William Blair

3Q 2017

Fund Manager Commentary
William Blair SICAV Emerging Markets Small Cap Growth Fund

Fund Performance & Positioning

The William Blair SICAV Emerging Markets Small Cap Growth Fund outperformed its benchmark, the MSCI Emerging Markets Small Cap Index (net), during the third quarter. Outperformance versus the Index was driven by positive stock selection across most sectors. Industrials and Financials stock selection were the primary contributors to relative performance. Within Industrials, Brazil's Localiza Rent a Car's share price was bolstered by strong Q217 financial results that were significantly ahead of consensus expectations. Car rental segment growth of 47% Y/Y was driven by a 69% increase in used car sales and a 29% increase in rental days. Within Financials, Bajaj Finance of India was the top contributor, benefiting from loan growth acceleration (+39% Y/Y) which drove better than expected fiscal Q118 results. Profitability also improved, with an annualized ROE of 24.4% versus 22.0% the prior year.

These positive effects were partially offset by the underweighting to the Real Estate sector and weak stock selection in the Information Technology and Materials sectors. Within the IT sector, Korea-based electronic equipment supplier SFA Engineering's share price weakened after a strong rally in the prior quarter amid profit taking and concerns about the company's failure to secure an order for 6th generation OLED equipment which had been factored into consensus sales estimates. Within the Materials sector, Indian agrochemical company UPL's share price was adversely impacted by disappointing fiscal Q118 sales results on weaker demand in India and Mexico. Management attributed softness in India to the government's implementation of the nationwide Goods and Services Tax (GST), while Mexico weakness was blamed on drought conditions.

Top 10 Holdings as of 30.09.2017

Company Name	*% of Fund*
CVC Brasil Operadora e Agencia de Viagens S.A.	1.8%
PT Bank Tabungan Negara (Persero) Tbk	1.8%
NMC Health plc	1.7%
Shimao Property Holdings Limited	1.5%
Bajaj Finance Ltd.	1.4%
GRUH Finance Ltd.	1.4%
Minth Group Limited	1.4%
Mahanagar Gas Limited	1.3%
Indraprastha Gas Limited	1.3%
Nanya Technology Corp.	1.2%
Total of Top 10	**14.8%**

From a geographic perspective, stock selection was strongest in India and Indonesia. The overweightings in India, Pakistan, Argentina and Brazil, and underweighting in Korea were positive. These positive effects were partially offset by the underweightings to China and Taiwan, the overweighting to Turkey, and Pakistan stock selection.

Market Outlook & Outlook

Global equities continued to march higher in the third quarter, supported by generally solid corporate fundamentals and positive growth conditions across the major economies. The ACWI IMI – MSCI's broadest measure of global equity performance – advanced 5.32% during the quarter and 17.24% year to date through September (in USD terms). Emerging market equities continued to outpace developed markets during the quarter, supported by continued strength in technology shares and a rebound in the energy sector.

European equity outperformance was driven by the region's ongoing economic recovery, improving corporate fundamentals and investors' perception of a potentially stronger European Union following the French and German elections. The euro appreciated nearly 4% versus the U.S. dollar during the quarter and 12% year to date, driven by expectations for higher inflation and gradual interest rate normalization by the European Central Bank. Currency strength also bolstered U.K. returns during the quarter as the Bank of England laid the groundwork for tighter monetary policy to combat inflation.

U.S. equities achieved record highs during the quarter, overcoming mounting tensions with North Korea and weaker GDP growth expectations in the aftermath of Hurricanes Harvey, Irma and Maria. Within Japan, the release of encouraging economic data in September helped to propel equities higher into quarter end. While core inflation, labor market and industrial production data for August were broadly positive, Prime Minster Abe's decision to call a snap election raised some uncertainty on the policy outlook.

Emerging market quarterly gains were paced by Brazil, which rebounded from the latest presidential corruption scandal amid the country's nascent consumer-led economic recovery. Russia and China also posted double-digit gains for the quarter. More than half of MSCI China IMI's 14.49% quarterly gain was driven by the Information Technology sector, with the balance spread among Consumer Discretionary, Financials and Real Estate.
From a global sector perspective based on the MSCI ACWI IMI, Energy was the leading performer for the quarter, benefiting from the bounce in crude oil prices, followed closely by the Information Technology and Materials sectors. In contrast, Consumer Staples significantly lagged for the quarter, with particular weakness in U.S. and Japanese tobacco stocks.

The performance of William Blair's proprietary quantitative models demonstrated that momentum and earnings trend style factors outperformed during the quarter, while quality, fundamental volatility and valuation underperformed. These style trends were particularly acute within emerging markets.

The latest high frequency data and surveys indicate that ongoing economic expansion is gathering pace, especially in the Euro Area. At the same time, wage growth continues to be modest across most developed markets, and this is beginning to restrain consumer behavior. In Q3 2017, retail sales volumes growth decelerated across all major developed economies. From the perspective of corporates, top line growth is currently in the range of 6-10% pa; it is not meaningfully higher across emerging markets. Beyond improving corporate performance, the outlook for the remainder of this year remains relatively benign, as major national elections, especially in Europe, produced outcomes favorable for continued growth.

From a global strategy perspective, we continue to see upside potential to nominal growth in select companies and industries, as expectations do not appear extended. We do not expect the unfolding gradual withdrawal of monetary policy stimulus to be detrimental to growth either in the U.S. or in the Euro Area, where policy action is not expected until 2018. Corporate performance in the 2H 2017 is likely to be stronger in Europe and in Japan, as economic expansion in the U.S. is relatively more mature. Emerging markets are well positioned to participate in the ongoing global expansion and valuations remain relatively favorable. Recent U.S. dollar strength is unlikely to dampen the fortunes of corporates in emerging markets materially.

The Fund, the Management Company and the Investment Manager

USA ("William Blair Group") as the investment manager for the Fund (the "Investment Manager").

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The Articles of Incorporation, the Prospectus, the Key Investor Information Documents (KIID), the Annual and Half-yearly Reports of the Fund and the Subscription Form are available free of charge in English and German from our website SICAV.williamblair.com or at the registered office of the Management Company (33, rue de Gasperich, L-5826 Hesperange, Grand Duchy of Luxembourg), at the registered office of the Fund (William Blair SICAV, 31, Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg) or from the Swiss representative, First Independent Fund Services Limited, Klausstrasse 33, CH-8008 Zurich (Paying agent in Switzerland is NPB New Private Bank Ltd, Limmatquai 1, CH-8022 Zurich), and in German language at Marcard, Stein & Co., Ballindamm 36, 20095 Hamburg, Germany, and at Bank of Austria Creditanstalt AG, Am Hof 2, 1010 Vienna, Austria.

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