William Blair

4Q 2018

Fund Manager Commentary
William Blair SICAV Global Leaders Fund

Fund Performance & Positioning

The William Blair SICAV Global Leaders Fund underperformed its benchmark, the MSCI ACWI IMI Index (net), during the fourth quarter. Underperformance versus the Index was primarily driven by negative stock selection effects across most sectors amid the valuation-led market environment. The Consumer Staples, Health Care, and Consumer Discretionary sectors were the largest source of relative returns. Within Consumer Staples, Fevertree detracted from performance. The company produces premium mixers, including tonic water, ginger beer, cola and lemonade. Despite the decline in share price, we believe the company should experience rapid growth due its expanding geographic presence, increased product mix, and the trend towards premium spirits.

Top 10 Holdings as of 31.12.2018

Company Name	*% of Fund*
Alphabet Inc.	3.0%
Amazon.com, Inc.	2.9%
Unitedhealth Group Incorporated	2.7%
Mastercard Incorporated	2.1%
Union Pacific Corporation	2.0%
The Boeing Company	2.0%
AIA Group Limited	2.0%
Taiwan Semiconductor Manufacturing Company, Ltd.	2.0%
Alibaba Group Holding Limited	2.0%
The Home Depot, Inc.	2.0%
Total of Top 10	**22.7%**

Align Technology, the maker of Invisalign clear aligners for the orthodontics market within the Health Care sector, was an additional source of underperformance due to concerns around increased competition. Clear aligners continue to take share from traditional wires and brackets, and we expect further penetration of the teen market and continued global expansion to drive future growth despite headwinds from competitors, which we believe to be over-estimated. Within the Consumer Discretionary sector, Weight Watchers, the leading commercial provider of weight management services, was an additional source of underperformance. The company missed third quarter earnings expectations due to slightly lower membership growth. The company is accelerating its shift to digital members which have higher margins and will support the broader wellness offering the company is rolling out. We expect this will result in revenue growth accelerating in 2019.

Partially offsetting these effects was an underweight in the Consumer Staples sector and positive stock selection within the Materials sector.

Within Materials, BHP and Nissan Chemical were sources of outperformance. Nissan Chemical has a leading position in their core products and a track record of innovation supported by its commitment to high levels of research and development. The ability to post good growth in the context of challenging smartphone/display market continues to demonstrate Nissan's competitive strength.

During the fourth quarter, Industrials exposure was reduced through the liquidations of Watsco and Epiroc, a spin-off of Atlas Copco's construction and mining machinery business. Energy exposure was also reduced during the period. These reductions were offset primarily by increases to Materials and Consumer Discretionary. Within Materials, Victrex was purchased during the period. Victrex is the world's leading producer of polyetheretherketone (PEEK) - a niche, high performance plastic. We expect the company will continue to deliver above-average growth rates due to increasing demand for high performance plastics, new PEEK applications, and the substitution of PEEK for metal components. Aristocrat Leisure Ltd within the Consumer Discretionary sector was also purchased during the period. The company is a leading content and equipment supplier in the global slot machine market, with an expanding share in the higher-margin revenue-sharing segment thanks to strong performance of innovative products. Digital has been a new growth driver for Aristocrat, with in-house games and M&A steadily expanding the addressable market beyond land-based casinos for sustainable longer-term growth. From a geographic perspective, notable adjustments were increases to Developed Asia ex-Japan and the U.K., offset by a decrease to the U.S. The portfolio's weighting in Emerging Markets approximated 8.5% at the end of the period, up from 7.5% at the beginning of the period.

Market Review & Outlook

Heightened concerns about slowing global growth, rising interest rates and tighter liquidity conditions contributed to the broad selloff across global equity markets in the fourth quarter of 2018. The sharp decline in global equities during the quarter (-13.28% for the MSCI ACWI IMI in USD terms) wiped out positive gains for the year and sent indices firmly into negative territory (-10.08%).

The final weeks of 2018 were nothing short of dramatic, punctuated by the U.S. political dispute over the budget which ultimately resulted in the federal government shutdown. Investors were also rattled by the increasingly volatile nature of U.S.-China relations, including the arrest of Huawei Technologies' CFO on suspicion of violating U.S. sanctions against Iran, further complicating the trade war outlook.

U.S. equities fell -13.52% for the quarter – the worst quarterly performance since 3Q2011, as measured by the S&P 500. The majority of underperformance occurred in December over concerns of higher interest rates and renewed political turmoil ahead of the new congressional session. From a sector perspective, Energy equities were hurt the most (-25.77% for the quarter) as the WTI oil price plunged over 40% to as low as $42 per barrel in December.

European and U.K. equities trailed on concerns over slowing economic growth, political turmoil in Italy, and increasing Brexit uncertainty ahead of the March 29 deadline for withdrawal from the European Union. Uncertainty surrounding not only the terms of Brexit but the continuation of Brexit itself weighed more heavily on domestically-oriented U.K. sectors such as real estate and small cap companies more broadly. Amid this difficult backdrop, the MSCI Europe ex-U.K. IMI declined 13.68% and the MSCI U.K. IMI fell 12.66% in USD terms during the quarter.

Emerging market equities outpaced developed markets during the quarter, led by strong outperformance in Brazil (+14.28% USD terms), Indonesia (+8.28%), and India (+3.20%). Within Brazil, optimism towards the newly elected government and pension reform prospects supported investor sentiment. The significant decline in oil prices contributed to gains for Indonesia and India on hopes of moderating inflation prospects, given both countries' dependency on oil imports.

As we begin 2019, surveys suggest that momentum in global growth continued to decelerate at the tail end of last year. Specifically, purchasing manager surveys continue to point to deceleration in the pace of industrial orders growth and subsequent industrial production growth. We regard the deceleration in economic activity in the U.S. to be more about the base effect rather than the end of the current economic cycle. As the impact of highly simulative fiscal policy unveiled at the beginning of 2018 begins to dissipate, the U.S. economy is likely to slow to 2-2.5% growth, from the high of 4.2% in Q2 2018.

At the same time, we continue to expect the divergence between the U.S. and other economies to begin to normalize. If the rest of the world continues to grow at the current pace, while the U.S. economy slows, the growth wedge and by extension the substantial outperformance of U.S. markets vis-à-vis the rest of the world is likely to moderate from here.

In Europe, near-term indicators of industrial activity continue to decelerate. At the same time, employment and income growth together with corporate balance sheets suggest support for domestic demand growth comparable to the 2018 rate. Italian budget woes have subsided, at least for now. While Brexit uncertainty remains an overhang, we believe the U.K. Parliament will seek to avoid near-term economic disruption.

The exceptionally strong U.S. economy and rising U.S. bond yields supported the U.S. dollar in 2018, contributing to a challenging year for emerging market economies. Looking ahead, these headwinds are likely to subside. Further, in the final quarter of 2018, the price of crude oil declined by a third, significantly easing constraints on emerging market economies, as many are large energy importers.

The likelihood of a U.S.-China trade deal and de-escalation of tariff wars has risen at the beginning of 2019. Later in 2019 or in 2020, the U.S. is likely to become a sizeable exporter of LNG and petroleum products. It needs to find consumers for its products, which will be relatively more expensive because of shipping costs. China is the largest and fastest growing consumer of such products. Thus, the economic rationale for a trade deal is substantial and imminent.

Last year, China implemented significant and wide-spread changes in its tax structure, especially income taxes. We expect that reducing taxes for households is likely to support consumer demand in China. We are not expecting China to implement a large stimulus, but slow policy changes have been made to keep growth steady. The recently announced reserve rate requirement cut is noteworthy in its size: the reserve ratio for major banks now stands at 13.5%, down from 17% a year ago.

Recent positioning adjustments within our ACWI-oriented funds generally reflect our incrementally less cautious outlook on emerging markets. Within our dedicated emerging markets strategies, we have added to Brazil and maintained overweighted positions in India. Within China, we continue to emphasize domestically-oriented consumer, healthcare and technology companies that we believe are well positioned to benefit from the economy's ongoing transition to a consumption and services-driven growth model.

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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 á 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

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