This material is authorized for distribution only when accompanied or preceded by a current prospectus of the William Blair Small Cap Growth Fund. 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. To obtain an additional prospectus, please call 1-800-742-7272. Please read it carefully before you invest or send money.

After December 31, 2005, this material must be accompanied by a William Blair Fund Update, which includes performance data and top ten portfolio holdings for the most recent calendar quarter.

Performance cited in this article is historical. Past performance does not guarantee future results and the Fund's current performance may be higher or lower that that quoted. For the most current month-end performance information, please call 1-800-742-7272, or visit our Web site at www.williamblairfunds.com. Returns shown are average annual returns, which assume reinvestment of dividends and capital gains. From time to time, the investment adviser may waive fees or reimburse expenses for the Fund. Without these waivers, performance would be lower. Investment returns and principal will fluctuate and you may have a gain or loss when you sell shares. Class N shares are available to the general public without a sales load. **Investing in smaller companies involves special risks, including higher volatility and lower liquidity.**

The Small Cap Growth Fund's Class N shares since inception (12/27/99) return for the period ended September 30, 2005—the Fund's most recent calendar quarter end—as well as the Fund's Benchmark Index return is shown in the table below.

(Period ending 9/30/05)

	Life of Fund (12/27/1999)
Small Cap Growth Fund	20.97%
Russell 2000® Growth Index	-1.70%

The Russell 2000® Growth Index consists of small-capitalization companies with above-average price-to-book ratios and forecasted growth rates.

Information about the Fund's holdings should not be considered as 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.

As of September 30, 2005 the Fund's top ten holdings comprised the following percentages of the Fund's total net assets:

Top 10 Holdings	
Company Name	**% Of Fund**
ValueClick, Inc.	3.1 %
Laureate Education, Inc.	2.7 %
Jarden Corporation	2.2 %
Volterra Semiconductor Corporation	2.1 %
Kforce, Inc.	2.0 %
PDF Solutions, Inc.	2.0 %
WebEx Communications, Inc.	2.0 %
Integra LifeSciences Holdings Corporation	1.9 %
Lions Gate Entertainment Corporation	1.9 %
Lionbridge Technologies, Inc.	1.8 %
Total Top 10	21.7 %

As of September 30, 2005 Optimal Group comprised 1.75% of the Portfolio's net assets.

To learn more about the William Blair Small Cap Growth Fund, please call 1-800-742-7272.

WILLIAM BLAIR FUNDS

Quality Growth Below the Radar

Small-cap managers operate in a vast and under-researched world, and that is why their approach to analysis and idea generation is crucial. Karl Brewer, manager of the William Blair Small Cap Growth Fund, knows well the importance of discovering gems before Wall Street does. To sort out the worthy from the unworthy ones, he has a clear idea of the quality he is looking for and a structured approach for finding it.

Q: ***How would you describe your investment philosophy?***

A: Our objective is to have a diversified portfolio of small growth companies. We focus on quality growth companies, and that is a central part of our philosophy. We define growth as the ability to sustain earnings growth of at least 15 percent a year. On average, the companies in our portfolio grow at about 20 percent annually on a projected basis, but 15 percent is the minimum threshold.

Quality may be harder to define because it has different meanings to different people. To us it means sustainable earnings growth with good levels of profitability over the long run. The long-term view is crucial because we believe value is created over a long period through compound earnings growth. We look at three main factors of a company to determine quality: the business model, sustainability, and management team.

We evaluate business models in terms of return on invested capital, margins, predictability and consistency of the profitability trend. This doesn't mean every company in the portfolio is profitable right now; rather, the companies in our portfolio tend to have superior profitability characteristics in terms of the business model as they evolve.

We analyze sustainability based on factors such as the industry's barriers to entry and the strength of the company's competitive advantage.

We believe the management team is especially important for small companies. We try to find managers who are smart, honest and hard working. Equally important, we try to find management teams who view themselves as owners of the business and have aligned their objectives with the shareholders' interests.

Unlike some growth investors, we pay a lot of attention to valuation. Identifying great companies is only the first part of the process. The second part is buying the companies at risk-reward levels that are attractive for investors. Small companies do not tend to grow in perfectly straight lines over time; most of them hit bumps in the road along the way. Buying a good growth company when Wall Street is

William Blair Small Cap Growth

Fund Facts

Symbol	WBSNX
Website	www.williamblairfunds.com
Address	William Blair & Company 222 West Adams Street Chicago, IL 60606
Tel. No.	800-742-7272
Inception	12/27/99

Portfolio

Total Net Assets *	$ 776
Avg Mkt Cap ($ Weighted) **	$ 0.9
Average Price/Earnings Ratio	30.34
Average Price/Book Ratio	4.03
Turnover Ratio	79 %

Investment Information

New Investment	Open
Min Initial Investment	$ 5,000
Min Subsequent Investment	$ 1,000
Min Initial IRA Investment	$ 4,000

Risk (Against Russell 2000 Growth - 3 Years)

Alpha	10.89
Beta	0.87
R-Squared	0.89
Ann Std Deviation	16.25
Sharpe Ratio	1.93

Returns vs. Lipper Small-Cap Growth Index

	WBSNX	Index
1 Year (Cum.)	19.56 %	18.96 %
3 Year (Ann.)	32.61 %	20.55 %
5 Year (Ann.)	12.57 %	-2.66 %

Returns vs. Russell 2000 Growth Index

	WBSNX	Index
1 Year (Cum.)	19.56 %	17.97 %
3 Year (Ann.)	32.61 %	23.23 %
5 Year (Ann.)	12.57 %	2.54 %

Fees and Expenses

Max Sales Charge - Front	0.00 %
Max Sales Charge - Deferred	0.00 %
Max Redemption Fee***	1.00 %
Total Expense Ratio	1.49 %

Portfolio Manager

Karl Brewer	Dec-1999

** million ** billion *** 2 months after purchase*

Data through: 09/30/05

Source: Company Documents; Lipper

Q&A TICKER's Choice

worried about it often is very attractive from a risk-reward perspective.

Q: ***Do you emphasize historic or projected growth? How do you determine the quality of growth?***

A: I believe small-cap investors should look through the windshield instead of the rear-view mirror. There are companies that have grown well historically but are not likely to grow in the future, and vice versa. Being too focused on the historic perspective can lead you to wrong conclusions about the company's future. Having said that, we believe history can be an important indicator of future developments.

The quality piece comes down to sustainability. There are many companies that can grow quickly in the near term— such as companies that have a hot new technology or product — but we are not generally interested in companies that are going to be hot only for the next six months or year. We are looking for growth at a good rate over the long run.

Q: ***Can you give us some examples of this type of growth?***

A: Our largest holding (at the time of this interview), Laureate Education, is a good example of a quality growth company. Laureate operates for-profit colleges across the globe and online universities in the United States.

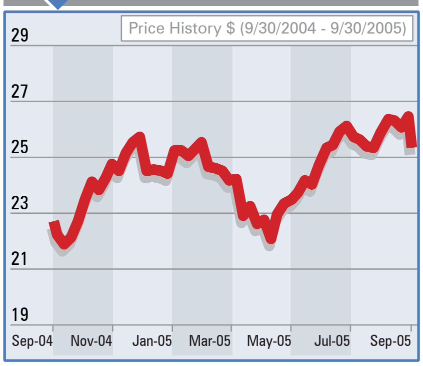
The company is interesting from a growth perspective for several reasons. First, it serves an enormous, fast-growing market. There is a shortage of higher education in many international markets, and the shortage is growing as these economies develop, increasing the demand for college degrees. Also, the market is very fragmented with no clear leader both at the global and local levels.

In addition to this attractive market, Laureate has a great management team to guide the company's growth and take advantage of this enormous opportunity. The situation gives us the confidence Laureate will grow at a sustainable pace over a long time.

Q: ***Opportunities like this generally do not sell cheap. How do you decide on the appropriate P/E multiple?***

A: There is no magic formula for calculating the appropriate P/E multiple. I try to look at a company's valuation in a number of different ways and use my judgment to determine what valuation parameters make sense. If I am very confident in a long period of rapid earnings growth, I can pay a healthy multiple and still have a very favorable risk/reward in the stock.

William Blair Small Cap Growth



Q: ***How does this philosophy translate into an investment process?***

A: We have a bottom-up fundamental process. We pick the portfolio company-by-company, finding good businesses with good valuation risk-rewards. We are cognizant of the top-down composition of the portfolio, but, for example, we don't decide that technology is a good place to be and start looking for technology stocks. If we have a high weighting in the technology sector, it is because we found good stocks there.

We believe it is important to know the businesses extremely well, and our goal is to know them better than most of the people who follow the companies. We spend a lot of time visiting companies, so we can talk to their management teams and see their facilities. This helps us to find companies that are not on Wall Street's radar screen.

For example, one of our big holdings, Optimal Group, did not have any coverage when we initially purchased the stock. It is a credit-card transaction processing company that specializes in high-risk credit processing. Optimal has a sustainable business model with lots of recurring revenues, good returns and terrific management, but is not well-known on Wall Street. I got interested in Optimal after talking to the management team at an investment conference. I did the follow-up work and came to the conclusion that the company has a differentiated skill set that will let it grow in the coming years. It has been a good stock for us and it has a long way to go because it still is just being discovered by Wall Street.

Q: ***Is research the main way to add value for your investors? How do you find ideas?***

A: Yes, research is our primary avenue for adding value. Three small-cap focused analysts and I spend a lot of time really getting to know our companies well. We like to get out of the office and visit companies. This gives us a much better feel for what the company is really all about.

We start with a broad universe that comprises all the companies below $2 billion in market cap. Generally, the smallest companies we would consider are in the $100 million market-cap neighborhood.

There are three main sources of new ideas. The most productive is our respected referral network, which we have built up over time. It includes analysts, brokers, consultants, industry experts, buy-side people who think like we do and management teams.

The second source is technical analysis. We typically are looking for stocks that, after going sideways for a long time, have a pickup in the stock price and trading volume. Such a trend is an early signal that something interesting might be going on, and it gets the company on our radar.

Screens, the third source, are probably the least productive source of ideas because they are inherently backward-looking. Nevertheless, we use screens to find companies that might have slipped through the cracks.

Q: ***What would trigger a sell decision?***

A: We have four main sell triggers. The first would be a material change in a company's fundamentals. The second is valuation, or when the stock price has changed to the point where the risk-reward is unfavorable. The other two reasons are somewhat mechanical. We generally maintain position limits at 5 percent of our portfolio. We also typically work out of a position once a company has grown above $3 billion in market cap.

Q: ***How many stocks do you have in the portfolio and how important is your benchmark?***

A: We have about 80 stocks right now. We use the Russell 2000 Growth Index as our benchmark, but we don't manage to the benchmark on a short-term basis. Our sector weightings are a function of where we find the best individual investment ideas.

Q: ***What is the process in which an idea makes its way to your watch list and ultimately to the portfolio?***

A: Once we get an idea, one of us does a preliminary bottom-up analysis to determine if it is a quality growth company. This process involves reading some of the research and public filings, talking to someone internally who has expertise in that area, talking to analysts, or maybe even doing a short call to the company.

After completing this preliminary bottom-up analysis, we do one of three things with the idea. First, we will reject it if we don't think the company meets our quality growth criteria. Second, if it meets our criteria but is not something we feel we need to work on right away, we put it on our watch list. This gives us a chance to get to know the company over time. Third, we will add it to our high-priority ideas which move on to our thorough due diligence process. This usually involves things like meetings with management, financial analyses and field checks.

Through a constant dialog with the analysts, we identify the strengths, risks and weaknesses of the companies. It is a very interactive process where the analyst, who is an expert in the industry, and I go back and forth over a period of time working through the key issues. At the end of that process, we decide whether to add the company to the portfolio.

Q: ***Do you look for buy catalysts?***

A: No, we don't look for specific events. We buy stocks when we think the risk-reward is good. Many people are event-driven on the buy side, but for me, the best catalyst is the one that no one knows about yet. If everybody is aware of a catalyst, it probably is not going to move the price much because the stock price would already reflect the catalyst.

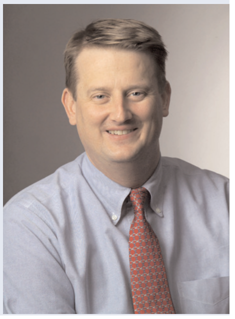
I'd rather find a great company at a time when nobody has anything to be excited about in the short term. If it is a great company, somewhere along the way, a catalyst will emerge and people will bid up the stock.

Q: ***What types of risks do you perceive and how do you monitor and control them?***

A: We think about risk on two levels – absolute risk and relative risk. From an absolute-risk perspective, the fact of the matter is that small-cap stocks are an inherently risky place to invest. We try to mitigate that a bit by knowing our companies well, paying attention to valuation and diversifying. On a relative-risk basis, we monitor the sector bets and other bets in the portfolio, but the portfolio composition is really driven by where we find the best ideas. ■

TICKER Staff

> "Small companies do not tend to grow in perfectly straight lines over time; most of them hit bumps in the road along the way. The opportunity to buy a good growth company when Wall Street is worried about it often is very attractive from a risk-reward perspective."



about Karl Brewer

Karl Brewer, CFA, a principal of William Blair & Company, joined the firm in 1996 as a securities analyst in the Investment Management Department. Karl joined the department's Small Cap Growth Portfolio Management Team as a part-time analyst in 1998 and became one of the founding managers of the William Blair Small Cap Growth Fund in 1999. Karl is also a member of the Institutional Small-Mid Cap Growth Team. Before joining William Blair & Company, Karl spent six years at Lehman Brothers in their Mergers and Acquisitions and Los Angeles Corporate Finance departments.

Education: B.A., Washington & Lee University; M.B.A., Northwestern University Kellogg Graduate School of Management.