William Blair

2Q 2017

Fund Manager Commentary
William Blair SICAV Global Leaders Fund

Fund Performance & Positioning

The William Blair SICAV Global Leaders Fund outperformed its benchmark, the MSCI ACWI IMI Index (net), during the second quarter. Second quarter outperformance was driven primarily by favorable overall stock selection by sector and region. On a sector basis, Financials and Information Technology (IT) were larger contributors to performance. Within Financials, India-based HDFC Bank's share price was bolstered by solid quarterly financial results that showed an acceleration in 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 that allows HDFC to offer clients a more competitive rate and take market share from the State banks.

Within IT, exposure to internet services was beneficial. Chinese e-commerce company Alibaba was the leading contributor during the quarter, supported by strength in its core commerce business, as well as new areas including cloud and payments. Healthcare stock selection was also positive, bolstered by U.S.-based Align Technology, which reported accelerating volume growth amid robust consumer demand for its clear aligners. These positive effects were partially offset by weak stock selection in Industrials and Materials, and the underweighting to Healthcare.

Within Industrials, Japanese automation company Fanuc's share price weakened following a strong run during 4Q16-1Q17. The company reported fiscal fourth quarter earnings that were ahead of consensus estimates, but issued weaker than expected profit guidance for the 2018 fiscal year, primarily due to conservative foreign exchange rate assumptions. German industrial conglomerate Siemens also detracted, despite the company reporting strong quarterly earnings results driven by its Digital Factory business and overall margin improvement. Within Materials, Canadian-based copper miner First Quantum Minerals underperformed, posting weaker than expected first quarter earnings, due to a loss on its copper hedges. From a geographic perspective, stock selection was strongest in the U.S. and Emerging Asia region during the quarter, partially moderated by weak stock selection in Europe.

Top 10 Holdings as of 30.06.2017

Company Name	*% of Fund*
Alphabet Inc.	2.7%
Amazon.com, Inc.	2.5%
BlackRock, Inc.	2.3%
JPMorgan Chase & Co.	2.2%
SIEMENS AG	2.2%
Valeo SA	2.2%
The Home Depot, Inc.	2.1%
Alibaba Group Holding Limited	1.9%
BNP Paribas SA	1.9%
AIA Group Limited	1.9%
Total of Top 10	**21.9%**

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.

From a global portfolio strategy perspective, we continue to see upside risk to nominal growth and have generally positioned toward companies with rising earnings prospects that we believe are not fairly reflected in valuations. At the same time, economic expansion favors more active stock selection across all sectors. From a regional perspective, Europe continues to look attractive relative to the U.S., where economic expansion is more advanced.

Specific to Emerging Markets, valuations remain relatively favorable (based on forward P/E multiples) despite the first half market rally, reflecting positive earnings revisions. After stagnating the last few years, Emerging Market corporate earnings are forecast to increase at a double-digit pace this year. From an external balance perspective, Emerging Markets currencies have already depreciated and current account deficits have moderated.

Key risk factors for Emerging Markets are a strengthening U.S. dollar and acceleration in U.S. interest rate hikes, in addition to protectionist measures that impede global trade. Concerns about China's capital outflows and currency management have moderated following the government's efforts to combat capital flight this year. The People's Bank of China has stated that it will continue to keep liquidity in the financial system stable, relying more on market-based policy tools to adjust liquidity and market interest rates.

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