

September 28, 2017

## FORM ADV PART 2A – Appendix 1 (Wrap Fee Program Brochure)

This wrap fee program brochure provides information about the qualifications and business practices of William Blair & Company, L.L.C. If you have questions about the contents of this brochure, please contact us at [imcompliance@williamblair.com](mailto:imcompliance@williamblair.com) or (312) 236-1600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about William Blair & Company, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

William Blair & Company, L.L.C. is registered as an investment adviser with the SEC. Our registration as an investment adviser does not imply a certain level of skill or training.

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## ITEM 2 – MATERIAL CHANGES

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William Blair & Company, L.L.C. (“William Blair” or “firm” or “we”) has updated our Wrap Brochure (also known as Form ADV Part 2A – Appendix 1) as of September 28, 2017. Our last update was an interim amendment on August 2, 2017.

We made a non-material edit to reflect the formation of the Private Wealth Management group, which consolidates the Private Client Advisors and Investment Management Counseling groups.

As previously disclosed in the “Disciplinary Information” section under Item 9 - Additional Information, disclosure was added relating to a settlement reached by William Blair with the

Securities and Exchange Commission in the matter of payment errors and the disclosure of shareholder administration fees for a subset of the William Blair Funds.

If you would like another copy of this Wrap Brochure, you may download it from the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or you may contact our compliance team at [imcompliance@williamblair.com](mailto:imcompliance@williamblair.com) or (312) 236-1600.

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## ITEM 4 – SERVICES, FEES AND COMPENSATION

### Wrap Fee Program Services

William Blair serves as sponsor and investment manager for the William Blair Comprehensive Fee Program, the Comprehensive Mutual Fund Fee Program, and the Investible Model Portfolios Program (collectively “Wrap Fee Programs”). William Blair offers these Wrap Fee Programs advised by our Investment Counselors (“Investment Counseling”) and Private Client Advisors (“PCA”) to clients. We collectively refer to Investment Counselors and Private Client Advisors as “Financial Advisors”. Effective September 20, 2017, the Investment Counseling and PCA groups were consolidated into the Private Wealth Management group.

Under these Wrap Fee Programs, clients pay a single fee for investment advisory services and transaction costs. Financial Advisors typically manage the accounts in our Wrap Fee Programs according to each client’s investment objectives, financial circumstances and risk considerations.

As described in Item 6, for our Comprehensive Fee portfolios, we consider a broad array of securities and investment vehicles including equity securities, debt securities, mutual funds or other investments that we consider suitable for a client based on their particular circumstances. Under our Comprehensive Fee Program, some Financial Advisors will utilize programs established through asset management platforms (“Platforms”) that provide access to investment advisers, including William Blair Investment Management, LLC (“Sub-Managers”). These Platforms allow clients to obtain portfolio management services from Sub-Managers that typically have higher minimum account requirements outside the Platform. These Sub-Managers will have discretion to buy and sell securities with that portion of the client’s account assets placed with the Sub-Manager, and William Blair will have no ability to affect the trading decisions of the Sub-Managers. Clients, through William Blair, will be able to request reasonable restrictions from Sub-Managers. However, under the client’s grant of discretion to William Blair, William Blair will have the right to replace Sub-Managers, in its sole discretion, within the investment objective, restrictions and guidelines established by the client.

For our Comprehensive Mutual Fund Fee portfolios, we consider a broad array of no-load mutual funds (and exchange-traded funds, as deemed appropriate) when making portfolio investment decisions for these clients.

For our Investible Model Portfolios Program portfolios, client accounts are invested in accordance with one of a number of model portfolios using an allocation among selected no-load mutual funds representing various asset classes. A suitable model portfolio is selected based upon factors such as the client’s personal financial circumstances, investment objectives, and risk tolerance. Some Financial Advisors may choose suitable model portfolios made available on Platforms (“Model Providers”).

Any fees due to any Sub-Manager, Model Provider, Platform or Platform service provider will be paid out of the account fee, as described more fully below. However, William Blair may negotiate a different fee arrangement with the client, for certain accounts, whereby client does not pay a Comprehensive Fee but instead pays William Blair, any Sub-Manager or Model Provider, Platform and Platform service provider separately.

### Account Fees

William Blair charges a single comprehensive fee for the provision of services to Wrap Fee Program Clients. The comprehensive fee includes investment advisory services and trade execution costs (including costs involved in purchasing and selling no-load mutual funds) for an account. Under certain limited circumstances, William Blair, as a broker or dealer, may accept unsolicited orders from clients and may charge a commission on any unsolicited order initiated by the client. We generally charge annual fees based on the following schedules although may negotiate fees with certain clients in our Wrap Fee Programs, based on various reasons, including but not limited to size of account or total assets under management:

<u>Comprehensive Fee Program</u>	<u>All Assets</u>		
First \$1 million	2.00%		
Next \$4 million	1.50%		
Next \$5 million	1.25%		
Over \$10 million	1.00%		
<u>Comprehensive Mutual Fund Fee Program</u>	<u>Mutual Funds</u>	<u>ETFs</u>	
First \$250 thousand	1.65%	0.70%	
Next \$250 thousand	1.35%	0.70%	
Next \$250 thousand	1.00%	0.70%	
Over \$750 thousand	0.65%	0.70%	
<u>Investable Models Portfolio Program</u>	<u>Mutual Funds</u>		
First \$250 thousand	1.65%		
Next \$250 thousand	1.35%		
Next \$250 thousand	1.00%		
Over \$750 thousand	0.65%		

We customarily bill fees quarterly, in advance, based on the market value of portfolio assets (including dividends and interest) as of the last day of the prior quarter. Please note that any fees due to Sub-Managers, Model Providers, Platforms and Platform service providers will be paid out of account level advisory fee paid to William Blair under one of the fee schedules listed above.

We do not charge clients in either the Comprehensive Fee Program or Comprehensive Mutual Fund Fee Program account level advisory fees on the William Blair Funds held in Wrap Fee Program accounts. We do not purchase the William Blair Funds for clients in the Investible Models Portfolio Program. However, if any Platform Sub-Manager or Model Provider purchases the William Blair Funds, account level advisory fees will be charged.

Ongoing fees can reduce the value of an investment portfolio over time. Because of the fees you pay, you have a smaller amount invested that is earning a return whether the fee is paid separately or debited from a portfolio's assets. You are encouraged to discuss the impact of fees with your Financial Advisor.

#### **Mutual Fund and ETF Fees and Expenses**

For clients whose guidelines allow us to invest a portion of their assets in mutual funds (both open-end funds and closed-end funds) or exchange traded funds:

- When we invest in shares of unaffiliated funds (funds not advised by William Blair Investment Management, LLC) in your account, you are subject to our investment management fees in addition to the mutual fund or exchange traded fund internal management fees and other expenses (as described below). In addition, exchange traded funds and closed end funds may trade at prices that vary from their net asset value, sometimes significantly. Performance of a fund pursuing a passive index-based strategy may diverge from the performance of the index.
- When we invest in shares of affiliated mutual funds (William Blair Funds advised by William Blair Investment Management, LLC) in your account, you are subject to the William Blair Funds' internal management fees and other expenses (as described below); however, we do not charge our investment management fee in addition to the William Blair Funds' internal

management fee. Instead, we exclude the assets invested in the William Blair Funds when we calculate the investment management fees we charge you.

- If any Sub-Manager or Model Provider, through a Platform, invests in shares of the William Blair Funds in your account, you are subject to the William Blair Funds' internal management fees and other expenses (as described below) in addition to the account level advisory fees discussed above.

Mutual funds, including the William Blair Funds, and exchange traded funds charge other fees and expenses in addition to internal management fees that are disclosed in each fund's prospectus. These additional fees may include distribution fees, administrative fees, service fees, sub-transfer agent fees, recordkeeping fees, and other fund operating expenses, which include but are not limited to expenses of the independent trustees, fees and expenses for legal, fund accounting, transfer agency, custody, audit, taxes, brokerage and other expenses.

These fees and expenses, including the total net operating expenses of each fund, including the William Blair Funds, are set forth in the applicable prospectus, and with respect to the William Blair Funds, some of these fees and expenses are paid by the William Blair Funds to William Blair or its affiliates. Clients can obtain more information by reviewing a prospectus for the underlying mutual funds, including the William Blair Funds, or exchange traded funds. Fees and expenses are exclusive of and in addition to any investment management fees we may charge you. As described above, we do not charge our investment management fee in addition to a Fund's internal investment management fee. William Blair's overall fee will depend on the proportion of a client's account allocated to the William Blair Funds.

William Blair and its affiliate, William Blair Investment Management, LLC, have contractually agreed to bear some of the operational expenses for many of the William Blair Funds. The extent to which William Blair or William Blair Investment Management, LLC bears these expenses varies by Fund. Therefore, when negotiating those expenses with third party service providers, William Blair and William Blair Investment Management, LLC have an economic incentive to favor a fee structure that shifts expenses from the William Blair Funds for which William Blair and William Blair Investment Management, LLC have a lesser (or no)

reimbursement obligation. Further, to the extent William Blair has discretion to allocate client assets among the William Blair Funds, they have an incentive to allocate to the William Blair Funds where William Blair or William Blair Investment Management, LLC has a limited reimbursement obligation.

Provision of services to the William Blair Funds by William Blair or William Blair Investment Management, LLC presents conflicts of interest because we may be incented to recommend the William Blair Funds based on compensation to us or our affiliates rather than a client's needs. To help manage conflicts, we have implemented various controls including the following:

- We maintain Codes of Ethics, which detail our fiduciary duty to put clients' interests ahead of our own;
- We monitor portfolio holdings to ensure they are consistent with each client's objectives; and
- We offset investment management fees on a client's assets held in the William Blair Funds (as described more fully above, a fee offset is not applicable if any third party Sub-Manager or Model Provider, through a Platform, invests your assets in the William Blair Funds).

### **Fees and Expenses Related to Trading Away**

In cases where a client's account or a portion thereof are managed by third party investment managers or Sub-Managers, the third party investment manager or Sub-Manager, in its sole discretion, may place a client's trade orders with a broker-dealer firm other than the custodian's designated broker-dealer (also known as "trading away" from that broker-dealer) if the manager determines that it must do so to comply with its best execution obligations. This means that clients who invest with third party investment managers or Sub-Managers will most likely incur execution costs (whether in the form of commissions or markup/markdowns that are built into the net price of the security) in addition to, and which will not reduce the advisory account fees. Clients should therefore take these costs into consideration when selecting and/or determining whether to remain invested in accounts managed by third party investment managers or Sub-Managers.

### **Compensation**

The Financial Advisor who manages your Wrap Fee Program account receives a portion of the

comprehensive fee you pay to us as compensation for his or her services. The Financial Advisor's annual compensation, which can range from approximately 30% to greater than 50% of the investment management fee depending upon certain criteria, is based on a graduated scale where he or she receives a greater percentage (portion) of the fee for larger relationships versus smaller accounts. Registered representatives associated with William Blair who refer clients to our Wrap Fee Programs receive a portion of the fee and commissions charged by us.

William Blair employees, including when the employees are acting in their role as registered representatives, receive compensation for their clients' investment in securities or other investment products, including asset-based compensation (such as 12b-1 fees) when the clients invest in mutual funds, including the William Blair Funds, except for William Blair's Wrap Fee Program accounts. This practice constitutes a conflict of interest for the William Blair employee (and, indirectly, William Blair) in that it may give them an incentive to recommend investment products based on the compensation received.

William Blair has negotiated a Platform Fee structure whereby it pays the Platform provider an amount that covers the Platform provider's administrative fees as well as the management fees paid by Platform provider to any Sub-Manager or Model Provider. The management fees paid by Platform providers to Sub-Managers and Model Providers vary; with some Sub-Managers and Model Providers receiving higher management fees while other Sub-Managers and Model Providers, utilizing the same investment strategy, receive lower management fees.

As William Blair retains the difference between the Comprehensive Account Fees (as described above) and the Platform Fee, William Blair has a conflict of interest in that it is incented to select a Sub-Manager receiving a lower management fee. As described above, as the Financial Advisor receives a portion of Comprehensive Account Fee, he/she is similarly incented to choose a lower cost Sub-Manager available on a Platform. In addition, as an affiliate of William Blair serves as a Sub-Manager and Model Provider on Platforms, a Financial Advisor may be more inclined to select an affiliate of William Blair than an independent, third party Sub-Manager or Model Provider. As always, clients have the option to purchase investment products through other brokers or agents that are not

affiliated with William Blair. In addition, clients should review the prospectuses for the William Blair Funds. The William Blair Funds' prospectuses are available on the William Blair Funds' website at [www.williamblairfunds.com](http://www.williamblairfunds.com) or by calling 1-800-742-7272.

William Blair has entered into agreements with NFS whereby NFS provides custodial, brokerage and certain other services for certain retail clients of William Blair. Pursuant to an agreement with NFS, NFS reimburses William Blair for certain transition fees incurred in moving new client assets to the NFS platform. In addition, through an agreement with NFS, William Blair is paid fees by NFS on most mutual funds above a certain threshold held in custody at NFS by William Blair clients. Also pursuant to an agreement with NFS, William Blair receives from NFS fees related to certain other services, including securities lending, multi-margin accounts, wire transfers, and certain fixed income trades executed through systems made available by NFS, among other services offered for certain types of client accounts as disclosed in separate agreements with NFS.

These fees cause conflicts of interest because: 1) they incentivize William Blair to recommend clients utilize NFS custodial and other services; and 2) they incentivize William Blair to recommend that clients invest in mutual funds that provide fee payments.

To help manage these conflicts, we rely on controls including the following:

- these payments and a description of conflicts are disclosed in separate client account opening documentation with NFS;
- Financial Advisors are not compensated based on revenue sharing with NFS on these fees (other than on multi-margin and securities lending); and
- Financial Advisors are obligated to employ a standard of care and comply with clients' investment guidelines and restrictions when selecting investments for clients' accounts.

The services and products available under the Wrap Fee Program may be available through other independent investment advisers, and in certain instances, directly via a custodian or another third-party administering a Platform. In addition, clients may be able to access a Sub-Manager directly. Finally, certain Sub-Managers available through the Platform are also available through the William Blair Select open architecture platform. As such,

clients may be able to access Sub-Managers, services and products at a lower cost through other channels.

For these reasons, your Financial Advisor may have a greater financial incentive to recommend a Wrap Fee Program account and make certain types of investments over other investment options. To help manage conflicts of interest that may arise, we have various controls in place including the following:

- We maintain written policies (and provide periodic training) requiring our employees to uphold our fiduciary duty to place clients' interests ahead of our own;
- New accounts and client documentation are reviewed by dedicated personnel prior to opening; and
- We maintain procedures to periodically review portfolio holdings and transactions for unusual activity.

*The overall cost of a Wrap Fee Program account may be higher than you otherwise would pay if you paid our standard investment management fee schedule and negotiated transaction costs and other services such as custody through us or another financial institution.*

#### **Compensation from Individual Retirement Accounts**

William Blair receives compensation from clients whose assets are invested in an Individual Retirement Account ("IRA"). William Blair, its Investment Counselors and PCA Advisors have a conflict of interest when they recommend that a participant roll money out of an employer retirement plan, such as a 401(k) plan, and into an IRA that will generate ongoing fees for the firm and the Investment Counselor/PCA Advisor. Even though William Blair and its employees are NOT compensated for making the recommendation, we will receive compensation for services under an investment advisory agreement should the retirement investor follow our recommendation to rollover their money into an IRA with William Blair. Investing assets in a William Blair IRA most likely will result in higher fees than investing through an employer's retirement plan.

To help manage this conflict of interest, we have implemented various controls, including the following:

- We provide retirement investor clients and prospects are provided with “Information Regarding Transfers, Distributions, and IRA Rollovers”; and
- We review recommendations to a retirement investor client or prospect for

compliance with the “Impartial Conduct Standards” (as set forth under the Department of Labor’s fiduciary rule, applicable as of June 9, 2017).



## **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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### **Account Requirements**

William Blair generally requests a minimum account size of \$100,000 for the Comprehensive Fee Program, \$20,000 for the Comprehensive Mutual Fund Fee Program, and \$20,000 for the Investible Model Portfolios Program. Mutual fund investment options considered for our Wrap Fee Programs may impose investment minimums as described in the funds' prospectuses, which are available from your Financial Advisor. We reserve the right to negotiate fees or accept accounts below our stated minimums.

### **Types of Clients**

William Blair generally manages Wrap Fee Program accounts for the following client types:

- Individuals
- High net worth clients
- Trusts
- Foundations
- Retirement Plans

## ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION

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### **Comprehensive Fee Program – Portfolio Management**

Financial Advisors (who are William Blair employees) are primarily responsible for managing our client's Comprehensive Fee Program portfolios. Our Financial Advisors design custom portfolios based on each client's financial circumstances, investment objectives and risk considerations. In choosing investments for Comprehensive Fee portfolios, we consider a broad array of securities and investment vehicles including equity securities, debt securities, mutual funds or other investments that would be suitable for a client based on their particular circumstances.

As discussed above, some Financial Advisors will select Sub-Managers available through Platforms. A William Blair affiliate may be one of the Sub-Managers available for certain strategies that are available on the Platforms. In addition, William Blair conducts due diligence on those Sub-Managers that are also available on the William Blair Select platform, and additionally, Financial Advisors may access a network of Sub-Managers evaluated via third-party Sub-Manager Platforms. William Blair does not independently conduct due diligence on Sub-Managers available on the Platform unless that Sub-Manager is also available on the William Blair Select platform. The Financial Advisor will select a Sub-Manager based on the investment objectives for that portion of the client's assets delegated to the Platform Sub-Manager, subject to supervisory approval. The Platform providers have discretion to remove Sub-Managers on their Platform.

### **Comprehensive Mutual Fund Fee Program – Manager Selection**

Financial Advisors are responsible for managing our clients' Comprehensive Mutual Fund Wrap Program portfolios. William Blair selects third party mutual funds, the William Blair Funds, and third party exchange-traded funds ("ETFs") for its Comprehensive Mutual Fund Fee Program portfolios. Our Financial Advisors work with analysts of William Blair Select, our open architecture investment platform, when choosing mutual funds or ETFs as options for our Comprehensive Mutual Fund Fee portfolios.

William Blair seeks to identify a diverse selection of investment strategies that focus on particular asset

classes and styles. In recommending investments for our Comprehensive Mutual Fund Fee portfolios, we emphasize asset allocation to help manage risk and return in portfolios. In our research-driven investment process, we seek to find mutual funds managed by investment teams that meet our key criteria including the following:

- Expertise in a specific discipline;
- Investment philosophy based on sound capital markets theory;
- Repeatable investment process that supports the investment philosophy;
- Structured approach to managing risk;
- Stable organizational structure supportive of future growth;
- Track record consistent with successful implementation of the investment philosophy; and
- High level of organizational capability

The weight given to a particular criterion will depend on the circumstances, and investments may not meet all of these criteria.

### **Investible Model Portfolios Program**

Under the Investible Model Portfolios Program, a client's account is managed on a discretionary basis according to one of a number of proprietary model asset allocation strategies developed by the William Blair Select research team. The analysts select third party no-load mutual funds to represent the various asset classes included in each of the model portfolios. All of the strategies and mutual funds utilized in the model portfolios were on, or continue to be on, the William Blair Select open architecture platform and are subject to strict due diligence procedures and research by the William Blair Select research team. The William Blair Select Investible Model Portfolios span different levels of the risk/return spectrum. Typically a suitable model portfolio is selected based upon the client's financial circumstances, investment objectives and risk tolerance. Client portfolios are re-balanced by William Blair Select operations personnel at least annually if necessary to re-align the asset allocation with the relevant model portfolio.

In addition, Financial Advisors will be able to access Model Providers offered on a Platform. In some cases, the Model Provider is an affiliate of William Blair. In general, the Platform provider has

conducted due diligence on the Model Provider or acts as an overlay manager utilizing model portfolios provided by the Model Provider. William Blair does not independently conduct due diligence on unaffiliated Model Providers available on a Platform. The Financial Advisor will select a Model Provider based on the investment objectives for the portion of the client's assets delegated to the Platform Model Provider.

### **Performance Monitoring**

For mutual funds available in our Comprehensive Mutual Fund Fee Program and our Investible Model Portfolios Program, members of William Blair Select, our open architecture platform, review mutual fund performance on at least a quarterly basis. Clients should be aware that the William Blair Funds that are included in Wrap Fee Program portfolios are not subject to the same level of scrutiny as those managed by unaffiliated third parties.

### **Portfolio Management for William Blair-Sponsored Wrap Programs**

Financial Advisors provide portfolio management services for clients in our Comprehensive Fee, Comprehensive Mutual Fund Fee, and Investible Model Portfolios Programs that we also sponsor. Conflicts of interest may arise because our Financial Advisors may be incented to recommend our Wrap Fee Programs over other suitable investment options due to the nature of compensation as described in Item 4 in this Brochure. To help manage conflicts, we employ compliance controls as described in Item 4 of this Wrap Program Brochure.

### **Investment Advisory Business**

William Blair provides discretionary investment management services to individual and institutional clients for a fee through Investment Counselors and Private Client Advisors. We provide non-discretionary investment management services for a fee on a limited basis. As an investment adviser, William Blair provides customized wealth management to individuals, smaller institutions, high net worth and wrap program clients.

As of December 31, 2016, William Blair had approximately \$16 billion in assets under management, of which, we managed approximately 99.9% on a discretionary basis and 0.06% on a non-discretionary basis.

### **Availability of Tailored Services for Clients**

As a discretionary investment manager, we provide investment advice and actively manage client accounts based on each client's investment objectives. We accept investment restrictions from clients if the restrictions do not hinder our ability to execute our investment strategies. A client may impose reasonable restrictions on the management of account assets being managed on a Platform, such as, the designation of particular securities or types of securities that should not be purchased or that should be sold if held in the account. As the client will not be able to communicate directly with any Sub-Manager or Model Provider available through a Platform, client should communicate these reasonable restrictions to their William Blair Financial Advisor. Client should communicate any changes in investment objectives and restrictions as well as changes in financial condition to their William Blair Financial Advisor.

### **Performance Based Fees and Side-by-Side Management**

William Blair does not offer performance-based fee arrangements to its Wrap Fee Program clients. Although our affiliate, William Blair Investment Management, LLC also manages mutual funds and funds-of-hedge funds, these products are managed by separate and distinct investment teams from our Financial Advisors.

Our Financial Advisors manage multiple portfolios for clients whose portfolios can vary based on investment objectives, restrictions or account size, among other reasons. Management of multiple portfolios can give rise to conflicts of interest including the possibility of preferential treatment of certain portfolios. To help manage conflicts, we have implemented controls designed to help ensure we treat clients' portfolios fairly over time:

- Department Managers (or their designate) routinely review purchase and sales in clients' portfolios;
- We periodically review portfolio holdings across accounts from administrative, accounting and investment perspectives; and
- Our compliance department monitors Financial Advisors' portfolio trading activity.

## Methods of Analysis

William Blair is an active investment manager and utilizes a variety of methods and strategies to make investment decisions and recommendations. When evaluating investment opportunities, we employ fundamental and technical research methods using various resources such as financial news sources and websites; corporate data; ratings services; third party research; SEC filings (e.g., annual reports, prospectuses); company press releases; and proprietary research. Our Financial Advisors frequently rely upon investment information provided by our firm's research analysts as well as our William Blair Select team for mutual fund information. Investment Counseling has access to research provided by the William Blair Investment Management, LLC Institutional Investment Management team. The Investment Counseling group determines when or if to act upon research information received and can buy or sell securities that differ from when institutional portfolio management teams choose to act on information. Because our Investment Counseling group has access to institutional research, all members of the group are considered Access Persons subject to compliance policies and procedures, including a Code of Ethics.

If a Financial Advisor selects either a Sub-Manager or Model Provider available on a Platform, those Sub-Managers and Model Providers utilize a variety of analytical methods when making investment decisions. For a more detailed description, please see the individual Sub-Manager's or Model Provider's Form ADV, Part 2A.

## Investment Strategies

As described above, our Financial Advisors design custom portfolios based on each client's financial circumstances, investment objectives and risk considerations and consider a broad array of securities and investment vehicles including equity securities, debt securities, mutual funds or other investments, as well as the hiring of Sub-Managers and Model Providers available on a Platform, that would be suitable for a client based on their particular circumstances. In cases of our Comprehensive Mutual Fund Fee Program, Financial Advisors work with analysts in William Blair Select, our open architecture investment platform, when choosing mutual funds (or exchange-traded funds) for portfolios.

If a Financial Advisor selects either a Sub-Manager or Model Provider available on a Platform, those

Sub-Managers and Model Providers employ various investment strategies when making investment decisions. For a more detailed description, please see the individual Sub-Manager's or Model Provider's Form ADV, Part 2A.

## RISK OF LOSS

All investments in securities involve a risk of loss of your principal (invested amount) and any profits that have not been realized (i.e., the securities have not been sold to "lock in" the profit). Stock markets and bond markets fluctuate substantially over time, and performance on any investment is not guaranteed. There is no guarantee that any investment strategy will achieve its stated investment objectives. Neither William Blair, Sub-Advisers nor Model Providers can guarantee any level of performance or that you will not experience a loss of account assets.

## Common Risks Associated with Equity Investments

Investments in equity securities can expose you to certain specific risks such as the following:

- **Equity securities.** Equity securities (stocks) held in your portfolio may decrease in response to activities of companies or market and economic conditions.
- **Growth stocks.** Growth stocks may be more sensitive to market movements because their prices tend to reflect future investor expectations rather than just current profits and may underperform value stocks during given periods.
- **Value stocks.** Value stocks may perform differently from the market as a whole and may be undervalued by the market for a long period of time and may underperform growth stocks during given periods.
- **Small-capitalization companies.** Small cap stocks may exhibit erratic earnings patterns, competitive conditions, limited earnings history, and a reliance on one or a limited number of products.
- **Initial public offerings.** Initial public offerings (IPOs) are subject to high volatility and limited availability.
- **Private placements.** Private placements may be classified as illiquid and difficult to value.
- **Options.** Purchasing options involves the risk that the underlying instrument will not change

price in the manner expected, so an investor loses their premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security, which could result in a potentially unlimited loss.

#### **Common Risks Associated with Non-U.S. Investments**

Investments in non-U.S. securities can expose you to certain specific risks such as the following:

- **Current market conditions.** In recent years, debt and equity markets, domestic and foreign, have experienced increased volatility and turmoil, which can adversely impact your portfolio.
- **Liquidity in financial markets.** The financial markets in the U.S. and elsewhere have experienced a variety of difficulties and changed economic conditions, which could adversely impact the value of your portfolio's assets.
- **Government intervention and market disruptions.** The global financial markets recently have undergone fundamental disruptions that have led to extensive and unprecedented government intervention that could prove detrimental to the efficient functioning of the markets and adversely impact your portfolio.
- **Options.** Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so an investor loses their premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security, which could result in a potentially unlimited loss.
- **Foreign markets.** Foreign markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.
- **Foreign securities.** Foreign stocks are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.
- **Foreign currency exchange rates.** Foreign exchange rates may adversely affect the value of investments in foreign securities held in your portfolio.
- **Emerging markets.** Securities traded in certain emerging markets may be subject to risks due

to the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations, and the possibility of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries.

#### **Common Risks Associated with Fixed Income Investments**

Investments in fixed income securities can expose you to certain specific risks such as the following:

- **Credit risk.** Fixed income securities (bonds) are subject to the risk that the bond issuers may not be able to meet interest or principal payments when the bonds come due.
- **Below investment grade rated securities.** Below investment grade bonds are subject to a higher probability that the issuers may not be able to meet payment of interest or principal on a timely basis or at all. These securities also may be less liquid than investment grade securities and experience higher price volatility. It may not be possible to sell these securities at the desired price and within a given time period.
- **Interest rates.** Interest rates may adversely affect the value of an investment. An increase in interest rates typically causes the value of bonds and other fixed income securities to fall. Interest rates continue to be at historic lows. Investments with longer maturities, which typically provide higher yields than securities with shorter maturities, may subject a portfolio to increased price changes resulting from market yield fluctuations.
- **Income risk.** The income received by a portfolio may decrease as a result of a decline in interest rates.
- **Liquidity risk.** Investments that trade less can be more difficult or more costly to buy, or to sell, than more liquid or active investments. It may not be possible to sell or otherwise dispose of illiquid securities both at the price and within a time period deemed desirable. Securities subject to liquidity risk include emerging market securities, Rule 144A securities, below investment grade securities and other securities without an established market.

- **Prepayment risk.** There is a risk of prepayment of high interest rates in mortgage- and asset-backed securities. This risk arises when market interest rates are below the interest rates charged on the loans that comprise the securities. Elevated prepayment activity may result in losses in these securities.

#### **Common Risks Associated with Selection of Third Party Investment Managers**

Investments in programs that utilize third party investment managers are subject to risks depending upon the strategy and types of securities. William Blair selects third party investment managers based on, among other things, their management style and performance track record. However, a third party investment manager's past performance is not a guarantee of future results. As such, investment strategies may fail to produce the intended results. Clients are encouraged to carefully review documentation related to the proposed third party investment managers' strategies in detail. Clients should consider all of the risks associated with the types of transactions and securities involved in strategies managed by third party investment managers, as well as any potential impact that engaging in transactions for these strategies may have on an account's overall performance.

If a client selects a third party investment manager, a client should understand that, notwithstanding any discretionary authority granted to William Blair, William Blair does not have any influence over the third party investment manager's investment decisions or securities selections.

#### **Voting Client Securities**

Clients typically retain voting responsibility for proxies for securities held in their Comprehensive Fee Wrap Program portfolios. In certain cases, William Blair will accept voting responsibility. For those portfolios, we will vote proxies in accordance with William Blair's Proxy Voting Policy and Procedures. In cases where William Blair has proxy voting authority, we will vote the proxies of our clients solely in the interest of our clients' participants and beneficiaries and for the exclusive purpose of providing benefits to them. We act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. We are not responsible for voting proxies we do not receive. However, the firm will make reasonable efforts to obtain missing proxies. Sub-Managers will typically retain voting responsibility for proxies. For a more detailed description of a particular Sub-Manager's proxy voting policies and procedures, please see that Sub-Manager's Form ADV, Part 2A.

Clients and prospects may obtain a copy of our proxy voting policies and procedures upon request by contacting us at (312) 236-1600 or [imcompliance@williamblair.com](mailto:imcompliance@williamblair.com). We will make available to our clients a report on proxy votes cast on their behalf upon their request. Clients may contact us at (312) 236-1600 or [imcompliance@williamblair.com](mailto:imcompliance@williamblair.com) for this information.

***Proxy voting typically is not applicable to the Comprehensive Mutual Fund Fee or the Investible Model Portfolios Programs.***

## **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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Because our Financial Advisors serve as portfolio manager for their own Wrap Fee Program clients, they are able to gain comprehensive knowledge about clients' unique financial situations, investment objectives and risk considerations. The Financial Advisors also are able to address clients' specific investment restrictions since portfolios are managed on an individualized basis. Financial Advisors solicit this information from clients during the account opening process. Financial Advisors periodically communicate with their clients and solicit information regarding changes to clients' information.

In addition, some Platform providers and their underlying Sub-Managers require information from clients, such as agreement to their standard terms & conditions, a client profile or application and other related documentation (including, in some

instances, the opening of custodial and/or brokerage accounts). Your Financial Advisor will work with you to obtain any Platform required documentation.

A client may impose reasonable restrictions on the management of account assets being managed on a Platform, such as, the designation of particular securities or types of securities that should not be purchased or that should be sold if held in the account. As the client will not be able to communicate directly with any Sub-Manager or Model Provider available through a Platform, client should communicate these reasonable restrictions to their William Blair Financial Advisor. Client should communicate any changes in investment objectives and restrictions as well as changes in financial condition to the William Blair Financial Advisor.

## **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

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Because our Financial Advisors serve as portfolio managers for their Wrap Fee Program clients, they are available to speak with clients as needed and routinely communicate with clients to solicit information regarding any changes to clients' financial circumstances or investment objectives.

Portfolio managers for mutual funds in the Comprehensive Mutual Fund Fee Program are not

generally available to wrap clients; however, the Financial Advisors are readily available to address questions or concerns regarding these investments. As discussed above, a client will not be able to communicate directly with any Sub-Manager or Model Provider available through a Platform. Client should communicate any changes in investment objectives and restrictions as well as changes in financial condition to the William Blair Financial Advisor.



## ITEM 9 – ADDITIONAL INFORMATION

### Disciplinary Information

As described in Item 9 of William Blair's Form ADV Part 2A, in May 2017, the SEC found that from 2010 until 2014, as a result of erroneous payments, William Blair negligently used mutual fund assets to pay for (i) distribution and marketing of fund shares outside of a written, board-approved rule 12b-1 plan and (ii) sub-transfer agent ("Sub-TA") services in excess of board-approved limits. These payments totaled approximately \$1.25 million and rendered certain of William Blair Funds' disclosures concerning payments for distribution and Sub-TA services inaccurate. As a result of this conduct, William Blair violated Section 206(2) of the Investment Advisers Act and Section 34(b) of the Investment Company Act, and caused the William Blair Funds to violate Section 12(b) of the Investment Company Act and Rule 12b-1 thereunder. The SEC alleged that William Blair also failed to fully disclose to the William Blair Funds' Board of Trustees that William Blair (and not a third-party service provider) would retain a fee for providing shareholder administration services to the William Blair Funds under a shareholder administration services agreement between certain of the Funds and William Blair. As a result of this conduct, William Blair violated Section 206(2) of the Investment Advisers Act.

Without admitting or denying the findings, except as to the SEC's jurisdiction over it and the subject matter of these proceedings, which are admitted, William Blair consented to the entry of an order instituting cease-and-desist proceedings, pursuant to Section 203(k) of the Investment Advisers Act and Section 9(f) of the Investment Company Act, making findings, and imposing a cease-and-desist order. William Blair also was assessed by the SEC a civil money penalty in the amount of \$4,500,000.

Also as described in Item 9, in May 2013 the Swiss Financial Market Supervisory Authority ("FINMA") found William Blair to have negligently failed to comply with Swiss securities regulations due to William Blair's late filing of shareholding reports in two instances. Swiss regulations require that a person who acquires or sells shares of a company incorporated in Switzerland whose equity securities are listed in whole or in part in Switzerland and thereby attains, falls below or exceeds the threshold percentages of voting rights send notifications to FINMA and the company. Such notifications must be received by FINMA and the company within four

trading days. In this case, William Blair exceeded the 3% threshold (the lowest threshold for reporting purposes) in two separate instances and reported such transactions three calendar days after the deadline. FINMA deemed these matters to be simple negligence. However, William Blair was assessed a fine in the amount of CHF 9,000, which was approximately \$9,315 (USD) at exchange rates current at the time the fine was assessed. This amount corresponds to 0.9% of the maximum fine of CHF 1,000,000. William Blair was also assessed procedural costs of CHF 1,570, which was approximately \$1,625 (USD) at exchange rates current at the time the costs were assessed.

Our Form ADV Part 1A describes this and several disciplinary items relating to our business as a broker-dealer. Our Form ADV Part 1A is available for review on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Other Financial Industry Activities and Affiliations

As described in Form ADV Part 2A, William Blair is a global investment firm with diverse financial services activities by the firm and its affiliates including the following:

- Securities Broker/Dealer Business
- Commodities and Futures Registrations
- Affiliated Mutual Funds
- Sub-Advisory Activities for Other Pooled Funds
- Investment Banking
- Private Investment Offerings (e.g., limited partnerships, funds-of-hedge funds, multi-advisor commodity pools)
- Model Portfolio Provider
- Financial Planning and Advisory
- Corporate and Executive Services
- Sell Side Equity Research
- Institutional Sales and Trading

### Code of Ethics

William Blair has adopted two separate Codes of Ethics, one for Investment Counseling and one for the PCA group, pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that governs a number of conflicts of interest we have when providing our advisory services to our clients. We have designed our Codes of Ethics to help ensure we meet our fiduciary obligation to our clients and to

the William Blair Funds we manage as well as to emphasize a culture of compliance within our firm.

We distribute our Codes to each employee, including Access Persons (as defined under Rule 204A-1 under the Investment Advisers Act) at the time of hire and annually thereafter. We also supplement the Codes with annual training and monitor activity on an on-going basis. In accordance with our Codes, employees must:

- Pre-clear most all personal securities transactions for Investment Counseling employees; as PCA group employees are not considered "Access Persons," (i.e., a supervised person of William Blair or William Blair Investment Management, LLC" who has access to nonpublic information about clients' transactions and portfolio holdings) they are not required to pre-clear their personal transactions;
- Report their transactions in reportable securities quarterly and disclose reportable securities holdings annually;
- Disclose all securities accounts in which they have a beneficial interest (i.e., they are the account owner or have a present economic interest in the account);
- Adhere to prescribed holding period requirements for most all personal securities transactions for Investment Counseling employees; as PCA group employees are not considered "access persons," they are not required to adhere to a prescribed holding period;
- Refrain from purchasing securities in an initial public offering (IPO) and obtain prior approval for participation in limited offerings;
- Receive approval prior to engaging in outside business activities, including serving on any Board of Directors of a public company;
- Report gifts and business entertainment; and
- Certify on a periodic basis as to compliance with our Codes.

PCA group employees are governed by a similar Code of Ethics addressing conflicts of interest. As PCA employees are not considered Access Persons, as defined above, they are subject to different

personal trading restrictions than those set forth above.

If you would like a copy of either Investment Counseling's or PCA's Code of Ethics, please contact our Compliance team at [imcompliance@williamblair.com](mailto:imcompliance@williamblair.com) or (312) 236-1600 or write to us at the following address:

William Blair & Company, L.L.C.  
Attn: IM Compliance  
150 North Riverside Plaza  
Chicago, IL 60606

### **Securities in which William Blair has a Financial Interest**

Because of our diverse financial services activities, William Blair or its affiliates have financial interests in various securities including the William Blair Funds, William Blair SICAV, William Blair Private Funds as well as securities of corporations to which we provide investment banking and other corporate and executive services. We or our affiliates also have financial interests in securities for which William Blair Investment Management, LLC serves as subadviser (such as other mutual funds or collective investment trusts).

In our position as an investment adviser, we sometimes recommend to our clients that they purchase or sell securities in which we have a financial interest, or in cases where we have investment discretion, we may purchase or sell those securities on behalf of our clients. In addition, our participating affiliate, William Blair International, Ltd, may recommend to or invest in the same securities for its own clients as securities in which William Blair or its clients have an interest. This creates a conflict because we may be incented to promote these securities over others. A conflict also may arise in situations where we may restrict or refrain from making investment recommendations on particular securities because we are actively engaged in investment banking activities for issuers of those corporate securities.

To help manage these conflicts, we rely on various compliance controls including the following:

- We maintain Codes of Ethics, which reinforces our fiduciary duty to clients, and conduct periodic training on our Codes;
- We have written policies and procedures that clearly prescribe processes for

employees when recommending investments for our clients;

- We utilize technological tools to help monitor portfolio activities;
- We review clients' portfolios to ensure investments are consistent with clients' investment guidelines and restrictions;
- We typically solicit client consent to invest in the William Blair Funds for their investment advisory accounts;
- In cases where we purchase the William Blair Funds in clients' investment advisory accounts, we do generally not charge additional investment advisory fees on the portion of assets invested in our William Blair Funds; and
- We have information barriers in place to prevent dissemination of material, non-public information between our various business groups.

### **Personal Securities Trading**

Because William Blair permits its employees to engage in personal securities transactions, our employees may buy or sell securities that we have recommended to clients for their own personal accounts in a manner that is inconsistent with our recommendations to clients. As an example, an employee may buy a particular security that we recently have sold for clients. This may create a conflict because employees could be motivated to favor their own investment interests over clients' interests. In addition, an employee or an employee of our affiliate, William Blair Investment Management, LLC, may make a personal investment in the securities of our clients' companies. This creates a conflict because employees could be motivated to favor their own investment interests or the interests of certain clients over others. To help manage these conflicts, we rely on various compliance controls including the following:

- We maintain Codes of Ethics, which reinforces our fiduciary duty to clients;
- We require pre-clearance and reporting of most all personal transactions in covered securities for Investment Counseling employees;
- In cases where we are purchasing or selling securities for clients' accounts, we routinely prohibit employees from transacting in the

same securities for their own accounts until trades are completed for all client accounts;

- We monitor employees' personal securities transactions in an effort to identify patterns or improper activities; and
- We have holding period requirements for most all personal securities activities of our Investment Counseling employees to deter short-term or frequent trading.

As discussed above, PCA employees are governed by a similar Code of Ethics addressing conflicts of interest. As PCA employees are not considered Access Persons, as defined above, they are subject to different personal trading restrictions than those set forth above.

### **Review of Accounts**

Financial Advisors routinely review clients' accounts for appropriateness and relative value of investments. The Financial Advisors participate in routine meetings to discuss current developments and relative merits of particular investments. Holdings for each account are valued in our portfolio accounting systems. Managers (or their delegates) and/or Compliance also periodically review purchases and sales in clients' portfolios.

Clients receive broker confirmations for transactions or instead may opt for monthly transaction statements. William Blair also provides quarterly statements that detail portfolio holdings and appraisals. Performance reports may be furnished at least annually or upon request. In addition, clients can access investment reporting through their secure account on the "My William Blair" platform.

### **Client Referrals and Other Compensation**

As described in Item 14 of William Blair's Form ADV Part 2A, William Blair may enter into agreements whereby we compensate eligible third parties for referring client business to our firm. Registered representatives associated with William Blair who refer clients to our Wrap Fee Programs receive a portion of the fee and commission charged by us. These arrangements do not increase the client's fees.

From time to time, we also may buy from third parties certain services or products used in our investment advisory business or pay registration or other fees toward or assist in sponsoring such parties' industry forums, seminars or conferences.

We pay these contributions and payments out of our own resources. The amount of payments and the value of items and benefits may or may not be substantial. These payments, items and benefits could give the recipients incentives to favor our investment management services and other William Blair-affiliated investment products and services over those of investment management firms that do not provide the same payments, items and benefits. Conversely, from time to time, third parties may defray costs of William Blair sponsored training events and conferences. These payments create a conflict of interest in that William Blair may be incented to favor products offered by these third parties over those third parties that do not. However, these payments are subject to our internal policies that address and, in some cases, limit payments with the overall aim to avoid compromising advice or recommendations given to clients by special incentives or compensation arrangements.

Please note that William Blair pays for and receives services from Platform providers or their affiliates. William Blair receives a discount on the cost of these services based on the level of our clients' assets on the Platform. Therefore, William Blair has a conflict of interest in that there is an incentive to increase the amount of its clients' assets on a Platform to reduce the cost of other services received from the Platform provider or its affiliates.

William Blair also receives fees from certain investment companies (mutual funds) under Rule 12b-1 under the Investment Company Act of 1940 with respect to investment company shares acquired for clients' portfolios. William Blair employees, acting in their role as registered representatives may receive compensation (including 12b-1 fees) for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, except from William Blair's Wrap Fee Program accounts. This practice may constitute a conflict of interest for William Blair or the employee in that it may give them an incentive to recommend investment products based on the compensation received. As always, clients have the option to purchase investment products through other brokers or agents that are not affiliated with William Blair.

As described in Item 10 of William Blair's Form ADV Part 2A, William Blair acts as distributor for the William Blair Funds and receives for its services a shareholder/distribution services fee from certain

share classes of each Fund as described in the William Blair Funds' prospectuses and statements of additional information. This constitutes a conflict of interest for William Blair in that its employees may be incented to recommend investment in share classes subject to the above-described fees. William Blair's registered representatives are responsible for understanding the availability of sales charge discounts to provide the client the opportunity to purchase a Fund under the most favorable terms available. Clients also have the option to invest in securities other than the William Blair Funds.

#### **Financial Information**

William Blair has no known financial condition that we believe is likely to impair our ability to meet our commitments to our investment advisory clients. Additionally, we have not been the subject of any bankruptcy petition during the past ten years. You may obtain a copy of our most recent financial statement on our website at [www.williamblair.com](http://www.williamblair.com) under "Statement of Financial Condition".