

William Blair Small-Mid Cap Core Fund Fund Manager Commentary

Market Overview

The U.S. equity market remained strong through the first half of 2021 as the U.S. economy continued to demonstrate improvement following disruption in 2020. First quarter market performance was supported by positive economic data, robust job growth and massive stimulus distributed to U.S. households and businesses. Improvements in corporate earnings growth also buoyed equities as corporations reported fourth quarter profits that broadly exceeded Wall Street's expectations.

While the rate of vaccinations accelerated faster than anticipated across the country during the first quarter, the pace of vaccinations slowed through the second quarter despite an abundant supply of vaccines in the U.S. However, new cases of COVID-19, along with hospitalizations and deaths, significantly declined through the first half of the year, allowing the economy to recover as restrictions were eased across the country.

In the second quarter, manufacturing activity, gross domestic product (GDP), and job growth increased, further supporting the continued economic rebound. Notably, as U.S. employers increased hiring, the number of job openings outpaced the number of potential workers available to claim them, resulting in a sharp increase in wages. While the source of funding is yet to be determined, President Biden reached a bipartisan deal to boost infrastructure spending by \$600 billion late in the second quarter. The Federal Open Market Committee (FOMC) reiterated its commitment to maintain a low target federal funds rate as the economy continues to recover. However, Fed policymakers announced that they expect an increase in the fed funds rate by the end of 2023, an accelerated timeline relative to prior expectations. U.S. Treasury yields declined during the second quarter, facilitating a rotation that benefited growth-oriented segments of the market. With a largely positive fundamental backdrop and healthy corporate earnings reports, U.S. equity indices advanced in the second quarter.

Fund Performance

The William Blair Small-Mid Cap Core Fund (Class I shares) slightly lagged its benchmark in the second quarter, primarily due to stock-specific factors. Our top detractors included Grand Canyon Education (Consumer Discretionary), BWX Technologies (Industrials), Performance Food Group (Consumer Staples), New Fortress Energy (Energy) and Builders FirstSource (Industrials). Education service provider Grand Canyon Education reported lower-than-expected new enrollment growth during the quarter and lowered full-year revenue guidance. Shares of BWX Technologies, the sole-source provider of propulsion systems for the U.S. Navy, lagged during

Top 10 Holdings¹ as of 6/30/21

<i>Company</i>	<i>% of Fund</i>
Denbury Inc.	3.5
Owens & Minor, Inc.	2.5
Western Alliance Bancorp.	2.4
East West Bancorp, Inc.	2.1
The Brink's Co.	2.0
Builders FirstSource, Inc.	2.0
Merit Medical Systems, Inc.	1.8
Owens Corning	1.8
Cameco Corp.	1.8
Axon Enterprise, Inc.	1.6
Total Top 10	21.5

the quarter, in part due to the relative insulation of the business from overall economic cyclicality, which has no bearing on orders from the U.S. Navy. Conversely, our top contributors included Denbury (Energy), Boot Barn (Consumer Discretionary), Axon Enterprise (Industrials), Stem (Industrials) and Owens & Minor (Health Care). Denbury, which we believe has among the best ESG profiles of all exploration and production (E&P) companies given that a rising portion of its oil production is actually negative net carbon to the overall environment, benefited from rising oil prices, better than expected earnings and positive commentary from management regarding the company's carbon capture, usage and storage opportunity. Western work retailer Boot Barn reported revenue and earnings that were well ahead of expectations, driven by strong execution through the pandemic.

Outlook

Despite strong equity market performance and a continued sense of optimism around U.S. economic potential, some uncertainty remains surrounding the spread of new COVID-19 variants that have the potential to slow down the reopening of the economy. More specifically, the spread of the COVID-19 Delta variant coupled with vaccine hesitancy among some

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.

portions of the population may pose a challenge to the U.S. achieving herd immunity. While bolstering the economy, the surge in government spending and recovery in consumer spending activity has fueled inflation concerns among some investors, though the bond market does not appear to share those concerns, at least for the time being.

We continue to monitor economic developments and navigate through the business model implications of COVID-19 disruption and the subsequent economic recovery. Our focus remains on identifying companies with long-term durability, independent of the economic backdrop, whose stocks present compelling risk/reward opportunities. Through bottom-up, fundamental analysis, we seek to identify quality companies with superior management, high barriers to entry and differentiated products or services that we believe can outperform over a market cycle.



INVESTMENT PERFORMANCE (AS OF 6/30/21)

	QTR	YTD	1 Y	3 Y	5 Y	Since Incep.
Class I (SI: 10/1/19)	4.96%	18.32%	59.41%	--	--	27.26%
Russell 2500™ Index	5.44%	16.97%	57.79%	--	--	27.19%

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	1.22%	0.95%

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 4/30/22.

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 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 strategy 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. 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™ Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index, which represents approximately 19% of the total market capitalization of the Russell 3000 Index. 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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