William Blair

1Q 2018

Fund Manager Commentary
William Blair SICAV US All Cap Growth Fund

Market Summary

Strong market performance in January was partially offset by subsequent declines which caused the growth style indices to finish with only modest positive returns for the first quarter. Volatility spiked and most major equity benchmarks began their retreat from the strong start to the year when inflationary fears arose in late January and early February. The future ramifications of a tight labor market caused concern about a rise in inflation as unemployment remained low and average hourly earnings data, a widely used gauge for wage inflation, was higher than expected. While companies generally reported strong financial results for the prior quarter and economic data was mostly positive, inflationary fears weighed heavily on returns in February.

In March, economic data and corporate performance continued to be positive, but were partially overshadowed by fears of a trade war after President Trump announced tariffs on steel and aluminum imports and proposed additional tariffs specifically targeted at China. Also weighing on March returns was commentary from the Federal Open Market Committee (FOMC) that signaled it could raise short-term interest rates quicker than previously expected.

Top 10 Holdings as of 31.03.2018

Company Name	*% of Fund*
Microsoft Corporation	6.9%
Alphabet Inc.	6.3%
Amazon.com, Inc.	6.0%
Mastercard Incorporated	4.4%
Unitedhealth Group Incorporated	3.7%
Zoetis Inc.	3.3%
Intercontinental Exchange, Inc.	3.0%
The Progressive Corporation	3.0%
Red Hat, Inc.	2.7%
Facebook, Inc.	2.6%
Total of Top 10	**41.9%**

Fund Review and Outlook

The William Blair SICAV US All Cap Growth Fund outperformed its benchmark, the Russell 3000 Growth Index, during the first quarter.

Robust outperformance in the first quarter was driven by a combination of strong stock selection and a tailwind for our investment style. The Fund outperformed in each month during the quarter, most significantly in the down months of February and March. As investors digested the inflation-related cost pressures on businesses, our higher and more sustainable growth bias, which leads us to companies with value-added products and services and flexible pricing, provided a tailwind. On a stock specific basis, strong selection was broad-based as every sector contributed positively to relative returns in the quarter. Standout contributors from a sector perspective were Industrials, including our position in CoStar Group, and Information Technology, including positions in Red Hat and Mastercard. CoStar Group, an information services provider to the real estate industry, outperformed on strong reported revenue and bookings growth in its commercial real estate and multi-family business segments. Shares of open source software provider Red Hat, our top individual contributor for the period, advanced on continued strong demand for Red Hat Linux and the company's cloud-based solutions. Other top performers in the quarter included Amazon.com (Consumer Discretionary) and Zoetis (Health Care).

Conversely, top detractors were Newell Brands and Michaels Companies in Consumer Discretionary. Newell Brands underperformed in part due to the challenging retail environment, but also as the company's acquisition of Jarden in 2016 has proven to be more complex than anticipated. Shares of arts and crafts retailer Michaels Companies declined on lower than anticipated forward looking guidance, due in part to pressure from the company's accelerated investment to bring e-commerce fulfillment in-house. Other notable underperforming holdings included Rogers Corporation (Information Technology), Monster Beverage (Consumer Staples) and MaxLinear (Information Technology). On a relative basis, not owning Netflix was our largest detractor as the stock was up over 50% during the quarter. Our decision to not own Netflix comes down to portfolio construction considerations as we have exposure to other high growth, high valuation stocks further down the market cap spectrum; among them, CoStar Group and Align Technology, which were strong contributors in the first quarter and 2017, respectively.

While positively trending economic data and optimism from both management teams and consumers appears to be prevalent, inflationary concerns in the first quarter called into question whether the improvement in U.S. economy is sustainable. One source of optimism for the economy is that companies have more cash to deploy in the near term due to corporate tax reform. Management teams will have to determine the best use of this cash whether it be returning it to shareholders in the form of dividends or share buybacks, raising employee compensation, reinvesting in growth initiatives and/or making acquisitions. Additionally, the current administration has been aggressive in reducing regulation on businesses which could be a continued tailwind for companies. Further, acceleration in wage growth and moderate inflation could be positives for the U.S. economy. However, more than moderate inflation could cause the FOMC to raise rates more quickly than many expect and be a headwind to economic growth. A trade war with China or other countries is also a risk that could have major implications depending on the size and breadth of any tariffs that would be implemented. The U.S. imports more goods and services than it exports and higher prices due to tariffs for U.S. consumers may add to the inflationary pressures already present. Investors will likely keep a close eye on consumer prices and trade policy throughout 2018 as one or both of these risks could offset the benefits of fiscal stimulus. Globally, monetary tightening in Europe or a geopolitical conflict in the Korean Peninsula or Middle East are other risks that could have implications in the U.S.

While we keep abreast of economic developments and, in particular, how they affect companies in our investment universe, we continue to focus on identifying quality growth businesses at attractive valuations. The recovery following the Global Financial Crisis began almost nine years ago and we are entering a period of unprecedented late-cycle fiscal stimulus. While the effect of this stimulus remains to be seen, we believe it is in our clients' best interest for us to concentrate on bottom-up, fundamental analysis. We believe purchasing companies with durable growth drivers that are underappreciated by other investors will allow us to outperform in a variety of economic scenarios and over the long term.

The Fund, the Management Company and the Investment Manager

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The Management Company has appointed WILLIAM BLAIR INVESTMENT MANAGEMENT, LLC, the asset management business of WILLIAM BLAIR & COMPANY, LLC., having its registered office at 150 North Riverside Plaza Chicago, IL 60606, USA ("William Blair Group") as the investment manager for the Fund (the "Investment Manager").

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