William Blair

Fund Manager Commentary
William Blair 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 it 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.

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

Company Name	*% of Fund*
Ball Corporation	3.0%
CoStar Group, Inc.	2.8%
Booz Allen Hamilton Holding Corporation	2.7%
Ulta Beauty, Inc.	2.7%
BWX Technologies, Inc.	2.7%
Copart, Inc.	2.6%
Ross Stores, Inc.	2.6%
WEX Inc.	2.5%
Global Payments Inc.	2.5%
Equifax Inc.	2.4%
Total Top 10	**26.5%**

Fund Review & Outlook

The William Blair Mid Cap Growth Fund (Class N shares) outperformed its benchmark, the Russell Midcap Growth Index, during the first quarter.

Outperformance in the first quarter was driven by stock specific dynamics. While the Fund lagged in the month of January, when the benchmark advanced 11.49%, it outperformed during February and March, as benchmark returns moderated and on balance, our companies reported strong results during earnings season. Stock selection in Industrials was a standout as all but one of our nine sector holdings outperformed and the other performed in-line with the sector return of the Russell Midcap Growth. CoStar Group was the top contributor from the sector. Positive stock selection in Consumer Discretionary, including our positions in Wayfair and Ulta Beauty, also added to relative returns. The top two individual stock contributors during the period were Information Technology holdings Worldpay and Arista Networks.

Shares of merchant acquirer Worldpay advanced on strong execution following its 2018 Vantiv acquisition and the announcement that Worldpay itself had agreed to be acquired. Arista Networks' outperformance was driven by market share gains and strong positioning of its network switch platform for cloud-based IT environments. Conversely, Financials and Health Care were areas of relative weakness during the period and top sector detractors were Cboe Global Markets and Encompass Health, respectively. Cboe Global Markets, a U.S. exchange

[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.

for trading in options and futures, underperformed primarily due to reduced equity market volatility and slower than expected trading volumes throughout the quarter. Shares of Encompass Health, a leading provider of rehabilitative healthcare services, lagged despite reporting solid quarterly results as investor focus appeared to be on forthcoming payment model changes for the industry. Other laggards during the period were Centene (Health Care), Take-Two Interactive Software (Communications Services) and Sabre (Information Technology). From a style perspective, our emphasis on companies with less volatile fundamentals was a headwind, which is not unusual during periods with very strong absolute returns.

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: 02/01/06)	20.52	20.52	12.85	13.96	9.40	15.01
Class N (SI: 02/01/06)	20.63	20.63	12.58	13.70	9.14	14.74
Russell Midcap® Growth Index	19.62	19.62	11.51	15.06	10.89	17.60

EXPENSE RATIOS (%)

	Gross Expense	Net Expense
Class I	1.23	0.95
Class N	1.49	1.20

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 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. The securities of smaller and medium sized companies tend to be more volatile and less liquid than securities of larger companies. In addition, small and medium sized companies may be traded in lower volumes. This can increase volatility and increase the liquidity risk whereby the Fund will not be able to sell the security on short notice at a reasonable price. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell Midcap Growth Index is an index that is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. 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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