2018</i>
<b>Operations:</b>		
Net investment income .....	\$ 107,667	\$ 198,745
Net realized gain on investments .....	5,039,397	10,664,201
Net change in unrealized appreciation/depreciation on investments .....	4,860,888	(13,838,210)
Net increase (decrease) in net assets resulting from operations .....	<u>10,007,952</u>	<u>(2,975,264)</u>
<b>Net Dividends and Distributions to Shareholders:</b> .....	<u>—</u>	<u>(8,749,323)</u>
<b>Net decrease in net assets resulting from Fund share transactions (Note C)</b> .....	<u>(9,303,006)</u>	<u>(14,000,732)</u>
Total increase (decrease) in net assets .....	704,946	(25,725,319)
<b>Net Assets:</b>		
Beginning of period .....	45,332,185	71,057,504
End of period .....	<u>\$46,037,131</u>	<u>\$ 45,332,185</u>

The accompanying notes are an integral part of these financial statements.

## FINANCIAL HIGHLIGHTS

### SELECTED DATA FOR EACH SHARE OF CAPITAL STOCK OUTSTANDING

LKCM Aquinas Catholic Equity Fund						
	<i>Six Months Ended June 30, 2019 (Unaudited)</i>	<i>Year Ended December 31, 2018</i>	<i>Year Ended December 31, 2017</i>	<i>Year Ended December 31, 2016<sup>(1)</sup></i>	<i>Year Ended December 31, 2015</i>	<i>Year Ended December 31, 2014</i>
<b>Net Asset Value – Beginning of Period</b> . . . . .	\$ 12.80	\$ 17.19	\$ 15.40	\$ 15.17	\$ 16.87	\$ 17.99
Net investment income . . . . .	0.03 <sup>(2)</sup>	0.06 <sup>(2)</sup>	0.05	0.04	0.03	0.17 <sup>(2)</sup>
Net realized and unrealized gain (loss) on investments . . . . .	2.91	(1.46)	3.16	1.41	(0.56)	0.34
Total from investment operations . . . . .	2.94	(1.40)	3.21	1.45	(0.53)	0.51
Dividends from net investment income . . . . .	—	(0.07)	(0.05)	(0.04)	(0.04)	(0.19)
Distributions from net realized gains . . . . .	—	(2.92)	(1.37)	(1.18)	(1.13)	(1.44)
Total dividends and distributions . . . . .	—	(2.99)	(1.42)	(1.22)	(1.17)	(1.63)
<b>Net Asset Value – End of Period</b> . . . . .	<u>\$ 15.74</u>	<u>\$ 12.80</u>	<u>\$ 17.19</u>	<u>\$ 15.40</u>	<u>\$ 15.17</u>	<u>\$ 16.87</u>
<b>Total Return</b> . . . . .	22.97% <sup>(3)</sup>	-7.96%	20.79%	9.52%	-3.28%	2.73%
<b>Ratios and Supplemental Data:</b>						
Net assets, end of period (thousands) . . . . .	\$ 46,037	\$ 45,332	\$ 71,058	\$ 62,997	\$ 44,868	\$52,652
Ratio of expenses to average net assets:						
Before expense waiver and/or reimbursement . . . . .	1.53% <sup>(4)</sup>	1.44%	1.43%	1.66%	1.55%	1.49%
After expense waiver and/or reimbursement <sup>(5)</sup> . . . . .	1.00% <sup>(4)</sup>	1.00%	1.00%	1.23%	1.50%	1.49%
Ratio of net investment income to average net assets:						
Before expense waiver and/or reimbursement . . . . .	(0.09)% <sup>(4)</sup>	(0.12)%	(0.14)%	(0.15)%	0.14%	0.95%
After expense waiver and/or reimbursement <sup>(5)</sup> . . . . .	0.44% <sup>(4)</sup>	0.32%	0.29%	0.28%	0.19%	0.95%
Portfolio turnover rate . . . . .	10% <sup>(3)</sup>	14%	18%	18%	11%	23%

<sup>(1)</sup> Effective upon the close of business on July 29, 2016, the LKCM Aquinas Growth Fund and the LKCM Aquinas Small Cap Fund were reorganized into the LKCM Aquinas Value Fund and the Fund was renamed the LKCM Aquinas Catholic Equity Fund. Activity after July 29, 2016 reflects the Funds' combined operations.

<sup>(2)</sup> Net investment income per share represents net investment income divided by the average shares outstanding throughout the period.

<sup>(3)</sup> Not annualized.

<sup>(4)</sup> Annualized.

<sup>(5)</sup> Effective August 1, 2016, the Fund's investment adviser contractually agreed to lower the expense cap for the Fund from 1.50% to 1.00% of the Fund's average daily net assets and the fees charged under the Fund's Rule 12b-1 plan changed from 0.25% per annum to 0.10% per annum as of August 1, 2016.

The accompanying notes are an integral part of these financial statements.

**A. Organization and Significant Accounting Policies:** LKCM Funds (the “Trust”) is registered under the Investment Company Act of 1940 (“1940 Act”) as an open-end, management investment company. The Trust was organized as a Delaware statutory trust on February 10, 1994 and consists of seven diversified series as of June 30, 2019, one of which is presented herein: the LKCM Aquinas Catholic Equity Fund (the “Fund”). On July 11, 2005, the LKCM Aquinas Funds acquired the assets and assumed the liabilities of the Aquinas Funds. Effective upon the close of business on July 29, 2016, the LKCM Aquinas Small Cap Fund and the LKCM Aquinas Growth Fund reorganized into the LKCM Aquinas Value Fund, which changed its name immediately thereafter to the LKCM Aquinas Catholic Equity Fund and its investment strategies and expenses, including the expense limitation agreement, changed to the investment strategies and expenses, including the expense limitation agreement, of the LKCM Aquinas Catholic Equity Fund. The Fund is subject to expenses pursuant to the Rule 12b-1 plan described in Note B. The Fund charges a 1% redemption fee for redemptions of Fund shares held for less than 30 days, unless otherwise determined by the Fund in its discretion.

The LKCM Aquinas Catholic Equity Fund seeks to maximize long-term capital appreciation, while incorporating Catholic values investing principles in the investment process. The LKCM Aquinas Catholic Equity Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets (plus any borrowings for investment purposes) in equity securities of companies that Luther King Capital Management Corporation (the “Adviser”) believes are likely to have above-average growth in revenue and/or earnings, above-average returns on shareholders’ equity, potential for above-average capital appreciation, and/or companies the Adviser believes have attractive relative valuations.

The Fund practices socially responsible investing within the framework provided by the United States Conference of Catholic Bishops’ Socially Responsible Investment Guidelines (the “Guidelines”). The Fund’s investment approach incorporates the Guidelines through a combination of screening portfolio companies based on criteria set forth in the Guidelines, dialogue with companies whose policies and practices may conflict with the Guidelines, and/or potentially excluding from the Fund’s portfolio the securities of those companies that are unwilling to alter their policies and practices over a reasonable period of time. The Adviser monitors companies selected for the Fund for policies on various issues contemplated by the Guidelines. If the Fund invests in a company whose policies and practices are inconsistent with the Guidelines, the Adviser may attempt to influence the company, sell the company’s securities or otherwise exclude future investments in such company.

The following is a summary of significant accounting policies followed by the Fund in preparation of the financial statements. The Fund is an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standards Codification Topic 946, *Investment Companies*.

**1. Security Valuation:** Equity securities listed or traded on a U.S. securities exchange for which market quotations are readily available are valued at the last quoted sale price on the exchange on which the security is primarily traded. Nasdaq Global Market securities are valued at the Nasdaq Official Closing Price (“NOCP”). Unlisted U.S. equity securities and listed U.S. equity securities not traded on a particular valuation date are valued at the mean of the most recent quoted bid and ask price on the relevant exchanges or markets. Equity securities listed on a foreign exchange for which market quotations are readily available are valued at the last quoted sales price on the exchange on which the security is primarily traded. Debt securities are normally valued at the mean of the closing bid and ask price and/or by using a combination of broker quotations or evaluated prices provided by an independent pricing service. Futures and options on futures are valued at the settlement prices established each day on the principal exchange on which they are traded. Forward contracts are valued based on the forward rate using information provided by an independent pricing service. Other assets and securities for which no market or broker quotations or evaluated prices are readily available are valued in good faith at fair value using guidelines approved by the Board of Trustees. The Board of Trustees has established policies and procedures that authorize the Adviser to fair value a security in good faith under certain circumstances. The Fund may use prices provided by independent pricing services to assist in the fair valuation of the Fund’s portfolio securities.

The Trust has adopted accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as “inputs”) used in pricing the asset or liability. These standards state that “observable inputs” reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and “unobservable inputs” reflect an entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs are summarized in the three broad levels listed below.

Level 1 – Quoted unadjusted prices for identical instruments in active markets to which the Trust has access at the date of measurement.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Trust’s own assumptions that market participants would use to price the asset or liability based on the best available information.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. As of June 30, 2019, the Fund’s assets carried at fair value were classified as follows:

**LKCM Aquinas Catholic Equity Fund**

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$45,978,555	\$ —	\$ —	\$45,978,555
Money Market Fund	195,497	—	—	195,497
Total Investments*	<u>\$46,174,052</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$46,174,052</u>

\* Additional information regarding the industry classifications of these investments is disclosed in the Schedule of Investments.

There were no transfers into or out of Level 1, Level 2 or Level 3 fair value measurements during the reporting period. Transfers between levels are recognized at the end of the reporting period.

**2. Federal Income Taxes:** The Fund has elected to be treated as a “regulated investment company” under Subchapter M of the Internal Revenue Code and the Fund intends to distribute all of its investment company net taxable income and net capital gains to shareholders. Therefore, no federal income tax provision is recorded.

**3. Distributions to Shareholders:** The Fund generally intends to declare and pay income dividends and distribute net capital gain distributions, if any, at least on an annual basis.

**4. Foreign Securities:** Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in securities of U.S. issuers. These risks include devaluation of currencies and future adverse political and economic developments. Moreover, securities of many foreign companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and securities of the U.S. government.

**5. Expense Allocation:** Expenses incurred by the Funds in the Trust are allocated among the Funds based upon (i) relative average net assets, (ii) a specific identification basis as incurred, or (iii) evenly among the Funds, depending on the nature of the expense.

**6. Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**7. Guarantees and Indemnifications:** In the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund’s maximum exposure under these arrangements is unknown as this would involve future claims against the Fund that have not yet occurred. Based on experience, the Fund expects the risk of loss to be remote.

**8. Security Transactions and Investment Income:** Security and shareholder transactions are recorded on the trade date. Realized gains and losses on sales of investments are calculated on the identified cost basis. Dividend income and dividends and distributions to shareholders are recorded on the ex-dividend date. Withholding taxes on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable jurisdiction’s tax rules and rates. Interest income is recognized on the accrual basis. All discounts and premiums are amortized based on the effective interest method for tax and financial reporting purposes. The Fund may hold the securities of real estate investment trusts (“REITs”). Distributions from such investments may include income, capital gains and return of capital.

**9. Other:** Generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share.

**10. Restricted and Illiquid Securities:** The Fund is permitted to invest in securities that are subject to legal or contractual restrictions on resale including investments considered by the Fund to be illiquid. Restricted securities generally may be resold in transactions exempt from registration. Illiquid investments are investments that the Fund reasonably expects cannot be sold or

disposed of in current market conditions within seven calendar days or less in the ordinary course of business without the sale or disposition significantly changing the market value of the investment. A security may be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at the current valuation may be difficult.

**11. Recent Accounting Pronouncements:** In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* which changes the amortization period for a callable debt security from the maturity date to the earliest call date. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Management has assessed these changes and concluded these changes do not have a material impact on the Fund’s financial statements.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. At this time, management does not expect these changes will have any impact on the Fund’s financial statements.

**B. Investment Advisory and Other Agreements:** The Adviser serves as the investment adviser to the Fund under an Investment Advisory Agreement (the “Agreement”). The Adviser receives a fee, computed daily and payable quarterly, at the annual rate presented below as applied to the Fund’s average daily net assets. The Adviser has contractually agreed to waive all or a portion of its management fee and/or reimburse expenses of the Fund through May 1, 2020 in order to limit the Fund’s operating expenses to the annual cap rate identified below. This expense limitation excludes interest, taxes, brokerage commissions, indirect fees and expenses relating to investments in other investment companies, including money market funds, and extraordinary expenses. For the six months ended June 30, 2019, the Adviser waived the following management fees and/or reimbursed expenses to meet its expense cap obligations for the Fund:

Annual Management Fee Rate	0.90%
Annual Cap on Expenses	1.00%
Fees Waived and/or Expenses Reimbursed in 2019	\$128,322

The Trust reimburses the Adviser for a portion of compensation paid to the Trust’s Chief Compliance Officer. This compensation is reported as part of the “Trustees fees and officer compensation” expense on the Statement of Operations.

U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services, serves as transfer agent and administrator for the Fund and serves as accounting services agent for the Fund. U.S. Bank, N.A. serves as custodian for the Fund.

Distribution services are performed pursuant to a distribution contract with Quasar Distributors, LLC, the Trust’s principal underwriter.

The Trust has adopted a Rule 12b-1 plan for the Fund, under which the Fund may pay an annualized fee of up to 1.00% of its average daily net assets for distribution and other services. However, the Board of Trustees has currently only authorized an annual fee of 0.10% of the average daily net assets for the Fund. Prior to August 1, 2016, the Fund assessed an annual Rule 12b-1 fee of 0.25% of the average daily net assets for the Fund. For the six months ended June 30, 2019, fees incurred by the Fund pursuant to the 12b-1 Plan were \$24,388.

**C. Fund Shares:** At June 30, 2019, there was an unlimited number of shares of beneficial interest, no par value, authorized. The following table summarizes the activity in shares of the Fund:

	Six Months Ended June 30, 2019		Year Ended December 31, 2018	
	Shares	Amount	Shares	Amount
Shares sold	74,669	\$ 1,095,034	278,894	\$ 4,917,666
Shares issued to shareholders in reinvestment of distributions		—	650,427	8,240,906
Shares redeemed	(691,255)	(10,398,105)	(1,521,952)	(27,160,652)
Redemption fee		65		1,348
Net decrease	(616,586)	<u>\$ (9,303,006)</u>	(592,631)	<u>\$(14,000,732)</u>
<b>Shares Outstanding:</b>				
Beginning of period	<u>3,542,038</u>		<u>4,134,669</u>	
End of period	<u>2,925,452</u>		<u>3,542,038</u>	

**D. Security Transactions:** Purchases and sales of investment securities, other than short-term investments, for the Fund for the six months ended June 30, 2019 were as follows:

<u>Purchases</u>		<u>Sales</u>	
<u>U.S. Government</u>	<u>Other</u>	<u>U.S. Government</u>	<u>Other</u>
\$ —	\$4,692,615	\$ —	\$14,140,831

**E. Tax Information:** At December 31, 2018, the components of accumulated earnings (losses) on a tax basis for the Fund were as follows:

Tax Cost of Investments	<u>\$28,677,755</u>
Gross Unrealized Appreciation	\$17,488,381
Gross Unrealized Depreciation	<u>(636,062)</u>
Net Unrealized Appreciation	<u>\$16,852,319</u>
Undistributed Ordinary Income	\$ 5,373
Undistributed Long-Term Capital Gain	<u>—</u>
Total Distributable Earnings	<u>\$ 5,373</u>
Other Accumulated Losses	<u>\$ (27,613)</u>
Total Accumulated Gains	<u>\$16,830,079</u>

To the extent the Fund realizes future net capital gains, taxable distributions will be reduced by any unused capital loss carryforwards as permitted by the Internal Revenue Code. At December 31, 2018, the Fund had no capital loss carryforwards.

At December 31, 2018, the Fund deferred, on a tax basis, post-October capital losses of \$27,613.

The tax components of dividends paid during the periods shown below for the Fund were as follows:

<u>Six Months Ended June 30, 2019</u>		<u>Year Ended December 31, 2018</u>	
<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>	<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>
\$ —	\$ —	\$204,969	\$8,544,354

The Fund designated earnings and profits distributed to shareholders upon the redemption of shares during 2018 in determining undistributed net capital gains as of December 31, 2018.

The Trust has adopted financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Trust has reviewed all open tax years and major jurisdictions and concluded that there is no impact on the Fund's financial position or results of operations. Tax years that remain open to examination by major tax jurisdictions include tax years ended December 31, 2015 through December 31, 2018. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on tax returns as of December 31, 2018. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. If applicable, the Fund would recognize interest accrued related to unrecognized tax benefits in "interest expense" and penalties in "other expense" on the statement of operations.

**F. Subsequent Events:** In preparing these financial statements, the Trust has evaluated events after June 30, 2019 and determined that there were no significant subsequent events that would require adjustment to or additional disclosure in these financial statements.

# LKCM AQUINAS CATHOLIC EQUITY FUND

## ADDITIONAL INFORMATION

June 30, 2019 (Unaudited)

**Availability of Proxy Voting Information:** A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities, as well as information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available without charge, upon request, by calling toll-free 1-800-423-6369 or on the SEC website at <http://www.sec.gov>.

The actual voting records relating to portfolio securities during the twelve month period ended June 30 (as filed with the SEC on Form N-PX) are available without charge, upon request, by calling the Fund toll free at 1-800-423-6369 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

**Availability of Quarterly Portfolio Schedule:** The Fund is required to file complete schedules of portfolio holdings with the SEC for the first and third fiscal quarters on Form N-Q. Once filed, the Fund's Form N-Q is available without charge upon request on the SEC's website (<http://www.sec.gov>) and is also available by calling 1-800-423-6369. You can also review and copy the Fund's Form N-Q by visiting the SEC's Public Reference Room in Washington, DC (information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330). Beginning June 1, 2020, monthly portfolio disclosures will be filed quarterly with the SEC on Form N-PORT, with quarter-end disclosures being made public 60 days after the end of each fiscal quarter.

## **RENEWAL OF INVESTMENT ADVISORY AGREEMENT WITH RESPECT TO LKCM AQUINAS CATHOLIC EQUITY FUND**

Introduction. At a meeting held on February 26, 2019, the Board of Trustees of LKCM Funds, including the independent Trustees (the “Board”), approved the renewal of the Investment Advisory Agreement (the “Agreement”) between Luther King Capital Management Corporation (“LKCM”) and LKCM Funds (the “Trust”) on behalf of the LKCM Aquinas Catholic Equity Fund (the “Fund”).

In voting to approve the renewal of the Agreement, the Board considered information furnished throughout the year at regularly scheduled Board meetings, as well as information prepared specifically in connection with the annual renewal process. The Board also considered the overall fairness of the Agreement and factors it deemed relevant with respect to the Fund including, but not limited to: (1) the nature, extent and quality of the services provided to the Fund; (2) the performance of the Fund as compared to a relevant benchmark, peer group of funds compiled by Lipper, Inc. (“Lipper”) and a composite (“Composite”) of accounts managed by LKCM pursuant to a similar investment strategy (“Similar Accounts”); (3) the contractual advisory fee rate, actual advisory fee rate and net expense ratio of the Fund, how those compared to a peer group of funds compiled by Lipper, and how the Fund’s contractual advisory fee rate compared to the Similar Accounts; (4) the costs of services provided to the Fund and the profitability of LKCM with respect to such services; (5) the extent to which economies of scale would be realized by LKCM as the Fund grows and whether the fee levels reflect economies of scale for the benefit of investors; and (6) any other benefits derived by LKCM from its relationship with the Fund. The Board did not identify any single factor or item of information as controlling and each Board member may have accorded different weights to the various factors in reaching his conclusions with respect to the Agreement.

In considering the renewal of the Agreement, the Board requested and considered a broad range of information provided by LKCM, including, but not limited to, reports relating to the Fund’s Catholic-values investing mandate, the Fund’s performance and expenses, information regarding the Similar Accounts, certain portfolio compliance policies and the background and experience of the portfolio managers. In addition, the Board considered a memorandum from its legal counsel regarding the Board’s legal duties in considering the renewal of the Agreement. The Board also meets each quarter to review the Fund’s performance and expenses and various aspects of the Fund’s operations.

Nature, Extent and Quality of Services. The Board reviewed and considered the nature, extent and quality of the advisory services provided by LKCM to the Fund under the Agreement. The Board considered that LKCM was established in 1979 and provides investment management services to private funds, foundations, endowments, pension plans, trusts, estates, high net worth individuals and other clients. The Board recognized that LKCM is responsible for managing the Fund, including identifying investments for the Fund, monitoring the Fund’s investment program, executing trades and overseeing the Fund’s performance and compliance with applicable rules and regulations and the Fund’s investment policies. The Board considered LKCM’s financial resources, insurance coverage, culture of compliance and compliance operations that support the Fund. The Board also considered LKCM’s representation that it has invested considerable resources into the firm and its personnel to augment investment management and client service. The Board reviewed information regarding the portfolio managers and other key personnel who provide services to the Fund, and considered LKCM’s representation that the firm historically has experienced low personnel turnover. The Board also considered LKCM’s representation that the firm has implemented a compensation structure designed to attract and retain highly qualified investment professionals.

The Board also reviewed the compliance services provided to the Fund by LKCM, including LKCM’s oversight of the Fund’s day-to-day operations. The Trustees focused on the quality of LKCM’s compliance and support staff. In addition, the Board considered LKCM’s summary of its oversight over the Fund’s key service providers. The Board also considered LKCM’s description of its best execution practices, and noted LKCM’s representation that its soft-dollar and commission sharing arrangements for client transactions (including those for the Fund) comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Performance of the Fund. The Board considered the performance of the Fund compared to the Fund’s benchmark index, the S&P 500 Index (“benchmark”), and a peer group of funds compiled by Lipper (“Lipper Index”) for various time periods. The Board noted that, upon the closing of the reorganizations of the LKCM Aquinas Small Cap Fund and LKCM Aquinas Growth Fund into the Fund (the “Reorganization”), the Fund’s name, investment strategies, expenses, benchmark index and Lipper index changed and considered this in reviewing the Fund’s longer-term performance against its current benchmark and Lipper Index. The Board also considered LKCM’s discussion of the Fund’s performance.

The Board noted that the Fund underperformed its current benchmark and Lipper Index for the one-year, three-year, five-year, ten-year and since-inception periods.

In considering the comparative performance data, the Board noted that the Fund is managed in accordance with its Catholic-values investing guidelines, which restrict the Fund’s investments and generally are not applicable to the benchmark or the funds included in the Lipper Index. The Board noted LKCM’s representation that its investment strategy for the Fund focuses on investments in higher quality companies that meet LKCM’s stringent investment criteria, which had encountered difficulty in overcoming a “reach for yield” and focus on lower quality companies that LKCM believes have driven the market in prior years, and that the Fund pursued a value investing strategy prior to the Reorganization, which had underperformed growth investing strategies during certain of the periods. The Board also considered additional factors cited by LKCM as contributing to or detracting from the Fund’s performance during the past year.



The Board also considered the performance of the Fund against the Composite and LKCM's explanation that underperformance was attributable to the Fund's Catholic-values investing guidelines, tax considerations attendant to the management of the Fund that do not apply to non-taxable portfolios included in the Composite and the timing of cash flows resulting from shareholder purchase and redemption activities.

Fees and Expenses. The Board considered the contractual advisory fee rate, effective advisory fee rate (the contractual advisory fee rate net of fee waivers and/or expense reimbursements), total expense ratio and net expense ratio (the total expense ratio after fee waivers and/or expense reimbursements) of the Fund. The Board also considered that LKCM had contractually agreed to continue the current fee waivers and expense caps in effect for the Fund through May 1, 2020.

The Board compared the contractual advisory fee rate, effective advisory fee rate and the net expense ratio of the Fund to a category of similar funds compiled by Lipper ("Lipper Category"). The Board received information comparing the Fund's contractual advisory fee rate, effective advisory fee rate and net expense ratio to a Lipper Category reflecting the expenses of the funds in the Lipper Category identified as comparable, and another comparing the Fund's expenses to the expenses of the institutional class shares of the funds in the Lipper Category. The Board noted, in this regard, that the Fund only offers one share class and considered LKCM's representation that, unlike the institutional class shares of many of their peer group funds, the Fund's shares are available for investment by retail investors. Accordingly, the Lipper Category discussed below for the Fund reflects the Lipper Category reflecting all funds in the Lipper Category identified as comparable to the Fund. The first quartile in a Lipper Category represents those funds with the lowest fees or expenses.

The Board noted that the contractual advisory fee rate and effective advisory fee rate for the Fund were in the fourth and second quartiles of its Lipper Category, respectively. The Board also noted that the Fund's net expense ratio was in the second quartile of its Lipper Category. In this case, the Fund's contractual advisory fee rate was higher than the average of its Lipper Category and its effective advisory fee rate and net expense ratio were lower than the average of its Lipper Category.

The Board also considered the advisory fee rates generally charged by LKCM to Similar Accounts and noted LKCM's explanation that the fee rates charged by LKCM to the Fund and the Similar Accounts differ primarily as a result of the greater regulatory, compliance and related expenses incurred by LKCM in providing investment management services to the Fund as compared to the Similar Accounts.

Costs, Profitability and Economies of Scale. The Board considered LKCM's costs in rendering services to the Fund and the profitability of LKCM. The Board reviewed the fees paid by the Fund to LKCM for the last three calendar years. The Board also reviewed the estimated profit and loss statement provided by LKCM for the past calendar year, before and after any revenue sharing payments made by LKCM. The Board noted that, during the year, LKCM had invested significant resources to cap the Fund's net expense ratio and facilitate the distribution of the Fund. With respect to economies of scale, the Board considered that the Fund generally benefits from a competitive effective advisory fee rate and net expense ratio despite not having reached an asset size at which economies of scale traditionally would be considered to exist. The Board also considered that, while there are no breakpoints in the Fund's advisory fee rate schedule, LKCM waives fees and/or reimburses expenses to maintain the Fund's net expense ratio at a competitive level.

Benefits Derived by LKCM from its Relationship with the Fund. The Board requested and considered information regarding the potential fall-out benefits to LKCM from its association with the Fund. The Board noted that LKCM believes that both LKCM and the Fund benefit from LKCM's soft-dollar and commission sharing arrangements, which enhance the level of research that LKCM performs on the Fund's portfolio companies. The Board also noted that LKCM believes its relationship with the Fund provides an indirect benefit to both parties in the form of heightened recognition among institutional and other investors, consultants and other members of the financial community. The Board considered the indirect benefits to LKCM of this recognition, in the form of additional clients with separately managed portfolios or subadvisory relationships with other mutual funds, which also may attract additional investors to the Fund.

Conclusion. Based on its evaluation of these and other factors, the Board: (1) concluded that the fees paid to LKCM under the Agreement are fair and reasonable; (2) determined that shareholders would benefit from LKCM's continued management of the Fund; and (3) approved the renewal of the Agreement.

## **LKCM FUNDS PRIVACY NOTICE**

### Our Commitment to Your Privacy

At LKCM Funds, we are committed to safeguarding the confidentiality and privacy of nonpublic personal information about our current and former shareholders. This privacy notice describes the types of nonpublic personal information we collect about you and the sources through which we obtain this information, the purposes for which we obtain and use your nonpublic information, and the policies and procedures we have implemented to protect the privacy of your nonpublic personal information.

### How We Protect Your Nonpublic Personal Information

Protecting your nonpublic personal information is an important priority at LKCM Funds. Accordingly, we have implemented policies and procedures designed to safeguard your nonpublic personal information, such as your tax identification number, account and investment history, account numbers, account balances and nonpublic contact information, from unauthorized access or use. Pursuant to these policies and procedures, we maintain various physical, technological, and administrative safeguards to protect the security and confidentiality of your nonpublic personal information, and we adapt these safeguards to respond to evolving technological and other standards.

We do not disclose nonpublic personal information about you to non-affiliated firms, organizations or individuals except as authorized by you or your representatives or as required or permitted by law. We may disclose nonpublic personal information about you to nonaffiliated third parties, such as custodians, brokers, auditors, accountants, and systems and administrative service providers, in connection with the services we provide to you or on your behalf. When we provide nonpublic personal information about you to nonaffiliated third parties for these purposes, we expect them to safeguard your nonpublic personal information, use your nonpublic personal information only for the intended purposes and otherwise abide by applicable law.

### How We Obtain Your Nonpublic Personal Information

We collect nonpublic personal information about you from various sources, including documents, new account applications and other information that you or your representatives, custodians, attorneys, accountants or similar parties provide to us, communications that we have with you or your representatives, custodians, attorneys, accountants or similar parties, and documents and other information related to your accounts or investment experience with us.

Please do not hesitate to contact Jacob D. Smith, our Chief Compliance Officer, if you have any questions regarding this privacy notice or the measures we have implemented to protect the privacy of your nonpublic personal information.

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U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701

**LKCM FUNDS**  
**P.O. Box 701**  
**Milwaukee, WI 53201-0701**

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**Officers and Trustees**

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Officer

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Chairman of the Board

Larry J. Lockwood  
Trustee

Paul W. Greenwell  
Vice President

Richard J. Howell  
Trustee

Richard Lenart  
Secretary & Treasurer

Steven R. Purvis, CFA  
Trustee, Vice President

Jacob D. Smith  
Chief Financial Officer  
Chief Compliance Officer

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**Investment Adviser**

Luther King Capital Management Corporation  
301 Commerce Street, Suite 1600  
Fort Worth, TX 76102

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**Administrator, Transfer Agent, Dividend  
Paying Agent & Shareholder Servicing Agent**

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**Custodian**

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**Independent Registered Public Accounting Firm**

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