Mid Cap Growth Fund

William Blair

Portfolio Review

December 2017

Dan Crowe, CFA, Partner
Robert C. Lanphier, Partner
David P. Ricci, CFA, Partner
Portfolio Managers

Risks:

The views expressed in this report and the information about the holdings are as of the date of this material, unless otherwise noted, and are subject to change. 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.

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.

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.

This content is for informational and educational purposes only and is 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.

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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Market Overview

Robust performance across growth style indices in the fourth quarter added to prior gains, resulting in exceptionally strong benchmark returns for 2017. Improving economic data and solid corporate earnings growth supported a steady market advance throughout the year. With below average volatility and stable inflationary expectations, equity market valuation multiples expanded, adding to 2017 returns.

Fourth quarter trends were consistent with 2017 themes in terms of economic and corporate health. Housing data indicated rising activity levels and prices, Purchasing Manager Index ("PMI") levels suggested strength in the manufacturing sector and unemployment neared historic lows. With rising stock and housing prices bolstering consumer net worth, confidence rose accordingly. Corporations were broadly upbeat as, in aggregate, they reported healthy earnings growth and issued forward looking guidance that topped expectations. Furthermore, corporations indicated plans to increase capital expenditures. Not surprisingly given tight labor markets, the U.S. Federal Reserve ("Fed") voted to raise the federal funds rate for the third time in 2017 and reiterated expectations for as many increases in 2018.

The U.S. tax reform bill was signed into law in late December, notably cutting the corporate statutory tax rate to 21% from 35%. In addition, the bill allows for faster depreciation of capital investments than was previously allowed, further increasing the likelihood that higher capital spending comes to fruition. While the bill is positive for U.S. corporations, the same was not true in terms of the short term impact on our relative performance as stocks with higher tax rates outperformed somewhat indiscriminately on the news. Over time, we believe the market will differentiate between companies that can retain the benefit of the tax reduction and those that will have it competed away. Given our bias toward companies with strong competitive positions, unique products and services and pricing power, we feel well positioned longer term in this regard.

Fund Performance

The William Blair Mid Cap Growth Fund (Class N) was unable to keep pace with the 6.81% return of the Russell Midcap Growth Index in the fourth quarter. The strength of the market created a challenging backdrop for our strategy as optimism and positively trending economic data were the primary drivers of the strong return. Our strategy has historically done better in markets where the idiosyncratic growth drivers of our companies shines through which is typical of a normal or down market. Stock selection was most positive in Industrials where Copart and Verisk Analytics were the top contributors. Copart, an online auction platform for salvage vehicles, saw positive trends in its business with a higher average selling price for cars sold on its platform and a greater number of cars in its inventory. Off-price apparel retailer Ross Stores was also a top contributor after the company reported broad-based strength across its business with a combination of higher traffic and ticket growth. Other top contributors were SBA Communications (Real Estate) and Progressive (Financials). Conversely, Consumer Discretionary was an area of weakness as stock selection within the sector, including our positions in Newell Brands, Hanesbrands and CarMax, detracted from performance. Diversified consumer products company Newell Brands failed to meet consensus expectations for core organic sales growth as retailers reduced inventories which caused the company to be negatively impacted in the short term. Metal packaging producer Ball Corporation (Materials) was a top detractor as hurricane-related troubles resulted in lost production and reduced beverage can sales. Lastly, Guidewire Software (Information Technology) was a top detractor.

Similar to the fourth quarter, the Fund (Class N) was unable to keep pace with the robust return of the Russell Midcap Growth benchmark in 2017 as the Russell Midcap Growth Index returned 25.27% for the year. Style dynamics for the year were mixed as our emphasis on companies with more durable business models and better control of their destiny than their peers was a headwind in the robust market environment while our bias towards higher growth companies was a tailwind. Our underweight to the Semiconductor industry, including not owning NVIDIA in the first half of the year, detracted meaningfully from relative returns. We are often underweight Semiconductors due to the more commodity-like nature of many semiconductor products, limited pricing power and cyclicality of the businesses. On a stock specific basis, stock selection in Consumer Discretionary detracted from performance including our positions in O'Reilly Automotive, Newell Brands and Tractor Supply. Both O'Reilly Automotive and Tractor Supply declined in part due to the risk of potential competition from ecommerce while Newell Brands declined primarily for reasons previously stated. Other top detractors were Ball Corporation (Materials) and Signature Bank (Financials). Conversely, top contributors were cloud-based enterprise software provider Red Hat and online auction platform Copart. Red Hat outperformed due to strong business results throughout the year as high demand for its products came from companies shifting to more agile cloud IT infrastructures while Copart outperformed primarily due to reasons previously stated. Other top contributors were Centene and Align Technology, both of which contributed to positive stock selection in Health Care, and Costar Group (Information Technology).

Outlook

As we look forward, several factors could provide continued support for equities, although contrary to the somewhat euphoric market sentiment of late, they are not without risk. While the Fed has embarked upon a path of monetary policy renormalization and U.S. short term interest rates have begun to rise, global interest rates remain low by historic standards. Moreover, other measures of stress in the financial markets, such as high yield bond spreads, remain near cycle lows. Globally, solid economic growth rates, high corporate earnings and strengthening PMIs are other indicators of a broadly supportive environment for equities. Specifically within the U.S., corporations stand to benefit from the reduction of the corporate tax rate and the Administration's emphasis on deregulation. However, it remains to be seen how long those measures can sustain the current expansion or if they will have a more meaningful impact on economic growth in the next expansion. As Republican control of the U.S. House and Senate potentially weakens in 2018, politicians' attention could shift to mid-term elections rather than on any legislative agenda. Lack of further progress on pro-growth initiatives and a flattening yield curve within the U.S. could dampen optimism about the sustainability of economic growth, while a potential geopolitical conflict in the Korean Peninsula remains a significant risk globally. For the time being, however, we appear to be in the midst of a classic "Goldilocks" economy, at least as it relates to the financial markets.

As we approach the ninth anniversary of the current bull market and following a particularly strong year for equities, absolute valuations are elevated relative to historical standards; however, they do not appear egregious against the backdrop of low interest rates, low inflation and narrow high yield bond spreads. While corporate profit margins remain high, one notable risk to margins going forward is pressure from rising wages. On the surface, wage inflation has been relatively benign, but the trend of increasing wages becomes clear with an adjustment for the impact of higher-paid retirees being replaced by lower-paid entrants to the workforce. This will be of pressing concern for companies with more labor-intensive businesses and companies in more competitive industries with low barriers to entry that are unable to pass higher costs through to their customers. We continue to focus our attention on identifying durable businesses with significant competitive advantages and robust growth prospects that present compelling risk/reward opportunities. We believe portfolios with these underlying characteristics are well positioned to deliver outperformance for our clients over the long term.

	Value	Core	Growth
Month to Date			
Russell 3000	1.28	1.00	0.73
Russell 1000	1.46	1.11	0.78
Russell Midcap	1.24	0.93	0.54
Russell 2500	0.40	0.34	0.27
Russell 2000	-0.95	-0.40	0.12
Quarter to Date			
Russell 3000	5.08	6.34	7.61
Russell 1000	5.33	6.59	7.86
Russell Midcap	5.50	6.07	6.81
Russell 2500	4.25	5.24	6.35
Russell 2000	2.05	3.34	4.59
Year to Date			
Russell 3000	13.19	21.13	29.59
Russell 1000	13.66	21.69	30.21
Russell Midcap	13.34	18.52	25.27
Russell 2500	10.36	16.81	24.46
Russell 2000	7.84	14.65	22.17

Market Performance

- Benchmark returns in December were mostly positive and supported by stronger than expected corporate earnings and steadily improving domestic economic data. The U.S. tax reform bill that notably reduced the corporate tax rate, also contributed to rising equity prices.
- Improving economic data and solid corporate earnings growth supported a steady market advance throughout the year. The combination of below average volatility and stable inflationary expectations enabled equity market valuation multiples to expand, adding to 2017 returns.

Style Performance

- While growth benchmarks outperformed across the market cap spectrum during the quarter, the value benchmarks largely outperformed in December. The only exception to this was within small caps where growth outperformed value.
- Growth benchmarks meaningfully outperformed value benchmarks in 2017 after trailing significantly in 2016.

Market Cap Performance

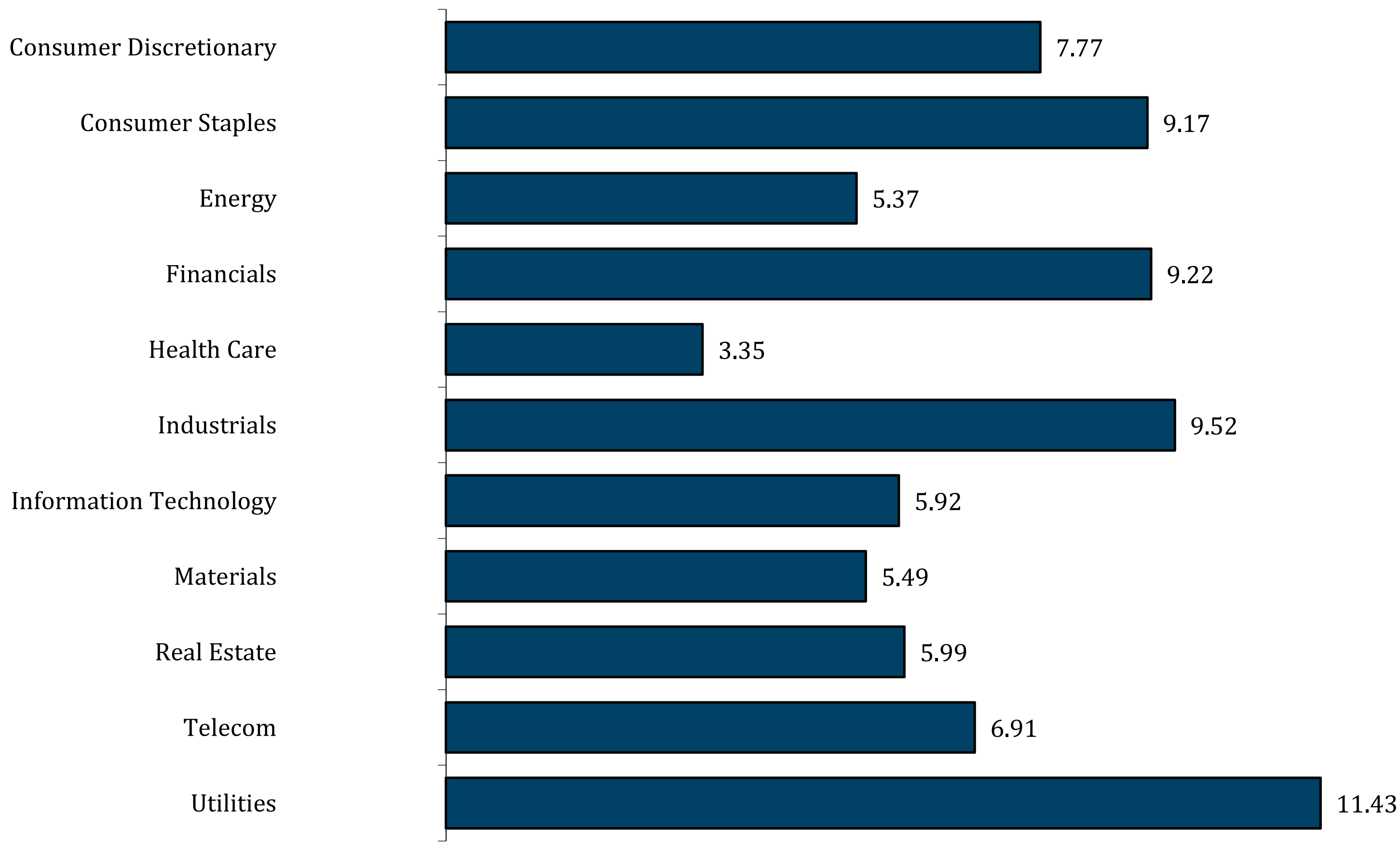
- Performance in December was linear within both sets of style benchmarks, with larger caps outperforming smaller caps. For the quarter, performance was again linear within the growth benchmarks, with larger caps outperforming. However, within the value benchmarks, while large caps outperformed small caps, the best performing segment was mid caps.
- For 2017, large caps led all other size segments.

Source: FactSet; Eagle

Past Performance is not a guarantee of future results. *A direct investment is 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 Midcap Growth Total Return
Q4 2017



Data calculated in Opturo. Past returns are no guarantee of future performance. A direct investment in an index is not possible. The Russell Midcap® Growth Index measures the performance of the 800 companies with the lowest market capitalizations in the Russell 1000® Index with higher price-to-book ratios and higher forecasted growth values.

Periods ended 12/31/2017	Quarter	1 Year	3 Year	5 Year	10 Year
Mid Cap Growth Fund (WCGNX) - Class N	5.49%	20.88%	6.54%	10.86%	7.59%
Mid Cap Growth Fund (WCGIX) – Class I	5.54%	21.18%	6.78%	11.13%	7.87%
Russell Midcap Growth	6.81%	25.27%	10.30%	15.30%	9.10%

Inception 2/1/2006

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Mid Cap Growth Fund Expense Ratios:

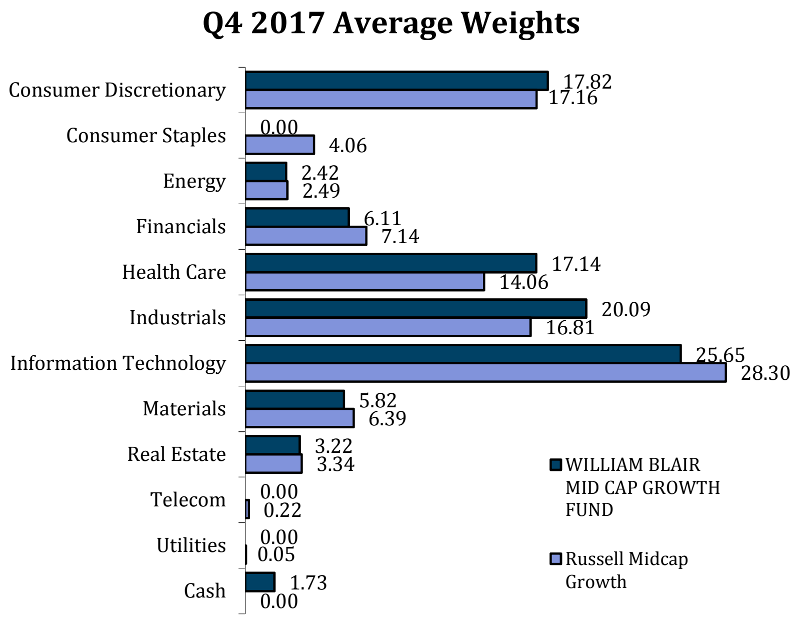
	Gross	Net
Class N Shares	1.45%	1.30%
Class I Shares	1.18%	1.05%

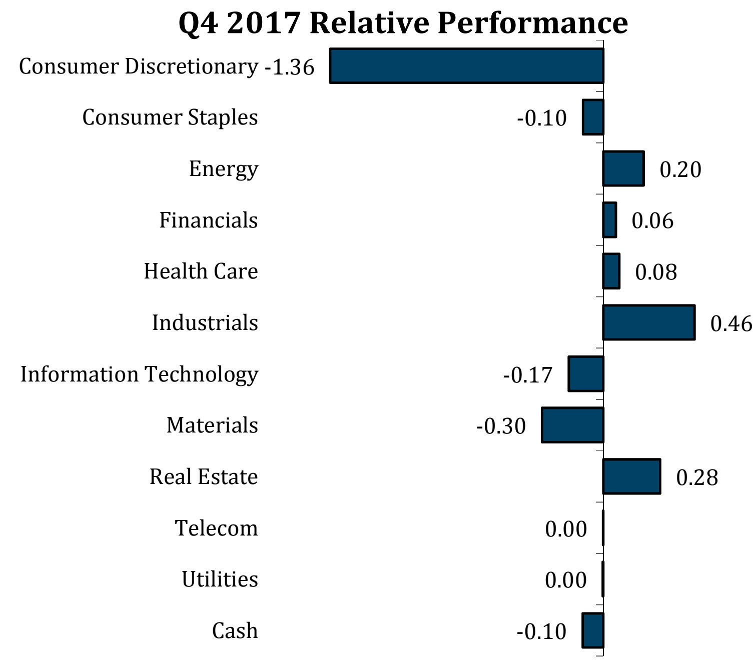
The Fund's Adviser has contractually agreed to waive fees and/or reimburse expenses to limit fund operating expenses until 4/30/18.

Expenses shown are as of the most recent prospectus.

A direct investment in an index is not possible. The Russell Midcap® Growth Index measures the performance of the 800 companies with the lowest market capitalizations in the Russell 1000® Index with higher price-to-book ratios and higher forecasted growth values.

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





Source: Opturo.

Past returns are no guarantee of future results. *Based on Global Industry Classification Sectors (GICS). Concentration of assets in one or a few sectors may entail greater risk than a fully diversified stock portfolio and should be considered as only part of a diversified portfolio.*

Copart Inc (CPRT) is an online auction platform for salvage vehicles. The company reported revenue and earnings growth that beat expectations for the prior quarter. A higher average selling price and greater number of cars in inventory were also positive developments for the company. Central to our investment thesis on the supply of inventory, insurers are choosing to scrap vehicles sooner due to the rising cost of repairs which gives Copart access to both more and newer models of vehicles. From a demand perspective, demand for used cars in the U.S. is increasing while the company is expanding to international markets which brings more buyers onto its platform. Going forward, we believe the company has attractive growth prospects which are more durable than the market expects. We trimmed our position slightly after the outperformance as the position was our top holding.

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 or slightly above cost. Ross Stores outperformed after reporting strong fundamental results despite a headwind from hurricane-related store closures and mixed results from its primary competitors. Revenue growth of 8% resulted from broad-based strength across geographic regions and categories, while comparable store sales growth of 4% was driven by a combination of higher traffic and ticket growth. We trimmed our position on strength but continue to believe that the off-price concept is well positioned in an evolving retail environment. Ross Stores should continue to be a beneficiary of struggling department stores, with ample high-quality product available at attractive prices, enabling Ross Stores to enhance the “treasure hunt” experience while also improving profitability.

Verisk (VRSK) is a leading data analytics company that provides decision analytics and risk assessment services across the insurance, financial services and energy/specialized markets. The stock outperformed partially due to growth accelerating in its Insurance segment, which grew at its fastest rate in three years. The company cited growth in both loss quantification and aerial imagery solutions as strengths in the quarter. Also, improvement in other segments of the company, such as Argus and Wood Mac, created incremental optimism. We continue to hold the stock given its unique business model and lower level of economic cyclicality.

SBA Communications (SBAC) is one of the largest independent operators of wireless towers in North, Central and South America. Outperformance was the result of solid quarterly earnings and a stronger outlook for 2018. SBA Communications stands to benefit from AT&T investment activity related to the build out of the public safety broadband network, FirstNet, as well as a pick-up in activity from Sprint following their limited tower investment in recent years and the dissolve of a potential deal with T-Mobile. We trimmed our position on strength, but continue to believe the company is well positioned to benefit from the secular tailwind of growth in mobile platforms as tower companies will play a critical role in addressing the need to build wireless bandwidth capacity to handle current and future traffic.

Progressive (PGR) is one of the largest property and casualty insurers in the U.S. The company is primarily a provider of personal and commercial auto insurance and residential property insurance. The stock outperformed in the quarter primarily due to better-than-expected premium growth (i.e. growth in the amount collected from policy holders) in October and November. Progressive continues to take share in monoline automotive while also having success in its bundled automotive and homeowners business which is driving the premium growth. We believe market share gains in monoline automotive and a move into bundled home and automotive insurance are both likely to continue and will drive growth going forward. We maintained our position in the quarter.

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.

Newell Brands (NWL) is a diversified consumer products company with four segments including Writing (e.g. Sharpie, Papermate), Home Solutions (e.g. Rubbermaid), Commercial Products and Baby (e.g. Graco). Shifting shopping patterns away from traditional retail to ecommerce and a weaker back to school period caused core organic sales growth to not meet consensus expectations when the company reported its third quarter results. The shifting shopping patterns caused Newell's retail partners to buy fewer products because less inventory is needed when consumers shop online as opposed to traditional retail stores. While the organic sales growth was disappointing, we believe this to be transitory and not a sign of diminishing demand for Newell's products. We maintained our position as we believe the company is still taking market share from competitors and will grow business through innovation, efficiency gains, distribution enhancements and strategic acquisitions.

Ball Corporation (BLL) provides metal packaging for beverages, foods and household products. Shares of Ball underperformed after the company reported third quarter sales and earnings that fell below expectations. Weakness was primarily driven by the North American beverage market as hurricanes resulted in lost production and a reduction in beverage can sales. In addition, continued pressure on U.S. beer volumes was a headwind in the quarter, though longer-term the trend represents an opportunity for Ball via increased penetration of specialty cans for imported and craft beer, as well as for sparkling water. We maintained our position in the stock as we believe Ball can continue to deliver on synergies following the Rexam acquisition and the company's dominant competitive position in the global can manufacturing market will drive growth. The stock presents an attractive risk/reward opportunity given its Consumer Staples-like durability with a lower valuation than other companies with similar characteristics.

Hanesbrands (HBI) is a designer, manufacturer and marketer of everyday basic apparel for men and women. Its core business is in basics and intimates with Hanes, BALI, Playtex and Maidenform among key brands. While the company released financial results for the third quarter that were in-line with consensus expectations, management slightly lowered forward-looking guidance and the stock underperformed. The company's Innerwear segment has performed slightly worse than expected this year and higher marketing spend in the fourth quarter were the primary reasons for lower guidance. We continue to hold the stock as we believe it is an attractive risk/reward at the current valuation with the potential for revenue growth and margin expansion from innovation and the integration of acquisitions into its low-cost supply chain.

CarMax (KMX) is the largest publicly traded used vehicle retailer in the U.S. The company buys, reconditions and sells used cars at their used car superstores as well as offering financing options, extended service plans and repair services. Shares of CarMax declined in the fourth quarter, largely due to concerns regarding post-hurricane supply and demand dynamics. The value proposition of used cars versus new cars, a key driver of CarMax's comparable store sales growth, worsened as used car supply tightened given damaged inventories and new car incentives rose in an attempt to capitalize on incremental demand. We maintained our position on the view that these post-hurricane dynamics are transitory. We believe CarMax, with its large and growing store base and ability to leverage proprietary car pricing data, is well positioned to experience accelerating volume growth in this environment while also maintaining gross margins.

Guidewire Software (GWRE) serves the property and casualty (P&C) insurance industry by providing software and services for quoting rates, collecting premiums and processing claims. The company updated investors with forward-looking guidance that implied lower software license revenue and higher SAAS-based subscription revenue going forward as its customers are increasingly moving to the cloud. The stock underperformed on this development. Subscription revenue is spread out over time as opposed to being received upfront with a software license. Hence, near-to-intermediate term growth is likely to slow as a higher portion of company revenues are spread out over a longer period of time. However, over the long term, this change can be beneficial to the business because subscription revenue is more consistent. We trimmed the position slightly due to the stock's strong year-to-date performance, above average position size in the portfolio and slightly muted intermediate-term earnings outlook. However, we continue to hold the stock and believe the company has a long runway for growth as the insurance industry continues to shift from internally developed to third party software. Guidewire is a unique company that we believe will further penetrate the P&C market throughout the world, maintain extremely low client turnover and innovate and grow into new markets.

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Top 10 Holdings by Weight

	Mid Cap Growth Fund % in Fund	Russell Midcap Growth % in Index
Copart Inc	3.53	0.28
Progressive Corp	3.40	1.05
Verisk Analytics Inc	3.33	0.47
Ross Stores Inc	3.26	0.98
Red Hat Inc	3.01	0.69
Vantiv Inc - Cl A	2.88	0.38
SBA Communications Corp	2.86	0.63
BWX Technologies Inc	2.84	0.18
CoStar Group Inc	2.84	0.34
Ball Corp	2.78	0.23
Total:	30.73	5.23

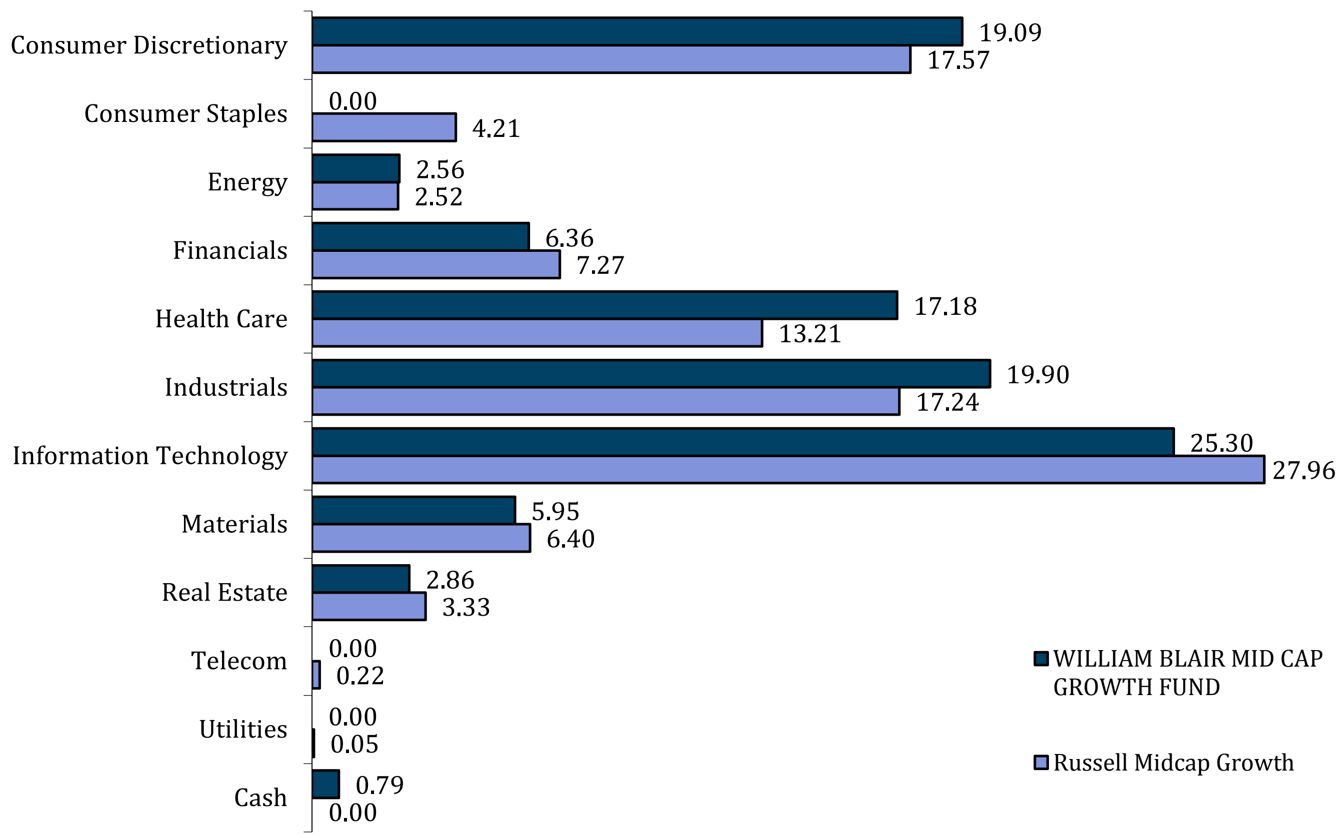
Source: Eagle.
References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. William Blair may or may not own the securities referenced and, if such securities are owned, no representation is being made that such securities will continue to be held. Holdings are shown as a percentage of total gross assets.

	Mid Cap Growth Fund	Russell Midcap Growth
Growth		
EPS Growth Rate (3-yr historic)	15.1%	13.3%
EPS Growth Rate (LT forecast)*	17.1%	15.8%
Quality		
Return on Invested Capital	12.6%	11.8%
Free Cash Flow Margin	13.2%	10.5%
Debt to Total Capital Ratio	45.8%	48.9%
Valuation		
P/E (1-year forecast)	24.3x	21.5x
Capitalization ($B)		
Weighted Average Market Cap	$14.2	$15.6
Weighted Median Market Cap	$12.2	$13.6
Portfolio Positions		
Number of Securities	53	421

Source: William Blair; FactSet; Eagle.

**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 12/31/2017



Source: William Blair; Eagle.
Based on Global Industry Classification Sectors (GICS). Concentration of assets in one or a few sectors may entail greater risk than a fully diversified stock portfolio and should be considered as only part of a diversified portfolio.

	Portfolio Weight	Benchmark Weight
CONSUMER DISCRETIONARY	**19.09**	**17.57**
Ross Stores Inc	3.26	0.98
Six Flags Entertainment Corp	2.60	0.14
Domino's Pizza Inc	2.27	0.27
Tractor Supply Company	1.68	0.30
Live Nation Entertainment In	1.58	0.18
Vail Resorts Inc	1.48	0.27
Carmax Inc	1.46	0.38
Hanesbrands Inc	1.35	0.24
Ulta Beauty Inc	1.25	0.42
Newell Brands Inc	1.17	0.00
Aptiv PLC	0.99	0.73
ENERGY	**2.56**	**2.52**
Concho Resources Inc	2.56	0.00
FINANCIALS	**6.36**	**7.27**
Progressive Corp	3.40	1.05
East West Bancorp Inc	1.68	0.02
Affiliated Managers Group	1.27	0.00
HEALTH CARE	**17.18**	**13.21**
Zoetis Inc	2.71	1.14
Centene Corp	2.22	0.07
Veeva Systems Inc-Class A	1.44	0.19
Biomarin Pharmaceutical Inc	1.43	0.50
Align Technology Inc	1.41	0.57
Teleflex Inc	1.39	0.06
Healthsouth Corp	1.38	0.00
Abiomed Inc	1.32	0.25
West Pharmaceutical Services	1.06	0.23
Idexx Laboratories Inc	1.02	0.44
Charles River Laboratories	0.92	0.17
Mettler-Toledo International	0.89	0.51

	Portfolio Weight	Benchmark Weight
INDUSTRIALS	**19.90**	**17.24**
Copart Inc	3.53	0.28
Verisk Analytics Inc	3.33	0.47
Bwx Technologies Inc	2.84	0.18
Equifax Inc	2.51	0.45
Middleby Corp	2.49	0.24
Fortive Corp	1.89	0.65
Xylem Inc	1.73	0.21
Wabtec Corp	1.58	0.07
INFORMATION TECHNOLOGY	**25.30**	**27.96**
Red Hat Inc	3.01	0.69
Vantiv Inc - Cl A	2.88	0.38
Costar Group Inc	2.84	0.34
Ultimate Software Group Inc	2.24	0.20
Booz Allen Hamilton Holdings	2.22	0.16
Guidewire Software Inc	2.04	0.07
Maximus Inc	1.87	0.00
Microchip Technology Inc	1.43	0.65
Analog Devices Inc	1.42	1.05
Arista Networks Inc	1.27	0.40
Csra Inc	1.11	0.16
Coherent Inc	1.06	0.22
J2 Global Inc	1.00	0.00
Take-Two Interactive Softwre	0.91	0.39
MATERIALS	**5.95**	**6.40**
Ball Corp	2.78	0.23
Vulcan Materials Co	2.10	0.51
Axalta Coating Systems Ltd	1.07	0.22
REAL ESTATE	**2.86**	**3.33**
Sba Communications Corp	2.86	0.63
Cash	**0.79**	**0.00**
Total	**100.00**	**100.00**

As of 12/31/2017.
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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.