Fund Manager Commentary
William Blair Large Cap Growth Fund

Market Summary

Strong second quarter performance across U.S. growth equity benchmarks placed U.S. growth equities among the strongest performing investment styles year-to-date. In contrast, first quarter returns were more muted. After robust market performance in January, inflationary fears arose causing market volatility to spike and most major equity benchmarks to retreat. While companies generally reported strong financial results for the prior quarter and economic data was mostly positive, trade tensions and building inflationary pressures weighed on returns for the duration of the first quarter.

In the second quarter, growth style indices were broadly positive and volatility moderated from elevated first quarter levels. Higher stock prices and declining volatility were supported by a healthy U.S. economy. Retail spending rebounded, housing starts increased and manufacturing activity remained robust despite an appreciating U.S. dollar. In addition, consumer and business confidence remained elevated. With unemployment reaching 3.8%, its lowest level since 2000, and core inflation just over 2%, the Federal Reserve announced its second rate increase of 2018 and communicated expectations for two more before year end.

With a strong fundamental backdrop and a positive tax impact, U.S. corporations generally posted robust earnings growth. As a gauge, corporations in the S&P 500 Index reported first quarter earnings growth of approximately 25%, as compared to the same period in the prior year, with over 80% of companies in the Index topping investor expectations. However, aggregate forward P/E ratios contracted as investors appeared to be mindful of risks on the horizon. Notably, trade tensions between the U.S. and China were a focus for investors over the course of the quarter, and as more countries became involved, anxiety grew that tariffs could potentially escalate into a trade war.

Top 10 Holdings[1] as of 6/30/18

Company Name	*% of Fund*
Microsoft Corporation	7.6%
Amazon.com, Inc.	7.4%
Alphabet Inc.	7.0%
Unitedhealth Group Incorporated	4.6%
Facebook, Inc.	4.3%
Zoetis Inc.	3.7%
Accenture PLC	3.6%
Mastercard Incorporated	3.5%
Texas Instruments Incorporated	2.8%
Adobe Systems Incorporated	2.8%
Total Top 10	**47.3%**

Fund Review & Outlook

The William Blair Large Cap Growth Fund (Class N shares) outperformed its benchmark, the Russell 1000 Growth Index, during the second quarter, despite a strong return of 5.76% for the benchmark. Both style and stock selection contributed to the outperformance. From a style perspective, our higher valuation exposure, which is driven by our higher growth bias, was a tailwind. Pertaining to stocks, the top contributor was ABIOMED (Health Care) which develops, manufactures and markets advanced medical technologies designed to assist or replace the pumping function of a failing heart. The company reported strong results as its Impella heart pump is increasingly becoming the standard of care for acute heart failure patients. Online retailer Amazon.com (Consumer Discretionary) was also a top contributor. The company reported strong financial results that reflected accelerating trends across many of its business segments. Other top

[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.

contributors in the quarter were UnitedHealth Group (Health Care), Intuit (Information Technology) and Mastercard (Information Technology). Conversely, the top detractor was coffee, food and beverage retailer Starbucks (Consumer Discretionary) which underperformed in part due to the release of continued sluggish U.S. prior quarter trends, but also in reaction to the company's pre-announcement of weaker-than-expected current quarter comps. Open source software solutions provider Red Hat (Information Technology) was also a top detractor. After recent strong relative performance, the company reported lower-than-expected billings growth due to lower renewals of contracts from the company's largest customers and the stock came under pressure. Other top detractors were Raytheon (Industrials), Progressive (Financials) and Estee Lauder (Consumer Staples). Additionally, not owning Apple (Information Technology), the largest position in the benchmark, was a detractor.

Despite the Fed pursuing monetary tightening and the potential for a global trade war, optimism still persists across consumers, businesses and investors as we enter the tenth year of the current economic expansion. While rates still remain low relative to history, the Fed has telegraphed a path of increases and their ability to navigate the economy in the face of inflationary pressures from a potential trade war remains a risk. Further, continued uncertainty around the ultimate outcome of proposed tariffs could disrupt business planning and dampen overall productivity. However, the impact of fiscal stimulus in the form of lower corporate tax rates has largely overwhelmed trade concerns thus far. One early benefit of corporate tax reform in the U.S. has been an increase in capital expenditures, which in turn has the potential to boost productivity and create jobs longer term. In addition, the current administration has been aggressive in reducing regulation on businesses, which could be a continued tailwind for companies.

It remains to be seen how long the expansion can persist given the unprecedented fiscal stimulus at this point of the economic cycle. Broadly speaking, corporate earnings trends and forward looking guidance are reflective of the strong economy. But to the extent that rising wages, raw materials prices and freight costs begin to compress margins for the average company, we believe our portfolio companies, which generally offer strong value propositions to their customers and have more pricing flexibility, are better positioned to withstand these pressures. Our focus remains on identifying companies with durable growth drivers, independent of the economic backdrop, whose stocks present compelling risk/reward opportunities.

INVESTMENT PERFORMANCE % (as of 06/30/18)

	QTR	YTD	1Y	3Y	5Y	10Y
Class I (SI: 12/27/99)	6.44	12.38	31.02	15.17	17.69	11.46
Class N (SI: 12/27/99)	6.39	12.28	30.77	14.90	17.40	11.18
Russell 1000® Growth Index	5.76	7.25	22.51	14.98	16.36	11.83

EXPENSE RATIOS (%)

	Gross Expense	Net Expense
Class I	0.90	0.80
Class N	1.19	1.05

Expenses shown are as of the most recent prospectus. The Fund's Adviser has contractually agreed to waive fees and/or reimburse expenses to limit fund operating expenses until 4/30/19.

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 invests most of its assets in equity securities of large cap domestic growth companies where the primary risk is that the value of the equity securities it holds might decrease in response to the activities of those companies or market and economic conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result. Different investment styles tend to shift in and out of favor depending on market conditions and investor sentiment, and at times when the investment style used by the Adviser for the Fund is out of favor, the Fund may underperform other equity funds that use different investment styles. The Fund invests most of its assets in equity securities of domestic growth companies, including common stocks and other forms of equity investments (e.g., convertible securities). Convertible securities are at risk of being called before intended, which may have an adverse effect on investment objectives. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 1000 Growth Index consists of large-capitalization companies with above average price-to-book ratios and forecasted growth rates. 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.

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