

William Blair Small-Mid Cap Core Fund Fund Manager Commentary

Market Overview

Performance of U.S. equity indices was broadly positive for the year-to-date period ended September 30, 2021. First quarter market performance was supported by improvement in corporate earnings growth, positive economic data, robust job growth and massive stimulus distributed to U.S. households and businesses. Manufacturing activity, gross domestic product (GDP), and job growth continued to increase into the second quarter and corporations reported healthy earnings.

While U.S. equity market performance and economic data were both strong through the first half of 2021, U.S. economic data was mixed in the third quarter, in part due to supply chain disruptions and rising COVID-19 cases. As the Delta variant became the prominent strain across the country, new cases of COVID-19, along with hospitalizations and deaths, increased and peaked in the third quarter. Despite these headwinds, corporate earnings reports continued to exhibit strength.

The U.S. Congress avoided a government shutdown by passing a short-term continuing resolution to suspend the debt limit. The Federal Open Market Committee (FOMC) reiterated its commitment to maintain a low target federal funds rate as the economy recovers from COVID-19 disruption. However, coincident with inflationary concerns and the Fed's announcement that it will begin to slow the pace of its asset purchases in the near term, U.S. Treasury yields rose in late September. Against this backdrop and despite healthy corporate earnings, U.S. equity index returns were mixed in the third quarter, with less differentiation between growth and value style indices in the quarter than was observed earlier in the year.

Fund Performance

Third quarter outperformance by the William Blair Small-Mid Cap Core Fund (Class I shares) was driven by a combination of strong stock selection and style tailwinds. Among top contributors to performance were Builders FirstSource (Industrials), Cameco (Energy), Horizon Therapeutics (Health Care) and Pure Storage (Information Technology). Residential building materials company Builders FirstSource benefited from strong volumes, faster growth of higher margin manufactured products and synergies from a recent merger. Stock selection in Financials also added value, in part due to our position in Western Alliance Bancorp, as the company delivered robust loan and deposit growth. From a style perspective, our emphasis on businesses with higher returns on invested capital, as well as our underweight to the most expensive stocks in the benchmark, were tailwinds. Top detractors from performance were Owens & Minor (Health Care), Stem Inc (Industrials), New

Top 10 Holdings¹ as of 9/30/21

<i>Company</i>	<i>% of Fund</i>
Western Alliance Bancorp.	2.7
Builders FirstSource, Inc.	2.4
Denbury Inc.	2.3
East West Bancorp, Inc.	2.1
Cameco Corp.	1.9
Merit Medical Systems, Inc.	1.9
Owens & Minor, Inc.	1.8
PacWest Bancorp	1.7
Skyline Champion Corp.	1.6
Owens Corning	1.6
Total Top 10	20.0

Fortress Energy (Energy), Brink's Company (Industrials) and Denbury (Energy). Owens & Minor, a manufacturer and distributor of disposable healthcare supplies, and Stem Inc., an AI-driven energy storage solutions provider, both underperformed after reporting solid fundamental results against high investor expectations. Stock specific contributors and detractors for the third quarter are discussed in greater detail at the end of this quarterly review.

Outlook

Looking forward, a continued sense of optimism around U.S. economic potential remains. As the Delta variant wave recedes, consumer confidence and spending are expected to increase, in part due to pent up savings from government stimulus, and job growth and earnings growth are likely to benefit. However, some uncertainty remains as continued vaccine hesitancy among portions of the population may pose a challenge to the U.S. achieving herd immunity. Potential corporate tax increases, elevated input prices and accelerating wage gains may put pressure on corporate profits. Amid tensions between political parties, the U.S. Congress must come to a resolution to raise the debt ceiling in order to avoid the risk of a federal default. While inflationary and supply chain pressures are likely to persist into

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.

2022, labor shortages may ease as government unemployment stimulus abates and the spread of COVID-19 variants moderates.

Our investment philosophy leads us to companies with durable businesses, whose stock prices are not reflective of our long-term fundamental expectations, that we believe can outperform over a market cycle. As we continue to monitor economic developments and navigate through the business model implications of COVID-19 disruption, our focus remains on

identifying companies with superior management, high barriers to entry and differentiated products or services that are underappreciated by the market. We believe our longstanding focus on bottom-up identification of durable business franchises, whose stocks present attractive risk/reward opportunities, will serve us well in a variety of economic environments.



INVESTMENT PERFORMANCE (AS OF 9/30/21)

	QTR	YTD	1 Y	3 Y	5 Y	Since Incep.
Class I (SI: 10/1/19)	-1.18%	16.93%	50.45%	--	--	22.76%
Russell 2500™ Index	-2.68%	13.83%	45.03%	--	--	21.72%

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.

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

Copyright © William Blair & Company, L.L.C. "William Blair" is a registered trademark of William Blair & Company, L.L.C.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE