

### William Blair & Company

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#### Performance

The global equity market rallied during the first quarter, bolstered by reduced fears of systemic risk in Europe amid progress in the Greek debt negotiations and an extension of the ECB's LTRO (Long Term Refinancing Option) program. In addition, improving US jobs and housing data and renewed optimism for emerging markets growth also supported the equity rally. This strong rally was somewhat mitigated in March on dampening expectations for Chinese growth coupled with renewed concerns about Europe. The global equity market rose 10.07% during the quarter, as developed markets were up 9.76%, while emerging markets rallied 12.26%.

#### Portfolio Commentary

All sectors were in positive territory during the quarter, with IT (18%) Discretionary (15%), and Financials (15%) leading all global sectors, while Utilities (1%), Telecom Services (1%) and Energy (3%), lagged. Regionally, Europe ex-UK led all developed regions, rising 10.77% during the quarter on market strength in Germany (18%) and the Nordics (14%), along with a rebound in most of the PIIGS countries, with the exception of Spain, which fell over 4% on concerns about the outlook for austerity measures in the face of high unemployment and lackluster growth. Within Emerging Markets, EMEA rose the most during the quarter, up 14.13% on strength in Eastern Europe, which was driven by an improved outlook for Western Europe. Egypt and Turkey were also up strongly, rising nearly 36% and 26%, respectively. Latin America rose 13.06%, driven by strength in Chile and Mexico. Emerging Asia was the weakest performing emerging region, up 11.44%, given single digit returns in Indonesia and China, which more than offset the 19% returns in India and Thailand. Small cap stocks outpaced their larger capitalization counterparts across most regions, with the notable exceptions of Japan and Canada. The MSCI World ex-US Small Cap Index rose 11.54%, while the US was up 11.33%, and the Emerging Markets Small Cap index rose 14.47%.

The Fund significantly outpaced the EAFE Index during the quarter, due largely to strong stock selection in Healthcare, Industrials, IT and Materials. Healthcare stock selection was bolstered by strong performance by Novo Nordisk, the leading diabetes drug company, due to stronger than expected sales of Victoza.

Industrials stock selection was driven by Norwegian Air Shuttle on strong fiscal year traffic figures, coupled with increasing ticket prices and low costs, driving expected margins. In addition, Management announced that it made a significant purchase of Boeing Dreamliners, which was viewed positively by the market. IT stock selection was driven by the overweighting and stock selection in Software, coupled with strong performance in Semiconductors. Baidu and Lenovo, the Chinese internet and PC companies, added value during the quarter. Baidu benefited from a rumor that Apple would use its search engine on iPhones sold in China, while Lenovo benefited from strong earnings results and market share gains. Within Materials, the Fund's overweighting and positive stock selection in Chemicals augmented results, while its underweighting in the underperforming Metals/Mining industry added value. Somewhat detracting from first quarter performance was the Fund's Consumer and Financials stock selection. Consumer stock selection was hampered by underperformance in auto-related holdings, coupled with underperformance by Pearson as investors were concerned about the impact of an Apple education offering on Pearson's online business. While the underweighting in Staples added value, the Fund's sole holding, Unilever, the European consumer products conglomerate, underperformed as full year results were slightly light of consensus on weaker than expected volumes particularly in emerging markets, Management's conservative outlook and after significant stock outperformance in 2011. Financials stock selection was hampered by the conservative positioning in Commercial Banks as the industry rallied on European debt relief, as did the Insurance underweighting and stock selection.

#### Outlook

As of March 31, the Fund's Discretionary weighting was approximately twice the market weighting, due to significant exposure in Japan and the UK, with Staples being significantly underweighted at 2.64% v. the 11.22% Index weighting. Financials, which totaled nearly 22% as of year end, was reduced to just over 19%. Regionally, the Fund increased emerging markets from approximately 13.6% to 17.5%, on an improving outlook, supported by accommodative monetary policy, reduced inflationary concerns and supportive valuations. Europe ex-UK was underweighted at approximately 39.5% of the Fund, below the 44.2% Index weighting, and decreased from over 43%, due largely to the reduction in European Financials and Healthcare. The UK also decreased from 30% to 22%, but remained above the 20.25% Index weighting. Developed Asia continued to be significantly underweighted throughout the period.