Small Cap Value Fund

William Blair

Quarterly Review

September 2016

Chad M. Kilmer, CFA, Partner
Mark T. Leslie, CFA, Partner
David S. Mitchell, CFA, Partner
Portfolio Managers

Please refer to the end of this Quarterly Review for definitions of the financial terms used in this report.

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. 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 are at risk of being 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. Diversification does not ensure against loss.

The views expressed in this report and the information about the Small Cap Value Fund holdings are as of the quarter ended 9/30/2016 and are subject to change thereafter. 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.

Performance cited represents past performance. Past Performance does not guarantee future results and current performance may be lower or higher than the data quoted. Investment returns and principal will fluctuate with market and economic conditions and you may have a gain or loss when you sell shares. Current performance may be lower or higher than the data quoted.

Most recent month-end performance information for the Small Cap Value Fund is available by visiting the William Blair Funds Web site at www.williamblairfunds.com, or by calling the William Blair Funds at 1-800-742-7272.

Investing includes the risk of loss. Please carefully consider the Fund's investment objective, risks, charges, and expenses before investing. This and other information is contained in the Fund's prospectus, which you may obtain by calling 1-800-742-7272. Read it carefully before you invest or send money.

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

Market Review
The spike in volatility, as measured by the VIX, experienced at the end of the second quarter resulting from Britain's surprising decision to leave the United Kingdom (Brexit) quickly subsided in the third quarter as investors appeared to quickly digest the information and concluded that the impacts from decision would take some time to be determined. This, along with somewhat better than expected domestic economic data that seemed to suggest that the U.S. economic expansion may be self-sustaining, helped propel the domestic equity markets higher early in the quarter. The move higher off the mid-February lows has been driven mainly by the smaller cap, lower quality stocks that were some of the worst performers early in the year.

Globally, investor focus on central bank meetings mid-quarter and the risks associated with policy decisions helped constrain market returns. In addition, a disappointing employment report and tepid wage gains limited stocks and resulted in muted returns in the back half of the quarter. It appeared that the momentum noted earlier in the quarter had slowed and the deceleration in wage gains suggested that the U.S. economy may not yet be pressing up against full employment. The weaker data also ensured that the Federal Reserve would not raise rates at its September meeting; further extending the low quality rally that began during the first quarter of this year.

Strategy Results
The William Blair Small Cap Value Fund (Class N) trailed its Russell 2000 Value benchmark in the third quarter of 2016. The underperformance was driven by a combination of style headwinds and stock selection. The strategy's larger market cap bias was a significant headwind during the quarter as the largest stocks in the benchmark significantly underperformed the smallest stocks. In addition, those stocks that underperformed the most rallied extensively since the end of the last quarter, resulting in another stiff headwind for the strategy. At the sector level, the most significant detractor from relative performance during the quarter was Health Care due to stock selection within Health Care Equipment and Managed Health Care. The strategy's lack of exposure to Biotechnology and Pharmaceutical stocks also weighed on relative returns within the sector. Stock selection within both the Property & Casualty and Life & Health industries contributed to the underperformance within Financials. The Apparel Retail segment of the market continues to struggle and an overweight to this group and stock selection within this sub-industry contributed to the relative underperformance within Consumer Discretionary. Looking specifically at stock selection, our largest detractors from relative performance were Integer Holdings, CONMED, and Magellan Health (all Health Care). The largest contributors to relative performance during the period were Inphi (Technology), G&K Services (Industrials), and IntraLinks (Technology). These stocks are discussed in more detail following the outlook.

The strategy's relative underperformance relative to its benchmark year-to-date was again driven by a combination of style factors and stock selection. The risk-on rally that began in mid-February continued on through the end of the third quarter. As such, our larger market cap and higher quality biases were headwinds for the strategy. In addition, investors clamored for yield in the continued low interest rate environment, and the strategy's underweight to the higher dividend yielding stocks was a notable headwind. At the sector level, Health Care was the largest detractor from relative performance due primarily to stock selection within Health Care Equipment as the turnaround efforts of Integer and CONMED have been somewhat challenged as of late. Financials was another relative detractor from relative performance as Regional Banks and Insurance companies continued to be pressured by the prolonged low interest rate environment. Another large detractor from relative performance was Materials, by far the best performing sector of the market. Within the sector, our underweight to Steel and Silver were the biggest drag to relative returns. On the positive side, Consumer Discretionary was the largest contributor to relative performance due to broad-based stock selection within the sector. Energy was another notable contributor to relative returns, mainly due to stock selection within Oil, Gas & Consumable Fuels. Looking specifically at stock selection, the strategy's largest detractors from relative performance were Integer (Health Care), J2 Global (Technology), and Express (Consumer Discretionary). Offsetting these detractors were our investments in Inphi (Technology), G&K Services (Industrials), and Krispy Kreme Doughnuts (Consumer Discretionary)

Outlook

Domestic economic data continues to be somewhat mixed and appears to support the view that the economy is "muddling" along and providing few catalysts on which to base a sustainable recovery. Moreover, the recent rally has been driven by risk-on factors, which have overshadowed the more fundamentally based factors typical of sustained advances. While we remain cautiously optimistic on the domestic equity markets in the near-term, we are cognizant of the fact that this cycle seems to be getting extended and the probability of a recession is increasing. However, recent inflation and wage data seem to be in-check and global headwinds may encourage continued accommodative monetary policy by global central banks; potentially extending the current bull market.

The Federal Reserve seems intent on raising rates and appears focused on doing so at least once in 2016, however somewhat weaker than expected domestic economic data has helped keep them on the sidelines recently. While it would seem doubtful that the Fed would raise rates at its next meeting, which immediately precedes the U.S. election, its December meeting appears to be the final opportunity for the Fed to raise rates this year…only time will tell if they will be able to raise rates this year. During this prolonged bull market, levered companies have benefitted from a universally accommodative monetary policy and ample liquidity. However, if the Fed is able to raise interest rates at some point and lending standards continue to tighten, companies with conservative balance sheets and ample cash cushions or those generating ample free cash flow should fare better than companies for reliant on the capital markets to grow. This could provide a tailwind for our strategy as these higher quality companies with better balance sheets and solid cash flows should outperform.

Volatility continues to be at or near historic lows and we continue to anticipate higher volatility going forward given the uncertainty created by Brexit, concerns over a slowdown in China, U.S. presidential uncertainty and the upcoming election, geopolitical tensions, and a more challenging backdrop for corporate earnings growth. There is a strong correlation between volatility and high quality performance and higher volatility could benefit our strategy given our higher quality bias.

While we are cognizant of these macroeconomic variables, our focus remains on identifying attractive risk reward opportunities based on individual company fundamentals. From our bottom up perspective, we remain constructive on corporate earnings, albeit against a backdrop of lower revenue growth and increasing margin pressure from higher wages. As always, our focus remains on identifying quality companies at discount prices and corporate transformation opportunities, and we continue to find good ideas across sectors. Given our investment approach, we believe the portfolio is well-suited to withstand a variety of market scenarios and add value over the long-term.

	Value	Core	Growth
Month to Date			
Russell 3000	-0.13	0.16	0.45
Russell 1000	-0.21	0.08	0.37
Russell Midcap	0.42	0.20	-0.05
Russell 2500	0.66	0.48	0.29
Russell 2000	0.79	1.11	1.44
Quarter to Date			
Russell 3000	3.87	4.40	4.92
Russell 1000	3.48	4.03	4.58
Russell Midcap	4.45	4.52	4.59
Russell 2500	6.18	6.56	6.98
Russell 2000	8.87	9.05	9.22
Year to Date			
Russell 3000	10.40	8.18	6.12
Russell 1000	10.00	7.92	6.00
Russell Midcap	13.72	10.26	6.84
Russell 2500	14.51	10.80	6.95
Russell 2000	15.49	11.46	7.48

Market Performance

- Investor enthusiasm waivered in September as a disappointing employment report and a deceleration in wage growth early in the month seemed to raise concerns that the domestic economic momentum of the last few months may have slowed, resulting in the Federal Reserve again to hold off on raising interest rates.
- Globally, central bank meetings and the risks associated with policy decisions will continue to be a major focus for investors. In addition, the upcoming U.S. presidential election will be monitored closely and volatility could increase off near lows leading up to and after the election.

Style Performance

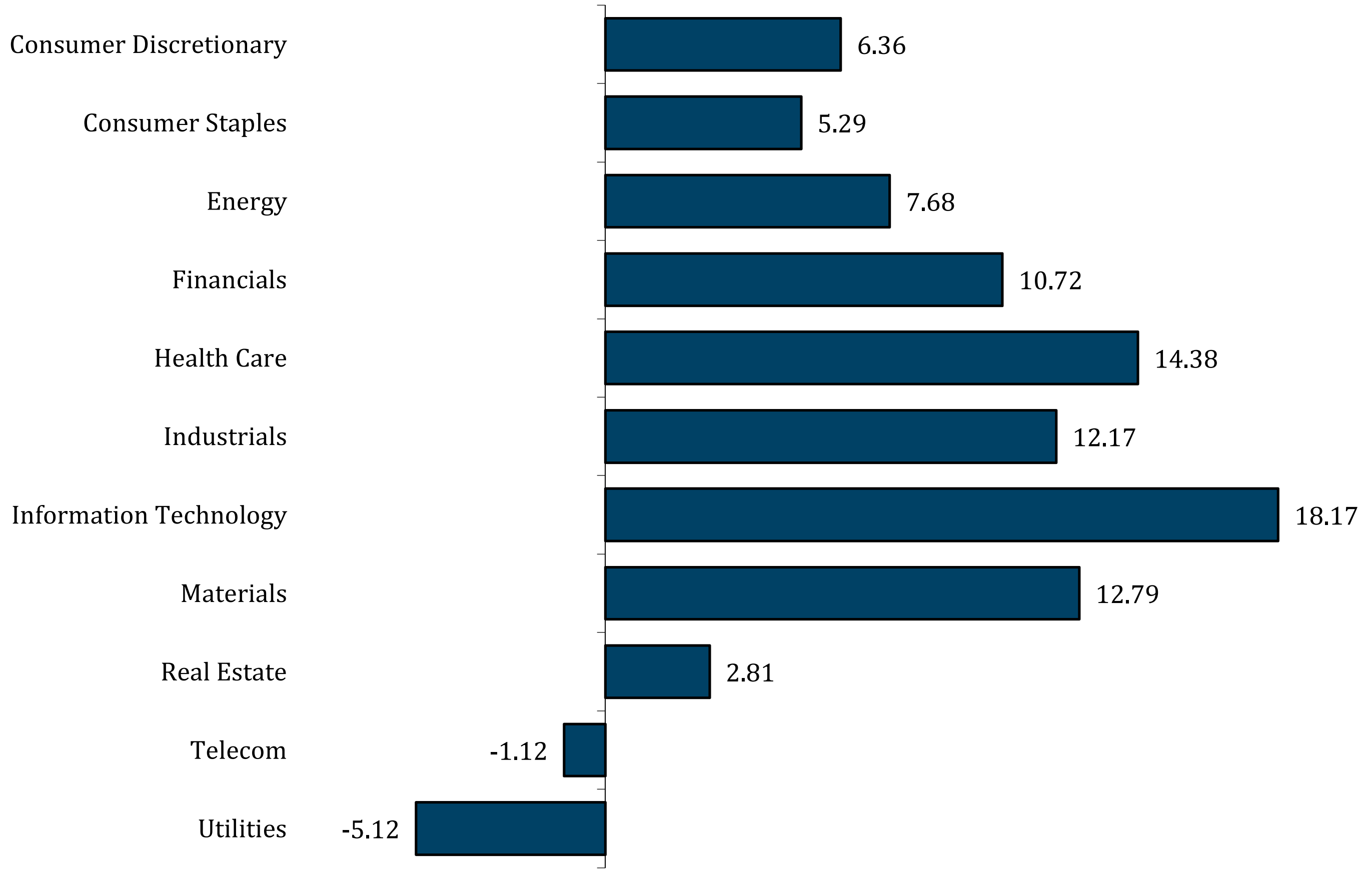
- Style performance was mixed in September with growth outperforming value in the large and small cap segments while value led growth in the mid cap segments.
- While growth outperformed value during the quarter, value continues to outperform growth YTD with the dispersion of returns between the value and growth benchmarks increasing down the market cap spectrum.

Market Cap Performance

- Small caps again outperformed large and mid caps in September with large caps trailing in the value benchmarks and mid caps trailing in the growth benchmarks.
- Performance for the quarter and YTD was linear across the market cap spectrum with small caps outperforming large caps in both the growth and value benchmarks.

Performance data calculated in Eagle and FactSet. Past returns are no guarantee of future performance. A direct investment in an index is not possible. The Russell 3000 Index measures the performance of the all-cap segment of the U.S. equity universe. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell Midcap Index measures the performance of the mid cap segment of the U.S. equity universe. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership. The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It includes approximately 2500 of the smallest securities in the Russell 3000 Index based on a combination of their market cap and current index membership. The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities in the Russell 3000 Index based on a combination of their market cap and current index membership. Core returns represent the Total Return indices. The value segments of these indices include companies with lower price-to-book ratios and lower forecasted growth values. The growth segments of these indices include companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Total Return
Q3 2016



Data calculated in Opturo. Past returns are no guarantee of future performance. A direct investment in an index is not possible. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to book ratios and forecasted growth values. Real Estate was added as a GICS sector effective 9/1/16. Assignment to this sector has been applied retroactively to the index holdings.

The table below shows the portfolio performance in comparison to its benchmark, the Russell 2000 Value.

Periods ended 9/30/2016	Quarter	YTD	1 Year	3 Year	5 Year	Ten Year
Small Cap Value Fund (WBVDX) Class N	5.22%	12.41%	14.78%	6.36%	14.87%	7.18%
Small Cap Value Fund (BVDIX) Class I	5.25%	12.59%	15.04%	6.62%	15.17%	7.44%
Russell 2000 Value	8.87%	15.49%	18.81%	6.77%	15.45%	5.78%

Small Cap Value Fund Expense Ratios:

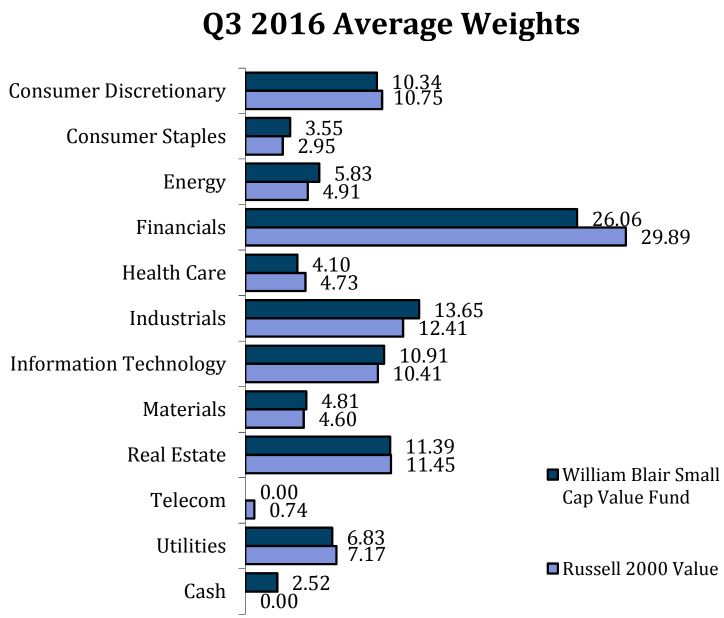
	Gross	Capped
Class N Shares	1.54%	1.50%
Class I Shares	1.24%	1.25%

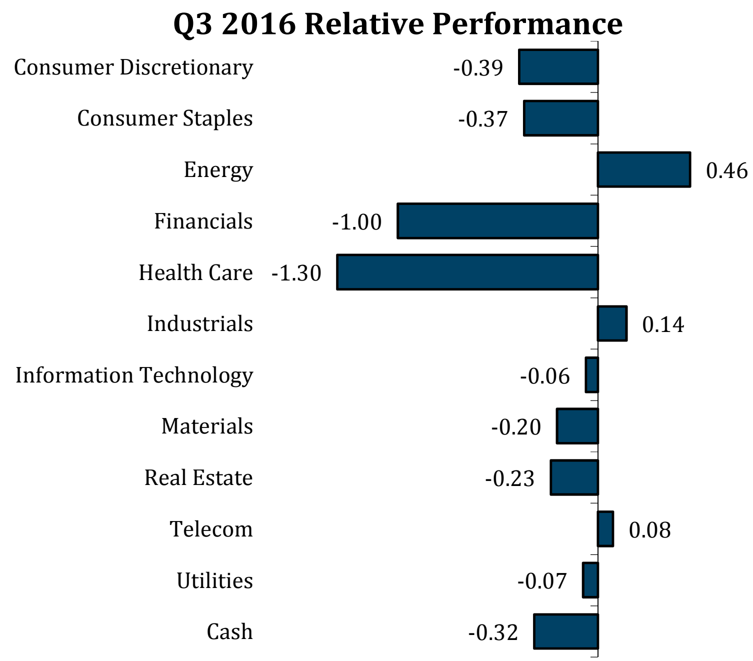
Expense ratios shown are as of the Fund's most recent prospectus.

Performance cited represents past performance. Past Performance does not guarantee future results and current performance may be lower or higher than the data quoted. Results shown are average annual returns, which 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 1-877-962-5247, 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.

The Russell 2000® Value Index is the Fund's primary benchmark and consists of small-capitalization companies with below 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.

The charts below show the average sector weights and relative performance, by sector, for the portfolio vs. its benchmark.





Calculated in Opturo. Past performance does not guarantee future results. Real Estate was added as a GICS sector effective 9/1/16. Assignment to this sector has been applied retroactively to the portfolio and benchmark holdings. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to book ratios and forecasted growth values. It is a capitalization-weighted index as calculated by Russell on a total return basis with dividends reinvested. This benchmark is a comparable market proxy. Performance shown assumes reinvestment of dividends and capital gains and is gross of investment management fees. Deduction of fees would reduce the returns shown.

Inphi Corp. (IPHI) is a fabless semiconductor company that provides high-speed analog semiconductor solutions for the communications and computing markets. The stock outperformed after management announced quarterly results that were better than anticipated, highlighted by continued improvement in operating margins. In addition, management increased its forward guidance, which was also positively received. IPHI divested its memory interface business which was immediately accretive and eliminates a potential distraction for the company as it focuses on the momentum the company is seeing in its communications business. We continue to own the stock given its reasonable valuation and believe the company will benefit from the secular trend of increasing high-bandwidth demand in cloud, enterprise, and service provider markets.

G&K Services (GK) provides uniform rental and facility services products. The stock traded higher during the quarter following the announcement that the company accepted an offer to be acquired by Cintas.

Intralinks Holdings (IL) provides software-as-a-service solutions for secure content management and collaboration within and among organizations. The company's cloud-based solutions enable organizations to control, track, search and exchange time-sensitive information, inside and outside of the firewall, all within a secure and easy-to-use environment. While the company reported quarterly results that were largely consistent with estimates, the stock traded higher after management increased forward guidance. The company's efforts to drive margin expansion through cost containment are clearly working and IL is benefitting faster than originally anticipated. We continue to own the stock.

This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed. Specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and you should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of purchases and sales in this Fund for the past 12 months is available upon request. Holdings are subject to change at any time.

Integer (ITGR) designs, manufactures, and sells medical devices and components for the cardiac, orthopedics portable medical, vascular and energy, and other markets worldwide. ITGR is undergoing a significant transformation due to the recent acquisition of Lake Region Medical and the divestiture of its neurostimulation technology business. The stock has been under pressure given the inherent challenges with undergoing a transformation. The company reported disappointing quarterly results and lowered guidance, primarily due to further volume weakness and pricing pressure in their cardiac rhythm management business. Admittedly, we would like to see more progress made on the transformation front and have been somewhat disappointed in the results to date. That said, we continue to own the stock and will monitor management's progress going forward.

CONMED (CNMD) a medical technology company, develops, manufactures, and sells surgical devices and related equipment for minimally invasive procedures. While management reported quarterly results that were largely in-line with expectations, the stock traded down as management lowered guidance due to foreign exchange headwinds and disappointing capital equipment in its orthopedic business. While the lower guidance somewhat calls into question the company's turnaround, there were some very good signs in the quarter on margins, trends in general surgery, and the performance of recent acquisitions. We believe the selloff during the quarter was too draconian. We continue to own this very attractive stock and continue to believe management is making progress on its turnaround efforts.

Magellan Health (MGLN) is a leading specialty health care management organization with expertise in managing behavioral health, radiology and specialty pharmaceuticals, as well as pharmacy benefit programs (PBM). The stock underperformed during the quarter after management announced disappointing quarterly results mainly due to one-time acquisition-related cost and charges related to exiting some challenging healthcare programs. We continue to own the stock given its strong balance sheet, strong cash flow, and believe it is significantly undervalued given its organic growth potential within its PBM business.

This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed. Specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and you should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of purchases and sales in this Fund for the past 12 months is available upon request. Holdings are subject to change at any time.

Top 10 Holdings by Weight

	Small Cap Value Fund % in Portfolio	Russell 2000 Value % in Index
Acxiom Corp	1.85	0.12
Iberiabank Corp	1.42	0.32
Emcor Group Inc	1.38	0.35
Curtiss-Wright Corp	1.38	0.13
Radian Group Inc	1.37	0.34
Education Realty Trust Inc	1.35	0.32
Inphi Corp	1.34	0.00
Western Alliance Bancorp	1.32	0.00
Selective Insurance Group	1.31	0.26
J & J Snack Foods Corp	1.30	0.00
Total:	14.01	1.83

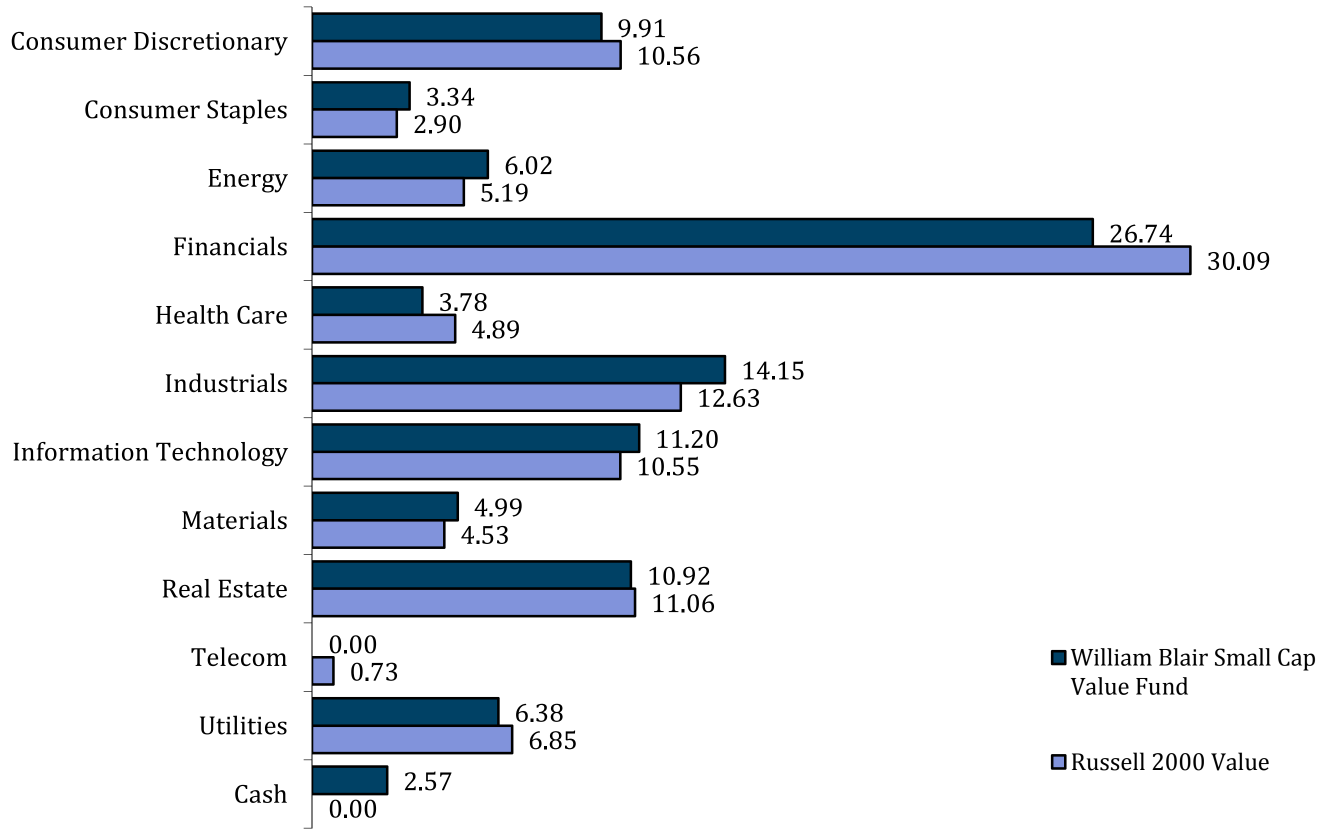
Calculated in Eagle. Individual securities listed in this report are for informational purposes only. Holdings are subject to change at any time. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed. Holdings are shown as a percentage of total gross assets.

	Small Cap Value Fund	Russell 2000 Value
Valuation		
PE Ratio (1 year forecast)	18.8x	18.0x
Price/Sales	2.4x	2.4x
Quality		
Return on Equity	8.6%	4.7%
Debt to Total Capital	39.6%	41.6%
Growth		
EPS Growth Rate (LT forecast)*	11.5%	11.3%
Capitalization ($B)		
Weighted Average Market Cap	$2.6	$1.7
Unweighted Median Market Cap	$2.3	$0.6
>$3 Billion	35.9%	12.3%
$1.5 – 3 Billion	34.8%	40.2%
$500 Million to $1.5 Billion	25.1%	35.3%
< $500 Million	1.6%	12.2%
Portfolio Positions		
Number of Securities	97	1338

Calculated in FactSet, market cap calculated in Eagle. The projected P/E value is calculated using First Call Data.

**This measure represents the weighted average of forecasted growth in earnings expected to be experienced by stocks within the portfolio over the next 3-5 years. This projected earnings growth should not be considered an indication of future performance. From a portfolio perspective, the portfolio P/E ratio and EPS Growth Rate are weighted averages of the individual holdings' P/E ratios and EPS Growth Rates.*

Sector Weights as of 9/30/2016



Based on Global Industry Classification Sectors (GICS). Calculated in Eagle. Past returns are no guarantee of future results. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price to book ratios and forecasted growth values. It is a capitalization weighted index as calculated by Russell on a total return basis with dividends reinvested. This is a comparable market proxy.

	Portfolio Weight	Benchmark Weight
CONSUMER DISCRETIONARY	**9.91**	**10.56**
Vail Resorts Inc	1.10	0.00
Children's Place Inc/The	1.05	0.00
Dana Inc	1.05	0.27
Wolverine World Wide Inc	1.02	0.22
Meredith Corp	1.00	0.23
Churchill Downs Inc	0.97	0.00
Dave & Buster's Entertainment	0.86	0.00
Cavco Industries Inc	0.86	0.00
Genesco Inc	0.76	0.11
Ethan Allen Interiors Inc	0.76	0.00
American Eagle Outfitters	0.49	0.03
CONSUMER STAPLES	**3.34**	**2.90**
J & J Snack Foods Corp	1.30	0.00
Spartannash Co	1.08	0.12
Darling Ingredients Inc	0.97	0.19
ENERGY	**6.02**	**5.19**
Rsp Permian Inc	1.23	0.35
Pdc Energy Inc	1.22	0.36
Rice Energy Inc	1.03	0.00
Archrock Inc	0.82	0.10
Helix Energy Solutions Group	0.61	0.09
Exterran Corp	0.57	0.06
Tetra Technologies Inc	0.55	0.02
FINANCIALS	**26.74**	**30.09**
Iberiabank Corp	1.42	0.32
Radian Group Inc	1.37	0.34
Western Alliance Bancorp	1.32	0.00
Selective Insurance Group	1.31	0.26
Glacier Bancorp Inc	1.29	0.25
Wsfs Financial Corp	1.25	0.12
Pacwest Bancorp	1.22	0.00
Bank Of The Ozarks	1.21	0.00
Prosperity Bancshares Inc	1.18	0.42
Hancock Holding Co	1.16	0.29
First American Financial	1.12	0.00
Renasant Corp	1.11	0.16
Cobiz Financial Inc	1.10	0.05
FINANCIALS (Continued)		
Hanover Insurance Group Inc	1.09	0.00
Umpqua Holdings Corp	1.06	0.38
Yadkin Financial Corp	1.05	0.15
Berkshire Hills Bancorp Inc	1.02	0.10
Banner Corporation	1.01	0.15
Home Bancshares Inc	1.00	0.00
Cno Financial Group Inc	0.90	0.32
Boston Private Finl Holding	0.83	0.12
Cvb Financial Corp	0.77	0.21
National Bank Hold-Cl A	0.74	0.00
Cascade Bancorp	0.64	0.02
Safeguard Scientifics Inc	0.56	0.03
HEALTH CARE	**3.78**	**4.89**
Healthsouth Corp	1.19	0.00
Conmed Corp	1.05	0.13
Magellan Health Inc	0.78	0.05
Integer Holdings Corp	0.76	0.08
INDUSTRIALS	**14.15**	**12.63**
Emcor Group Inc	1.38	0.35
Curtiss-Wright Corp	1.38	0.13
Fti Consulting Inc	1.11	0.19
Circor International Inc	1.08	0.11
Interface Inc	1.05	0.01
Valmont Industries	1.03	0.00
Standex International Corp	1.01	0.03
Brady Corporation - Cl A	1.00	0.04
Lydall Inc	0.99	0.00
Kadant Inc	0.98	0.05
Toro Co	0.97	0.00
Matson Inc	0.97	0.11
Simpson Manufacturing Co Inc	0.79	0.00
Northwest Pipe Co	0.43	0.00
INFORMATION TECHNOLOGY	**11.20**	**10.55**
Acxiom Corp	1.85	0.12
Inphi Corp	1.34	0.00
Belden Inc	1.28	0.00
J2 Global Inc	1.22	0.00
INFORMATION TECHNOLOGY (Continued)		
Booz Allen Hamilton Holdings	1.16	0.00
Commscope Holding Co Inc	1.01	0.00
Csra Inc	0.99	0.00
Intersil Corp-A	0.84	0.34
Adtran Inc	0.76	0.04
Intralinks Holdings Inc	0.75	0.05
MATERIALS	**4.99**	**4.53**
Sensient Technologies Corp	1.18	0.00
Minerals Technologies Inc	1.17	0.13
Polyone Corporation	0.91	0.00
Carpenter Technology	0.87	0.22
Silgan Holdings Inc	0.86	0.00
REAL ESTATE	**10.93**	**11.06**
Education Realty Trust Inc	1.35	0.32
American Assets Trust Inc	1.21	0.13
American Campus Communities	1.12	0.00
Acadia Realty Trust	1.09	0.26
Highwoods Properties Inc	1.00	0.00
Tanger Factory Outlet Center	0.97	0.00
Epr Properties	0.90	0.00
Care Capital Properties Inc	0.72	0.00
Pebblebrook Hotel Trust	0.71	0.22
Equity Commonwealth	0.69	0.00
Equity One Inc	0.69	0.00
Sunstone Hotel Investors Inc	0.47	0.32
TELECOMMUNICATION SERVICES	**0.00**	**0.73**
UTILITIES	**6.38**	**6.85**
Idacorp Inc	1.25	0.46
Portland General Electric Co	1.18	0.44
Southwest Gas Corp	1.07	0.34
Pnm Resources Inc	1.06	0.30
Spire Inc	1.03	0.33
Chesapeake Utilities Corp	0.79	0.09
Cash	**2.57**	**0.00**
Total	**100.00**	**100.00**

As of 9/30/2016.

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.

Glossary - Terms

Alpha: A measure of a portfolio's return in excess of the market return, after both have been adjusted for risk. It is a mathematical estimate of the amount of return expected from a portfolio above and beyond the market return at any point in time. For example, an alpha of 1.25 indicates that a stock is projected to rise 1.25% in price in a year over the return of the market, or the return when the market return is zero. When an investment price is low relative to its alpha, it is undervalued, and considered a good selection.

Beta: A quantitative measure of the volatility of the portfolio relative to the overall market, represented by a comparable benchmark. A beta above 1 is more volatile than the overall market, while a beta below 1 is less volatile, and could be expected to rise and fall more slowly than the market.

Developed Markets: Using the Morgan Stanley Capital International (MSCI) geographic definition, this region includes: United Kingdom, Europe (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Spain, Sweden and Switzerland), Japan, Pacific Asia (Australia, Hong Kong, New Zealand, and Singapore) and the Western Hemisphere (Canada and other Americas).

Debt to Total Capital Ratio: This figure is the percentage of each company's invested capital that consists of debt. Companies with a high Debt to Total Capital level may be considered more risky. From a portfolio perspective, the portfolio Debt to Total Capital Ratio is a weighted average of the individual holdings' Debt to Total Capital Ratio.

Emerging Markets: Using MSCI's geographic definition, this region includes: Emerging Markets Asia (China, India, Indonesia, Malaysia, S Korea, Taiwan, and Thailand), Emerging Markets Europe, Mid-East and Africa (Czech Republic, Hungary, Poland, Russia, Turkey, Egypt, Morocco, and S Africa), and Latin America (Argentina, Brazil, Chile, Columbia, Mexico, Peru and Venezuela).

EPS (Earnings Per Share) Growth Rate (Projected): This measure represents the weighted average of forecasted growth in earnings expected to be experienced by the stocks within the portfolio over the next 3-5 years. From a portfolio perspective, the portfolio P/E ratio and EPS Growth Rate are weighted averages of the individual holdings' P/E ratios and EPS Growth Rates. Data calculated in FactSet.

EV/EBITDA: (Enterprise Value / Earnings Before Interest, Taxes and Depreciation-Amortization): The EV/EBITDA ratio is useful for global comparisons because it ignores the distorting effects of individual countries' taxation policies. It's used to find attractive takeover candidates. Enterprise value is a better measure than market cap for takeovers because it takes into account the debt which the acquirer will have to assume. Therefore, a company with a low EV/EBITDA ratio can be viewed as a good takeover candidate.

EV/IC: (Enterprise Value / Invested Capital) Ratio: Enterprise Value (EV), which is market capitalization minus cash plus debt divided by Invested Capital (IC), which is the sum of common stock, preferred stock and long-term debt. This number will get you a simple multiple. If it is below 1.0, then it means that the company is selling below book value and theoretically below its liquidation value.

Information Coefficient: A measure of the correlation between expected and actual returns.

Information Ratio: A measure of risk-adjusted return. The annualized excess return of the portfolio relative to a respective benchmark, divided by the annualized tracking error relative to that same benchmark. The higher the measure, the higher the risk-adjusted return.

PBV: (Price/Book Value) Ratio: The PBV Ratio measures the value of a company's common stock relative to its shareholder's equity. A price-to-book multiple above one means that the price of the company's common stock is higher than its common shareholder's equity. A price-to-book multiple below one means that the price of the company's common stock are less than its break-up value, and the shares may be undervalued.

Glossary - Terms

PCF: (Price/CashFlow): Some analysts favor the price/cash flow over the price-earnings (PE) ratio as a measure of a company's value. Cash flow is a measure of a company's financial health. It equals cash receipts minus cash payments over a given period of time.

P/E: (Price/Earnings) Ratio: This is the most common measure of how expensive a stock is. Simply, it is the cost an investor in a given stock must pay per dollar of current annual earnings. A high P/E generally indicates that the market is paying more to obtain the stock because it has confidence in the company's ability to increase its earnings. Conversely, a low P/E often indicates that the market has less confidence that the company's earnings will increase rapidly or steadily, and therefore will not pay as much for its stock.

R-squared: A measurement of how closely the portfolio's performance correlates with the performance of its benchmark, such as the MSC AC World Free ex US Index. In other words, it is a measurement of what portion of a portfolio's performance can be explained by the performance of the overall market or index. Ranges from 0 to 1, where 0 indicates no correlation and 1 indicates perfect correlation.

Risk (Standard Deviation): A measure of the portfolio's risk. A higher standard deviation represents a greater dispersion of returns, and thus a greater amount of risk. The annualized standard deviation is calculated using monthly returns.

Sharpe-Ratio: A risk-adjusted measure calculated using standard deviation and excess return (Portfolio return – Risk Free Rate) to determine reward per unit of risk. The higher the Sharpe ratio, the better the portfolio's historic risk-adjusted performance.

Tracking Error: Tracking Error measures the extent to which a portfolio tracks its benchmark. The tracking error of an index portfolio should be lower than that of an active portfolio. The tracking error will always be greater than zero if the portfolio is anything other than a replication of the benchmark.

Trailing 1-Year Turnover: This figure reflects the portfolio's trading activity by calculating the amount of the portfolio's holdings bought or sold over the prior year, expressed as a percentage of the portfolio's average market value. Turnover figures may be related to the amount of trading costs experienced by the portfolio.

Weighted Average Market Capitalization: Market capitalization refers to the total market value of each company's outstanding shares. The Weighted Average Market Capitalization for a portfolio is calculated as the average market capitalization of the stocks within the portfolio, weighted by the amount of each stock owned.

Weighted Median Market Capitalization: This calculation represents the median market capitalization of the stocks in the portfolio, weighted by the amount of each stock owned.