Fund Manager Commentary
William Blair International Small Cap Growth Fund

Fund Performance & Positioning

The William Blair International Small Cap Growth Fund (Class N shares) outperformed its benchmark, the MSCI All Country World ex-U.S. Small Cap Index (net), during the third quarter. Quarterly performance was broadly supported by favorable style tailwinds during the quarter, as higher quality, growth-oriented companies with relatively strong earnings trends and share price momentum outperformed. Relative to the Index, stock selection within Industrials was a key contributor. Japanese factory automation holding Daifuku was the leading performer within the sector, supported by consensus-beating quarterly financial results on accelerating demand from its electronics and e-commerce customers. Consumer Discretionary stock selection also contributed positively, bolstered by strong fundamental business trends at hotel operator China Lodging Group. Within Consumer Staples, U.K.-based Fevertree Drinks was another notable contributor, driven by solid sell-through trends at existing accounts in addition to distribution gains as retailers added more shelf space for higher margin premium mixers.

Partially offsetting these positive contributors were Materials and Information Technology stock selection. Within Materials, Japan-based Hitachi Chemicals detracted from relative performance despite the company reporting solid operating trends on rising demand for semiconductor consumables and electronic vehicle battery materials. Within the Information Technology sector, Sweden-based online casino game software company NetEnt's share price weakened in September amid investor concerns about potentially softer growth trends in the second half of the year. Chinese mobile gaming company Kingsoft's share price also detracted, as investors were disappointed with a delayed release of the highly anticipated JX3 game on Tencent's platform.

Top 10 Holdings[1] as of 9/30/17

Company Name	***% of Fund***
Elbit Systems Ltd.	1.3%
Rubis SCA	1.3%
Banca IFIS S.p.A.	1.2%
Royal Unibrew A/S	1.2%
KION Group AG	1.2%
Nabtesco Corporation	1.1%
Nihon M&A Center Inc.	1.1%
Intrum Justitia AB	1.1%
Shenzhou International Group Holdings Limited	1.1%
Suruga Bank Ltd.	1.1%
Total Top 10	**11.7%**

From a geographic perspective, Japan stock selection was the largest contributor to third quarter performance, followed by Europe ex-U.K. stock selection. These effects were partially offset by underperformance among U.K. and Latin America holdings. Within the U.K., metals & mining holdings were the primary source of weakness, while Mexican airport exposure detracted within Latin America.

Market Review & Outlook

Global equities continued to march higher in the third quarter, supported by generally solid corporate fundamentals and positive growth conditions across the major economies. The ACWI IMI – MSCI's broadest measure of global equity performance – advanced 5.32% during the quarter and 17.24% year to date through September (in USD terms). Emerging market equities continued to outpace developed markets during the quarter, supported by continued strength in technology shares and a rebound in the energy sector.

European equity outperformance was driven by the region's ongoing economic recovery, improving corporate fundamentals and investors' perception of a potentially stronger European Union following the

[1] Listed holdings are presented to illustrate examples of the securities that the Fund has bought and do not represent all of the Fund's holdings or future investments. Information about the Fund's holdings should not be considered investment advice. There is no guarantee that the Fund will continue to hold any one particular security or stay invested in any one particular sector. Holdings are subject to change at any time and are as of the date shown above. Top ten holdings are shown as a percentage of total net assets.

French and German elections. The euro appreciated nearly 4% versus the U.S. dollar during the quarter and 12% year to date, driven by expectations for higher inflation and gradual interest rate normalization by the European Central Bank. Currency strength also bolstered U.K. returns during the quarter as the Bank of England laid the groundwork for tighter monetary policy to combat inflation.

U.S. equities achieved record highs during the quarter, overcoming mounting tensions with North Korea and weaker GDP growth expectations in the aftermath of Hurricanes Harvey, Irma and Maria. Within Japan, the release of encouraging economic data in September helped to propel equities higher into quarter end. While core inflation, labor market and industrial production data for August were broadly positive, Prime Minster Abe's decision to call a snap election raised some uncertainty on the policy outlook.

Emerging market quarterly gains were paced by Brazil, which rebounded from the latest presidential corruption scandal amid the country's nascent consumer-led economic recovery. Russia and China also posted double-digit gains for the quarter. More than half of MSCI China IMI's 14.49% quarterly gain was driven by the Information Technology sector, with the balance spread among Consumer Discretionary, Financials and Real Estate.
From a global sector perspective based on the MSCI ACWI IMI, Energy was the leading performer for the quarter, benefiting from the bounce in crude oil prices, followed closely by the Information Technology and Materials sectors. In contrast, Consumer Staples significantly lagged for the quarter, with particular weakness in U.S. and Japanese tobacco stocks.

The performance of William Blair's proprietary quantitative models demonstrated that momentum and earnings trend style factors outperformed during the quarter, while quality, fundamental volatility and valuation underperformed. These style trends were particularly acute within emerging markets.

The latest high frequency data and surveys indicate that ongoing economic expansion is gathering pace, especially in the Euro Area. At the same time, wage growth continues to be modest across most developed markets, and this is beginning to restrain consumer behavior. In Q3 2017, retail sales volumes growth decelerated across all major developed economies. From the perspective of corporates, top line growth is currently in the range of 6-10% pa; it is not meaningfully higher across emerging markets. Beyond improving corporate performance, the outlook for the remainder of this year remains relatively benign, as major national elections, especially in Europe, produced outcomes favorable for continued growth.

From a global strategy perspective, we continue to see upside potential to nominal growth in select companies and industries, as expectations do not appear extended. We do not expect the unfolding gradual withdrawal of monetary policy stimulus to be detrimental to growth either in the U.S. or in the Euro Area, where policy action is not expected until 2018. Corporate performance in the 2H 2017 is likely to be stronger in Europe and in Japan, as economic expansion in the U.S. is relatively more mature. Emerging markets are well positioned to participate in the ongoing global expansion and valuations remain relatively favorable. Recent U.S. dollar strength is unlikely to dampen the fortunes of corporates in emerging markets materially.

INVESTMENT PERFORMANCE % (as of 09/30/17)

	QTR	YTD	1Y	3Y	5Y	10Y
Class I (SI: 11/01/05)	8.29	26.54	17.60	9.15	10.25	4.49
Class N (SI: 11/01/05)	8.13	26.11	17.18	8.81	9.92	4.15
MSCI All Country World ex-U.S. Small Cap Index (net)	6.90	23.54	19.19	8.14	9.68	3.58

EXPENSE RATIOS (%)

	Gross Expense
Class I	1.30
Class N	1.59

Expenses shown are as of the most recent prospectus.

Performance cited represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the data quoted. Returns shown assume reinvestment of dividends and capital gains. Investment returns and principal will fluctuate with market and economic conditions and you may have a gain or loss when you sell shares. For the most current month-end performance information, please call +1 800 742 7272, or visit our Web site at www.williamblairfunds.com. Class N shares are available to the general public without a sales load. Class I shares are available only to investors who meet certain eligibility requirements.

DISCLOSURE

The Fund's returns will vary, and you could lose money by investing in the Fund. The Fund holds equities which may decline in value due to both real and perceived general market, economic, and industry conditions. International investing involves special risk considerations, including currency fluctuations, lower liquidity, economic and political risk. Investing in emerging markets can increase these risks, including higher volatility and lower liquidity. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Diversification does not ensure against loss.

The Morgan Stanley Capital International (MSCI) All Country World Ex-U.S. Small Cap Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of small capitalization developed and emerging markets, excluding the United States. This series approximates the minimum possible dividend reinvestment. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

Please carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. This and other information is contained in the Fund's prospectus, which you may obtain by calling 1-800-742-7272. Read it carefully before you invest or send money. Investing involves the risk of loss.

Distributed by William Blair & Company, L.L.C., member FINRA/SIPC

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE