William Blair

1Q 2019

Fund Manager Commentary
William Blair SICAV Global Leaders Fund

Fund Performance & Positioning

The William Blair SICAV Global Leaders Fund outperformed its benchmark, the MSCI ACWI IMI Index (net), during the first quarter.

Outperformance versus Index was primarily driven by positive stock selection across most sectors. The Consumer Staples and Industrials sectors were the largest sources of relative return. Within the Consumer Staples sector, Estee Lauder and Fevertree Drinks bolstered relative performance. Estee Lauder is a leading global prestige cosmetics company with more than 30,000 points of distribution in over 150 countries across various channels, including department stores, specialty cosmetics stores, travel retail, and online. We expect the company to benefit from the rapid growth of its newer brands, the continued expansion in the specialty retail and online channels, and strong growth from China and travel retail. Fevertree, a producer of premium beverage mixers, including tonic water, ginger beer, cola and lemonade, rebounded from the sharp fourth quarter sell-off in higher multiple stocks. The company should continue to experience rapid growth due its expanding geographic presence, increased product mix, and the trend towards premium spirits. Roper Technologies, a diversified technology company in the Industrial sector that designs software and engineered products for a variety of niche end markets, was an additional source of outperformance. The company reported better than expected fourth quarter earnings and continued to reduce leverage, leaving room for further M&A, which should help support growth in the future.

Partially offsetting these effects was an underweight allocation to the Consumer Staples sector, coupled with below average stock selection within the Materials sector. Within Materials, Nissan Chemical hurt relative results. Nissan Chemical is an innovative Japanese producer of niche chemicals for the electronics, agriculture, and pharmaceutical industries. It has a leading position in its core products and a track record of innovation supported by its commitment to high levels of research and development. The ability to post attractive (albeit slower) growth more recently in the context of challenging smartphone display market dynamics continues to show Nissan’s strength. Victrex, the world's leading producer of a niche, high performance plastic, also underperformed in the quarter due to weaker automotive and electronic end-markets. Over the long-term, we believe Victrex will deliver above-average growth rates relative to its chemical peer group due to increasing demand for high performance plastics across a large and growing number of end markets.

Top 10 Holdings as of 31.03.2019

Company Name	*% of Fund*
Alphabet Inc.	2.9%
Amazon.com, Inc.	2.9%
Alibaba Group Holding Limited	2.5%
Unitedhealth Group Incorporated	2.3%
Mastercard Incorporated	2.3%
Union Pacific Corporation	2.1%
The Estee Lauder Companies Inc.	2.1%
AIA Group Limited	2.1%
Taiwan Semiconductor Manufacturing Company, Ltd.	2.0%
The Home Depot, Inc.	1.9%
Total of Top 10	**23.1%**

During the period, Materials exposure was reduced through the liquidations of BHP Group and Shin-Etsu Chemical. Energy exposure was also reduced during the period. These reductions were offset primarily by increases to the Information Technology and Health Care sectors where we found several attractive long-term growth opportunities post the fourth quarter decline in equity markets, including PayPal Holdings. PayPal’s dominant global two-sided payment network of approximately 250 million customers and 20 million merchants creates a superior competitive position online. It delivers quick, easy, and secure checkout for consumers, and meaningfully higher conversion rates and lower fraud risks for merchants, resulting in pricing power. The total addressable market is large and expanding, and PayPal is uniquely positioned to benefit from the powerful secular driver of ecommerce. We expect earnings to grow faster than consensus, which we believe overstates competitive threats and under-appreciates the potential upside from the monetization of its social payments platform Venmo and the potential for game-changing partnerships. From a geographic perspective, notable adjustments were increases to Developed Europe and the U.S., offset by decreases to the U.K. and Canada. The Fund's weighting in Emerging Markets approximated 9% at the end of the period, up modestly from 8.5% at the beginning of the period.

Market Review & Outlook

After a difficult end to 2018, equity markets around the world rallied to start the year despite signals of moderating global growth. The MSCI ACWI Investable Market Index (IMI) gained 12.29% in USD terms, the largest quarterly gain since 2010, as investor sentiment was bolstered by a more dovish tone out of major central banks and improved trade talks between the U.S. and China. Developed market equities outpaced emerging markets primarily driven by strength in the U.S. and Canada.

U.S. equities rallied in January (+8.60%) and continued to post strong returns throughout the quarter (+13.99%). Growth in the U.S. remained solid but started to decelerate off of last year's previous highs. The Federal Reserve's acknowledgment of slower economic growth and dovish stance on interest rates helped ease investor sentiment and boosted returns across sectors.

European equities also advanced despite signs of significant deceleration in manufacturing growth. Specifically, purchasing manager surveys continued to point to deceleration in the pace of industrial orders growth and subsequent industrial production growth in the Euro Area. Brexit woes continued to weigh on the economic conditions within the United Kingdom but the market felt some relief following the announcement that the European Union had agreed to delay the Brexit process past the March 29 deadline. The MSCI Europe ex-U.K. IMI advanced 10.50% and the MSCI U.K. IMI advanced 12.32% in USD terms during the quarter.

Within emerging markets, the story for the quarter was the rebound in equity performance across China's mainland securities (A-shares), which advanced 33.02% for the quarter, erasing the 32.99% loss incurred in 2018 (as measured by the MSCI China A Onshore Index in USD terms). The A-share market rallied following news of several fiscal and monetary stimulus measures aimed to boost the economy. Additionally, A-shares were bolstered by news that MSCI would quadruple the weighting of A-shares in global benchmarks by increasing the inclusion factor from 5% to 20%. Outside of China, emerging market equities broadly lagged the global benchmark. Rising geopolitical tensions between India and Pakistan weighed on the Indian Rupee and equity market. The MSCI India IMI modestly advanced +6.65% in USD terms for the quarter.

From a global sector perspective (as measured by the MSCI ACWI IMI), Information Technology significantly led the market, driven by strength within small cap software and IT services. Other cyclical sectors such as Real Estate, which sold off sharply in late 2018, rallied during the first quarter of the year. Conversely, Financials lagged primarily due to weakness in Japan.

As we begin the second quarter of 2019, domestic demand in key jurisdictions is showing signs of stabilization and synchronized fiscal expansion. Existing home sales rebounded strongly in March in the U.S., and private consumption growth in the Euro Area is tracking a nearly 2% annualized pace. At the same time, 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 corporate tax cuts unveiled at the beginning of 2018 dissipates, the U.S. economy is returning to a growth rate of approximately 2%. The divergence between the U.S. and other economies is normalizing in line with our expectations. If the rest of the world continues to grow at the current pace, 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.

Growth is being supported by fiscal stimulus measures globally. Starting in Europe, the Euro Area is set to experience the first fiscal expansion in a decade. In Germany, Finance Minister Olaf Scholz has set aside approximately €150bn for much needed investment in infrastructure, education, housing and digital technology over the next four years. More immediately, the fiscal stimulus slated for this year will be largely for consumer spending, as higher unemployment and pension benefits, together with a tax cut to lower income earners, is expected to boost purchasing power by 0.5% of GDP. The abolition of the solidarity surcharge, which accounts for 5.5% additional income tax, is set to be reduced beginning this year. Government construction orders soared 12.2% in Q4 2018 from the prior quarter, and will likely advance further in 2019.

In France, President Emmanuel Macron responded to the “yellow vests” movement by announcing measures to boost the purchasing power of households by about 0.4% of GDP. These include cancellation of the increase in social charges on pensions, an increase in the activity bonus for employees paid the minimum wage, and a tax exemption on exceptional year-end bonuses and income from overtime.

In China, the government continues to roll out tax cuts following its 2-year effort to streamline and digitize tax collection. In Q1 2019, the government announced a CNY2 trn tax cut on business activity. Effective April 1, VAT in the top general category will be reduced from 16% to 13%, on top of reductions in the employer contribution to social security from 20% to 16%. Together with household income tax reform implemented last year, these measures will continue to support domestic activity. At the same time, the scope for further adjustments on the fiscal side is not exhausted, as the State Administration of Taxation continues to report an increase in aggregate tax collections in excess of expectations.

The U.S. continues to maintain a highly expansionary fiscal policy stance. Although major corporate tax cuts boosted domestic activity in H1 2018, the U.S. budget deficit is expected to be even larger this year, at nearly 4.5% of GDP, despite the domestic economy expanding at a 2%+ annual pace.

Within portfolios, we maintain our focus on companies with sustainable earnings trends and recurring-revenue business models that add growth visibility at this later stage of the economic cycle. Recent positioning adjustments within our ACWI-oriented funds generally reflect our incrementally less cautious outlook on China. 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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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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