William Blair

2Q 2017

Fund Manager Commentary
William Blair SICAV Emerging Markets Leaders Fund

Fund Performance & Positioning

The William Blair SICAV Emerging Markets Leaders Fund outperformed its benchmark, the MSCI Emerging Markets Index (net), during the second quarter. Second quarter outperformance was driven by positive stock selection effects across most sectors and countries. From a sector perspective, Financials stock selection was the leading contributor, driven by strength in bank and insurance holdings. India-based HDFC Bank's share price was bolstered by solid quarterly financial results that demonstrated accelerating growth, market share gains and higher margins.

Of particular note was HDFC's robust 31% growth in low cost CASA (current account and savings account) deposits - a significant competitive advantage as HDFC can offer clients a more competitive rate and take market share from the State banks. Chinese insurer Ping An was another notable contributor, benefiting from strong growth in value of new life business, a key metric which increased 60% in the first quarter. Consumer Discretionary stock selection was supported by the position in Yum China, which reported consensus-beating top line and earnings growth for the first quarter. Improved same store sales growth at Pizza Hut and KFC drove the results, indicating that management's investment in store upgrades, as well as digital and delivery initiatives, were beginning to bear fruit. Partially offsetting these contributors were stock selection in Energy and Healthcare.

Within Energy, Petrobras's share price was primarily impacted by concerns about the sustainability of the company's turnaround in the wake of the corruption investigation involving President Temer, including a potential rollback of fuel price liberalization, which would be detrimental to the company's refining margins. Within Healthcare, Chinese drug distributor Sinopharm's share price weakened amid disappointing financial results that confirmed slowing demand from its hospital clients.

From a geographic perspective, stock selection in China, Russia and South Africa were the largest contributors, offsetting the negative effects of stock selection in Korea and Taiwan, and the overweighting to Brazil.

Top 10 Holdings as of 30.06.2017

Company Name	***% of Fund***
libaba Group Holding Limited	5.9%
Samsung Electronics Co., Ltd.	5.8%
Tencent Holdings Limited	5.5%
Taiwan Semiconductor Manufacturing Company, Ltd.	4.7%
Naspers Limited	3.0%
Ping An Insurance (Group) Company of China, Ltd.	3.0%
Housing Development Finance Corporation Limited	2.9%
HDFC Bank Limited	2.8%
Shinhan Financial Group Co., Ltd	2.2%
Itau Unibanco Holding S.A.	2.1%
Total of Top 10	**37.9%**

Market Review & Outlook

Equity markets continued to grind higher around the world in the first half of 2017, bolstered by a combination of improving global growth and strengthening corporate earnings. The MSCI ACWI Investable Market Index (IMI) gained 11.32% in USD terms for the six-month period (net of taxes on dividends). Non-U.S. equities outperformed during the period, led by the 18.11% advance in Emerging Markets equities as measured by the MSCI EM IMI (net). The weaker dollar provided a significant tailwind to non-U.S. equity returns in the first half of 2017, reversing all of its gains post the U.S. presidential election.

The euro, sterling and yen all appreciated versus the dollar during the six-month period. Improving growth and inflation outlooks contributed to non-U.S. currency strength to varying degrees. The prospects for interest rate policy normalization in the U.K. and Euro Area ignited a strong rally in both currencies at the end of June amid what appeared to be coordinated statements from the heads of the Bank of England and European Central Bank, setting the stage for a withdrawal of stimulus measures.

Emerging Markets were led during the period by the larger Asian countries of China, India, Korea and

Taiwan, supported primarily by the strong rally in technology shares. Mexico also outperformed on the back of the resurgent peso, which regained all of the ground it had lost versus the dollar in the wake of Trump's election victory, as his administration toned down its rhetoric. Among other primary EM countries, Brazil and Russia significantly underperformed during the first half of 2017. Both were hampered to varying degrees by the weaker oil price environment. Brazilian equities were also shaken by new corruption allegations against President Temer in May, which threatened to derail his presidency and the country's fragile economic recovery.

Healthcare, Information Technology and Industrials were the top performing sectors during the first half of 2017, as measured by the MSCI ACWI IMI (net). In contrast, the Energy sector lagged significantly amid the pullback in oil prices, driven by concerns of oversupply conditions and lackluster demand. From a global style perspective, William Blair's proprietary quantitative model performance demonstrated a rotation from low valuation market leadership earlier in the year to a more balanced style backdrop in the second quarter, favoring quality, earnings trend and momentum factors (as measured by top quintile minus bottom quintile model returns).

Aggregate global corporate revenue results from the most recent earnings season indicated that the ongoing global economic expansion was broadening. Revenue growth accelerated in many areas that had already been strong. This included Europe, which benefited from renewed strength in the Industrials sector. Looking forward to the second half of 2017, robust revenue performance for European machinery companies bodes well for investment and industrial production growth. Beyond improved corporate performance, the outlook for Europe has been supported by reduced political risk following the French presidential and parliamentary elections, which have raised expectations for pro-market labor reforms and ignited hopes of a more unified European Union.

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