

Fund Manager Commentary

William Blair Small-Mid Cap Growth Fund

Market Summary

U.S. equities had a strong start to the year as most major benchmarks posted their best quarterly return in nearly ten years. After the pronounced sell-off to end 2018, comments from Federal Reserve Chairman Powell and progress in trade negotiations with China spurred optimism causing stocks to rally. Comments from the Federal Open Market Committee (FOMC) indicated that they would be patient and flexible with monetary policy normalization and ongoing discussions between high-level officials from the U.S. and China put fears of an escalating trade war on hold for the time being. Despite robust equity market returns, U.S. economic data in the quarter was somewhat mixed. Low unemployment and mild inflation remain positive indicators for the health of the economy. However, gauges for consumer spending and manufacturing activity were lower than many expected but still well above recessionary levels. Additionally, gross domestic product (GDP) growth for 2018 was revised down slightly to 2.9%. Pertaining to corporate performance, companies in the S&P 500 reported earnings growth of approximately 15% for the fourth quarter. While a step down from the levels experienced in the preceding quarters, U.S. companies continued to perform well against a backdrop of solid domestic economic activity and corporate tax cuts.

Fund Review & Outlook

The William Blair Small-Mid Cap Growth Fund (Class N shares) underperformed its benchmark, the Russell 2500 Growth Index, during the first quarter.

Amidst a first quarter when the Russell 2500 Growth Index returned 18.99%, our Fund lagged the robust

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
Copart, Inc.	3.3%
CoStar Group, Inc.	3.2%
Euronet Worldwide, Inc.	2.9%
Booz Allen Hamilton Holding Corporation	2.7%
BWX Technologies, Inc.	2.6%
Ball Corporation	2.5%
Burlington Stores, Inc.	2.4%
Pure Storage, Inc.	2.3%
Veeva Systems Inc.	2.2%
Rogers Corporation	2.2%
Total Top 10	26.3%

return of the benchmark. Both a style headwind and stock-specific issues contributed to the underperformance in the quarter. From a style perspective, our emphasis on companies with less volatile fundamentals was a headwind which is typical of a quarter with a very strong absolute return. Specific to stocks, portable oxygen concentrator manufacturer Inogen was the top detractor in the portfolio. Despite strong quarterly results, the company reported a slowing of orders with one large national provider in the Business-to-Business channel which put pressure on the stock. Stock selection in Consumer Discretionary also negatively impacted relative performance, including our position in global postsecondary education company Adtalem Global Education. Adtalem reported moderating growth for the fourth quarter in its Registered Nurse to Bachelors of Science Nurse (RN-to-BSN). Other top detractors were Health Care Services Group (Industrials), Cboe Global Markets (Financials) and Encompass Health Corp (Health Care). Contributors to performance included advanced materials company Rogers Corporation which was the top contributor after reporting increased shipments of 5G enabled products in the fourth quarter. Additionally, company management noted that it appears as if China's deployment of 5G is

imminent and that the amount of content Rogers will have on 5G products is higher than expected. Stock selection in Industrials was also a contributor to performance, including our position in CoStar Group. CoStar, which provides information, marketing and analytic services to the real estate industry, advanced after the company reported quarterly results, issued 2019 guidance, and provided longer-term business targets that were received favorably. Its core commercial real estate business benefited from an ongoing conversion of customers to higher priced, higher value-added products. In multi-family housing, the company continues to take share from weaker competitors. Other top contributors were Euronet Worldwide (Information Technology), Portola Pharmaceuticals (Health Care) and Veeva Systems (Health Care).

The U.S. economy remains healthy with many believing the current expansion will persist and become the longest in U.S. history later this year. While GDP and earnings growth are likely to slow in the first half of 2019 from levels seen last year, expectations are that growth will improve in the latter half of the year. Company management teams generally remain upbeat as they have not seen a major decrease in business or consumer economic activity. The pause in interest rate increases should provide some relief in the short term for investors worried about companies needing to refinance debt that was taken out at ultra-low interest levels in the years following the Great Recession. However, over the intermediate to long term, the large amount of debt issued since 2009 may need to be refinanced at higher rates. In addition, business and consumer focus on servicing that debt may subdue investment and depress growth. Other prominent risks to corporate profitability in 2019 include an acceleration in wage growth and higher input costs. Globally, economic activity in China has improved with stimulus measures put in place by the government in the last year. A reversal in this improvement, a material slowdown in Europe caused by Brexit, or a rise in geopolitical tensions in the Middle East or Asia could all have negative implications for the U.S. economy.

We continue to focus on bottom-up, fundamental analysis to identify quality growth companies whose

stocks we believe can outperform over time. Despite sharp moves in the prices of many U.S. stocks over the past two quarters, we believe concentrating our research efforts on long term business fundamentals is the best way to identify truly durable companies. By building a portfolio of inefficiently priced, quality growth companies, we believe our Fund will hold up well in a variety of economic environments.

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

	QTR	YTD	1Y	3Y	5Y	10Y
Class I (SI: 12/29/03)	17.09	17.09	8.94	17.54	12.15	17.92
Class N (SI: 12/29/03)	16.98	16.98	8.67	17.26	11.87	17.61
Russell 2500™ Growth Index	18.99	18.99	7.54	15.60	9.72	17.50

EXPENSE RATIOS (%)

	Gross Expense	Net Expense
Class I	1.16	1.10
Class N	1.43	1.35

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 small cap and mid 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. Investing in small and medium capitalization companies involves special risks, including higher volatility and lower liquidity. Small and mid-cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Diversification does not ensure against loss. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 2500 Growth Index measures the performance of those Russell 2500 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 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.

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