William Blair

2Q 2018

# Fund Manager Commentary
# William Blair SICAV US All Cap Growth Fund

## Market Summary

Strong second quarter performance across U.S. growth equity benchmarks placed U.S. growth equities among the strongest performing investment styles year-to-date. In contrast, first quarter returns were more muted. After robust market performance in January, inflationary fears arose causing market volatility to spike and most major equity benchmarks to retreat. While companies generally reported strong financial results for the prior quarter and economic data was mostly positive, trade tensions and building inflationary pressures weighed on returns for the duration of the first quarter.

In the second quarter, growth style indices were broadly positive and volatility moderated from elevated first quarter levels. Higher stock prices and declining volatility were supported by a healthy U.S. economy. Retail spending rebounded, housing starts increased and manufacturing activity remained robust despite an appreciating U.S. dollar. In addition, consumer and business confidence remained elevated. With unemployment reaching 3.8%, its lowest level since 2000, and core inflation just over 2%, the Federal Reserve announced its second rate increase of 2018 and communicated expectations for two more before year end.

With a strong fundamental backdrop and a positive tax impact, U.S. corporations generally posted robust earnings growth. As a gauge, corporations in the S&P 500 Index reported first quarter earnings growth of approximately 25%, as compared to the same period in the prior year, with over 80% of companies in the Index topping investor expectations. However, aggregate forward P/E ratios contracted as investors appeared to be mindful of risks on the horizon. Notably, trade tensions between the U.S. and China were a focus for investors over the course of the quarter, and as more countries became involved, anxiety grew that tariffs could potentially escalate into a trade war.

**Top 10 Holdings as of 30.06.2018**

| ***Company Name*** | ***% of Fund*** |
|---|---|
| Microsoft Corporation | 7.0% |
| Alphabet Inc. | 6.9% |
| Amazon.com, Inc. | 6.6% |
| Mastercard Incorporated | 4.4% |
| Unitedhealth Group Incorporated | 3.9% |
| Zoetis Inc. | 3.0% |
| Facebook, Inc. | 3.0% |
| Intercontinental Exchange, Inc. | 2.9% |
| Verisk Analytics, Inc. | 2.3% |
| The Progressive Corporation | 2.2% |
| **Total of Top 10** | **42.2%** |

## Fund Review and Outlook

The William Blair SICAV US All Cap Growth Fund performed approximately in-line with its benchmark, the Russell 3000 Growth Index, during the second quarter. From a style perspective, our higher valuation exposure, which is driven by our higher growth bias, was a tailwind. Pertaining to stocks, the top contributor was online retailer Amazon.com (Consumer Discretionary). The company reported strong financial results that reflected accelerating trends across many of its business segments. Pizza restaurant chain Domino's Pizza (Consumer Discretionary) was also a top contributor primarily due to positively trending data from franchisee surveys and management confidence about the strength of the underlying business momentum. Other top contributors were Mastercard (Information Technology), Codexis (Health Care) and UnitedHealth Group (Health Care). Conversely, the top detractor was defense contractor Raytheon (Industrials) which underperformed due to decreasing tensions on the Korean Peninsula which some fear will decrease demand for defense products. Open source software solutions provider Red Hat (Information Technology) was also a top detractor. After recent strong relative performance, the company reported lower-than-expected billings growth due to lower renewals of contracts from the company's largest customers and the stock came under pressure. Other top detractors were Ball Corporation (Materials), Starbucks (Consumer Discretionary) and MaxLinear (Information Technology). Additionally, not owning Apple (Information Technology), the largest position in the benchmark, was a detractor.

Despite the Fed pursuing monetary tightening and the potential for a global trade war, optimism still persists across consumers, businesses and investors as we enter the tenth year of the current economic expansion. While rates still remain low relative to history, the Fed has telegraphed a path of increases and their ability to navigate the economy in the face of inflationary pressures from a potential trade war remains a risk. Further, continued uncertainty around the ultimate outcome of proposed tariffs could disrupt business planning and dampen overall productivity. However, the impact of fiscal stimulus in the form of lower corporate tax rates has largely overwhelmed trade concerns thus far. One early benefit of corporate tax reform in the U.S. has been an increase in capital expenditures, which in turn has the potential to boost productivity and create jobs longer term. In addition, the current administration has been aggressive in reducing regulation on businesses, which could be a continued tailwind for companies.

It remains to be seen how long the expansion can persist given the unprecedented fiscal stimulus at this point of the economic cycle. Broadly speaking, corporate earnings trends and forward looking guidance are reflective of the strong economy. But to the extent that rising wages, raw materials prices and freight costs begin to compress margins for the average company, we believe our portfolio companies, which generally offer strong value propositions to their customers and have more pricing flexibility, are better positioned to withstand these pressures. Our focus remains on identifying companies with durable growth drivers, independent of the economic backdrop, whose stocks present compelling risk/reward opportunities.

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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Further specific risks may arise in relation to specific investments and you should review the risk factors very carefully before investing. Intended risk profile of the Fund may change overtime. The Fund is designed for long-term investors. For the most current month-end performance information, please visit our web site at SICAV.williamblair.com.

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