William Blair

Fourth Quarter 2020

William Blair Large Cap Growth Fund
Fund Manager Commentary

Market Overview

In a volatile yet robust year for U.S. equities, COVID-19 was the dominant force affecting the economy and stock market during 2020.

During the first quarter, equities declined rapidly due to stay-at-home directives, which effectively shut down many segments of the economy. After bottoming in late March, equity returns rebounded rapidly during the second quarter. This was predominately the result of massive amounts of fiscal and monetary stimulus, coupled with improving COVID-19 trends and progress toward re-opening the economy.

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 into the third quarter. 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 somewhat late in the third quarter.

Gains for U.S. equities accelerated in the fourth quarter, most notably as the market digested U.S. election results and several announcements of highly efficacious COVID-19 vaccine candidates. From a political standpoint, while the Democratic Party claimed the presidency, it did not achieve overwhelming congressional victories. This effectively removed the most extreme agenda items from either party as likely outcomes and suggested a more centrist approach from President Elect Biden. On the vaccine front, strong clinical trial results, FDA approvals and the commencement of vaccinations gave investors some visibility in terms of a path to return to more normal lifestyles and economic activity. These developments, together with resilient corporate earnings, overshadowed the recent surge in virus cases and hospitalizations, which could lead to further limitations on business activity.

With significant COVID-related business disruption throughout 2020, the Federal Reserve (Fed) committed to keep the Fed Funds rate low for an extended period. This support, coupled with lower 10-year U.S. Treasury yields and a focus on longer-term corporate profit potential, drove valuation multiple expansion and resulted in several U.S. equity indices ending the year at all-time highs.

Top 10 Holdings[1] as of 12/31/20

Company Name	*% of Fund*
Microsoft Corp.	10.0%
Amazon.com, Inc.	9.2%
Alphabet Inc.	6.8%
PayPal Holdings, Inc.	4.8%
Mastercard Inc.	4.7%
NIKE, Inc.	4.3%
Unitedhealth Group Inc.	3.8%
Adobe Inc.	3.6%
Accenture PLC	3.2%
Texas Instruments Inc.	3.2%
Total Top 10	**52.1%**

Fund Performance

The William Blair Large Cap Growth Fund (Class N shares) outperformed its benchmark during the fourth quarter, driven by stock selection. The portfolio benefited from continuing to own a number of stocks that began to recover in the fourth quarter after the companies that had experienced COVID-related business headwinds earlier in the year. Top contributors were Lam Research (Information Technology), Marriott (Consumer Discretionary), Starbucks (Consumer Discretionary) and Copart (Industrials). Lam Research, a supplier of wafer fabrication equipment and services to the semiconductor industry, reported strong earnings and revenue results, driven by strength in the foundry and NAND memory portions of the business. Stock selection in Communication Services also added value, including our position in Live Nation Entertainment whose shares advanced as favorable COVID-19 vaccine news provided a path to return to a more normal environment. Conversely, stock selection in Information Technology, including our positions in Fidelity National Information Services, Salesforce.com and Adobe, detracted from returns. Shares of Fidelity National Information Services lagged during the quarter, in part as it was reported that merger discussions with another larger merchant acquirer had broken down.

[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.

salesforce.com, the market leader in sales and customer relationship management software, announced its intent to acquire enterprise communications platform Slack. While the acquisition has potential to put pressure on margin expansion in the near term, we believe Slack's platform will be additive over a longer horizon. Other top detractors were Health Care holdings Zoetis and Abbott Laboratories.

Outlook

Looking past the current surge in COVID-19 cases, there is a sense of optimism around U.S. economic potential when a sufficiently large portion of the population is vaccinated. COVID-19 has had materially negative impacts on many households while others have experienced little-to-no financial hardship. Acknowledging that dispersion, in aggregate the U.S. savings rate is up dramatically and mortgage rates are near historic lows. When combined with the recently passed stimulus measures, there is likely pent-up demand to be unlocked as the economy re-opens.

Tempering that optimism is the potential for slower than expected vaccine distribution and the prospect of inflation. While the unemployment rate in the U.S. has fallen, there remains slack in the employment market, mitigating the potential inflationary impact of continued Fed asset purchases and possible additional fiscal stimulus.

As equity investors, we must also weigh what expectations are embedded in stock prices and have long focused on investing in stocks of quality companies where we believe the future risk/reward potential is skewed in our favor. While having this sensitivity to valuation has generally not benefited relative returns in 2020, we believe our portfolio is well-positioned for an eventual normalization of more extreme valuations in certain segments of the market. Furthermore, we believe that better visibility for a return to a more normal economic environment creates a supportive backdrop for the attractively valued stocks of the structurally advantaged businesses in which we invest.

Investment Performance (%) Periods Ending 12/31/20	Qtr	YTD	1 Y	Annualized 3 Y	5 Y	10 Y
William Blair Large Cap Growth Fund (Class I)	12.08	36.59	36.59	25.14	21.34	17.31
William Blair Large Cap Growth Fund (Class N)	12.02	36.30	36.30	24.84	21.03	17.02
Russell 1000 Growth Index	11.39	38.49	38.49	22.99	21.00	17.21

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.

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