William Blair Small Cap Value Fund
Fund Manager Commentary

Market Overview

The equity market (S&P 500) struggled at the outset of 2022, falling 5.3% in January as investors digested both the negative impact on corporate profits from the Omicron surge and elevated inflation metrics that have continually pushed upward estimates for the magnitude of eventual U.S. Federal Reserve ("Fed") tightening. Stocks were buffeted once again as the Russia invasion of the Ukraine in late February caused energy and agricultural commodities to surge. A strong rally in the last few weeks of March limited the damage in an otherwise dreary quarter.

Fund Performance

The William Blair Small Cap Value Strategy performed relatively well through the first two months of the first quarter but failed to keep pace with the Benchmark during the surprising rally of late March. As a result, the strategy trailed the 2.4% loss for the Russell 2000 Value. Somewhat perversely, after the Fed began its rate raising campaign, shares of lower quality companies with higher leverage and lower returns on equity, and those losing money outperformed to the upside. The market seems to be betting that the Fed will be able to slow the economy but without causing a recession, making growth scarce and, in turn, increasing the attractiveness of long duration (i.e. highly valued) growth stocks. This notion is perhaps confirmed by the flattening, but not yet inverted, yield curve. This seems like a tough needle to thread and a low probability outcome.

While the Portfolio's stocks, with a few exceptions, performed relatively well at the sector level, this was not enough to overcome our below Benchmark weights in the best performing sectors, namely Energy, and an overweight to the lagging sectors such as Consumer Discretionary and Information Technology. The Energy sector of the Russell 2000 Value advanced 43.4% for the quarter, while all other sectors, except Utilities, finished in the red. The Portfolio's Energy investments outpaced the benchmark, but our exposure was far below the 8.1% weight for the Benchmark creating a sizeable headwind for relative performance. Oil prices, which started the year at $77 per barrel, rose to $93 even prior to the war in the Ukraine and ended the quarter at $100. The surge in natural gas prices was even more extreme. Estimates suggest that 3 million barrels of oil per day will be lost to the market due to sanctions against Russia, leading some to predict much higher oil prices in the medium term. While such as scenario could occur, we doubt it would be sustainable. If Russian oil is kept off the market (which is not a given) it is likely that such high prices would lead to demand destruction, which would be bad for the global economy and ultimately bad for commodity prices. As we wrote last quarter, we are constructive on the Energy sector, but would look to increase our exposure at lower prices.

The biggest disappointment in the quarter was the underperformance of the Portfolio's Industrial holdings. A few of our companies have had a difficult start the year due to supply chain challenges and labor shortages due to Omicron related absenteeism. In most cases, sales and backlogs remain healthy and we expect improved earnings as the year progresses. In addition, the portfolio lacked sufficient exposure to industries that are or should be experiencing a short-term boost from the war in the Ukraine, including agriculture equipment suppliers, oil shipping companies and defense contractors.

The Portfolio's overweight of the Consumer Discretionary sector was another headwind to relative performance. Entering the year, we were constructive on the U.S. consumer. Although consumer sentiment surveys were weakening due to rising inflation, unemployment was falling, wages were rising, and consumer net worth was reaching record levels. As the yield curve flattened, and inflation continued to rise, the market began to fear that the Fed was way behind the curve and would need to force the economy into recession. As a result, Consumer Discretionary shares within the Russell 2000 Value sold off sharply, falling 14.2%. We acknowledge that the risk of recession has risen, many of the Portfolio's investments are already pricing in a fairly significant drop in earnings. For example, homebuilders Taylor Morrison and Tri-Point sell for less than 4x 2022 earnings and below our estimates of year end tangible book value. Similarly, Winnebago Industries and La-Z- Boy trades for 4.8x and 7.9x 2022 earnings respectively.

On the positive side, the Portfolio's Healthcare holdings were once again a strong performer. Lack of exposure to biotechnology and life

Top 10 Holdings[1] as of 3/31/22

Company	*% of Fund*
Matador Resources Company	1.8
Lantheus Holdings, Inc.	1.8
ConnectOne Bancorp, Inc.	1.4
Belden Inc.	1.4
Kite Realty Group Trust	1.4
Oxford Industries, Inc.	1.3
PRA Group, Inc.	1.3
CBIZ, Inc.	1.3
Standard Motor Products, Inc.	1.2
Eastern Bankshares, Inc.	1.2
Total Top 10	**14.1**

[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.

science stocks, which fell 21.5% was a significant positive contributor. In addition, Lantheus Holdings, a provider of diagnostic imaging products, surged after announcing robust sales results for its recently approved prostate cancer imaging agent.

Despite the sharp rise in interest rates, the Portfolio's Real Estate Investment Trust holdings managed to post a positive albeit marginal return, outpacing the decline of 2.3% for the Benchmark sector constituents. The gain was led by a strong bounce back in the shares of the Fund's office REIT stocks, Brandywine and Empire State Realty, as companies began returning employees to the workplace after the Omicron wave subsided. Shopping center owner Kite Realty also advanced as investors began to appreciate the positive benefits from its recent acquisition of competitor RPAI.

Outlook

Given current high commodity prices, strong labor wage increases, and elevated readings of inflation, the U.S. Federal Reserve has no choice but reduce the supply of money by raising the Fed Funds rate aggressively and reducing its balance sheet. Unfortunately, it is extremely hard for the Fed to finely calibrate the money supply, and there is the possibility that it could tighten the money supply too much or for too long and inadvertently cause a recession. The equity market's concern for such a "hard landing" has increased as the Fed has signaled its intent for more aggressive action. In the 1st quarter, when it was believed that the Fed would hike four times in 2022 and only in 25 basis point increments, stock weakness was generally limited to interest rate sensitive areas, such as homebuilders and construction supply companies. However, as market estimates have grown to as many as eleven rate hikes and multiple 50 basis point moves, stock weakness has spread throughout the consumer discretionary, industrial, and semiconductor sectors. Further, the magnitude of the sell-off in some stocks suggest an imminent recession is likely.

We, however, hold a less pessimistic view. First, there is ample academic research detailing the lag between interest rate intervention and economic impact. Put simply, even if the Fed's moves caused a recession, it would likely not occur for another 12-18 months, a period of time in which much can change. Second, we believe that the Fed is vigilant about over tightening and more likely to take a more modest "wait and see" approach than many believe. While pessimists point to the fourth quarter of 2018 as an example of a recent Fed mistake, we highlight that it was nimble and quickly course corrected in 2019. A recession, therefore, is not necessarily either imminent or a fait accompli.

INVESTMENT PERFORMANCE (AS OF 3/31/22)

	Qtr	YTD	1 Y	3 Y	5 Y	10 Y	Since Incep.
Class I (SI: 04/19/89)	-4.02%	-4.02%	2.64%	12.20%	9.30%	11.13%	--
Class N (SI: 07/19/21)	-4.10%	-4.10%	--	--	--	--	4.13%
Russell 2000® Value Index	-2.40%	-2.40%	3.32%	12.73%	8.57%	10.54%	4.81%
Morningstar Small Value Category	-2.01%	-2.01%	6.19%	13.19%	8.46%	9.92%	--

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.

Effective July 16, 2021, the ICM Small Company Portfolio (the "Predecessor Fund") was reorganized into the William Blair Small Cap Value Fund. The Predecessor Fund's (Institutional Class shares) performance and financial history has been adopted by the William Blair Small Cap Value Fund (Class I shares). The Predecessor Fund had a different fee structure and performance would have been different if the fund's current fee structure had been in place during the period.

EXPENSE RATIOS

	Gross Expense	Net Expense
Class I	0.87%	--
Class N	1.15%	--

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 4/30/23.

IMPORTANT DISCLOSURES

The Fund's returns will vary, and you could lose money by investing in the Fund. The Fund holds equities which may decline in value due to both real and perceived general market, economic, and industry conditions. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. 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. Diversification does not ensure against loss.

The Russell 2000 Value Index is the Fund's primary benchmark and consists of small-capitalization companies with below 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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