William Blair

1Q 2019

Fund Manager Commentary
William Blair Small Cap Growth Fund

Market Overview
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 Cap Growth Fund (Class N shares) underperformed its benchmark, the Russell 2000 Growth Index, during the first quarter. In a sharp reversal from the fourth quarter of 2018, the Index returned 17.14% in the first quarter and our Fund modestly lagged the benchmark despite a strong absolute return. Both a style headwind and stock-specific issues contributed to the underperformance in the quarter. From a style perspective, our underweight to more speculative companies in the benchmark was a headwind. We are often underweight these more speculative areas of the market preferring companies with higher returns that are less sensitive to the economic and market environment. This dynamic is most directly observed within the Biotechnology industry where we are materially underweight the benchmark. Specific to stocks, Healthcare Services Group, which provides housekeeping, laundry, linen, facility maintenance and food services to nursing homes, retirement complexes, rehabilitation centers and hospitals, was the top detractor to the portfolio. The stock came under pressure after fourth quarter revenue missed expectations primarily due to a contract change with one of its food service customers. Stock selection in Consumer Discretionary also detracted from performance including our position in global wellness and weight management company Weight Watchers. Weight Watchers underperformed after management's marketing initiatives were unsuccessful in driving subscriber growth during the key selling season. Other top detractors were Orion Engineered Carbons

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

Company Name	*% of Fund*
Agilysys, Inc.	1.9%
The Brink's Company	1.9%
Euronet Worldwide, Inc.	1.9%
BWX Technologies, Inc.	1.9%
j2 Global, Inc.	1.8%
Portola Pharmaceuticals, Inc.	1.8%
Glaukos Corporation	1.7%
Horizon Pharma Public Limited Company	1.7%
Luxfer Holdings PLC	1.7%
Grand Canyon Education, Inc.	1.7%
Total Top 10	**18.0%**

[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.

(Materials), Nu Skin Enterprises (Consumer Staples) and ORBCOMM (Communication Services). Conversely, the top contributor to performance was western and work wear retailer Boot Barn. Shares outperformed after the company announced solid same-store-sales growth and healthy ecommerce growth for the prior quarter, as well as strong forward looking guidance despite more difficult comparisons. Another top contributor was our position in biotechnology company Portola Pharmaceuticals. While many small-cap biotechnology companies can be speculative, we established a position in Portola during 2018 as the company already has several approved drugs. The company outperformed in the quarter after reporting the second generation manufacturing process for its drug Andexxa, received approval. This new manufacturing process will allow the company to better meet strong demand from hospitals for Andexxa. Other top contributors were Agilysys, Euronet Worldwide and Rogers Corporation which all came from the Information Technology sector where stock selection was the most positive.

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 F 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: 12/27/99)	15.93	15.93	8.17	20.65	10.84	17.98
Class N (SI: 12/27/99)	15.88	15.88	7.90	20.35	10.56	17.67
Russell 2000® Growth Index	17.14	17.14	3.85	14.87	8.41	16.52

EXPENSE RATIOS (%)

	Gross Expense	Net Expense
Class I	1.25	1.25
Class N	1.54	1.50

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 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 smaller companies involves special risks, including higher volatility and lower liquidity. Small cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition. These risks are intensified for investments in micro-cap 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. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 2000 Growth Index is the Fund's primary benchmark and consists of small-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 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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