



**LKCM AQUINAS  
CATHOLIC EQUITY FUND**

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**LKCM Aquinas Catholic Equity Fund**

Annual Report  
December 31, 2016

## Dear Fellow Shareholders:

We report the following performance information for the LKCM Aquinas Catholic Equity Fund for indicated periods ended December 31, 2016:

<b>Fund</b>	<b>Inception Date</b>	<b>NAV @ 12/31/16</b>	<b>Net Expense Ratio*, **</b>	<b>Gross Expense Ratio**</b>	<b>One Year Total Return Ended 12/31/16</b>	<b>Five Year Average Annualized Return Ended 12/31/16</b>	<b>Ten Year Average Annualized Return Ended 12/31/16</b>	<b>Avg. Annual Total Return Since Incept.***</b>
LKCM Aquinas Catholic Equity Fund <sup>(1)</sup>	7/11/05	\$15.40	1.00%	1.40%	9.52%	10.24%	5.61%	6.51%
S&P 500 <sup>®</sup> Index <sup>(2)</sup>					11.96%	14.66%	6.95%	7.75%
Russell 1000 <sup>®</sup> Value Index <sup>(3)</sup>					17.34%	14.80%	5.72%	7.14%

*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 a designated expense ratio through December 31, 2017. 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. 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 year ended December 31, 2016.

\*\* Expense ratios above are as of August 1, 2016, as reported in the Fund's current prospectus, as supplemented, which have been restated to reflect current expenses. Effective August 1, 2016, the Fund's contractual expense cap was reduced from 1.50% per annum to 1.00% per annum and the fees charged under Fund's Rule 12b-1 fees decreased from 0.25% to 0.10%. Expense ratios reported for other periods in the financial highlights of this report for the Fund's fiscal year ended December 31, 2016 may differ. The gross expense ratio represents what investors have paid as of the prospectus supplemented August 1, 2016.

\*\*\* 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. As further described below, 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 representative of the performance of large capitalization companies in the U.S. stock market.

(3) Prior to August 1, 2016, the Fund's primary benchmark index was the Russell 1000<sup>®</sup> Value Index and its secondary benchmark index was the Lipper Large-Cap Value Funds Index. The Fund changed these indices to the S&P 500<sup>®</sup> Index and the Lipper Large-Cap Core Funds Index on August 1, 2016 because these indices better reflect the Fund's principal investment strategies from that date.

(4) The Russell 1000 Value<sup>®</sup> Index is an unmanaged index which measures the performance of those Russell 1000<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values.

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

## 2016 Review

The behavior of the equity markets in 2016 was marked by three distinct phases. The S&P 500<sup>®</sup> Index began the year registering its worst 10-day start to a year on record and fell more than 10% through the closing low for the S&P 500<sup>®</sup> Index for the calendar year on February 11, 2016. Small capitalization stocks, as measured by the Russell 2000<sup>®</sup> Index, fared worse and experienced a bear market, falling by approximately 26% between June 23, 2015 and February 11, 2016. The price of oil settled below \$27 per barrel earlier during the year, as investors seemed to anticipate that Iran's return to the global market, in addition to Russia's attempt to increase production, would push prices even lower. Equally daunting were weak economic reports, including retail sales, producer prices and industrial production, all which fell when reported in January. Equity markets rebounded smartly in the second half of February and through March as oil prices climbed above \$40 per barrel and Federal Reserve chair Janet Yellen indicated she would "proceed cautiously," helping alleviate concerns of a near-term interest rate hike.

Following a steep rollercoaster ride during the first quarter of 2016, the equity markets rose gradually into the summer months, although there was a pronounced change in market leadership beginning in July. The four sectors of the equity markets which performed the worst in the first half of the calendar year (Financials, Information Technology, Healthcare, and Consumer Discretionary) began to reverse trend as economic data improved and the interest rate on U.S. Treasury notes rose. By August, the volatility experienced during the first quarter of 2016 seemed distant as the S&P 500<sup>®</sup> Index registered 38 consecutive trading days without a 1% move, marking the narrowest such trading range since 1965.

The third phase of the equity markets actually began the day prior to the presidential election on November 7, 2016 when the S&P 500® Index climbed 2.22% after declining each of the preceding nine trading days. Between the election and year-end, the equity markets rose as investors appeared to anticipate a more pro-growth, pro-business agenda with a renewed focus on fiscal policy. The S&P 500® Index rose approximately 4.64% from November 8, 2016 through the end of the year, for a total return of 11.96% for the S&P 500® Index for 2016.

U.S. government bond prices rose during the first half of the year due to lower interest rates in response to weak economic data. In addition, investors appeared to be buying U.S. government bonds for safety leading up to the June 23, 2016 Brexit vote. There was also speculation of forthcoming new easing measures from the European Central Bank and the Bank of Japan. The yield on the 10-Year U.S. Treasury note was pushed down to a record low of 1.36% on July 8, 2016. Benchmark government debt yields in the U.K., Germany, Switzerland, Denmark, France, and Sweden all recorded fresh historic lows. A combination of cyclical concerns, including soft demand for global goods and stagnant wages, and secular worries such as aging populations and high government debt levels, seemed to weigh on bond yields. Germany found buyers for new issues at a negative yield. However, the U.S. employment report for June showed 271,000 new jobs were created, a significant improvement over the 24,000 jobs created in May, which helped arrest the rise in U.S. government bond prices and their yields began to climb.

As we exit 2016, we may have witnessed the end of a nearly 35-year secular bull market in U.S. government bonds. The 10-Year U.S. Treasury note yielded 15.8% at the end of the third quarter of 1981 and declined to 1.45% at the conclusion of the second quarter of 2016. This declining rate trend culminated in spectacular scale during the 2008-2009 credit cycle which left interest rates near zero in its wake. We believe there will continue to be a cyclical bull markets in bonds; however, the 91% decline in interest rates over almost a 35-year period most likely will not soon be repeated. In recent years we have resisted the temptation to increase our holdings of bonds with relatively longer maturities in order to increase yields fractionally, and we continue to remain firm in that view.

## **2017 Outlook**

We believe that most investors have a brighter view of financial market prospects for 2017 following the November elections that generated anticipation for a more pro-growth, pro-business administration and Congress. We believe these investors are not alone as the National Federation of Independent Business (NFIB) Index of Small Business Optimism registered its sharpest rise in November since April 2009.

We anticipate the U.S. economy will grow faster in 2017 with the pace dependent on the interplay of monetary policy tightening, the behavior of the U.S. dollar, and progress towards fiscal stimulus. The current business cycle is long-lived by historical standards as we believe it has exhibited mid-cycle behavior in almost slow motion. As 2017 unfolds, we would expect to see the U.S. economy begin to exhibit characteristics typical of a late stage business cycle. These hallmarks typically include tight labor conditions, rising inflation, and peak profit margins. Barring a policy error or an exogenous event, we believe it is inflation that typically is the catalyst that brings a business cycle to its end. In the near term, however, we believe the U.S. economy should not exhibit the level of inflationary pressure sufficient enough to warrant concern for a recession.

## **LKCM Aquinas Catholic Equity Fund**

Effective July 29, 2016, the LKCM Aquinas Small Cap Fund and the LKCM Aquinas Growth Fund were reorganized into the LKCM Aquinas Value Fund. At the time 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. Upon consummation of the reorganizations, the cap on the net expense ratio of the LKCM Aquinas Catholic Equity Fund under an expense limitation agreement with Luther King Capital Management Corporation was lowered from 1.50% per annum to 1.00% per annum, and the Rule 12b-1 distribution fee rate payable by the LKCM Aquinas Catholic Equity Fund was reduced from 0.25% per annum to 0.10% per annum. The gross expense ratio represents what investors have paid as of the prospectus supplemented August 1, 2016.

The LKCM Aquinas Catholic Equity Fund advanced 9.52% for the year ended December 31, 2016 compared to the 11.96% return for the S&P 500® Index. During the year, the Fund's relative performance benefited from sector allocation decisions, which was offset by stock selection. The Fund's overweight position in the Materials sector benefited the Fund's performance relative to the benchmark as did the Fund's underweight positions in the Healthcare and Real Estate (REITs) sectors. The Fund's overweight position in the Consumer Discretionary sector and underweight positions in the Telecommunications and Utilities sectors detracted from the Fund's performance relative to the benchmark during the year. Much of the Fund's underperformance related to the Telecommunications and Utilities sectors was offset during the last quarter of 2016 as the U.S. economy improved and interest rates rose. Stock selection in the Materials and Financials sectors was additive to the Fund's relative performance while stock selection in the Information Technology and Consumer Discretionary sectors detracted from the Fund's relative performance during the year.

Entering 2017, we believe the Fund is well positioned with a strong emphasis on companies we believe have financial flexibility due to solid balance sheets and reasonable valuations relative to their anticipated earnings growth rates. We believe this should provide an opportunity to add value for the Fund and its shareholders this year. We intend to emphasize companies that pay a full tax rate and have a

domestic focus given our belief that the U.S. economy should grow at a faster rate as the year progresses. We also anticipate that we will continue to focus on companies and management teams that have regularly raised dividends or are buying back their outstanding shares.



J. Luther King, Jr., CFA, CIC  
February 3, 2017

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 pages 8-9 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.*

**Earnings growth is not a measure of future performance.**

Stocks are generally perceived to have more financial risk than bonds in that bond holders have a claim on firm operations or assets that is senior to that of equity holders. In addition, stock prices are generally more volatile than bond prices. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. A stock may trade with more or less liquidity than a bond depending on the number of shares and bonds outstanding, the size of the company, and the demand for the securities. Similarly, the transaction costs involved in trading a stock may be more or less than a particular bond depending on the factors mentioned above and whether the stock or bond trades upon an exchange. Depending on the entity issuing the bond, it may or may not afford additional protections to the investor, such as a guarantee of return of principal by a government or bond insurance company. There is typically no guarantee of any kind associated with the purchase of an individual stock. Bonds are often owned by individuals interested in current income while stocks are generally owned by individuals seeking price appreciation with income a secondary concern. The tax treatment of returns of bonds and stocks also differs given differential tax treatment of income versus capital gain.

The S&P 500<sup>®</sup> Index is an unmanaged capitalization-weighted index of 500 selected stocks that is generally representative of the performance of large capitalization companies in the U.S. stock market. One cannot invest directly in an index.

Must be preceded or accompanied by a prospectus.

Quasar Distributors, LLC, distributor.

## PERFORMANCE:

The following information illustrates the historical performance of LKCM Aquinas Catholic Equity Fund as of December 31, 2016 compared to the Fund's benchmark and peer group indices.

**Performance data quoted represents past performance; past performance does not guarantee future results. The graph and table reflect the reinvestment of dividends and other distributions, if any, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. 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. Performance data current to the most recent month end may be obtained by calling 1-800-423-6369.**

An index is an unmanaged portfolio and does not trade or incur any expenses. One can not invest in an unmanaged index.

Prior to August 1, 2016, the Fund's primary benchmark index was the Russell 1000<sup>®</sup> Value Index and its secondary benchmark index was the Lipper Large-Cap Value Funds Index. The Fund changed these indices to the S&P 500<sup>®</sup> Index and the Lipper Large-Cap Core Funds Index on August 1, 2016 because these indices better reflect the Fund's principal investment strategies from that date.

### AVERAGE ANNUAL TOTAL RETURN (Periods Ended December 31, 2016)<sup>(1)</sup>

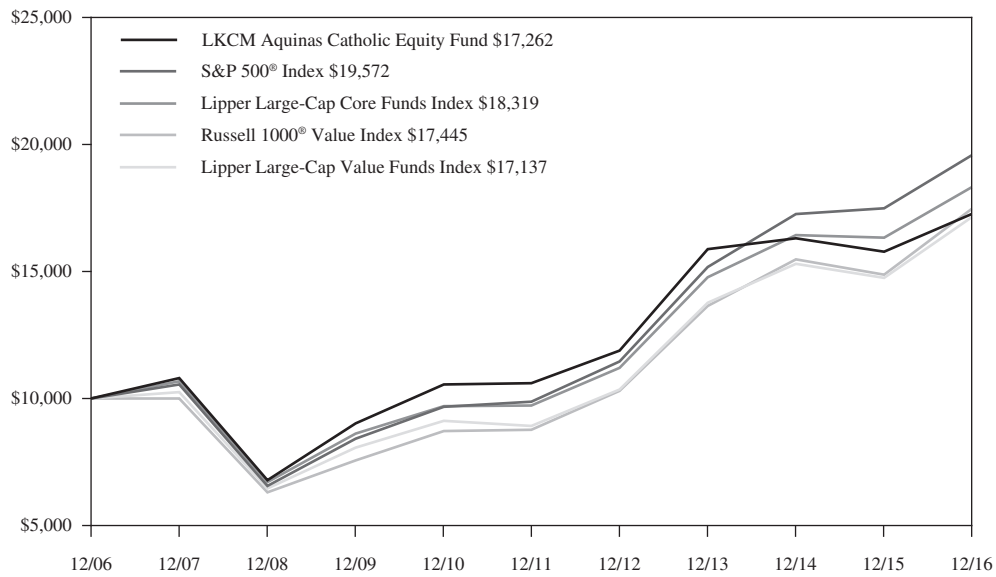
	Past 1 Year	Past 5 Years <sup>(2)</sup>	Past 10 Years <sup>(2)</sup>	Since Inception <sup>(2)(3)</sup>
<b>LKCM Aquinas Catholic Equity Fund</b>	9.52%	10.24%	5.61%	6.51%
S&P 500 <sup>®</sup> Index	11.96%	14.66%	6.95%	7.75%
Lipper Large-Cap Core Funds Index	12.28%	13.55%	6.24%	7.19%
Russell 1000 <sup>®</sup> Value Index	17.34%	14.80%	5.72%	7.14%
Lipper Large-Cap Value Funds Index	16.37%	13.95%	5.53%	6.86%

<sup>(1)</sup> 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"). At the time the Reorganizations were completed, the LKCM Aquinas Value Fund changed its name to the LKCM Aquinas Catholic Equity Fund ("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 Equity Fund. The Fund's performance prior to August 1, 2016 reflects the Fund's prior investment strategies.

<sup>(2)</sup> Annualized.

<sup>(3)</sup> 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. At the time of the reorganization, the Adviser also changed from Aquinas Investment Advisers, Inc. to Luther King Capital Management Corporation. Due to the change in adviser and investment technique, performance is being quoted for the period after the merger. As stated above, the LKCM Aquinas Growth Fund and LKCM Aquinas Small-Cap 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 Equity Fund. The performance shown prior to August 1, 2016, is that of the LKCM Aquinas Value Fund.

**A HYPOTHETICAL \$10,000 INVESTMENT IN LKCM AQUINAS CATHOLIC EQUITY FUND  
(for the ten years ended December 31, 2016)**



The S&P 500® Index is an unmanaged capitalization-weighted index of 500 selected stocks that is generally representative of the performance of large capitalization companies in the U.S. stock market.

The Lipper Large-Cap Core Funds Index is an unmanaged index considered representative of large cap core mutual funds tracked by Lipper, Inc.

The Russell 1000® Value Index is an unmanaged index consisting of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.

The Lipper Large-Cap Value Funds Index is an index of large cap value mutual funds tracked by Lipper, Inc.

## LKCM Aquinas Catholic Equity Fund Expense Example — December 31, 2016

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 (7/1/16 - 12/31/16).

### 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, 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 7/1/16	Ending Account Value 12/31/16	Expenses Paid During Period* 7/1/16 – 12/31/16
Actual .....	\$1,000.00	\$1,080.20	\$5.49
Hypothetical (5% return before expense) .....	\$1,000.00	\$1,019.86	\$5.33

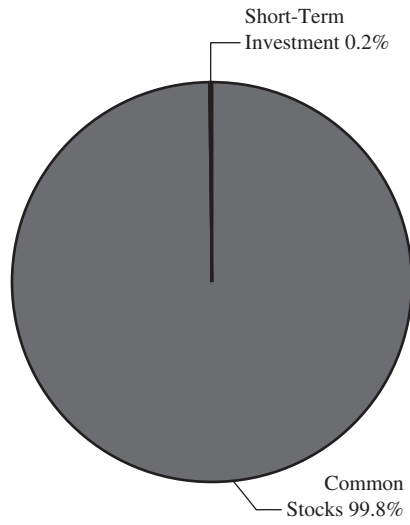
\* Expenses are equal to the Fund’s annualized net expense ratio of 1.05% (Note B), multiplied by the average account value over the period, multiplied by 184/366 to reflect the one-half year period.

Effective August 1, 2016, Luther King Capital Management, the Fund’s investment adviser, contractually agreed to lower the expense cap for the Fund from 1.50% to 1.00% per annum of the Fund’s average daily net assets and the fees charged under the Fund’s Rule 12b-1 plan changed from 0.25% to 0.10% per annum as of August 1, 2016.

**ALLOCATION OF PORTFOLIO HOLDINGS — LKCM Aquinas Catholic Equity Fund — December 31, 2016**

Percentages represent market value as a percentage of total investments.

**LKCM Aquinas Catholic Equity Fund**





**LKCM AQUINAS CATHOLIC EQUITY FUND**

**SCHEDULE OF INVESTMENTS**

**December 31, 2016**

<b>COMMON STOCKS - 99.9%</b>	<b>Shares</b>	<b>Value</b>	<b>COMMON STOCKS</b>	<b>Shares</b>	<b>Value</b>
<b>Aerospace &amp; Defense - 3.1%</b>			<b>Health Care Equipment &amp; Supplies - 5.0%</b>		
Honeywell International Inc.	16,975	\$ 1,966,554	DENTSPLY SIRONA Inc.	20,000	\$ 1,154,600
<b>Auto Components - 2.0%</b>			Medtronic, PLC (b)	18,200	1,296,386
The Goodyear Tire & Rubber Company	40,000	1,234,800	VWR Corporation (a)	27,500	688,325
<b>Banks - 10.5%</b>					3,139,311
Comerica Incorporated	22,500	1,532,475	<b>Household Durables - 2.2%</b>		
Cullen/Frost Bankers, Inc.	15,000	1,323,450	Whirlpool Corporation	7,500	1,363,275
SunTrust Banks, Inc.	33,000	1,810,050	<b>Household Products - 1.2%</b>		
Zions Bancorporation	46,000	1,979,840	Colgate-Palmolive Company	12,000	785,280
		6,645,815	<b>Insurance - 5.5%</b>		
<b>Beverages - 1.8%</b>			MetLife, Inc.	32,500	1,751,425
PepsiCo, Inc.	11,000	1,150,930	Prudential Financial, Inc.	16,700	1,737,802
<b>Biotechnology - 0.8%</b>					3,489,227
Amgen Inc.	3,275	478,838	<b>Internet Catalog &amp; Retail - 1.8%</b>		
<b>Building Products - 1.0%</b>			Amazon.com, Inc. (a)	1,500	1,124,805
Masco Corporation	20,000	632,400	<b>Internet Software &amp; Services - 10.9%</b>		
<b>Chemicals - 1.7%</b>			Akamai Technologies, Inc. (a)	35,000	2,333,800
Ecolab Inc.	6,000	703,320	Alphabet, Inc. - Class A (a)	2,200	1,743,390
FMC Corporation	6,000	339,360	Alphabet, Inc. - Class C (a)	802	619,000
		1,042,680	Facebook, Inc. - Class A (a)	9,000	1,035,450
<b>Commercial Services &amp; Supplies - 1.9%</b>			Sabre Corporation	45,000	1,122,750
Copart, Inc. (a)	18,270	1,012,341			6,854,390
Healthcare Services Group, Inc.	4,150	162,555	<b>IT Consulting &amp; Services - 4.2%</b>		
		1,174,896	Alliance Data Systems Corporation	3,300	754,050
<b>Computers &amp; Peripherals - 1.9%</b>			PayPal Holdings, Inc. (a)	47,500	1,874,825
Apple Inc.	10,500	1,216,110			2,628,875
<b>Construction Materials - 2.3%</b>			<b>Machinery - 2.7%</b>		
Martin Marietta Materials, Inc.	6,500	1,439,945	Barnes Group Inc.	30,000	1,422,600
<b>Containers &amp; Packaging - 0.5%</b>			Illinois Tool Works Inc.	2,500	306,150
Ball Corporation	4,250	319,048			1,728,750
<b>Diversified Telecommunication Services - 1.1%</b>			<b>Media - 1.4%</b>		
AT&T Inc.	8,250	350,872	Viacom Inc. - Class B	25,000	877,500
Verizon Communications Inc.	6,500	346,970	<b>Multiline Retail - 2.0%</b>		
		697,842	Burlington Stores, Inc. (a)	1,615	136,871
<b>Electrical Equipment &amp; Instruments - 3.2%</b>			Dollar Tree, Inc. (a)	10,000	771,800
Roper Technologies, Inc.	11,000	2,013,880	Kohl's Corporation	7,500	370,350
<b>Electronic Equipment &amp; Instruments - 2.2%</b>					1,279,021
National Instruments Corporation	18,000	554,760	<b>Oil &amp; Gas &amp; Consumable Fuels - 6.2%</b>		
Trimble Navigation Limited (a)	27,000	814,050	Cabot Oil & Gas Corporation	40,000	934,400
		1,368,810	Chevron Corporation	7,000	823,900
<b>Energy Equipment &amp; Services - 1.7%</b>			EOG Resources, Inc.	13,000	1,314,300
Schlumberger Limited (b)	12,400	1,040,980	Exxon Mobil Corporation	4,000	361,040
<b>Food &amp; Drug Retailing - 2.2%</b>			Gulfport Energy Corporation (a)	22,510	487,116
CVS Health Corporation	17,500	1,380,925			3,920,756
<b>Food Products - 3.1%</b>			<b>Pharmaceuticals - 1.1%</b>		
The Kraft Heinz Company	9,700	847,004	Zoetis Inc	13,500	722,655
Mondelez International Inc. - Class A	25,000	1,108,250	<b>Professional Services - 1.4%</b>		
		1,955,254	Verisk Analytics, Inc. (a)	11,000	892,870

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

**LKCM AQUINAS CATHOLIC EQUITY FUND**

**SCHEDULE OF INVESTMENTS, CONTINUED**

**December 31, 2016**

COMMON STOCKS	Shares	Value
<b>Real Estate Investment Trusts - 0.8%</b>		
American Tower Corporation	5,000	\$ 528,400
<b>Software - 3.5%</b>		
Adobe Systems Incorporated (a)	13,000	1,338,350
Microsoft Corporation	13,625	846,658
		<u>2,185,008</u>
<b>Specialty Retail - 7.8%</b>		
The Home Depot, Inc.	12,100	1,622,368
O'Reilly Automotive, Inc. (a)	1,500	417,615
Party City Holdco Inc. (a)	55,000	781,000
Tiffany & Co.	12,000	929,160
Tractor Supply Company	5,000	379,050
Ulta Salon, Cosmetics & Fragrance, Inc. (a)	3,000	764,820
		<u>4,894,013</u>
<b>Textiles, Apparel &amp; Luxury Goods - 1.0%</b>		
NIKE, Inc. - Class B	12,000	609,960
<b>Thrifths &amp; Mortgage Finance - 0.2%</b>		
Home BancShares Inc.	5,390	149,680
<b>TOTAL COMMON STOCKS</b>		
(Cost \$38,668,889)		<u>62,933,483</u>
<b>SHORT-TERM INVESTMENT - 0.2%</b>		
<b>Money Market Fund - 0.2%</b>		
Invesco Short-Term Investments Trust - Government & Agency Portfolio - Institutional Shares, 0.43% (c)	141,247	141,247
<b>TOTAL SHORT-TERM INVESTMENT</b>		
(Cost \$141,247)		<u>141,247</u>
<b>Total Investments - 100.1%</b>		
(Cost \$38,810,136)		63,074,730
Liabilities in Excess of Other Assets - (0.1)%		(77,477)
<b>TOTAL NET ASSETS - 100.0%</b>		
		<u>\$62,997,253</u>

(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 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**

**December 31, 2016**

**LKCM Aquinas Catholic Equity Fund**

<b>Assets:</b>	
Investments, at value* .....	\$63,074,730
Receivable for Fund shares sold .....	26,260
Dividends and interest receivable .....	55,343
Other assets .....	11,975
Total assets .....	<u>63,168,308</u>
<b>Liabilities:</b>	
Payable for investment advisory fees (Note B) .....	66,274
Payable for distribution expense (Note B) .....	28,550
Payable for Fund shares redeemed .....	22,321
Payable for accounting and transfer agent fees and expenses .....	18,358
Payable for reports to shareholders .....	10,267
Payable for administrative fees .....	10,148
Payable for professional expense .....	9,862
Accrued expenses and other liabilities .....	5,275
Total liabilities .....	<u>171,055</u>
<b>Net Assets</b> .....	<u>\$62,997,253</u>
<b>Net Assets Consist of:</b>	
Paid in capital .....	\$38,482,313
Accumulated net investment income .....	4,480
Accumulated net realized gain on investments .....	245,866
Net unrealized appreciation on investments .....	24,264,594
<b>Net Assets</b> .....	<u>\$62,997,253</u>
<b>Net Assets</b> .....	\$62,997,253
Shares of beneficial interest outstanding (unlimited shares of no par value authorized) .....	4,089,462
Net asset value per share (offering and redemption price) .....	<u>\$ 15.40</u>
* Cost of Investments .....	<u>\$38,810,136</u>

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

**STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2016**

**LKCM Aquinas Catholic Equity Fund**

**Investment Income:**

Dividends .....	\$ 758,800
Interest .....	2,252
Total income .....	761,052

**Expenses:**

Investment advisory fees (Note B) .....	454,331
Distribution expense (Note B) .....	84,910
Accounting and transfer agent fees and expenses .....	111,352
Administrative fees .....	51,741
Reports to shareholders .....	44,395
Federal and state registration .....	29,320
Professional fees .....	19,028
Custody fees and expenses .....	13,540
Trustees' fees .....	9,842
Other .....	15,884
Total expenses .....	834,343
Less, expense waiver and/or reimbursement (Note B) .....	(214,767)
Net expenses .....	619,576
Net investment income .....	141,476

**Realized and Unrealized Gain on Investments:**

Net realized gain on investments .....	6,453,107
Net change in unrealized appreciation/depreciation on investments .....	(2,295,797)

**Net Realized and Unrealized**

Gain on Investments .....	4,157,310
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**Net Increase in Net Assets Resulting  
from Operations**

\$ 4,298,786

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

# STATEMENTS OF CHANGES IN NET ASSETS

## LKCM Aquinas Catholic Equity Fund

	<i>Year Ended December 31, 2016</i>	<i>Year Ended December 31, 2015</i>
<b>Operations:</b>		
Net investment income .....	\$ 141,476	\$ 95,913
Net realized gain on investments .....	6,453,107	2,840,203
Net change in unrealized appreciation/depreciation on investments .....	(2,295,797)	(4,331,225)
Net increase (decrease) in net assets resulting from operations .....	<u>4,298,786</u>	<u>(1,395,109)</u>
<b>Dividends and Distributions to Shareholders:</b>		
Net investment income .....	(143,116)	(100,679)
Net realized gain on investments .....	(4,515,471)	(3,123,858)
	<u>(4,658,587)</u>	<u>(3,224,537)</u>
<b>Net increase (decrease) in net assets resulting from Fund share transactions (Note C) .....</b>		
	<u>18,489,064</u>	<u>(3,164,344)</u>
Total increase (decrease) in net assets .....	18,129,263	(7,783,990)
<b>Net Assets:</b>		
Beginning of period .....	44,867,990	52,651,980
End of period* .....	<u>\$62,997,253</u>	<u>\$44,867,990</u>
* Including accumulated net investment income of .....	<u>\$ 4,480</u>	<u>\$ 6,270</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>Year Ended December 31, 2016 <sup>(1)</sup></i>	<i>Year Ended December 31, 2015</i>	<i>Year Ended December 31, 2014</i>	<i>Year Ended December 31, 2013</i>	<i>Year Ended December 31, 2012</i>
<b>Net Asset Value – Beginning of Period</b> .....	\$ 15.17	\$ 16.87	\$ 17.99	\$ 14.18	\$ 12.72
Net investment income .....	0.04	0.03	0.17 <sup>(2)</sup>	0.04 <sup>(3)</sup>	0.07 <sup>(3)</sup>
Net realized and unrealized gain (loss) on investments .....	1.41	(0.56)	0.34	4.72	1.46
Total from investment operations .....	1.45	(0.53)	0.51	4.76	1.53
Dividends from net investment income .....	(0.04)	(0.04)	(0.19)	(0.04)	(0.07)
Distributions from net realized gains .....	(1.18)	(1.13)	(1.44)	(0.91)	—
Total dividends and distributions .....	(1.22)	(1.17)	(1.63)	(0.95)	(0.07)
<b>Net Asset Value – End of Period</b> .....	<u>\$ 15.40</u>	<u>\$ 15.17</u>	<u>\$ 16.87</u>	<u>\$ 17.99</u>	<u>\$ 14.18</u>
<b>Total Return</b> .....	9.52%	-3.28%	2.73%	33.60%	12.01%
<b>Ratios and Supplemental Data:</b>					
Net assets, end of period (thousands) .....	\$ 62,997	\$ 44,868	\$52,652	\$ 59,061	\$ 46,902
Ratio of expenses to average net assets:					
Before expense waiver and/or reimbursement .....	1.66%	1.55%	1.49%	1.52%	1.54%
After expense waiver and/or reimbursement <sup>(4)</sup> .....	1.23%	1.50%	1.49%	1.50%	1.50%
Ratio of net investment income to average net assets:					
Before expense waiver and/or reimbursement .....	(0.15)%	0.14%	0.95%	0.21%	0.44%
After expense waiver and/or reimbursement <sup>(4)</sup> .....	0.28%	0.19%	0.95%	0.23%	0.48%
Portfolio turnover rate .....	18%	11%	23%	9%	28%

<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. See Note F.

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

<sup>(3)</sup> Net investment income per share is calculated using the ending balance of accumulated net investment income prior to considerations of adjustments for permanent book and tax differences.

<sup>(4)</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 consisted of six diversified series as of December 31, 2016, 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. As discussed in Note F below, 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 Investing 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. securities and listed U.S. 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. Other assets and securities for which no market or broker quotations or evaluated prices are readily available (including restricted securities) are valued in good faith at fair value using guidelines approved by the Board of Trustees. The Board has adopted specific guidelines and procedures for valuing portfolio securities and delegated their implementation to the Adviser. The guidelines and procedures authorize the Adviser to make determinations regarding the fair value of a portfolio security and to report such determinations to the Board of Trustees. 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 December 31, 2016, 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	\$62,933,483	\$ —	\$ —	\$62,933,483
Money Market Fund	141,247	—	—	141,247
Total Investments*	<u>\$63,074,730</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$63,074,730</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 LKCM Aquinas Catholic Equity Fund generally intends to pay 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.



Accordingly, at December 31, 2016, reclassifications were recorded as follows for the Fund:

Accumulated net investment loss	\$ (150)
Accumulated net realized loss	(1,492,174)
Paid in capital	1,492,324

**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 cannot be sold or disposed of within seven days in the ordinary course of business at approximately the prices at which they are valued. 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.

**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 December 31, 2017 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 year ended December 31, 2016, 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 2016	\$214,767

\* Effective August 1, 2016, the Adviser contractually agreed to lower the expense cap for the Fund from 1.50% to 1.00% per annum of the Fund’s average daily net assets.

U.S. Bancorp Fund Services, LLC 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 LKCM Aquinas Catholic Equity Fund, under which the Fund may pay 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 year ended December 31, 2016, fees incurred by the Fund pursuant to the 12b-1 Plan were \$84,910.

**C. Fund Shares:** At December 31, 2016, 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:

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Shares sold	351,526	\$ 5,532,178	565,895	\$ 9,525,123
Proceeds from reorganization	2,009,091	32,242,631	—	—
Shares issued to shareholders in reinvestment of distributions	276,810	4,282,251	191,725	2,958,315
Shares redeemed	(1,505,175)	(23,568,183)	(921,665)	(15,647,910)
Redemption fee		187		128
Net increase (decrease)	1,132,252	<u>\$ 18,489,064</u>	(164,045)	<u>\$ (3,164,344)</u>
<b>Shares Outstanding:</b>				
Beginning of period		<u>2,957,210</u>		<u>3,121,255</u>
End of period		<u>4,089,462</u>		<u>2,957,210</u>

**D. Security Transactions:** Purchases and sales of investment securities, other than short-term investments, for the Fund for the year ended December 31, 2016 were as follows:

Purchases		Sales	
U.S. Government	Other	U.S. Government	Other
\$ —	\$9,377,480	\$ —	\$25,222,669

**E. Tax Information:** At December 31, 2016, the components of accumulated earnings (losses) on a tax basis for the Fund were as follows:

Cost of Investments	<u>\$38,810,136</u>
Gross Unrealized Appreciation	\$24,694,485
Gross Unrealized Depreciation	<u>(429,891)</u>
Net Unrealized Appreciation	<u>\$24,264,594</u>
Undistributed Ordinary Income	\$ 4,480
Undistributed Long-Term Capital Gain	<u>245,866</u>
Total Distributable Earnings	<u>\$ 250,346</u>
Total Accumulated Gains	<u>\$24,514,940</u>

The difference between book-basis and tax-basis unrealized appreciation, if any, is attributable primarily to the tax deferral of losses on wash sales and partnership adjustments.

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. The Fund currently has no unused capital loss carryforwards.

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

<u>Year Ended December 31, 2016</u>		<u>Year Ended December 31, 2015</u>	
<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>	<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>
\$256,303	\$4,402,284	\$100,679	\$3,123,858

The Fund designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce earnings and profits of the Fund related to net capital gain to zero for the tax years ended December 31, 2016 and 2015. The Fund designated earnings and profits distributed to shareholders upon the redemption of shares during 2016 and 2015 in determining undistributed net capital gains as of December 31, 2016.

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, 2013 through December 31, 2016. 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, 2016. 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. Reorganization of the LKCM Aquinas Funds:** Effective upon the close of business on July 29, 2016, the LKCM Aquinas Small Cap Fund and LKCM Aquinas Growth Fund (collectively, the "Acquired Funds") were reorganized into the LKCM Aquinas Value Fund ("Acquiring Fund") pursuant to the Plan of Reorganization and Dissolution ("Plan"). Each Acquired Fund transferred all of its respective assets and liabilities to the Acquiring Fund in exchange solely for shares of the Acquiring Fund having a net asset value equal to such Acquiring Fund's net asset value on the closing date of the Reorganizations and the Acquiring Fund's assumption of all the liabilities of such Acquired Fund, following which such Acquired Fund distributed such shares of the Acquiring Fund pro rata to its shareholders and dissolved. The Reorganizations were accomplished by tax-free exchange as detailed below:

<u>Status</u>	<u>Shares outstanding</u>	<u>Net Assets</u>	<u>Net asset value per share</u>
LKCM Aquinas Small Cap Fund	Acquired Fund 1,015,601	\$ 6,404,562	\$ 6.31
LKCM Aquinas Growth Fund	Acquired Fund 1,649,605	\$25,838,069	\$15.66
LKCM Aquinas Value Fund	Acquiring Fund 2,364,109	\$37,940,059	\$16.05
LKCM Aquinas Value Fund	Post Merger 4,373,199	\$70,182,691	\$16.05

<u>Components of net assets acquired on July 29, 2016</u>	<u>LKCM Aquinas Small Cap Fund</u>	<u>LKCM Aquinas Growth Fund</u>	<u>Total</u>
Paid in capital	\$5,217,989	\$16,823,552	\$22,041,541
Accumulated net investment loss	(20,123)	(35,466)	(55,589)
Accumulated net realized gain on investments	2,118	137,526	139,644
Net unrealized appreciation on investments	<u>1,204,578</u>	<u>8,912,457</u>	<u>10,117,035</u>
Total net assets	<u>\$6,404,562</u>	<u>\$25,838,069</u>	<u>\$32,242,631</u>

Had the acquisition been completed on January 1, 2016 the beginning of the annual reporting period for the Acquired and Acquiring Funds, the pro forma results of operations for the year ended December 31, 2016 would have been as follows:

**Pro forma components of net assets resulting from operations for the year ended December 31, 2016**

Net investment income	\$ 167,388
Net realized gain on investments	8,964,261
Net unrealized appreciation/depreciation on investments	<u>(3,330,764)</u>
Net assets resulting from operations	<u>\$ 5,800,885</u>

Upon consummation of the Reorganizations contemplated by the Plan, the Acquiring Fund changed its name to the LKCM Aquinas Catholic Equity Fund and the Acquiring Fund's investment strategies and operating expenses, including its expense limitation agreement, changed to the investment strategies and operating expenses, including expense limitation agreement, of the LKCM Aquinas Catholic Equity Fund.

Since the combined investment portfolios have been managed as a single integrated portfolio since the Reorganization was completed, it is not practicable to separate the income, expenses and changes in net assets of each Acquired Fund included in the Acquiring Fund's Statement of Operations since July 29, 2016.

**G. Recent Accounting Pronouncements:** In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended existing rules (together, "final rules") intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017. Management is currently evaluating the impact that the adoption of the amendments to Regulation S-X will have on the financial statements and related disclosures.

**H. Subsequent Events:** In preparing these financial statements, the Trust has evaluated events after December 31, 2016 and determined that there were no significant subsequent events that would require adjustment to or additional disclosure in these financial statements.

To the Shareholders and Board of Trustees of LKCM Funds:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of LKCM Aquinas Catholic Equity Fund (the "Fund") as of December 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2016, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of LKCM Aquinas Catholic Equity Fund as of December 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

Milwaukee, Wisconsin  
February 22, 2017

# LKCM FUNDS

## ADDITIONAL INFORMATION

December 31, 2016

**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 December 31, 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).

**Results of Special Meeting of Shareholders:** At a Special Meeting of Shareholders of the LKCM Aquinas Small Cap Fund ("Small Cap Fund") and LKCM Aquinas Growth Fund ("Growth Fund") held on July 20, 2016, shareholders approved the following proposals:

To approve the Plan of Reorganization and Dissolution under which (a) the LKCM Aquinas Value Fund ("Value Fund") would acquire all of the assets and liabilities of the Small Cap Fund and the Growth Fund in exchange solely for shares of the Value Fund and (b) the Trust would distribute such shares of the Value Fund, pro rata, to Small Cap Fund and Growth Fund shareholders in liquidation of the Small Cap Fund and Growth Fund.

<u>Fund</u>	<u>Shares Outstanding on Record Date</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>
LKCM Aquinas Small Cap Fund	1,070,288	593,419	7,051	17,685
LKCM Aquinas Growth Fund	1,528,583	823,941	20,549	36,060

No broker non-votes were cast.

## Information about the Fund's Trustees and Officers:

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees. Information pertaining to the Trustees of the Fund is set forth below. The Statement of Additional Information includes additional information about the Fund's Trustees and officers and is available, without charge, upon request by calling 1-800-423-6369.

Name, Address and Age	Position(s) Held with the Trust	Term of Office & Length of Time Served <sup>(1)</sup>	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
<b>Disinterested Trustees:</b>					
H. Kirk Downey 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1942	Chairman of the Board of Trustees  Trustee	Since 2005  Since 1994	President and CEO, Texas Systems, LLC and CEO, Texas learning systems LLC since 1999 (education companies); Dean, M.J. Neeley School of Business, Texas Christian University Business School from 1987 to 1999.	6	AZZ Incorporated
Earle A. Shields, Jr. 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1920	Trustee	Since 1994	Consultant; formerly Consultant for NASDAQ Corp. and Vice President, Merrill Lynch & Co., Inc.	6	None
Richard J. Howell 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1942	Trustee  Chairman of the Audit and Compliance Committee	Since 2005  Since 2008	CPA; Adjunct Faculty at SMU Cox School of Business from 2004 to 2009; Consulting Services, since 2002; Audit Partner, Arthur Andersen LLP from 1974 to 2002.	6	Red Robin Gourmet Burgers, Inc.
Larry J. Lockwood 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1953	Trustee	Since 2013	C.R. Williams Professor of Finance, Stan Block Endowed Chair in Finance, Department of Finance, Neeley School of Business, Texas Christian University since 1994.	6	None
<b>Interested Trustees:</b>					
J. Luther King, Jr. <sup>(2)</sup> 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1940	Trustee, President and Chief Executive Officer	Since 1994	Chairman, President and Director, Luther King Capital Management Corporation since 1979.	6	Tyler Technologies, Inc.
Steve R. Purvis <sup>(2)</sup> 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1964	Trustee  Vice President	Since 2013  Since 2000	Principal, Luther King Capital Management Corporation since 2004, Vice President and Portfolio Manager, Luther King Capital Management Corporation since 1996.	6	AZZ Incorporated

<sup>(1)</sup> Each Trustee holds office during the lifetime of the Trust until that individual resigns, retires or is otherwise removed or replaced.

<sup>(2)</sup> Messrs. King and Purvis are each considered an "interested person" of the Trust (as defined in the 1940 Act) because of their affiliation with the Adviser.

## Information about the Fund's Trustees and Officers, Continued

Name, Address and Age	Position(s) Held with the Trust	Term of Office & Length of Time Served	Principal Occupation During Past Five Years
<b>Principal Officers:</b>			
J. Luther King, Jr. <sup>(1)</sup> 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1940	Trustee, President and Chief Executive Officer	Since 1994	Chairman, President and Director, Luther King Capital Management Corporation since 1979.
Steven R. Purvis <sup>(1)</sup> 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1964	Trustee  Vice President	Since 2013	Principal, Luther King Capital Management Corporation since 2004, Vice President and Portfolio Manager, Luther King Capital Management Corporation since 1996.
Paul W. Greenwell 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1950	Vice President	Since 1996	Principal, Luther King Capital Management Corporation since 1986, Vice President and Portfolio Manager, Luther King Capital Management Corporation since 1983.
Richard Lenart 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1966	Secretary and Treasurer	Since 2006	Luther King Capital Management Corporation since 2005.
Jacob D. Smith 301 Commerce Street Suite 1600 Fort Worth, TX 76102 Year of Birth: 1974	Chief Financial Officer  Chief Compliance Officer	Since 2010	General Counsel and Chief Compliance Officer, Luther King Capital Management Corporation since 2006; Principal, Luther King Capital Management Corporation since 2013.

<sup>(1)</sup> Messrs. King and Purvis are each considered an “interested person” of the Trust (as defined in the 1940 Act) because of their affiliation with the Adviser.

# 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 policies and procedures we have implemented to protect the privacy of your nonpublic personal information as well as the sources through which we may obtain nonpublic personal information about you.

## 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. 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 outside 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 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**

J. Luther King, Jr., CFA, CIC  
Trustee, President and Chief Executive  
Officer

H. Kirk Downey  
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

Earle A. Shields, Jr.  
Trustee

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**

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

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**Custodian**

U.S. Bank, N.A.  
1555 N. River Center Drive, Suite 302  
Milwaukee, WI 53212

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**Independent Registered Public Accounting Firm**

Deloitte & Touche LLP  
555 E. Wells St., Suite 1400  
Milwaukee, WI 53202

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**Distributor**

Quasar Distributors, LLC  
615 E. Michigan Street  
Milwaukee, WI 53202

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