



William Blair SICAV Small-Mid Cap Growth Fund

INVESTMENT OBJECTIVE

Small/Mid Cap Growth portfolios are invested primarily in high-quality U.S. growth stocks using a research-intensive bottom-up fundamental approach. Portfolios are designed to exploit the fastest growing areas of our research universe. Constructed with a long-term perspective, portfolios seek to own durable companies that exhibit sustainable and predictable growth characteristics. *Please refer to the "Risk Factors" section of the Fund's prospectus for a more complete discussion of the risks associated with investing in small and medium-sized companies.*

INVESTMENT PHILOSOPHY AND PROCESS

We search for quality growth companies for the SMID Growth portfolios. We believe these companies will have a **durable business franchise, strong management** and **solid financials**. These companies are expected to display many of the following characteristics:

◆ **Durable Business Franchise:**

- Companies serving a large and/or growing market
- Leaders in their field or industry subsequent
- Companies which sell value added products – products where the customer or client is better off as a result of their purchase
- Companies who can set their prices based upon the value of their product or service to their clients and customers, not upon the cost to manufacture it or the price charged by their competitors

◆ **Solid Financials:**

- High return on equity
- Conservative accounting - we would prefer revenue be reported later and expenses earlier
- High free cash flow - we look at net cash flow available to investors after required reinvestment to grow the business, and free cash means more to us than reported earnings
- Low debt - this comes from having good free cash flow
- Recurring revenue - it is a much easier business model if you have most of your clients on board at the beginning of the year, rather than having to resell everyone each year

◆ **Strong Management:**

- Management frequently has high equity stakes in their company, and the value of this ownership focuses them upon the long-term success of the company
- Management has a record of success - when management has underperformed in the past, it is unlikely that they will do better if presented with an attractive second chance
- Management is constantly evaluating ways to reinvent their business

PORTFOLIO PARAMETERS

- We select investments from a universe of 2,800 securities with three-year earnings per share (EPS) growth in excess of 15% per year
- No security will represent more than 5% of the portfolio
- We seek to maintain a weighted-average portfolio consistent with the universe of 2,800 securities with three-year EPS growth in excess of 15% per year, and a Net Debt to Capital ratio of less than 30%
- We aim to keep our portfolio cash position at less than 5%, total securities between 55 and 70, and annual turnover of securities in the portfolio between 40% and 60%

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