

William Blair Small-Mid Cap Growth Fund Fund Manager Commentary

Market Overview

COVID-19 was the dominant force affecting the economy and equities in a volatile year-to-date period.

Late in the first quarter, as it became clear that COVID-19 was becoming a global pandemic, equities declined rapidly due to stay-at-home directives, which effectively shut down many segments of the economy. After bottoming in mid-March, equity returns were robust during the second quarter. This was predominately the result of massive amounts of fiscal and monetary stimulus, coupled with improving COVID-19 trends, optimism regarding vaccine development and progress toward re-opening the economy. The Federal Reserve (Fed) responded quickly and dramatically in an attempt to limit economic damage.

Third quarter advances built on second quarter strength. Continued economic improvement, including positive trends in employment and increases in consumer spending, coupled with incremental progress towards the development of a vaccine, supported the market rise. Market returns were further fueled by a shift in Fed policy to allow flexibility around its inflation target, signaling policymakers' intent to keep the Fed Funds rate low for an extended period. Within the market, there was a pronounced bifurcation between the performance of "COVID beneficiaries" and those disrupted by COVID, as select companies across different sectors saw a strengthening of demand for their products (e.g., ecommerce), while others saw a complete collapse in demand (e.g., travel related), though this divergence began to narrow late in the third quarter.

Amid significant COVID-related business disruption, a focus on 2021 profit potential and a decline in 10-year U.S. Treasury yields allowed valuation multiple expansion to drive many U.S. equity indices in positive territory for the year-to-date period ended September 30, 2020.

Fund Performance

The William Blair Small-Mid Cap Growth Fund (Class N shares) modestly trailed the benchmark in the third quarter, primarily driven by stock-specific factors. Our top detractors included Pure Storage (Information Technology), Quidel Corp (Health Care), Ligand Pharmaceuticals (Health Care) and HealthEquity (Health Care). Pure Storage, a flash-based storage solutions provider whose technology replaces storage systems designed for mechanical disks with all-flash systems, lagged as COVID-19 related economic disruption had a negative impact on the company's near-term outlook, specifically its late stage business pipeline in the United States. Stock selection in Consumer Discretionary, including our position in Grand Canyon Education, also detracted from relative returns. The upcoming

Top 10 Holdings¹ as of 9/30/20

Company Name	% of Fund
Horizon Therapeutics Public Limited Company	3.3%
BWX Technologies, Inc.	2.8%
Grand Canyon Education, Inc.	2.4%
Martin Marietta Materials, Inc.	2.3%
NICE Ltd.	2.2%
Trex Company, Inc.	2.1%
Etsy, Inc.	2.1%
SolarEdge Technologies, Inc.	2.0%
Encompass Health Corporation	2.0%
Crown Holdings, Inc.	2.0%
Total Top 10	23.2%

presidential election and the potential of regulatory change weighed on online education services provider Grand Canyon. Conversely, stock selection in Health Care, including our positions in iRhythm Technologies and Horizon Therapeutics, contributed positively to relative returns. iRhythm, a leading digital health care company, benefitted from the increased adoption of the Zio patch, the company's wearable electrocardiogram patch. Horizon Therapeutics, a specialty biopharmaceutical company, benefitted from continued robust growth of the company's recently launched drug Tepezza, as well as management's significant increase in peak sales guidance for the drug. Other top contributors included SolarEdge Technologies (Information Technology), Ritchie Bros Auctioneers (Industrials) and Generac Holdings (Industrials).

Outlook

Looking forward, though the U.S. economy is recovering and broad market indices are near prior peak levels, uncertainty remains. The upcoming U.S. presidential election is likely to cause volatility to the extent its outcome is not immediately known and as the market digests its implications. Should there be a change in leadership, the market will have to weigh likely

¹Listed holdings are presented to illustrate examples of the securities that the Fund has bought and do not represent all of the Fund's holdings or future investments. Information about the Fund's holdings should not be considered 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 and are as of the date shown above. Top ten holdings are shown as a percentage of total net assets.

changes in tax policy and regulation against the potential for higher levels of fiscal stimulus.

In addition, virus trends heading into colder months are a source of concern for consumers and businesses most impacted by COVID-19 at the same time the benefits of earlier federal aid packages are fading and job growth is slowing. Progress toward the development and rollout of a vaccine and the Fed's commitment to remain accommodative are critical factors in supporting a continued recovery.

Our investment philosophy is built on the belief that future cash flows are the ultimate determinants of long-term value creation and stock performance. We remain focused on identifying companies with superior management, high barriers to entry, differentiated products or services, and the financial flexibility to invest through uncertainty. We seek to construct a portfolio of companies that we believe will emerge from the current period stronger regardless of political outcomes or the duration of the economic recovery.



Investment Performance (%)	Annualized						
	Periods Ending 9/30/20	Qtr	YTD	1 Y	3 Y	5 Y	10 Y
William Blair Small-Mid Cap Growth Fund (Class I)		8.35	9.19	13.82	13.87	14.64	14.90
William Blair Small-Mid Cap Growth Fund (Class N)		8.29	9.01	13.61	13.60	14.34	14.61
Russell 2500 Growth Index		9.37	11.58	23.37	13.36	14.19	14.06

Performance cited represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the data quoted. Returns shown assume reinvestment of dividends and capital gains. Investment returns and principal will fluctuate with market and economic conditions and you may have a gain or loss when you sell shares. For the most current month-end performance information, please call +1 800 742 7272, or visit our Web site at www.williamblairfunds.com. Class N shares are available to the general public without a sales load. Class I shares are available only to investors who meet certain eligibility requirements.

Expense Ratios (%)	Gross Expense	Net Expense
Class I	1.16	1.10
Class N	1.43	1.35

Expenses shown are as of the most recent prospectus. The Fund's Adviser has contractually agreed to waive fees and/or reimburse expenses to limit fund operating expenses until 4/30/21.

IMPORTANT DISCLOSURES

The Fund's returns will vary, and you could lose money by investing in the Fund. The Fund invests most of its assets in equity securities of small cap and mid cap domestic growth companies where the primary risk is that the value of the equity securities it holds might decrease in response to the activities of those companies or market and economic conditions. Individual securities may not perform as expected or a fund used by the Adviser may fail to produce its intended result. Investing in small 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. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Diversification does not ensure against loss. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 2500 Growth Index measures the performance of those Russell 2500 companies with above average price-to-book ratios and forecasted growth rates. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.

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.

Please carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. This and other information is contained in the Fund's 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.

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