William Blair

William Blair Large Cap Growth Fund
Fund Manager Commentary

Market Overview

While COVID-19 was the dominant force affecting the economy and equities year-to-date, the tenor of the market was dramatically different in the first and second quarters of the year.

During the first quarter, equities declined rapidly as market participants digested the magnitude of the economic impact of COVID-19. Stay-at-home directives effectively shut down many segments of the economy. First quarter GDP declined 5% and the unemployment rate spiked to almost 15%. This was the most dramatic decline in GDP and the sharpest rise in unemployment in the post-World War II period.

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. With the federal funds rate near zero and purchases of both government and corporate bonds, the Fed balance sheet has expanded by over $3 trillion since the pandemic began. The Fed's actions, paired with unprecedented levels of fiscal stimulus, supported strong demand for equities and a decline in fixed income spreads.

The strength of the recovery brought several market indices into positive territory for the first half of the year. The S&P 500 was down close to 20% in the first quarter and regained nearly all of the lost ground, returning over 20% during the second quarter – its highest quarterly gain since 1998.

Fund Performance

The William Blair Large Cap Growth Fund (Class N shares) trailed its benchmark during the third quarter, primarily driven by stock specific dynamics. The largest source of underperformance as compared to our benchmark came from not owning Apple (Information Technology) and Tesla (Consumer Discretionary). Both stocks have benefited from significant valuation multiple expansion as fundamental expectations have remained relatively stable. In the case of Apple, given the maturity of the high-end smart phone, tablet and PC markets, and the recent revaluation of its services business, we believe the long-term growth and return prospects for our other Information Technology holdings are more attractive. As it relates to Tesla, we believe the stock is embedding unrealistic expectations as to the pace of auto market conversion to electronic vehicles, as well as Tesla's ultimate margin profile and market share. Within the fund, top detractors were Illumina (Health Care) and Apollo Global Management (Financials). Illumina experienced fundamental headwinds and also announced its intent to make an acquisition that will likely be dilutive to earnings in the intermediate term. Alternatives investment manager Apollo posted second quarter earnings that were lower than consensus expectations due to lighter than expected net realizations and incentive fees. Other laggards included Equifax (Industrials), Guidewire (Information Technology) and Alphabet (Communication Services). Conversely, top contributors to relative returns were Advanced Micro Devices (Information Technology) and Nike (Consumer Discretionary). Fabless semiconductor company Advanced Micro Devices benefited from robust growth in server CPU sales and continued high demand for laptops. Nike benefited from a sharp recovery in many regions led by digital purchases as the company continues to take global share in both footwear and apparel. Other notable outperforming holdings were Copart (Industrials), Zoetis (Health Care) and Salesforce.com (Information Technology).

Top 10 Holdings[1] as of 9/30/20

Company Name	*% of Fund*
Microsoft Corporation	10.0%
Amazon.com, Inc.	8.7%
PayPal Holdings, Inc.	4.9%
Alphabet Inc.	4.9%
Mastercard Incorporated	4.7%
NIKE, Inc.	4.0%
Adobe Inc.	3.8%
Unitedhealth Group Incorporated	3.8%
Advanced Micro Devices, Inc.	3.4%
Accenture PLC	3.3%
Total Top 10	**51.5%**

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

[1]Listed 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.

be a change in leadership, the market will have to weigh likely 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 Large Cap Growth Fund (Class I)	11.03	21.87	32.22	24.46	19.99	17.52
William Blair Large Cap Growth Fund (Class N)	10.99	21.68	31.84	24.15	19.68	17.22
Russell 1000 Growth Index	13.22	24.33	37.53	21.67	20.10	17.25

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	0.78	0.65
Class N	1.09	0.90

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 large 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. Different investment styles tend to shift in and out of favor depending on market conditions and investor sentiment, and at times when the investment style used by the Adviser for the Fund is out of favor, the Fund may underperform other equity funds that use different investment styles. The Fund invests most of its assets in equity securities of domestic growth companies, including common stocks and other forms of equity investments (e.g., convertible securities). Convertible securities are at risk of being called before intended, which may have an adverse effect on investment objectives. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 1000 Growth Index consists of large-capitalization 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.

Distributed by William Blair & Company, L.L.C., member FINRA/SIPC

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE