Fund Manager Commentary
William Blair International Leaders Fund

Fund Performance & Positioning

The William Blair International Leaders Fund (Class N shares) outperformed its benchmark, the MSCI All Country World ex-U.S. IMI Index (net), during the first quarter.

Outperformance versus the Index was primarily driven by positive stock selection across most sectors. The Financials and Materials sectors were the most significant contributors to relative return. Within the Financials sector, China Merchants Bank and AIA Group helped relative performance. China Merchants Bank, which benefited from the broad stock market recovery in China, posted solid operating performance due to net interest margin expansion, improved asset quality and its strengthening retail franchise. AIA Group, a leading provider of life insurance throughout Asia, added to returns. The company has benefited from consistently strong execution over the last decade. AIA is likely to receive final regulatory approval over the next six months to start operations in two additional cities in China—Tianjin and Shijiazhuang—increasing AIA's total addressable market. BHP Group, a well-positioned diversified commodity producer with attractive shareholder returns within the Materials sector, was an additional source of outperformance.

The first quarter rebound in global equity markets coupled with a reversal of the short-term headwinds from a style perspective helped propel strong stock selection across large portions of the portfolio. Partially offsetting these effects was an underweight to the Materials and Real Estate sectors, which outperformed the Index and posted strong returns within the portfolio.

Top 10 Holdings[1] as of 3/31/19

Company Name	*% of Fund*
AIA Group Limited	3.2%
Alibaba Group Holding Limited	3.1%
Keyence Corporation	2.7%
Canadian National Railway Company	2.6%
Tencent Holdings Limited	2.5%
LVMH Moet Hennessy-Louis Vuitton SE	2.5%
Airbus SE	2.4%
Safran	2.4%
Taiwan Semiconductor Manufacturing Company, Ltd.	2.4%
Lonza Group AG	2.2%
Total Top 10	**26.0%**

During the period, Financials exposure was reduced through the liquidations of ORIX and KBC Group. These reductions were offset primarily by increases to the Information Technology sector where we purchased Check Point Software, an attractively-valued company with stable and long-term growth characteristics. Several quarters of disappointing growth and broad stock market weakness have provided a favorable setup for the stock. Check Point's customers remain sticky and the company is well-positioned to consolidate the fragmented IT security market. Exposure to Consumer Staples also increased as a result of the purchase of the leading global alcoholic beverage company, Diageo. The company's portfolio of leading brands and broad distribution reach including fast growing emerging market operations, combined with favorable exposure to the premium segment are all key to its attractive business model. More recently, Diageo has demonstrated success in improving its brand positioning and execution, resulting in an acceleration of growth and margin expansion. We

[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.

believe the story is not over; brand repositioning continues and there should be more margin expansion to come. From a geographic perspective, notable adjustments were increases to the U.K. and Emerging Asia, offset by decreases to Japan and Canada. The Fund's weighting in Emerging Markets approximated 14% at the end of the period, up from 12% 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	Since Incep.
Class I (SI: 08/16/12)	13.80	13.80	-0.06	10.13	6.58	8.81
Class N (SI: 08/16/12)	13.77	13.77	-0.32	9.83	6.34	8.55
MSCI All Country World ex-U.S. IMI Index (net)	10.30	10.30	-4.96	7.94	2.66	5.76

EXPENSE RATIOS (%)

	Gross Expense	Net Expense
Class I	1.08	1.00
Class N	1.39	1.25

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. International investing involves special risk considerations, including currency fluctuations, lower liquidity, economic and political risk. Because the Fund may focus its investments in a limited number of securities, its performance may be more volatile than a fund that invests in a greater number of securities. International investing involves special risk considerations, including currency fluctuations, lower liquidity, and economic and political risk. Investing in emerging markets can increase these risks, including higher volatility and lower liquidity. Investing in smaller 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 MSCI All Country World ex-U.S. 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, 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 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