

Fund Manager Commentary

William Blair SICAV US Small-Mid Cap Growth Fund

Market Summary

Returns for U.S. growth style indices were robust in the fourth quarter as many finished the quarter at or near all-time highs. After a start to the year that included a spike in volatility amid concerns about rising input costs and elevated valuations, returns for the second and third quarters reflected a healthy domestic economy and strong corporate performance. Specific to the third quarter, investors appeared to dismiss concerns about an escalating trade war and a flattening yield curve, which has sometimes preceded an economic slowdown. Reported U.S. GDP growth improved to 4.2%, the fastest since 2014. Earnings growth continued to be robust as businesses benefited from the corporate tax cuts signed into law late last year as well as increased corporate and consumer spending. Earnings growth for the S&P 500 improved to 26% compared to the same period in 2017 with 76% of companies topping expectations in the most recent quarterly reporting season. While input costs have risen, they have not increased as quickly as some predicted and fears that inflation could dampen the improving backdrop seem to have subsided for the time being. Unemployment remained at historically low levels, while wage growth rose only modestly. Broadly speaking, the economic and corporate backdrop remained positive and equity markets continued their upward trajectory.

Fund Review & Outlook

The William Blair SICAV Small-Mid Cap Growth Fund outperformed its benchmark, the Russell 2500 Growth Index, during the fourth quarter. Outperformance for the quarter was the result of positive stock selection and a style benefit. From a stock-specific standpoint, top contributors were Ball Corporation (Materials) and Euronet Worldwide (Information Technology). Ball Corporation, a provider of metal packaging for food and beverages, outperformed on healthy global volume growth and the secular opportunity for the company as share shifts away from plastic toward aluminum cans. Electronic payment and transaction processing solutions company Euronet Worldwide benefited from strong revenue trends across each of its three business segments and increasingly favorable profitability

Top 10 Holdings as of 31.12.2018

<i>Company Name</i>	<i>% of Fund</i>
Copart, Inc.	3.0%
CoStar Group, Inc.	2.7%
Ball Corporation	2.5%
Cboe Global Markets, Inc.	2.5%
Booz Allen Hamilton Holding Corporation	2.5%
Euronet Worldwide, Inc.	2.4%
BWX Technologies, Inc.	2.3%
Adtalem Global Education Inc.	2.2%
Live Nation Entertainment, Inc.	2.2%
Veeva Systems Inc.	2.1%
Total of Top 10	24.4%

potential. Other notable contributors to relative returns included Adtalem Global Education (Consumer Discretionary), Cboe Global Markets (Financials) and Copart (Industrials). From a style perspective, our typical emphasis on companies with less volatile fundamentals was a tailwind amid market turbulence. Conversely, our top stock detractors were Ligand Pharmaceuticals (Health Care) and BWX Technologies (Industrials). After significant outperformance through the first three quarters of the year, Ligand Pharmaceuticals underperformed along with its biotechnology peers, despite solid company fundamentals. Shares of BWX Technologies, the sole-source provider of nuclear propulsion systems for the U.S. Navy, declined after the company disclosed new information that indicated a materially longer build time for naval nuclear power units than was previously appreciated by investors broadly. Other laggards during the period were Cambrex Corporation (Health Care), Pure Storage (Information Technology) and Weight Watchers International (Consumer Discretionary).

After nearly a decade of economic and stock market expansion, investor focus appears to have shifted toward risks that could derail both. Notably, the Fed has communicated the potential for additional increases

in the federal funds rate in 2019, at the same time it shrinks its balance sheet. If too aggressive, Fed action could provide a headwind to growth in 2019. Also prominent is the risk of continued political uncertainty, both in the U.S. and abroad. We closed 2018 with a partial shutdown of the Federal government, emblematic of the political "gridlock" that could continue into 2019 given the balance of power in Congress and frequent changes of key personnel within the administration. Moreover, uncertainty with respect to Chinese tariff negotiations could thwart corporate productivity in the U.S., while escalation to an all-out trade war would have significant ramifications on global growth, with potentially heightened risk for emerging economies that are highly dependent on trade.

In reflection of the above, U.S. equity market valuation multiples contracted significantly during the fourth quarter. At the same time, consensus earnings growth estimates were revised downward, likely in anticipation of a deceleration in U.S. economic growth, fading fiscal stimulus, and pressure on margins including higher interest rates, input prices and wages. That being said, positive profit growth is still expected for 2019, albeit at a more moderate pace than the spectacular earnings growth witnessed in the first three quarters of 2018. Presuming no material fundamental deterioration, and given the fact that both valuation multiples and growth expectations have come down, we are constructive on the U.S. equity market as we head into 2019. While volatility may persist, the reset in both valuations and investor expectations leaves the market with room for upside in the event of positive surprises on the China trade front or an eventual pause in the Fed interest rate hike cycle. We continue to focus our efforts on identifying durable businesses with sustainable growth opportunities that are underappreciated by the market. We believe a portfolio of companies with these characteristics will be rewarded in a variety of economic and market environments.

GENERAL INFORMATION

Recipients of this document should be aware of the risks detailed in this paragraph. Please be advised that any return estimates or indications of past performance on this document are for information purposes only. Both past performance and yield may not be a reliable guide to future performance. The value of investments and income from them may fall as well as rise and investors may not get back the full amount invested. The value of shares and any income from them can increase or decrease. An investor may not get back the amount originally invested. Where investment is made in currencies other than the investor's base

currency, the value of those investments, and any income from them, will be affected by movements in exchange rates. This effect could be unfavourable as well as favourable. Levels and bases for taxation may change.

Specific securities identified and described do not represent all of the securities purchased or sold and you should not assume that investments in the securities identified and discussed were or will be profitable. Holdings are subject to change at any time. References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as investment advice, offer or a recommendation to buy or sell any particular security or product.

Any discussion of particular topics is not meant to be complete, accurate, comprehensive or up-to-date and may be subject to change. Factual information has been taken from sources we believe to be reliable, but its accuracy, completeness or interpretation cannot be guaranteed. Information and opinions expressed are those of the author and may not reflect the opinions of other investment teams within William Blair. Information is current as of the date appearing in this material only and subject to change without notice.

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. The most current month-end performance information is available on sicav.williamblair.com.

FUND INFORMATION

The SICAV has appointed FUNDROCK MANAGEMENT COMPANY S.A., a "société anonyme" incorporated under the laws of the Grand Duchy of Luxembourg and having its registered office at 33, rue de Gasperich, L-5826 Hesperange as its management company (the "Management Company"). The Management Company is authorised and regulated by the Luxembourg Supervisory Authority of the Financial Sector (the "CSSF") as the management company of UCITS (defined below) under the EU directive 2009/65/EC, as amended.

The Management Company has been appointed as the management company of WILLIAM BLAIR SICAV, a "société d'investissement à capital variable", incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 31, Z.A.I. Bourmicht, Bertrange, registered in the R.C.S. Luxembourg under n° 98806 and approved by the CSSF as an undertaking for collective investment in transferable securities (UCITS) in accordance with the EU directive 2009/65/EC, as amended (the "Fund").

The Management Company has appointed WILLIAM BLAIR INVESTMENT MANAGEMENT, LLC, having its registered office at 150 North Riverside Plaza Chicago, IL 60606-1598, USA ("William Blair Group") as the investment manager for the Fund (the "Investment Manager").

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, 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.

Recipients of this document should make their own investment decisions based upon the Fund Documents listed above (which can be obtained free of charge) and in accordance with their own financial objectives and financial resources and, if in any doubt, should seek advice from independent professional advice as to risks and consequences of any investment

William Blair makes no representations that this website or any contents contained on it are appropriate or available for use in any jurisdiction. This information is not intended to be published or made available to any person in any jurisdiction where doing so would result in contravention of any laws or regulations applicable to the user. The SICAV Fund is currently registered for marketing in: Austria, Denmark, Finland, France, Germany, Ireland, Luxembourg, Norway, Singapore, Spain, Sweden, Switzerland and the UK. Therefore the SICAV Fund is either not registered to be marketed in your jurisdiction or may only be marketed or offered to professional investors in your jurisdiction. To the extent permitted by applicable law, William Blair will accept no liability for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this document or its contents.

Copyright © 2019 William Blair. "William Blair" refers to William Blair & Company, L.L.C., William Blair Investment Management, LLC, and affiliates. No part of this material may be reproduced in any form, or referred to in any other publication, without express written consent.