

Fund Manager Commentary William Blair Global Leaders Fund

Fund Performance & Positioning

The William Blair Global Leaders Fund (Class N shares) 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

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.

Top 10 Holdings¹ as of 3/31/19

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 Top 10	23.1%

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.

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 underappreciates 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.

INVESTMENT PERFORMANCE % (as of 03/31/19)

	QTR	YTD	1Y	3Y	5Y	10Y
Class I (SI: 10/15/07)	15.52	15.52	2.82	13.00	8.32	13.98
Class N (SI: 10/15/07)	15.43	15.43	2.61	12.69	8.02	13.68
MSCI All Country World IMI Index (net)	12.29	12.29	1.89	10.58	6.33	12.27

EXPENSE RATIOS (%)

	Gross Expense	Net Expense
Class I	1.13	1.05
Class N	1.43	1.30

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 involves a high level of risk and may not be appropriate for everyone. You should only consider it for the aggressive portion of your portfolio. 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, higher volatility, lower liquidity, economic and political risk. Investing in emerging markets can increase these risks. The securities of emerging market companies may be subject to greater volatility and less liquidity than companies in more developed markets. Investing in securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Diversification does not ensure against loss.

The Morgan Stanley Capital International (MSCI) All Country World IMI Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. 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 and summary prospectus, which you may obtain by calling +1 800 742 7272. Read the prospectus and summary prospectus carefully before investing. Investing includes the risk of loss.

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

Copyright © 2019 William Blair & Company, L.L.C. "William Blair" is a registered trademark of William Blair & Company, L.L.C.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE