

## Overview

### William Blair Small-Mid Cap Growth CIT

Prepared for Tennessee Valley Authority

#### Objective

The William Blair Small-Mid Cap Growth Collective Investment Trust (CIT) seeks to outperform its benchmark, the Russell 2500 Growth Index, and its peers over a full market cycle.

#### Characteristics

The CIT is a diversified portfolio of 65–80 holdings, investing in common stocks of small and mid cap quality companies that are expected to have solid growth in earnings.

#### Why Consider This Strategy?

- The William Blair Small-Mid Cap Growth CIT is managed in a similar fashion to other accounts with the William Blair Small-Mid Growth strategy
- Designed to provide strong long-term investment returns with limited risk
- Applies a time-tested, fundamental research approach to assess a company's growth sustainability and critical success factors
- Utilizes William Blair's Research Agenda to ensure portfolio managers and analysts continually focus on the most attractive portfolio candidates
- Managed by an experienced, long-tenured portfolio management team

#### Portfolio Facts and Statistics<sup>1</sup>

|  |           |
|--|-----------|
| Inception Date                                 | 4/30/2012 |
| Strategy Assets (\$B)                          | \$5.3     |
| Annual Investment Advisory Fee                 | 0.85%     |
| Number of Holdings                             | 70        |
| Weighted Average Market Cap (\$B) <sup>1</sup> | \$5.6     |
| P/E Ratio (Next 12 Months)                     | 19.6x     |
| EPS Growth (Projected)                         | 14.7%     |
| Trailing 1-Year Turnover                       | 43.7%     |
| Cash <sup>2</sup>                              | 1.2%      |

#### Top Ten Holdings (%)<sup>4,5</sup>

| Company                           | Industry                         | % of Portfolio |
|-----------------------------------|----------------------------------|----------------|
| Guidewire Software Inc.           | Software                         | 2.72           |
| Six Flags Entertainment Corp.     | Hotels Restaurants & Leisure     | 2.37           |
| j2 Global Inc.                    | Internet Software & Services     | 2.27           |
| Mettler-Toledo International Inc. | Life Sciences Tools & Services   | 2.14           |
| Ligand Pharmaceuticals Inc.       | Biotechnology                    | 2.11           |
| MEDNAX Inc.                       | Health Care Providers & Services | 2.10           |
| CBOE Holdings Inc.                | Diversified Financial Services   | 2.02           |
| Affiliated Managers Group Inc.    | Capital Markets                  | 1.96           |
| Jarden Corp.                      | Household Durables               | 1.95           |
| CoStar Group Inc.                 | Internet Software & Services     | 1.91           |
| <b>Total Top Ten</b>              |                                  | <b>21.55</b>   |

#### Portfolio Management



**Karl Brewer, CFA, Partner  
Portfolio Manager**

- 25 years industry experience
- 19 years with William Blair
- M.B.A., Northwestern
- B.A., Washington and Lee



**Dan Crowe, CFA, Partner  
Portfolio Manager**

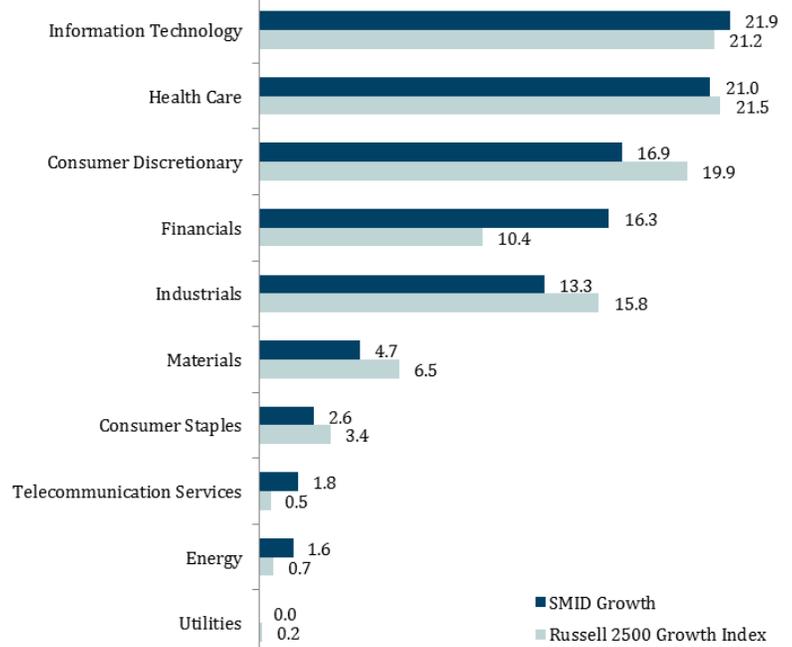
- 16 years industry experience
- 4 years with William Blair
- B.S., University of Illinois



**Rob Lanphier, Partner  
Portfolio Manager**

- 28 years industry experience
- 28 years with William Blair
- M.B.A., Northwestern
- B.A., Purdue

#### Sector Diversification (%)<sup>4,5</sup>



# William Blair SMID Growth

## Performance for Periods Ended 12/31/15

| Performance (%)           | 4Q 15 | 1 Year | Annualized Since CIT Inception* |
|---------------------------|-------|--------|---------------------------------|
| SMID Growth CIT (Gross)   | 3.24  | 6.07   | 14.74                           |
| SMID Growth CIT (Net)     | 3.02  | 5.18   | 13.77                           |
| Russell 2500 Growth Index | 3.81  | -0.19  | 12.42                           |

\*Inception Date: 4/30/2012

**Past Performance does not guarantee future results. Results shown assume reinvestment of dividends and capital gains. Performance shown reflects the deduction of trading expenses. Net performance shown also reflects the deduction of investment management fees. Investment management fees for the partial period have been estimated. Fees are described in detail in Part 2 of Form ADV.**

## Market Cap Diversification (%)<sup>3</sup>

| Market Cap      | Portfolio | Index <sup>3</sup> |
|-----------------|-----------|--------------------|
| >\$10 billion   | 9.2       | 5.0                |
| \$4–10 billion  | 57.4      | 43.7               |
| \$2–4 billion   | 15.7      | 26.6               |
| \$0.5–2 billion | 17.7      | 21.4               |
| <\$0.5 billion  | 0.0       | 3.3                |

## Annual Fee

This table describes the fees and expenses that you may pay if you invest in the CIT.

Per \$1,000

Annual Investment Advisory Fee\* \$8.50

\*The William Blair Small-Mid Cap Growth CIT is managed in a similar fashion to the William Blair Small-Mid Cap Growth Fund. The CIT has a different fee structure (0.85% with a maximum fee capped at 1.00%) than the William Blair Small-Mid Cap Growth Fund (1.10%). Plan participants will save approximately \$2.50 (per \$1,000 invested) by electing to invest in the William Blair Small-Mid Cap Growth CIT.

### Notes:

- 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. **Unweighted Median Market Capitalization:** This calculation represents the median market capitalization of the stocks in the portfolio, regardless of the amount of each stock owned. **P/E (Price/Earnings) Ratio:** This ratio is a measure of valuation. It relates the price of the stock to the earnings per share (EPS) of the company. A stock with a higher P/E ratio would be considered more expensive relative to another stock with a lower P/E. An investor may pay a higher P/E for a stock for several reasons including, but not limited to, an expectation that the company possesses higher returns on invested capital, less economic sensitivity, higher consistency of earnings and/or higher earnings growth potential. **EPS (Earnings Per Share) Growth Rate Projected (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 year. From a portfolio perspective, the portfolio P/E ratio and EPS Growth Rate are the weighted averages of the individual holdings' P/E ratios and EPS Growth Rates. **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.
- Cash represents cash and any short-term or overnight investments held by the portfolio. It does not reflect the impact of any executed investment trades that have not reached their settlement date by quarter end.
- The Russell 2500<sup>TM</sup> Growth Index measures the performance of those Russell 2,500 companies with above average price-to-book ratios and forecasted growth rates.
- Top ten holdings are shown as % of total net assets. Sector and market cap diversification exclude cash equivalents.
- Information about the portfolio's holdings should not be considered investment advice. There is no guarantee that the portfolio will continue to hold any one particular sector. Holdings are subject to change at any time.

### Disclosure:

Investing in smaller and medium capitalization companies involves special risks, including higher volatility and lower liquidity. Small and mid cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition.

As used in this document, "William Blair" refers to William Blair Investment Management, LLC and the Investment Management division of William Blair & Company, L.L.C. unless otherwise noted. For more information about William Blair, please see <http://www.williamblair.com/About-William-Blair.aspx>.