William Blair

4Q 2017

Fund Manager Commentary
William Blair SICAV US All Cap Growth Fund

Market Summary

Robust performance across growth style indices in the fourth quarter added to prior gains, resulting in exceptionally strong benchmark returns for 2017. Improving economic data and solid corporate earnings growth supported a steady market advance throughout the year. With below average volatility and stable inflationary expectations, equity market valuation multiples expanded, adding to 2017 returns.

Fourth quarter trends were consistent with 2017 themes in terms of economic and corporate health. Housing data indicated rising activity levels and prices, Purchasing Manager Index ("PMI") levels suggested strength in the manufacturing sector and unemployment neared historic lows. With rising stock and housing prices bolstering consumer net worth, confidence rose accordingly. Corporations were broadly upbeat as, in aggregate, they reported healthy earnings growth and issued forward looking guidance that topped expectations. Furthermore, corporations indicated plans to increase capital expenditures. Not surprisingly given tight labor markets, the U.S. Federal Reserve ("Fed") voted to raise the federal funds rate for the third time in 2017 and reiterated expectations for as many increases in 2018.

The U.S. tax reform bill was signed into law in late December, notably cutting the corporate statutory tax rate to 21% from 35%. In addition, the bill allows for faster depreciation of capital investments than was previously allowed, further increasing the likelihood that higher capital spending comes to fruition. While the bill is positive for U.S. corporations, the same was not true in terms of the short term impact on our relative performance as stocks with higher tax rates outperformed somewhat indiscriminately on the news. Over time, we believe the market will differentiate between companies that can retain the benefit of the tax reduction and those that will have it competed away. Given our bias toward companies with strong competitive positions, unique products and services and pricing power, we feel well positioned longer term in this regard.

Top 10 Holdings as of 31.12.2017

Company Name	***% of Fund***
Microsoft Corporation	6.9%
Alphabet Inc.	6.8%
Amazon.com, Inc.	5.3%
Mastercard Incorporated	4.4%
Facebook, Inc.	3.8%
Unitedhealth Group Incorporated	3.7%
The Progressive Corporation	3.1%
Intercontinental Exchange, Inc.	3.1%
Zoetis Inc.	3.0%
Starbucks Corporation	3.0%
Total of Top 10	**43.1%**

Fund Review and Outlook

The William Blair SICAV US All Cap Growth Fund underperformed its benchmark, the Russell 3000 Growth Index, during the fourth quarter. The strength of the market created a challenging backdrop for our Fund as optimism and positively trending economic data were the primary drivers of the strong return. Our Fund has historically done better in markets where the idiosyncratic growth drivers of our companies shine through which is typical of a normal or down market. Pertaining to stocks, Amazon.com was the top contributor after the stock outperformed following its reporting of third quarter results that were ahead of investor expectations including sales growth that topped expectations in all categories. Insurance provider Progressive was also a top contributor. The company outperformed primarily due to better-than-expected premium growth (i.e. growth in the amount collected from policy holders) in October and November. Other top contributors were Fastenal (Industrials), Microsoft (Information Technology) and Verisk Analytics (Industrials). Conversely, Consumer Discretionary was an area of weakness as stock selection within the sector, including our positions in Newell Brands, CarMax and Vail Resorts detracted from performance. Diversified consumer products company Newell Brands failed to meet consensus expectations for core organic sales growth as retailers reduced inventories which caused the company to be negatively impacted in the short term. Drug maker Allergan was also a top detractor as shares underperformed primarily due to an adverse patent ruling its drug Restasis. A competitive generic will enter the market several years earlier than the original expectation, thus weighing on revenue growth in 2018. Lastly, Ball Corporation (Materials) was a top detractor, partially due to disruptions caused by the September hurricanes.

As we look forward, several factors could provide continued support for equities, although contrary to the somewhat euphoric market sentiment of late, they are not without risk. While the Fed has embarked upon a path of monetary policy renormalization and U.S. short term interest rates have begun to rise, global interest rates remain low by historic standards. Moreover, other measures of stress in the financial markets, such as high yield bond spreads, remain near cycle lows. Globally, solid economic growth rates, high corporate earnings and strengthening PMIs are other indicators of a broadly supportive environment for equities.

Specifically within the U.S., corporations stand to benefit from the reduction of the corporate tax rate and the Administration's emphasis on deregulation. However, it remains to be seen how long those measures can sustain the current expansion or if they will have a more meaningful impact on economic growth in the next expansion. As Republican control of the U.S. House and Senate potentially weakens in 2018, politicians' attention could shift to mid-term elections rather than on any legislative agenda. Lack of further progress on pro-growth initiatives and a flattening yield curve within the U.S. could dampen optimism about the sustainability of economic growth, while a potential geopolitical conflict in the Korean Peninsula remains a significant risk globally. For the time being, however, we appear to be in the midst of a classic "Goldilocks" economy, at least as it relates to the financial markets.

As we approach the ninth anniversary of the current bull market and following a particularly strong year for equities, absolute valuations are elevated relative to historical standards; however, they do not appear egregious against the backdrop of low interest rates, low inflation and narrow high yield bond spreads. While corporate profit margins remain high, one notable risk to margins going forward is pressure from rising wages. On the surface, wage inflation has been relatively benign, but the trend of increasing wages becomes clear with an adjustment for the impact of higher-paid retirees being replaced by lower-paid entrants to the workforce. This will be of pressing concern for companies with more labor-intensive businesses and companies in more competitive industries with low barriers to entry that are unable to pass higher costs through to their customers. We continue to focus our attention on identifying durable businesses with significant competitive advantages and robust growth prospects that present compelling risk/reward opportunities. We believe portfolios with these underlying characteristics are well positioned to deliver outperformance for our clients over the long term.

The Fund, the Management Company and the Investment Manager

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