Mid Cap Growth Fund

William Blair

Portfolio Review

September 2016

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Please refer to the final two pages 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 invests most of its assets in equity securities of 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 medium capitalization companies involves special risks, including higher volatility and lower liquidity. 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 Mid Cap Growth 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 Mid Cap Growth 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.

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Following an initial sell-off after the Brexit vote, the second quarter ended with a three-day rally that spilled over into the third quarter as positive momentum and optimism pushed most major U.S. equity benchmarks higher to start the quarter. Leading economic indicators in the U.S., such as the ISM Manufacturing Index and initial jobless claims, were encouraging and global central banks pledged to keep accommodative monetary policies in place pushing equity indices in the U.S. to at or near all-time highs by mid-August. While equity market returns were strongly positive through mid-August, investors then became concerned that the Federal Open Market Committee (FOMC) could raise the target level for the federal funds rate at their meeting in September. Softer economic reports in early September dampened the expectation of a rate hike later that month which ultimately proved to be true as the target rate was left unchanged. Returns for major U.S. equity indices, while positive for the quarter overall, were relatively flat in the final two months as investors digested what the mixed data points and lack of action by the FOMC meant for the overall economy. Company earnings growth was not robust with many companies citing headwinds such as a strong U.S. Dollar and wage growth. Outperforming in the quarter were stocks of cyclical companies while more defensive segments of the market lagged. Volatility, as measured by the VIX Index, reached its lowest levels of 2016 in August and was muted for much of the third quarter.

The William Blair Mid Cap Growth Fund (Class N) underperformed the Russell Midcap Growth Index in the third quarter primarily as the result of stock specific challenges, although style factors were also a modest headwind. From a style perspective, the dividend yield dynamic that was a significant headwind earlier in the year abated somewhat and provided a tailwind to performance in the quarter. However, more than offsetting this dynamic was the recovery of more cyclically-oriented and speculative areas of the market as the stocks of companies with more consistent business models, to which we typically gravitate, were generally not rewarded during the quarter. This dynamic was evident at the industry level as some of our typical industry biases worked against us. For example, our underweight to Semiconductors and overweight to IT Services within Information Technology, and our underweight to Biotechnology and overweight to Health Care Providers and Services within Health Care, contributed to lagging portfolio returns in those sectors. From a stock specific standpoint, positions in Dollar General (Consumer Discretionary) and MEDNAX (Health Care) were our largest detractors. Dollar General reported disappointing second quarter results due to headwinds faced by their core customer and pricing concerns. MEDNAX underperformed primarily due to margin pressure in its vRad teleradiology business, which was the result of surprisingly strong demand. Other holdings that detracted significantly from returns included Mead Johnson Nutrition (Consumer Staples), Tractor Supply Company (Consumer Discretionary) and Genpact (Information Technology). In terms of positives, Old Dominion Freight Line (Industrials) and BorgWarner (Consumer Discretionary) were our top contributors. In addition to being some of our more cyclically-exposed companies and benefiting from an improvement in sentiment, Old Dominion and BorgWarner both exhibited stabilizing fundamentals in the quarter. Other strong performing holdings included Ross Stores (Consumer Discretionary), Ball Corporation (Materials) and Tyson Foods (Consumer Staples). Stock specific contributors and detractors for the third quarter are discussed in greater detail at the end of this quarterly review.

For the year-to-date period, underperformance resulted from a mix of style headwinds and disappointing stock performance. From a style perspective, headwinds were most pronounced early in the year when investor preference for high dividend-yielding stocks dominated the market. Our portfolio tends to be significantly underweight high dividend yielders, preferring sustainable growth companies with substantial reinvestment opportunities that enable superior, durable long-term growth. Despite the reprieve from this dynamic in the third quarter, it remained a headwind to relative performance on a year-to-date basis. More recently, the market favored more cyclically-oriented areas of the market and some of our typical industry biases dampened relative returns. On a stock specific basis, our holdings in Information Technology and Financials lagged their respective Index sector peers. Our top individual detractors from performance were Signature Bank (Financials), Perrigo (Health Care), BorgWarner (Consumer Discretionary), MEDNAX (Health Care) and HanesBrands (Consumer Discretionary). Each of these names remained in the portfolio at quarter end given our conviction in the long-term theses and belief that the stocks represented attractive risk/reward opportunities. Notable contributors for the year-to-date period included Newell Brands (Consumer Discretionary), Align Technology (Health Care), IDEXX Laboratories (Health Care), Old Dominion Freight Line (Industrials) and Vulcan Materials (Materials).

Looking forward, at the forefront of investors' minds in the U.S. is the potential rate hike by the FOMC and the looming presidential election. It is unlikely that the FOMC will raise the target federal funds rate when it meets ahead of the U.S. presidential election in November, but it appears more likely that they will increase the target rate when they meet in December. Recent statements by the FOMC seem to support a rate increase in December although the committee continues to be "data dependent" and closely monitor domestic inflation and global economic and financial developments. Investors have also focused their attention on the upcoming U.S. presidential election. Hillary Clinton appears to be the "status-quo" candidate while there is more uncertainty as to what policies Donald Trump will pursue if he is elected. While we discuss the investment risks and implications of potential rate hikes and the presidential election, we do not position the portfolio based on possible outcomes from either event. We believe that we can add the most value by investing in quality companies that can grow their earnings over the long term.

Globally, many risks remain such as the potential effects of Brexit, geopolitical concerns in the Middle East and possible effects of rising interest rates on Emerging Markets. It is likely that the United Kingdom will enact Article 50 of the European Union's Treaty of Lisbon in 2017 which will begin the process of the UK formally exiting the EU. Few details are known as to how this process will play out, but it is likely to have ramifications beyond both the UK and EU. In Syria and the broader Middle East, regional conflict continues and the risk of spillover into a wider conflict with countries such as the US and Russia remains. In many Emerging Markets including China, growth has slowed in recent years. Higher interest rates in the U.S. could mean higher borrowing costs for some emerging economies which has the potential to slow global growth.

We believe it is likely that we are past the midpoint in post-Global Financial Crisis recovery and, hence, the risks of an economic slowdown are higher than they have been in the recent past. Slow US and global growth, potential adverse effects from Brexit, rising wages, and currency headwinds are all likely to keep corporate profit growth challenging. In this difficult environment, it is our view that earnings growth is likely to be the driver of stock performance. As always, we believe our time is best spent focusing on companies with durable, consistent business models that are less dependent on the macroeconomic or political environment to grow earnings over time.

	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. Please refer to the appendix for additional index information.

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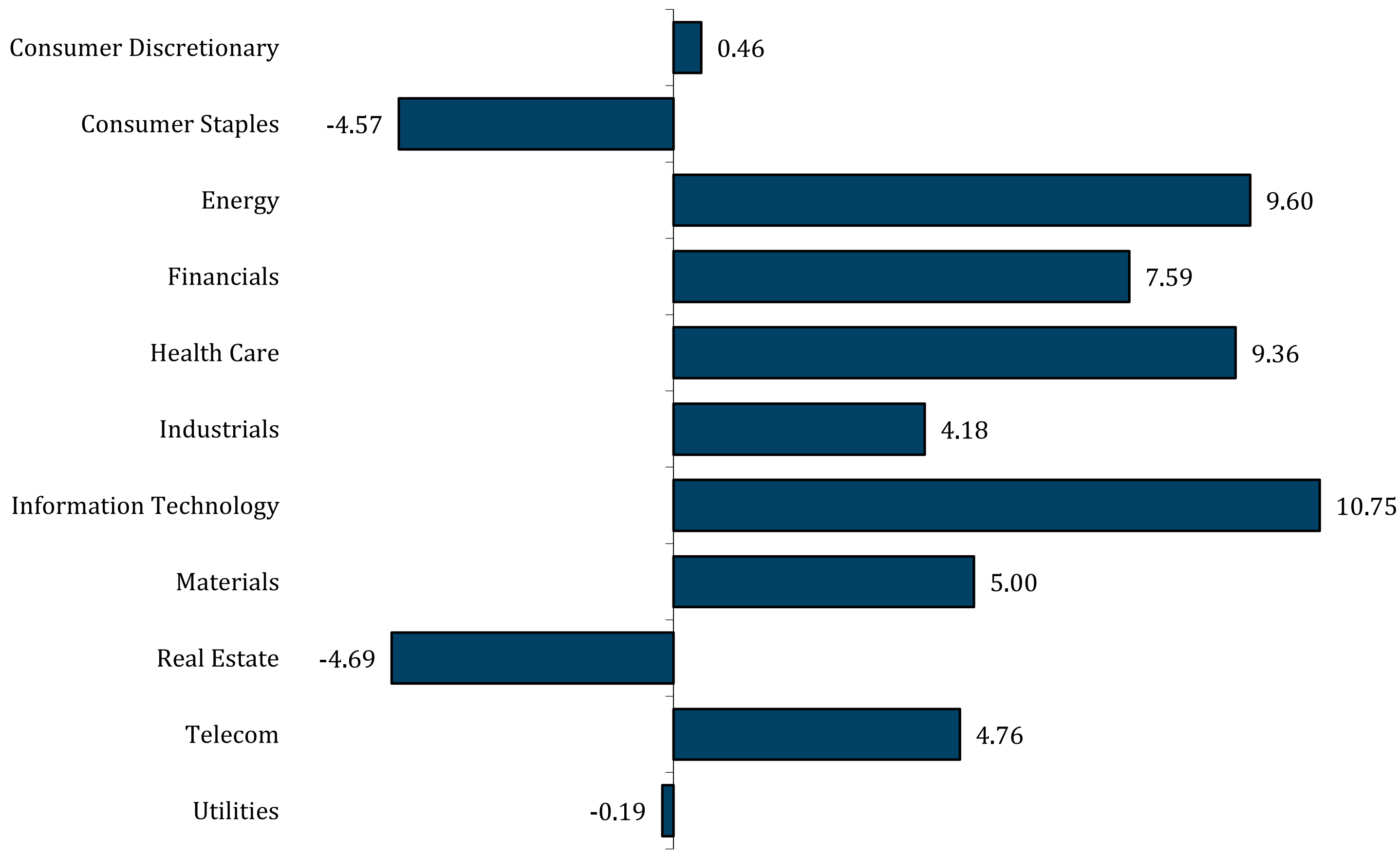
Russell Midcap Growth Total Return
Q3 2016



Data calculated in Opturo. Past returns are no guarantee of future performance. A direct investment in an index is not possible. The Russell Midcap® Index measures the performance of the 800 companies with the lowest market capitalizations in the Russell 1000® Index. The companies in the Russell Midcap® Index are considered representative of mid cap companies. The size of companies in the Russell Midcap® Index may change with market conditions. In addition, changes to the composition of the Russell Midcap® Index can change the market capitalization range of companies included in the index. As of June 30, 2014, the Russell Midcap® Index included securities issued by companies that ranged in size between $1 billion and $30 billion. Real Estate was added as a GICS sector effective 9/1/16. Assignment to this sector has been applied retroactively to the index holdings.

Periods ended 9/30/2016	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Mid Cap Growth Fund (WCGNX) – Class N	2.05%	1.33%	4.89%	5.05%	11.21%	7.70%
Mid Cap Growth Fund (WCGIX) – Class I	2.14%	1.53%	5.12%	5.32%	11.50%	7.97%
Russell Midcap Growth	4.59%	6.84%	11.24%	8.90%	15.85%	8.51%

Mid Cap Growth Fund Expense Ratios:

	Gross	Capped
Class N Shares	**1.43%**	**1.30%**
Class I Shares	**1.14%**	**1.05%**

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.

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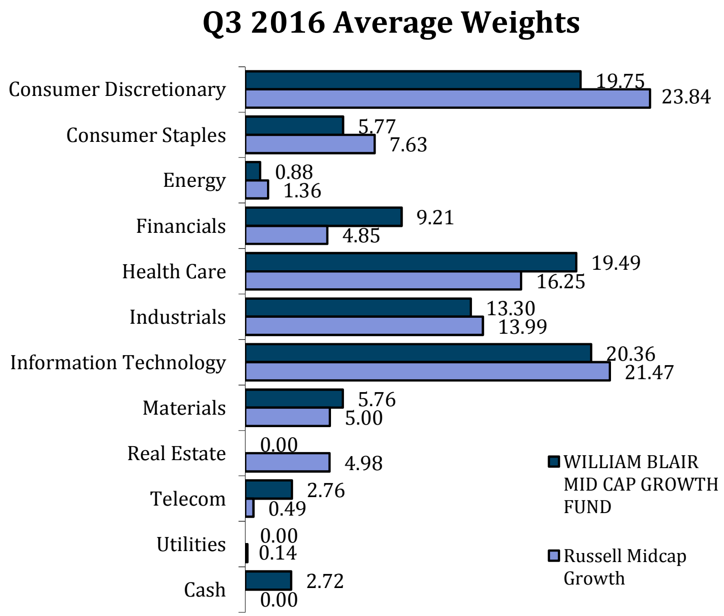
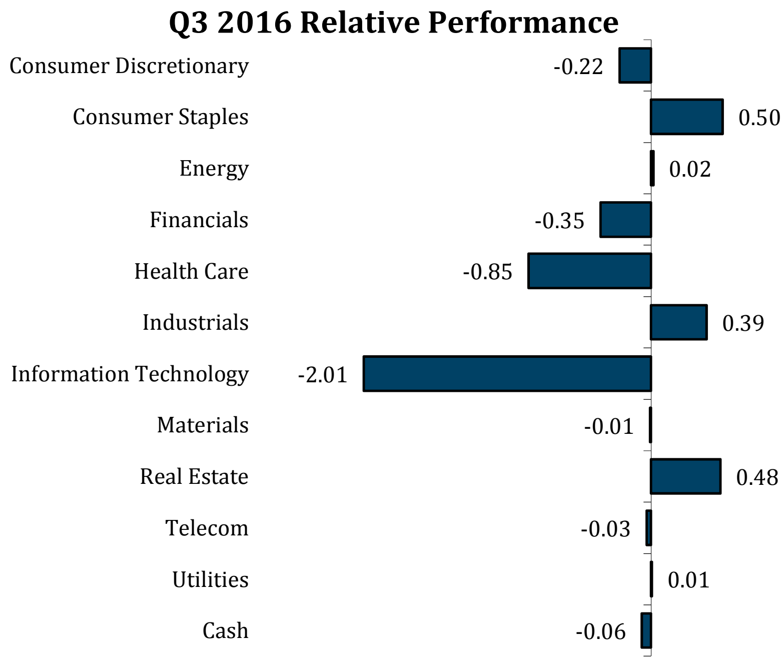
The charts below show the average sector weights and relative performance, by sector, for the portfolio vs. its benchmark.





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Old Dominion Freight Line (ODFL) is a leading less-than-truckload (LTL) carrier, providing transportation services in the U.S. and Canada for relatively small-sized freight where the use of full semi-trailers is uneconomical. Old Dominion outperformed during the quarter due to a combination of stabilizing business fundamentals, including more normal tonnage trends and abating pricing competition, and generally improving sentiment for more cyclically exposed businesses. We maintained our position and believe that as the LTL leader, Old Dominion remains poised to continue to take market share from weaker competitors.

BorgWarner (BWA) is a leading global supplier of highly engineered automotive systems and components for engine and drivetrain applications worldwide. In the quarter, BorgWarner benefited from an improvement in both business fundamentals and general market sentiment for more cyclically levered businesses. The company reported solid second quarter financial results, modestly exceeding consensus expectations on both sales and earnings, and raised the low end of 2016 earnings guidance. We maintained our position as we believe secular demand for Borg Warner's fuel-efficiency products remains in place, the company will continue to take market share from its competitors and the valuation multiple can continue to recover over time.

Ross Stores Inc (ROST) operates off-price apparel and home accessories retail stores. The company acquires the majority of its product directly from vendors who over-produce anticipated demand from department stores and sell excess inventory to Ross Stores at cost. Ross Stores reported better-than-expected earnings versus consensus expectations and raised forward-earnings guidance for the remainder of 2016. Higher margins on merchandise drove operating margin improvement and strength in Shoes and Home more than offset softness in Ladies Apparel. We trimmed the position in the quarter, but believe the company continues to have an opportunity for store count growth in the U.S., both through increased store density in existing markets and expansion into new markets, and is less disrupted by e-commerce than most retailers.

Ball Corporation (BALL) provides metal packaging to the beverage, food, personal care and household products industries. In the third quarter, the company reported earnings that were slightly ahead of consensus expectations for the prior quarter but, more importantly, provided additional clarity on the financial impact of the recent acquisition of Rexam. Over half of the synergies from the deal are expected to be achieved by the end of 2017, and cash flow from the combined entity should be robust. Ball Corporation is a high-quality business with best-in-class management that will utilize price increases, cost-cutting and a shift to higher-margin products to grow earnings over the long term. We maintained our positon in the quarter.

Tyson Foods (TSN) is a multinational food company and one of the largest producers of chicken, beef, and pork products in the world. It is one of the biggest suppliers of meat to grocers in the U.S. and supplies all of the Yum! Brands chain retailers that use chicken including KFC, Taco Bell, and others. The stock outperformed in the quarter after investor fears of higher input costs subsided. In the first half of 2016, investors feared an abnormal weather event during the summer could negatively impact crop yields in the U.S. and raise feed prices, such as corn and grain. Higher feed prices would raise costs for Tyson, but as the summer wore on, no such weather event occurred. Also, the company topped consensus earnings estimates when it reported financial results for the second quarter. Strength was broad based with all segments contributing to the solid earnings results. As the company transitions its business from a food processor to a consumer packaged foods company, we expect the market to rerate the company with a higher valuation to reflect this more stable business mix and accelerating earnings growth. We increased the position in the quarter.

Dollar General (DG) is the leading U.S. small-format value retailer, operating 13,000 stores in 43 states. Shares of Dollar General declined significantly following disappointing second quarter results; notably, comparable stores sales growth was below consensus expectations and traffic trends were negative. Softness in business trends was driven by a reduction of Supplement Nutrition Assistance Program (SNAP) benefits, adverse impacts from deflation across a number of food items and a decline in the health of Dollar General's core customer. Given an increasing range of potential outcomes relative to our previous expectations, we trimmed our position.

MEDNAX (MD) provides outsourced physician services including Neonatal, Anesthesia, and teleradiology. The stock underperformed during the quarter primarily due to margin pressure in its vRad teleradiology business. Customer demand has been strong and therefore the company is spending more aggressively than expected on hiring and training, creating uncertainty regarding the ultimate margin profile for the business. We believe the investment is prudent and therefore maintained our position during the quarter. We continue to believe the company should experience above-average growth given the accelerating secular trend toward physician outsourcing as hospitals are under increased scrutiny to control costs, improve quality and increase efficiencies.

Mead Johnson Nutrition (MJN) is a global leader in child and infant nutrition. Its brand portfolio consists of over 70 products including Enfamil, the world's leading brand franchise in pediatric nutrition. The stock came under pressure early in the quarter after the company reported that sales in China were negatively impacted due to increased testing by the Chinese government. This created delays in shipments and sales of its products sold within the country. While this was a negative development for the stock in the short term, we believe this is a positive development for Mead Johnson's products in China over the long term as it will support more disciplined pricing and a better competitive environment as lower quality brands will be forced to exit the market. Also in the quarter, the company announced it had seen a more competitive pricing environment in the U.S. and weakness in its Emerging Markets business excluding China. We believe both of these issues are short term and do not impact our long-term thesis on the stock. We added to our position on the weakness in the quarter and believe the stock remains attractive given the company's long-term growth prospects in China and relative valuation versus its peer group.

Tractor Supply Company (TSCO) is a specialty retailer focused on the needs and lifestyle of the rural consumer with stores located in towns outlying major metropolitan markets and rural communities. Shares of Tractor Supply Company declined significantly after management lowered full year sales and earnings guidance in response to unseasonal weather and increased economic headwinds impacting certain markets. Specifically, weakness was pronounced within markets dependent on energy, agriculture and coal end markets. We maintained our position as we do not believe current weakness is related to company-specific execution issues.

Genpact (G) is a leader in the offshore business process outsourcing (BPO) industry. The company's services allow global businesses the opportunity to outsource certain business processes, including various operational functions, marketing and customer service. The company reported revenue that was lower than consensus expectations for the second quarter primarily because of decreased discretionary spending from its investment banking and healthcare customers. While we believe Genpact will benefit from the secular shift to offshore BPO outsourcing and have strong growth over the long-term, we trimmed the position in the stock to reflect the near-term uncertainty given a decrease in spending by some of the company's customers.

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 strategy for the past 12 months is available upon request. Holdings are subject to change at any time.

Top 10 Holdings by Weight

	Mid Cap Growth Fund % in Portfolio	Russell Midcap Growth % in Index
Old Dominion Freight Line	3.43	0.10
Mednax Inc	3.25	0.15
Newell Brands Inc	3.22	0.89
Vantiv Inc - Cl A	2.93	0.31
Ross Stores Inc	2.82	0.91
Sba Communications Corp-Cl A	2.80	0.32
Cerner Corp	2.79	0.65
Costar Group Inc	2.78	0.25
Red Hat Inc	2.77	0.53
Tyson Foods Inc-Cl A	2.74	0.37
Total:	29.53	4.49

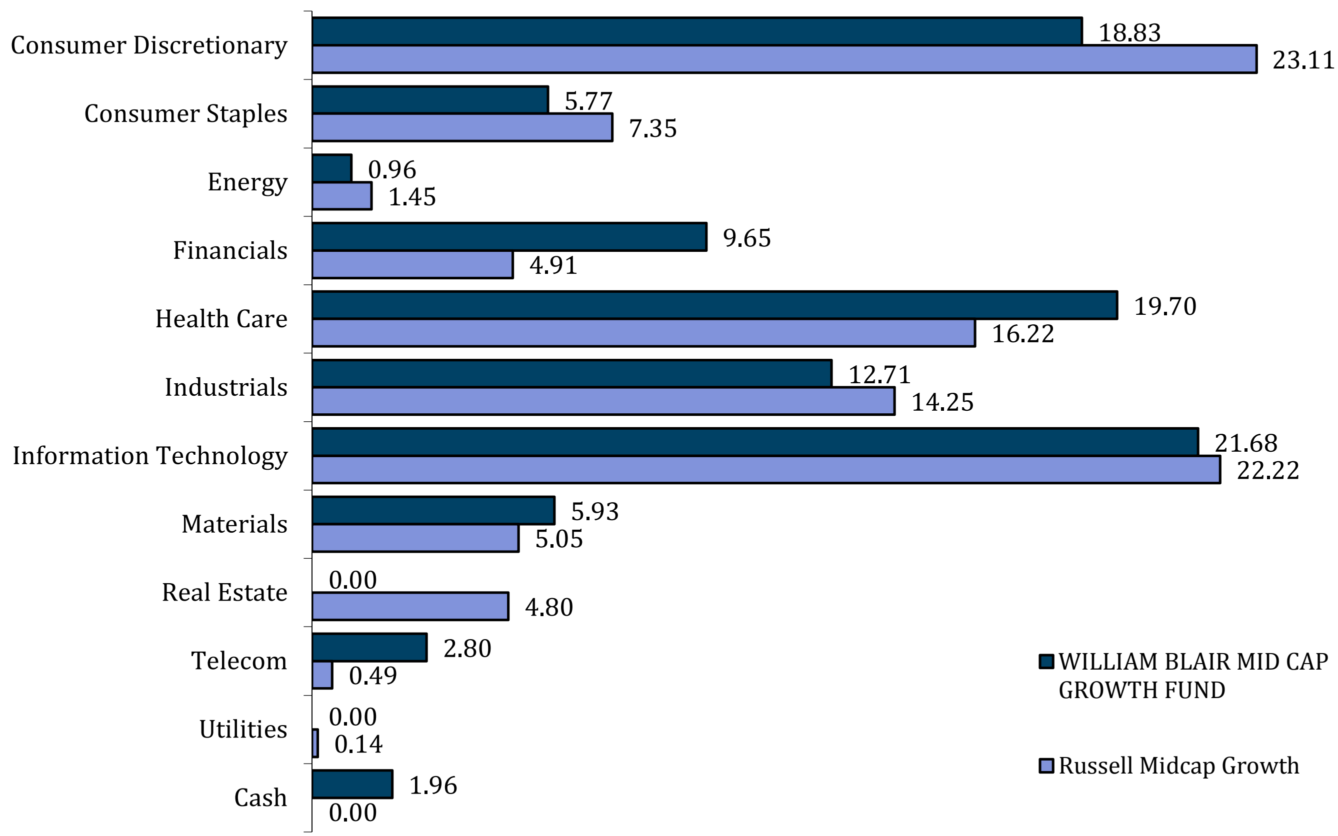
Calculated in Eagle. Individual securities listed in this report are for informational purposes only. Holdings are subject to change at any time. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities listed. Holdings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

	Mid Cap Growth Fund	Russell Midcap Growth
Growth		
EPS Growth Rate (3-yr historic)	14.1%	14.5%
EPS Growth Rate (LT forecast)*	14.5%	14.3%
Quality		
Return on Invested Capital	11.2%	11.8%
Free Cash Flow Margin	11.0%	9.8%
Debt to Total Capital Ratio	48.0%	48.6%
Valuation		
P/E (1-year forecast)	19.7x	20.4x
Capitalization ($B)		
Weighted Average Market Cap	$13.0	$13.4
Weighted Median Market Cap	$11.4	$11.4
Portfolio Positions		
Number of Securities	53	464

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 Midcap® Index measures the performance of the 800 companies with the lowest market capitalizations in the Russell 1000® Index. The companies in the Russell Midcap® Index are considered representative of mid cap companies. The size of companies in the Russell Midcap® Index may change with market conditions. In addition, changes to the composition of the Russell Midcap® Index can change the market capitalization range of companies included in the index. As of June 30, 2014, the Russell Midcap® Index included securities issued by companies that ranged in size between $1 billion and $30 billion.

	Portfolio Weight	Benchmark Weight
CONSUMER DISCRETIONARY	**18.83**	**23.11**
Newell Brands Inc	3.22	0.89
Ross Stores Inc	2.82	0.91
Hanesbrands Inc	2.53	0.34
Six Flags Entertainment Corp	1.71	0.14
O'Reilly Automotive Inc	1.57	0.95
Borgwarner Inc	1.54	0.03
Dollar General Corp	1.53	0.72
Tractor Supply Company	1.08	0.32
Sally Beauty Holdings Inc	0.98	0.14
Chipotle Mexican Grill Inc	0.94	0.43
Brunswick Corp	0.91	0.13
CONSUMER STAPLES	**5.77**	**7.35**
Tyson Foods Inc-Cl A	2.74	0.37
Mead Johnson Nutrition Co	2.22	0.19
Herbalife Ltd	0.81	0.16
ENERGY	**0.96**	**1.45**
Concho Resources Inc	0.96	0.00
FINANCIALS	**9.65**	**4.91**
Intercontinental Exchange Inc	2.56	0.00
Signature Bank	2.31	0.13
Willis Towers Watson PLC	2.31	0.00
Affiliated Managers Group	1.46	0.24
Nasdaq Inc	1.01	0.00
HEALTH CARE	**19.70**	**16.22**
Mednax Inc	3.25	0.15
Cerner Corp	2.79	0.65
Centene Corp	2.50	0.30
Zoetis Inc	2.23	0.85
Mettler-Toledo International	2.06	0.40
Biomarin Pharmaceutical Inc	1.74	0.57
Dentsply Sirona Inc	1.12	0.00
Align Technology Inc	1.02	0.24

	Portfolio Weight	Benchmark Weight
HEALTH CARE (Continued)		
Idexx Laboratories Inc	1.01	0.36
Healthsouth Corp	1.01	0.00
Perrigo Co PLC	0.99	0.00
INDUSTRIALS	**12.71**	**14.25**
Old Dominion Freight Line	3.43	0.10
Verisk Analytics Inc	2.52	0.45
Transdigm Group Inc	1.96	0.52
Middleby Corp	1.59	0.25
Copart Inc	1.09	0.19
Dun & Bradstreet Corp	1.09	0.07
Equifax Inc	1.03	0.57
INFORMATION TECHNOLOGY	**21.68**	**22.22**
Vantiv Inc - Cl A	2.93	0.31
Costar Group Inc	2.78	0.25
Red Hat Inc	2.77	0.53
Akamai Technologies Inc	2.48	0.29
Guidewire Software Inc	1.88	0.16
Booz Allen Hamilton Holdings	1.79	0.12
Genpact Ltd	1.76	0.13
Maximus Inc	1.76	0.00
Csra Inc	1.74	0.16
Check Point Software Tech	1.04	0.00
Ipg Photonics Corp	0.74	0.09
MATERIALS	**5.93**	**5.05**
Ball Corp	2.59	0.50
Vulcan Materials Co	2.10	0.51
Axalta Coating Systems Ltd	1.24	0.17
REAL ESTATE	**0.00**	**4.80**
TELECOMMUNICATION SERVICES	**2.80**	**0.49**
Sba Communications Corp-Cl A	2.80	0.32
UTILITIES	**0.00**	**0.14**
Cash	**1.96**	**0.00**
Total	**100.00**	**100.00**

As of 9/30/2016.
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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.