William Blair China Growth Fund
Fund Manager Commentary

Market Review

After a strong performance in 2021, global equities declined (-5.47%) in the first quarter (as measured by the MSCI ACWI IMI) amid increased market volatility induced by concerns over inflation, rising interest rates, and heightened geopolitical tension in Eastern Europe. In January, concerns over rising inflation and hawkish moves by the Federal Reserve drove a sharp style rotation into lower-value, lower-growth-oriented securities. Volatility continued in February as the Russian invasion of Ukraine prompted a coordinated response by Western countries in the form of firm sanctions targeted at Russia's financial system. The sanctions on Russia rendered Russian equities and the ruble un-investable with fears of contagion to other markets. In this environment, growth equities significantly underperformed value-oriented equities (the MSCI ACWI IMI Growth declined -9.83% while the MSCI ACWI IMI Value declined -1.08%). This was evident from a global sector perspective as consumer discretionary (-11.63%) and information technology (-10.37%) declined while energy stocks strengthened (+22.64%) on stronger crude oil prices.

Developed markets declined (-5.32%) as measured by the MSCI World IMI. U.S. equities declined (-5.38%) as the Russian invasion of Ukraine amplified existing concerns over rising inflation and interest rates. The Federal Reserve approved its first interest rate increase (0.25%) in over three years with further hikes expected throughout the rest of the year. Europe ex-U.K. plunged (-10.04%) as heightened concerns over the availability of Russian energy imports to Europe weighed on investor sentiment. In addition to targeting Russia's key financial institutions, the U.S. and European allies also cut Russia from the SWIFT International Payment system. Germany also announced it would be halting the certification of the Nord Stream 2 gas pipeline from Russia.

Emerging markets declined (-6.65%) with mixed returns across countries. Russian equities plunged as the broad range of sanctions imposed on their economy weighed heavily on the ruble and market returns. China sharply declined primarily in March (-14.27% for the quarter) amid a spike in COVID-19 cases and newly imposed lockdowns across major cities. Conversely, Latin America generated strong returns for the quarter (+26.34%) with broad outperformance across countries. Oil exporters and commodity beneficiaries such as South Africa (+19.30%), Kuwait (+18.56%), and Saudi Arabia (+16.64%), also outperformed.

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

Company	*% of Fund*
Tencent Holdings Limited	8.3
Kweichow Moutai Co., Ltd.	5.1
Bank of Ningbo Co.,Ltd.	4.9
China Merchants Bank Co., Ltd.	4.7
Foshan Haitian Flavouring and Food Co.	3.9
China Tourism Group Duty Free Corp. Ltd.	3.8
Alibaba Group Holding Limited	3.4
JD.com, Inc.	3.3
Silergy Corp.	3.0
Contemporary Amperex Technology Co.	2.9
Total Top 10	**43.3**

Fund Performance

Underperformance by the William Blair China Growth Fund (Class N shares) versus the MSCI China All Shares Index (net) was primarily driven by style headwinds amid strong outperformance of low-valuation stocks. From a sector perspective, the portfolio's lack of exposure to energy, underweight to financials, and overweight to IT were particularly detrimental. Style headwinds also drove negative stock selection across sectors, which was particularly acute in the healthcare, industrials, and financials sectors. Underperformance within healthcare was led by Wuxi Biologics and Ovctek China. Wuxi Biologics is a contract development and manufacturing organization (CDMO) that offers a full range of research and manufacturing services for biologics; it is the only company in China offering comprehensive CDMO services for biologics. In February, the company was added to the U.S. Department of Commerce Unverified List, as U.S. inspectors have not been able to access Wuxi's sites. While U.S. imports are nonessential to Wuxi's business and growth, and do not directly impact the company's fundamentals, the stock was down 30% on the news and the position was trimmed. Ovctek China is a contact lens company and the domestic leader in a particular type of vision correction known as orthokeratology (OrthoK).

[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.

OrthoK lenses are worn at night and provide temporary vision correction overnight so that patients can see normally during the day. The stock sold off primarily due to macro-driven weakness from continuing COVID disruptions in China and expansion-related expenses. We remain optimistic on the company's prospects as health care spending in China is expected to continue to increase.

Within industrials, negative stock selection was driven by Maxscend Microelectronics. Maxscend is a market leader in RF semiconductors used for cellular and Wi-Fi communication systems and mobile phones. Company fundamentals and growth remain strong, but the stock performance was weak in the quarter on the factor rotation toward lower valuation as Maxscend had been a strong performer throughout the COVID cycle. While financials overall were a detractor, our banking exposure, including China Merchants Bank and Bank of Ningbo, were among the top contributors as lower absolute but rising growth in well-managed banking franchises was rewarded in the style rotation toward lower value stocks.

Positioning

For the period, the underweight to financials was reduced through a combination of relative performances and additions to existing holdings including Bank of Ningbo, a regional bank with a focused strategy and strong contacts and knowledge of the region's marketplace, backed by good customer service. Exposure in consumer discretionary was reduced including the exit of ANTA Sports, and industrials exposure was reduced primarily through a trim in EV battery supplier Contemporary Amperex Technology.

Outlook

As we begin the second quarter of 2022, we reflect on the unique environment we have experienced the last two years. The nature of the economic cycle, originally due to the COVID pandemic, has been exacerbated. We've experienced an extreme closing and reopening of the global economy, accompanied by unprecedented liquidity, and pronounced rotations in style – first with growth outperforming strongly, and more recently value charging back. Finally, the Russian invasion of Ukraine continues to impact the economy and the markets and in response we have needed to reassess our outlook leading into this year.

Similar to our forecast earlier this year, we continue to see a natural slowing of economic growth from very high levels seen in 2020; but also, rising inflation, which implies a further deceleration of earnings growth. We also continue to analyze the rising interest rate environment and its relationship to valuations.

Growth – Post-Russian Invasion

In terms of growth, we continue to see risks of slower economic and corporate profit growth than we had originally expected. Importantly, in contrast to our prior outlook, we now expect materially lower growth in Europe. Leading into the year, most European economies remained much below their pre-pandemic output trajectory and now the Russian invasion of Ukraine has created further downward pressure. Particularly in Eastern and Central Europe, expanding past Russia, into Hungary and Poland, we'll expect continued acceleration in inflation, currencies under pressure and higher interest rates. Within the U.S., we see less impact and expect growth to remain at broadly similar levels as in our pre-Russian invasion case, which is a significant sequential deceleration in economic activity, from approximately 5.5% growth that we observed in 2021 down to closer to 2.5% growth rate by the end of the year. Corporate profit growth expectations seem reasonable and remain at the highest level for most major countries.

Within China, our outlook is mixed. We've seen a resurgence of COVID and lockdowns, which we expect to impact economic activity and weakening of growth in the first half of this year, coupled with potential geopolitical risk. In contrast, we think the government's focus on a stable economic environment will lead to a moderate fiscal and monetary stimulus as well as potential for some easing of regulatory pressures. Valuations in China are also relatively attractive in our view, after a difficult 2021.

Inflation

The ongoing lockdowns and the military conflict that we now have in Europe has prompted us to revise our inflation projections further. We originally expected inflation to peak in early summer. We now expect inflation to peak at a higher rate in the later part of this year and to rollover thereafter. Of course, wage pressures were something that we were going to monitor on an ongoing basis, and that that remains a key variable to watch in the U.S. What that means for equity markets, is that corporate earnings growth, especially outside the U.S., is expected to decelerate further throughout much of 2022, which will put further downward pressure on multiples.

Valuation and Style Performance

Thus far in 2022, we've seen one of the most significant style rotations we have experienced in multiple decades.

Which leads us to a discussion regarding equity valuations. The general relationship between rates and valuations holds, and despite the influences of the conflict and persistent inflation, we do believe that we are still in a long-term economic recovery. Thus, we expect gradual monetary tightening and removal of excess liquidity. Consequently, leading to further multiple contraction as the expansion continues and rates go higher.

This has direct implications for the performance of Growth equities vs Value equites, and we have seen this play out significantly in the beginning of 2022. Valuation as a factor has been by far the strongest driver of performance year to date.

Does this imply that the very long run of quality growth over value is over? We don't think so. Many of the drivers of the outperformance of Growth are still in place: positive but lower economic growth, low (albeit rising) interest rates, and a competitive landscape in the real economy that acknowledges the structural advantages of some areas of the economy over others, as well as those of differentiated, innovative business models. As it relates to interest rates, as measured by the

10-year yield, we believe would need to meaningfully rise from current levels (+300bps), to significantly affect relative future profitability and future investment premium.

And as we look forward, what hasn't changed? We think the innovation and disruption cycle hasn't changed, and arguably, has even accelerated. The dynamic shifting of corporate winners and losers remains a constant, and again, if anything, may be accelerated. Importantly, durability or improvements in corporate competitive advantage will likely remain underappreciated.

We believe this environment will create an important backdrop for active investing. Understanding companies with differentiated business models, unique cultures and durable competitive advantages will increasingly be crucial to determining investment performance in this complex environment.

INVESTMENT PERFORMANCE (AS OF 3/31/22)

	QTR	YTD	1 Y	3 Y	5 Y	Since Incep.
Class I (SI: 08/27/21)	-21.44%	-21.44%	--	--	--	-24.90%
MSCI China All Shares Index (Net)	-14.26%	-14.26%	--	--	--	-17.01%

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	1.25%	1.05%

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 involves a high level of risk and may not be appropriate for everyone. The Fund's returns will vary, and you could lose money by investing in the Fund. The Fund invests in equities which may decline in value due to both real and perceived general market, economic, and industry conditions. Investing in Chinese securities involves a higher degree of risk and special considerations not typically associated with investing in other more established economies or securities markets. The Fund's investment exposure to China may subject the Fund, to a greater extent than if investments were made in developed countries, to the risks of adverse securities markets, exchange rates and social, political, regulatory, economic, or environmental events and natural disasters that may occur in the China region. Investing in China A-Shares through the Shanghai - Hong Kong and Shenzhen - Hong Kong Stock Connect programs is subject to trading, clearance, settlement, and other procedures, which could pose risks to the Fund. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. Diversification does not ensure against loss. The Fund is non-diversified, meaning that it is permitted to invest a larger percentage of its assets in fewer issuers than diversified funds. Thus, the Fund may be more susceptible to adverse developments affecting any single issuer.

The MSCI China All Shares Index (net) captures large and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips, and foreign listings. The index aims to reflect the opportunity set of China share classes listed in Hong Kong, Shanghai, Shenzhen, and outside of China. 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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