William Blair

Second Quarter 2021

William Blair Small Cap Growth 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 Cap Growth Fund (Class N shares) outperformed its benchmark during the second quarter, driven by stock selection. Top contributors to relative performance were Revolve Group (Consumer Discretionary) and Denbury (Energy). Online fashion retailer Revolve Group has invested in a series of initiatives that increased the company's earnings power coming out of the COVID-19 pandemic and should continue to benefit Revolve Group in the long term. 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. Positions in Boot Barn (Consumer Discretionary), The Beauty Health Co. (Consumer Staples) and Stem Inc. (Industrials) also added significant value. Second quarter detractors included BWX Technologies (Industrials), Rush Street Interactive (Consumer Discretionary), Ducommun (Industrials), Veracyte (Health Care) and Insmed (Health Care). BWX Technologies, the sole-source provider of propulsion systems for the U.S. Navy, underperformed due in part to the relative insulation of the business from overall economic cyclicality, which has no bearing on orders from the U.S. Navy. U.S. online casino operator Rush Street Interactive reported better than expected revenue, but missed earnings expectations, primarily driven by an acceleration of marketing spend. Lagging returns among Information Technology holdings also dampened relative performance.

Top 10 Holdings[1] as of 6/30/21

Company	*% of Fund*
The Brink's Company	2.2
Ducommun Incorporated	1.9
BWX Technologies, Inc.	1.8
Brooks Automation, Inc.	1.8
Cameco Corporation	1.8
Health Catalyst, Inc.	1.7
Revolve Group, Inc.	1.7
Boot Barn Holdings, Inc.	1.7
Grid Dynamics Holdings, Inc.	1.7
Casella Waste Systems, Inc.	1.6
Total Top 10	**17.9**

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 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

[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.

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	10 Y
Class I (SI: 12/27/99)	4.76%	13.01%	61.11%	17.69%	22.34%	15.88%
Class N (SI: 12/27/99)	4.68%	12.84%	60.72%	17.40%	22.04%	15.59%
Russell 2000® Growth Index	3.92%	8.98%	51.36%	15.94%	18.76%	13.52%

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	1.30%	1.25%
Class N	1.58%	1.50%

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 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 smaller companies involves special risks, including higher volatility and lower liquidity. Small cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition. These risks are intensified for investments in micro-cap companies. Individual securities may not perform as expected or a fund used by the Adviser may fail to produce its intended result. Convertible securities may be 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 2000 Growth Index is the Fund's primary benchmark and consists of small-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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