William Blair SICAV
Dynamic Diversified Allocation Fund

Class J (USD)

William Blair

Quarterly Review

September 2017

Brian D. Singer, CFA, Partner
Thomas Clarke, Partner

ISIN: LU0874273070

- **Several of the headwinds that weighed against attractive investment opportunities have recently faded. This is consistent with more subdued volatility in markets and currencies across our investment universe.**
- **Many recent changes to strategy have been in response to relative price movements across our universe, rather than changes in the "Why" stage of our investment process.**
- **Dynamic Diversified Allocation's beta profile is within its expected long-term average range, though overall strategy risk remains slightly below average.**

Performance Summary

The Dynamic Diversified Allocation strategy completed the quarter with positive performance. Market strategy, currency strategy and security selection were all positive during the quarter. Our market strategy was particularly bolstered by long exposure to emerging and U.S. equities. Fixed income positioning was slightly positive, with long exposure to credit adding value. Positive contribution from currency was largely driven by long exposures to emerging currencies such as the Colombian peso and Chinese yuan. Security Selection was positive during the quarter, with positive performance from International Leaders and U.S. Small Cap Value.

Strategy Positioning

We now feel less compelled to maintain our strategies as de-risked as they previously were, in respect of opportunities that have been affected by shorter-term macro-thematic and geopolitical headwinds. Many recent moves in our strategy have been in response to relative price movements across our universe, rather than a change in the "Why" stage of our investment process.

Market strategy remains long of equities, with effective exposure of +31% unchanged during the quarter. The strategy remains long of Europe, UK, U.S. and emerging equities. Market strategy is modestly long of fixed income with a net exposure of +19%.

Within currencies, strategy remains long of emerging currencies and short of developed currencies, in line with fundamental valuation. Our largest long positions remain in emerging currencies such as the Chinese yuan, Philippine peso, and Indian rupee with our largest short positions in the U.S. dollar, Swiss franc, and New Zealand dollar.

Strategy Review and Outlook

Equities around the world generally rallied in the third quarter, with riskier emerging markets beating developed markets, as has been mostly the case through 2017. Within developed equity markets, the United States, Japan, and Europe rose a modest amount, with the majority of the rise occurring in September. Ten-year government bond yields fell in the G3 markets, though they retraced the drop during September. The U.S. dollar continued its fall against most developed and emerging currencies. Market volatility was generally low, experiencing only a few short-lived upward spikes caused by hostile nuclear demonstrations by North Korea and associated geopolitical rhetoric from the United States.

Led by manufacturing and consumer spending, global growth data continued to show a modestly rising trend from its low point at the beginning of 2016. This data both lifted expectations and led to less accommodative monetary signals from most central banks (apart from the Bank of Japan). The OECD stopped short of referring to the situation as a self-sustaining growth upswing. Global trade values have increased impressively over the last year, but much of this reflects higher prices of traded goods (particularly commodities),

rather than any surge in volume. The most striking upward revisions to growth forecasts occurred in the eurozone and China. In both cases, these developments reflect fading macro-thematic headwinds that had significantly impaired attractive equity market opportunities in prior years. As India's 2016 "demonetization" exercise has proved to have little adverse effect, Indian economic growth expectations now reflect widespread optimism. Contrastingly, growth forecasts in Latin America have weakened, much of that influenced by its largest economic region, Brazil.

Of the G7 central banks, only the U.S. Federal Reserve and the Bank of Canada have raised short-term interest rates, whereas the Eurozone, Japan, and the United Kingdom have kept rates at historic (near zero) lows. The European Central Bank (ECB) has hinted at a further wind-down of its monthly asset purchases, but there has been no announced schedule for this following its initial "taper" in late 2016. The ECB's hints were sufficient to rally the euro in the quarter. The Bank of England's interest rate setting committee boosted expectations of an interest rate rise at its meeting in August. Although the decision was not taken in the quarter, the pound rose to its highest level (against the U.S. dollar) since the eve of 2016's Brexit referendum. Japan, where inflation expectations remain very low, had no apparent change in guidance about monetary policy. All the foregoing changes in policy and communication could be regarded as relatively minor, though they command high attention among investors and are among the largest movers of market prices.

There are two dominant reasons why market participants give intense scrutiny to central bank communication in the present environment. One is the extreme levels to which monetary conditions have been loosened—particularly in the developed world—in recent years. Investors are dealing with highly unconventional policies (zero or negative interest rates in some cases, asset purchases, etc.) compared with policies in prior decades. The other is the more forward-looking communication of central banks, whereas in the past communication was confined largely to announcing that interest rates were either up or down. In respect of the first reason—unconventional policy tools—the short-term investment dynamics following such policies are largely the same as they have always been (and relative policies continue to have a similar effect on exchange rates). Importantly, we continue to work under the assumption that asset prices—bonds and equities—would probably not be as high as they are in the absence of these policies. But, because of the second aspect of policy communication, we doubt the likelihood of substantial and sustained downside market shocks wrought by an *unanticipated* withdrawal of monetary looseness. Our rationale is that central banks have progressively moved toward long-range, forward-looking communication out of a desire to reduce market uncertainty—or to increase certainty—about future policy. For the most part, this has probably done little more than bring forward (in time) the market reaction-function (witness the sizable exchange rate moves that have unfolded in the last two years on statements based more about future policy settings than present ones). But it has created a situation where central banks now must strive to deliver what they have told markets to expect. This is not always appropriate if circumstances (economic and inflation data) change from what was expected, but it counsels strongly against central banks making capricious moves regarding monetary conditions that are contrary to those that they have previously telegraphed.

Therefore, central bank support of market prices does not appear to be under much threat of a significant and near-term reduction. However, as a macro theme that pervades much of our investment universe, developed central bank policy has introduced narrowness

to the range of valuation opportunities currently available. This is most evident in currencies where the valuation opportunity is dominated by a “positive carry” trade, characterized by attractive “high carry” emerging market currencies and unattractive (low carry) developed currencies. This reduced breadth has kept us relatively cautious in respect of active currency risk, although we are responding to the large opportunity by steadily increasing exposures throughout 2017. With respect to equities, we remain long of attractive Eurozone and U.K. equities, but we have sought protection from large unanticipated adverse moves with nonlinear positions where the cost of such protection is not high.

Populism remains an influential macro theme affecting market and currency prices, but its intensity has dropped significantly since 2016. Its influence was nonetheless evident in Germany’s federal election in which the country’s staunchly anti-immigration party AfD experienced a surge in support, which allowed it into parliament for the first time. Support was significantly eroded from traditional parties, including Chancellor Angela Merkel’s Christian Union. However, Ms. Merkel will undoubtedly serve a fourth term as chancellor in a coalition that is yet to be decided (but almost definitely excluding AfD), meaning that investment implications do not appear significant for this event. Elsewhere in Europe, the U.K.’s negotiations with the European Union (EU) over Brexit now point toward the process taking an extended period of time, likely involving a transition period after the deadline of March 2019. This reflects U.K. Prime Minister Theresa May’s weak bargaining position compared with that of the EU, the weak position itself a result of the fragility of her government after the recent snap election. Although this prolongs uncertainty to some extent, our investment conclusion is, as it has been previously, that the adverse geopolitical risks to U.K. markets and the pound are relatively small today. Consequently, we are not cautious in our strategy response to the attractive valuation of both U.K. equities and the pound.

With respect to the North Korean threat, our response has been to dampen exposure to the South Korean won (no longer a fundamentally attractive currency anyway) and its equity market. We view the North’s primary geopolitical objective as being survival, which motivates its desire to demonstrate nuclear capability, but to likely stop short of provoking aggressive responses from the United States or China (North Korea is likely more interested in maintaining disunity between these powers in respect of reaction).

Our analysis and its conclusions—that several of the headwinds that weighed against attractive investment opportunities (by increasing risk and adversely affecting expected compensation) have recently faded—are consistent with more subdued volatility in markets and currencies across our investment universe. Notwithstanding this, our forward-looking risk models do not assume that the very low levels of volatility that have been observed in market and currency prices during current and recent quarters are sustainable in the longer term. Consequently, and as mentioned above, we have taken advantage of the low price of some options to re-engage some downside protection within our market exposures.

It is our view that the challenge of navigating these risks continues to be a significant shift in the investment landscape that has occurred in the last decade and our investment process, dialogue, and decision making is well equipped to meet the challenges we now face. We remain vigilant as we assess new and relevant information to capture future investment opportunities in a timely manner and will continue balancing the relationship between risk taken and compensation expected.

The below table shows the performance of the William Blair SICAV – Dynamic Diversified Allocation Fund as of quarter-end.

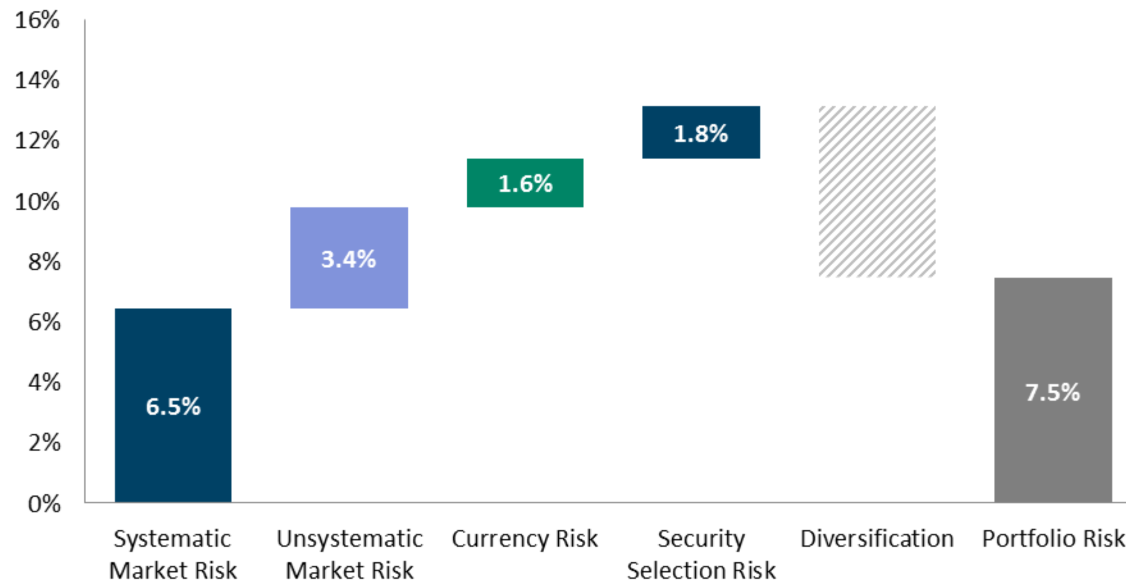
Periods ended 30/09/2017	**Quarter**	**YTD**	**1 Year**	**Since Inception***
William Blair SICAV – Dynamic Diversified Allocation Fund (Class J[USD])	2.86%	7.48%	5.78%	2.40%
DDA Long-Term Return Objective**	2.25%	5.17%	7.23%	6.70%

*Inception: 30/06/2015
**Long-Term Return Objective is U.S. CPI +5%

Periods greater than one year are annualised. All charges and fees have been included within the performance figures. For the most current month-end performance information, please visit our Web site at sicav.williamblair.com.

Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.

The below chart shows the expected sources of investment risk for DDA SICAV as of quarter-end.



Source: William Blair. Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.

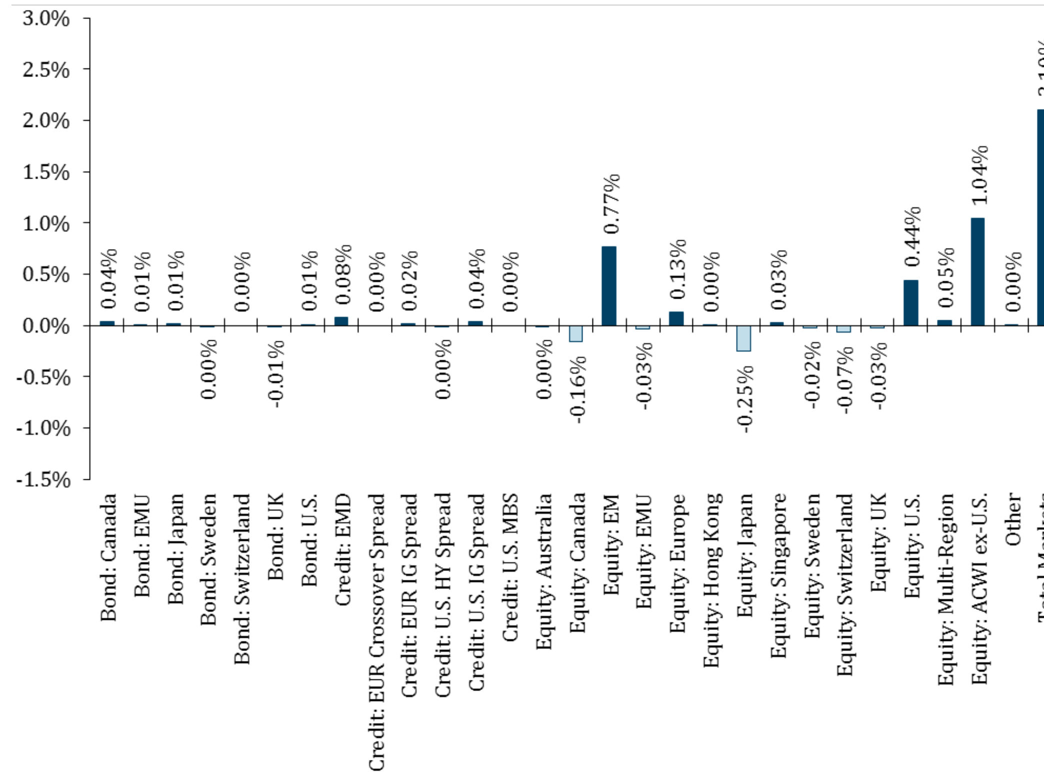
The below table shows the calculated regional performance attribution of DDA SICAV by asset segment for the reporting period.

DDA Attribution 2017 Q3	**Equity**	**Rates**	**Credit**	**Currency**	**Security Selection**	**Residual /Other**	**Total**
North America	0.28%	0.05%	0.03%	-0.07%	0.08%		**0.38%**
Developed Europe	-0.01%	-0.01%	0.02%	0.06%	0.00%		**0.07%**
Developed Asia (ex Japan)	0.03%	0.00%	0.00%	0.07%	0.00%		**0.10%**
Japan	-0.25%	0.01%	0.00%	0.00%	0.00%		**-0.24%**
Emerging Markets	0.77%	0.00%	0.08%	0.46%	0.00%		**1.30%**
Multi-Region	1.09%	0.00%	0.00%	0.00%	0.35%		**1.45%**
Residual/Other							**-0.20%**
Total	**1.91%**	**0.06%**	**0.13%**	**0.52%**	**0.43%**	**-0.20%**	**2.86%**

Source: *Bloomberg and DataStream.*

Past performance does not guarantee future results. *Portfolio exposures based on the William Blair DDA SICAV. Relative monthly market attribution is an internal estimate that applies hedged returns sourced from Bloomberg and DataStream to the beginning of month strategy exposures and includes changes throughout the month. The categories included seek to group instruments that represent strategic exposures. Attribution analysis is not a precise measure and should not be relied upon for investment decisions. Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.*

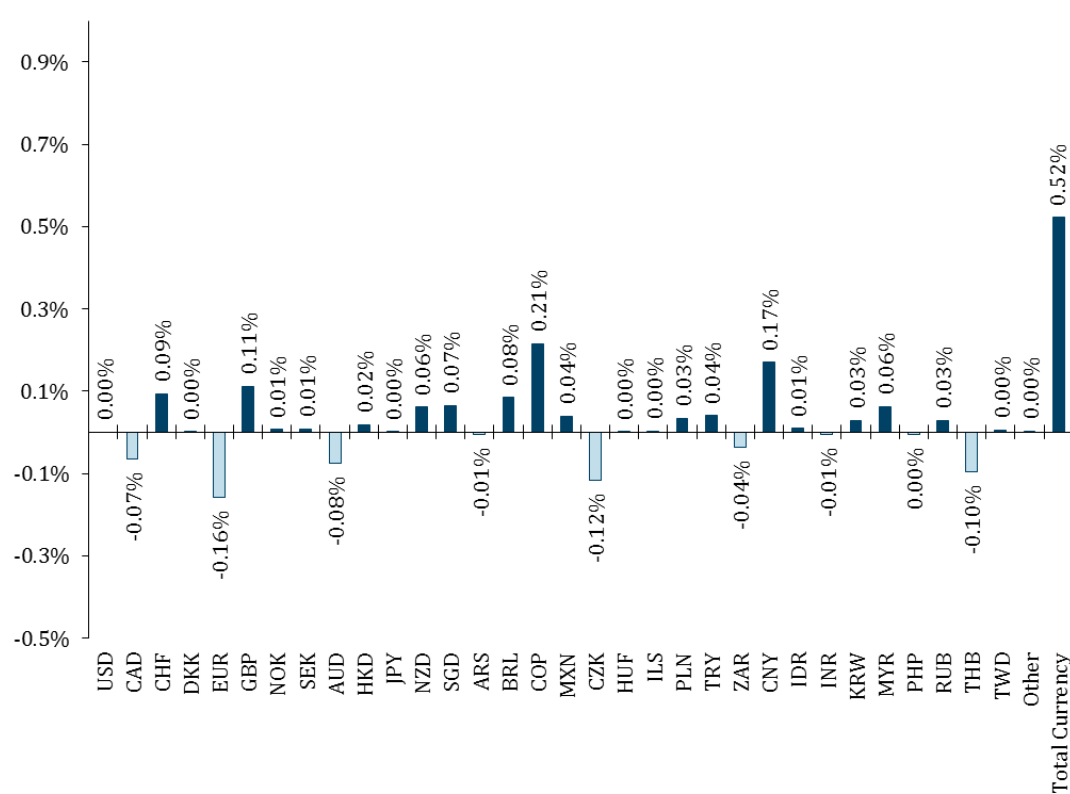
The below chart shows the calculated performance attribution of DDA SICAV by market segment for the reporting period.



Source: *Bloomberg and DataStream.*

Past performance does not guarantee future results. *Portfolio exposures based on the William Blair DDA SICAV. Relative monthly market attribution is an internal estimate that applies hedged returns sourced from Bloomberg and DataStream to the beginning of month strategy exposures and includes changes throughout the month. The categories included seek to group instruments that represent strategic exposures. Attribution analysis is not a precise measure and should not be relied upon for investment decisions. Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.*

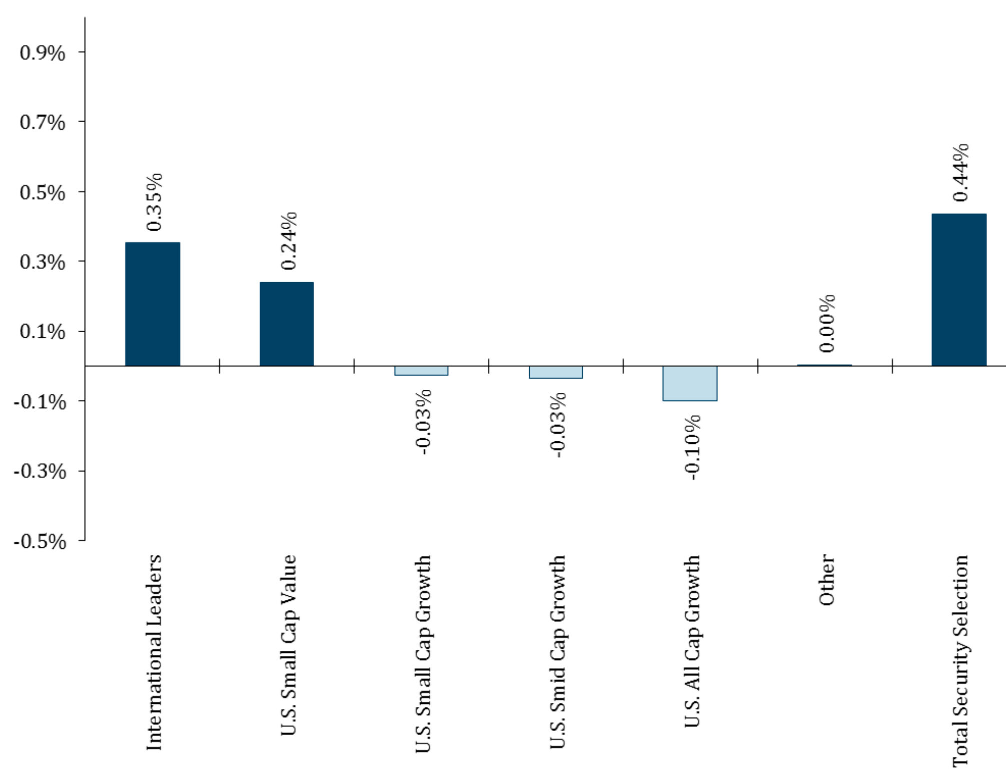
The below chart shows the calculated performance attribution of DDA SICAV by currency for the reporting period.



Source: *Bloomberg and DataStream.*

Past performance does not guarantee future results. *Portfolio exposures based on the William Blair DDA SICAV. Relative monthly market attribution is an internal estimate that applies hedged returns sourced from Bloomberg and DataStream to the beginning of month strategy exposures and includes changes throughout the month. The categories included seek to group instruments that represent strategic exposures. Attribution analysis is not a precise measure and should not be relied upon for investment decisions. Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.*

The below chart shows the calculated security-selection-oriented performance attribution of DDA SICAV by strategy for the reporting period.



Source: *Bloomberg and DataStream.*

Past performance does not guarantee future results. *Portfolio exposures based on the William Blair DDA SICAV. Relative monthly market attribution is an internal estimate that applies hedged returns sourced from Bloomberg and DataStream to the beginning of month strategy exposures and includes changes throughout the month. The categories included seek to group instruments that represent strategic exposures. Attribution analysis is not a precise measure and should not be relied upon for investment decisions. Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.*

Equity	30.8%
U.S.	5.0%
Canada	-2.2%
Europe (ex-U.K.)	12.4%
UK	5.9%
Asia Developed	0.5%
Emerging	9.3%

Fixed Income	19.1%
U.S. Treasury & Credit[1,*]	10.0%
Non-U.S. Treasury & Credit[1,*]	5.2%
Emerging	4.0%

Unencumbered Cash	30.1%

[1]Reflected as 10-year exposures

Active Currency	
U.S. Dollar (USD)	-8.2%
Canada Dollar (CAD)	-2.2%
Other Americas	9.8%
Euro (EUR)	-4.4%
Switzerland Franc (CHF)	-5.8%
Great Britain Pound (GBP)	3.6%
Other Europe	-1.1%
Australia Dollar (AUD) and New Zealand Dollar (NZD)	-7.6%
Japan Yen (JPY)	-1.1%
China Yuan (CNY)	6.2%
Asia (Excluding JPY and CNY)**	4.9%
Other	5.8%

*Credit Detail	
U.S. Investment Grade Spread	7.3%
U.S. High Yield Spread	-0.8%
U.S. MBS Spread	0.0%
European Investment Grade Spread	3.3%
European High Yield Spread	0.0%

**Select Exposures Detail	
Indian Rupee (INR)	5.1%
Philippine Peso (PHP)	6.9%
Singapore dollar (SGD)	4.7%

Market and currency strategy exposures shown above are as of quarter-end. For illustrative purposes only and not intended as investment advice. Allocations are subject to change without notice.

Important Disclosures

The Fund, the Management Company and the Investment Manager

This document has been prepared and issued by FUNDROCK MANAGEMENT COMPANY S.A., a "société anonyme", incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 33, rue de Gasperich, L-5826 Hesperange and registered in the R.C.S. Luxembourg under n° 104196 (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, the asset management business of WILLIAM BLAIR & COMPANY, LLC., having its registered office at 222 West Adams Street Chicago, IL 60606, USA ("William Blair Group") as the investment manager for the Fund (the "Investment Manager").

Fund Distribution

The Fund is currently registered for public offering only in the following countries: Austria, Denmark, Finland, France, Germany, Ireland, Luxembourg, Norway, Sweden, Switzerland and the UK. Therefore the Fund may not be registered to be marketed in your jurisdiction or may only be marketed to certain categories of investors in your jurisdiction.

Marketing Materials

William Blair Group makes no representations that these marketing materials are appropriate or available for use in any jurisdiction. This document 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 recipient. This document shall constitute a marketing communication only in the countries in which the Fund has been registered for public offering. In any other countries, laws and regulations may restrict the access to the present website. The access to the present website is not to be considered as marketing communication or as the marketing of the shares of the Fund if such access to such information and documentation through a website would be unlawful.

Fund Documents

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

The present document is not intended to be directed to those categories of investors to which the communication of this document would be unlawful in any country according to any applicable law or regulation. This document is intended for the use of the persons to whom it is addressed, being persons who are Professional Investors as defined in the Markets in Financial Instruments Directive (2004/39/EC), understood as financial advisers, insurance companies, asset managers, discretionary wealth managers, banks and other authorised intermediaries. Therefore, its content should not be used by retail clients. These materials are not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as retail clients. William Blair Group does not accept responsibility for retail clients accessing information intended exclusively for Professional Investors.

No Investment Advice

This document has been produced for information purposes only and is not to be construed as investment advice or a solicitation or an offer to purchase or sell investments or related financial instruments to any recipients. The investments in the Fund may not be suitable for all recipients. This document does not contain personalized recommendations or advice and is not intended to substitute any professional advice on investment in financial products. 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

Risks - 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. Past performance is not necessarily a guide to future performance and no assurance can be made that the profits will be achieved or that substantial losses will not be incurred. 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. 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.

William Blair's Opinion

This document contains the opinions of William Blair, as at the date of issue based on sources believed to be reliable. However, William Blair does not guarantee the timeliness, accuracy, or completeness of the information contained in this document. All information and opinions may change without notice.

Property of William Blair

This document is the property of William Blair and is not intended for distribution or dissemination, directly or indirectly, to any other persons than those to which it has been addressed exclusively for their personal use. It is being supplied to you solely for your information and may not be reproduced, modified, forwarded to any other person or published, in whole or in part, for any purpose without the prior written consent of William Blair.

Liability

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 © 2017 William Blair. "William Blair" refers to William Blair & Company, L.L.C., William Blair Investment Management, LLC, and affiliates. William Blair is a registered trademark of William Blair & Company, L.L.C."