William Blair

Investment Management
active.williamblair.com

Product Profile
William Blair Emerging Markets Debt Fund

Why Active in Emerging Markets Debt?

Emerging markets (EM) debt is a deep, mature, diversified—yet underappreciated and misunderstood—asset class that may create opportunities for skilled active managers to generate alpha and provide diversification benefits.

Asset Class Is Mature and Expanding

- There are more than 90 countries and over 900 issuers in the EM debt investable universe, representing a market capitalization of more than $4.5 trillion.
- EM debt is far from a monolithic asset class; it represents a growing range of countries, currencies, and corporate issuers. EM debt securities are issued by governments, quasi-governmental entities, and companies, in either hard currency (mostly U.S. dollars, which is this Fund's focus) and local currencies.
- The evolution and maturation of EM economies highlight the importance of fundamental research and security selection.

Lack of Ownership Can Create Exploitable Opportunities

- Institutional investors generally remain under-allocated to EM debt, which represents 25% of the global fixed-income universe but less than 5% of typical global fixed-income benchmarks.
- These chronic underweights reflect the lack of attention given to the EM debt universe—and can create inefficiencies that translate into opportunities to unlock alpha through rigorous research.

Yield Advantage May Strengthen Diversified Portfolios

- EM debt typically provides higher-yield opportunities than developed market bonds. The attractive risk-adjusted returns for hard currency EM debt (based on the JP Morgan EMBI universe) highlights the complementary role that EM debt can play in a diversified fixed-income portfolio.
- Segments of the EM debt investable universe, specifically frontier markets sovereign debt, have offered a higher risk premium relative to other fixed-income asset classes.

Actual and Perceived Risk Are Often Disconnected

- The annualized default rate for sovereign EM debt over the past 20 years is 1%, much lower than for many other fixed-income asset classes globally.
- There have been only three drawdowns exceeding 10% in the EM debt market since 2003—and all have been followed by fast recoveries.
- During global risk-off events, such as the Global Financial Crisis and the COVID-19 pandemic, EM debt [1] has recovered faster than many other asset classes; this reflects the EM debt risk premium's strong mean reversion tendency.

1 As measured by the J.P. Morgan EMBI Global Diversified Index.

Management Team

Marcelo Assalin, CFA
Started in Industry: 1997
Education: B.A., Business Administration & Accounting, University of São Paulo

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Started in Industry: 1998
Education: M.A., International Financial Economics, University of Amsterdam

Fund Facts

- Class 1
  Inception Date: 05/25/2021
  Ticker: WEDIX
  Cusip: 969251511

- Class R6
  Inception Date: 05/25/2021
  Ticker: WEDRX
  Cusip: 969251495

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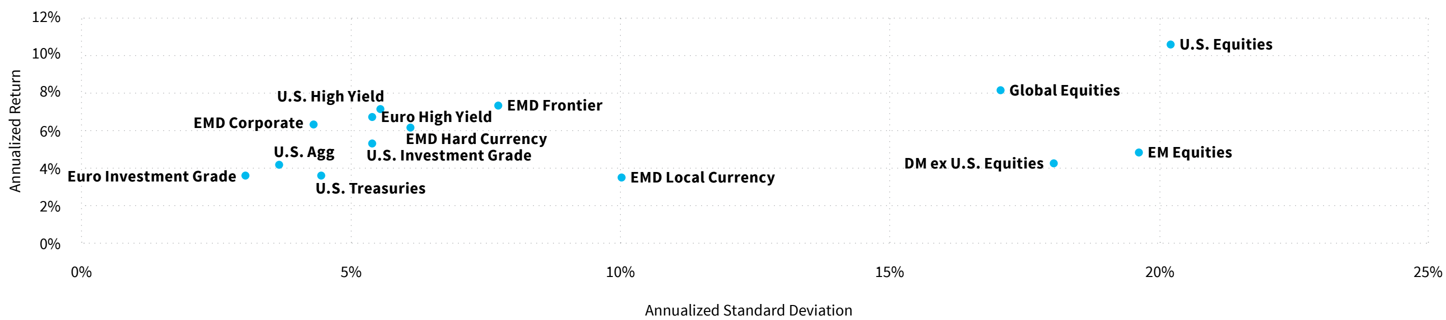
Historical EM Debt Performance (15 Years Ending 12/31/21)



Sources: Bloomberg, JP Morgan, MSCI, S&P, as at December 2021. **Past performance is not indicative of future returns.** A direct investment in an unmanaged index is not possible. Index representation is as follows: EMD hard currency, J.P. Morgan EMBI Global Diversified; EMD local currency, J.P. Morgan GBI-EM Global Diversified; EMD corporate, J.P. Morgan CEMBI Diversified; frontier markets debt, J.P. Morgan Next Generation Markets Index; U.S. Treasury, Bloomberg Barclays U.S. Treasury Index; U.S. investment grade, Bloomberg Barclays U.S. Corporate Total Return Value Index; U.S. high yield, Bloomberg Barclays U.S. Corporate High-Yield Index; U.S. core fixed income, Bloomberg Barclays U.S. Aggregate Index.

Why the William Blair Emerging Markets Debt Fund?

Beta-Risk Budget Is Deployed Efficiently Across Countries

- Our proprietary beta-bucketing approach offers an efficient way to deploy our risk budget across high-, medium-, and low-beta countries. (See "Our Beta-Bucket Approach" chart on the next page.)
- We closely monitor the spread duration allocations across different-beta countries and manage how much risk the portfolio has in each beta bucket. We believe this approach improves outcomes, particularly during volatile market environments.
- This framework for segmenting the asset class helps us better identify relative value opportunities, allowing for clearer, more direct risk-based comparisons.

Managing Risk by Seeking to Limit Concentration

- EM debt exhibits high levels of idiosyncratic risks. Therefore, our strategy restricts concentration risk using absolute and relative limits by beta bucket, country, and issuer.
- We typically hold a large number of relatively small positions (typically 1% active cash exposure to a single country), rather than concentrating too much risk in a small number of countries.
- We are constantly assessing how the portfolio will be affected by macroeconomic shifts, given its sensitivity to global risk factors.
- Analyzing risk from both top-down and bottom-up perspectives gives us a holistic view of the portfolio's exposure.

We Seek to Uncover Alpha in All Corners of the Market

- We typically employ a strategic overweight to frontier markets, as we believe the risk premium in that segment consistently overcompensates investors for actual risk.
- The frontier market-focused J.P. Morgan Next Generation Markets Index has a historically low default rate of 1.5% annualized over the past 20 years.
- Combined with our strategic focus on frontier markets, our structural overlay in EM corporate debt (up to 15% of the Fund) allows us to seek alpha in segments where risk may be mispriced.
- We believe that combining these EM debt sub-asset classes can optimize returns.

Fundamental Investing Built on a Rigorous Credit Analysis Framework

- Building on William Blair's strength in active management, we examine country and issuer fundamentals, Environmental, Social, and Governance (ESG) factors, technical conditions, and valuations to identify alpha-generation opportunities and manage downside risks.
- We combine this rigorous bottom-up research with our top-down analysis of global market conditions.
- Our proprietary sovereign credit scoring methodology uses forward-looking country scores to create a comprehensive view of each country's investment horizon over the next 12 to 18 months.

Our Beta-Bucket Approach

Beta Segment	Examples of Countries in the Segment		
HIGH	 Argentina	 Ukraine	 Nigeria
MEDIUM	 Brazil	 Mexico	 South Africa
LOW	 Chile	 Poland	 Philippines

Beta segments are based on the team's quantitative and qualitative analysis and are provided for illustrative purposes only.

Why William Blair?

Structure

- We are an independent, 100% active employee-owned firm with no distractions from our sole priority: creating strong, risk-adjusted returns for our clients.

Culture

- We evolve to meet our clients' needs while remaining true to our core investment strengths and maintaining our uncompromising integrity.

Approach

- Our autonomous investment teams have the freedom and flexibility to deliver high-conviction active management in a consistent, repeatable process.

ESG Integration

- Leveraging our proprietary materiality framework, ESG considerations are holistically integrated in our fundamental analysis and aligned with our pursuit of better risk-adjusted returns over the long-term.

Active Never Rests™

- We have 53 dedicated research analysts and 36 portfolio managers, and 37 of our 89 analysts and portfolio managers are partners (as of 12/31/21).
- Our ownership structure and career advancement opportunities help us retain top talent, ensuring our best investment minds are working on your behalf.

William Blair Emerging Markets Debt Fund

Fund Disclosures

Risks: The Fund involves a high level of risk and may not be appropriate for everyone. The Fund's return will vary, and you could lose money by investing in the Fund. Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. High–yield, lower–rated, securities involve greater risk than higher–rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Derivatives may be subject to certain risks such as leveraging, liquidity, interest rate, credit, counterparty, management and the risk of mispricing or improper valuation. The Fund is non-diversified and may be more susceptible to adverse developments affecting any single issuer held by the Fund. Past performance does not guarantee future returns.

ESG (environmental, social, governance): an acronym widely used to describe three types of non-financial factors that may affect the financial performance of a company or a security.

Alpha: A measure of a portfolio's return in excess of the market return, after both have been adjusted for risk. **Beta:** A quantitative measure of the volatility of an investment or portfolio relative to the overall market, represented by a comparable benchmark. **Spread Duration:** A measure of the price sensitivity of a fixed income investment to a change in credit spreads. **Standard Deviation:** A measure of an investment's risk. A higher standard deviation represents a greater dispersion of returns, and thus a greater amount of risk.

JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified tracks the total return of U.S.-dollar denominated debt instruments issued by sovereign and quasi-sovereign entities.

JP Morgan Government Bond Index Emerging Market (GBI EM) Global Diversified is a comprehensive global local emerging market index, consisting of regularly traded, liquid fixed-rate, domestic currency government bonds.

JP Morgan Corporate Emerging Markets Bond Index (CEMBI) Diversified is a market capitalization weighted index consisting of U.S.-dollar denominated corporate bonds issued by emerging markets entities, uniquely-weighted to result in more balanced weightings for countries included in the index.

JP Morgan Next Generation Markets Index tracks U.S.-dollar denominated debt issued by sovereign and quasi-sovereign issuers in frontier markets. The index provides a benchmark for the smaller, less liquid population of emerging market credits.

Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Bloomberg Barclays US Corporate Total Return Value Index measures the investment grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays US Corporate High-Yield Index measures the USD-denominated, high-yield, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI World Index is a market cap weighted index of stocks from companies throughout the world and is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets.

Note regarding JP Morgan indices: Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The indices are used with permission. The indices may not be copied, used, or distributed without JP Morgan's prior written approval.

Index performance is provided for illustrative purposes only. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly.

Please carefully consider the Funds' investment objectives, risks, charges, and expenses before investing. This and other information is contained in the Funds' prospectus and summary prospectus, which you may obtain by calling +1 800 742 7272. Read the prospectus and summary prospectus carefully before investing. Investing includes the risk of loss.

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

Not FDIC Insured / No Bank Guarantee / May Lose Value