William Blair Emerging Markets Leaders Fund
Fund Manager Commentary

Market Review

Global equities declined in the third quarter (the MSCI ACWI IMI returned -6.64% during the quarter and -25.72% year-to-date in USD terms) as heightened volatility in September erased positive returns in July. Central banks reaffirmed their commitment to lower inflation despite risks to growth. Growth equities moderately outperformed value-oriented equities during the period (the MSCI ACWI IMI Growth declined -5.75% for the quarter and -32.08% year-to-date, while the MSCI ACWI IMI Value declined -7.47% for the quarter and -19.35% year-to-date) as headwinds from rising interest rates and inflation pressures moderated.

Developed markets declined (-6.08% for the quarter and -25.57% year-to-date as measured by the MSCI World IMI). Within the U.S., equities declined (-4.57% for the quarter and -24.92% year-to-date as measured by the MSCI USA IMI). While slowing consumer demand and normalizing supply chains are beginning to exert downward pressure on inflation, the S&P 500 closed the quarter at the lowest level in two years, posting its third straight quarterly loss for the first time since 2009. The Federal Reserve raised interest rates by 75 basis points for the third consecutive time, pledging to continue to raise interest rates until inflation is under control.

European equities also declined (-10.69% for the quarter and -30.31% year-to-date as measured by the MSCI Europe IMI) as Eurozone inflation hit 10%, reaching a historic record, exerting more pressure on the European Central Bank to hike interest rates in October. Soaring inflation continued to be driven broadly by food and energy prices, with energy prices rising over 40% year-over-year. Within the U.K., equities declined (-11.63% for the quarter and -23.03% year-to-date as measured by the MSCI United Kingdom IMI), as British Prime Minister Liz Truss pledged a plan to cut income taxes that was poorly received in the market and triggered a sharp selloff in the British sterling. Similarly, Europe ex-U.K. declined (-10.37% for the quarter and -32.53% year-to-date as measured by the MSCI Europe ex-UK IMI) with intensifying inflation, hawkish interest rate expectations and recessionary fears in the forefront.

Emerging markets declined (-10.79% for the quarter and -26.79% year-to-date as measured by the MSCI EM IMI index) broadly across countries. Chinese equities underperformed significantly (-22.63% for the quarter and -31.50% year-to-date) as a downturn in the property market weighed on investor sentiment. Conversely, Latin America returns sharply reversed from the second quarter (+3.78% for the quarter and +1.78% year-to-date as measured by the MSCI EM Latin America IMI) bolstered primarily by Argentina (+19.87 for the quarter and +2.43% year-to-date as measured by MSCI Argentina) and Brazil (+8.42 for the quarter and +8.82% year-to-date as measured by the MSC Brazil IMI). Within Brazil, inflation moderated, and political risk eased as a result of the first round presidential election results. EMEA declined (-4.91% for the quarter and -30.26% year-to-date as measured by the MSCI EM EMEA IMI) as Russian President Vladimir Putin declared its annexation of four Ukrainian regions.

Top 10 Holdings[1] as of 9/30/2022

Company	*% of Fund*
Reliance Industries Ltd.	6.1
Taiwan Semiconductor Mfg. Co. Ltd.	5.3
PT Bank Central Asia Tbk	4.4
Tencent Holdings Ltd.	4.2
Grupo Aeroportuario del Pacifico, S.A.B. de C.V.	3.7
Alibaba Group Hldg. Ltd.	3.6
Wal-Mart de Mexico	3.6
Infosys Ltd.	3.3
HDFC Bank Ltd.	3.2
Kweichow Moutai Co., Ltd.	2.8
Total Top 10	**40.2**

Fund Performance

The William Blair Emerging Markets Leaders Fund (Class N shares) outperformed its benchmark, the MSCI Emerging Markets index during the third quarter. Outperformance versus MSCI Emerging Markets (net) was driven by a combination of favorable stock selection and allocation effects; in particular, strong stock selection in information technology and financials bolstered relative performance.

In information technology, Totvs and Globant, two notable detractors in the second quarter, were key contributors to relative performance this quarter as the stocks rebounded amid continued strong operating performance. Totvs is a leading ERP provider in Brazil. The company delivered better-than-expected growth and profitability results during the quarter. In addition, increased recurring revenues, now accounting for 85% of the core ERP business, improve durability in corporate

[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.

fundamentals. Globant is a pure-play IT service provider in Latin America that focuses on emerging technologies in fast-growing segments such as social media, analytics, and cloud. The company posted strong second quarter results, with revenue growth up 41% year-over-year, exceeding market expectations, and raised its full-year guidance amid continued strength in demand.

Bank Central Asia and Bajaj Finance bolstered results in the financials sector. Bank Central Asia is the highest-quality bank in Indonesia and is one of the strongest banks globally thanks to its exceptional deposit franchise and efficient cost structure. The bank delivered strong results amid accelerating loan growth and lower provisions and raised loan growth guidance. In our view the robust growth outlook remains well underpinned against a favorable economic backdrop in Indonesia, improving asset quality and higher interest rates environment. Bajaj Finance is a leading non-bank financial company in India. The company's technology-driven customer acquisition and cross-sell model is a key competitive advantage which combined with its diversified loan book, strong asset-liability management, and history of execution has resulted in best-in-class growth and profitability. Bajaj's operating performance continued to recover following COVID and delivered strong results during the quarter aided by strong net interest margins and fees. Credit quality has continued to improve, and the enhanced digital ecosystem and rollout of the app support the customer acquisition and loan growth outlook while opex growth is expected to peak.

Partially offsetting these effects was the negative stock selection in energy as Reliance Industries lagged the sector during the quarter. While the company's operating performance remained robust amid continued tailwinds in energy and retail network expansion, the stock performance weakened due to concerns over growth plans for the Jio 5G rollout as well as green energy, which will result in a sharp capex increase going forward. Stock selection in communication services also detracted from relative results, dragged down by weak performance by Tencent. The stock price weakened as the company reported its first revenue drop since its IPO amid China's slowing economic growth and tighter regulatory backdrop.

Positioning

During the period, communication services and consumer discretionary were decreased through the liquidation of SEA Ltd and Shenzhou International, respectively.

SEA Ltd is a Southeast Asian gaming and e-commerce platform. We exited the position amid decelerating trends in its gaming business, its only driver of profitability, and continued high investment in e-commerce. While the company has shown recent signs of improved capital discipline exiting more competitive markets, e-commerce profitability is not expected until 2025 and implies a wide range of outcomes in terminal forecasts. Shenzhou International is a leading textile OEM and we sold the position amid continued headwinds for the industry against a softening macroeconomic backdrop, higher input costs, and concerns about heightened channel inventories, which pressure the order outlook.

These reductions helped fund an increase to industrials exposure via the purchase of Contemporary Amperex Technology (CATL).

CATL is the leading EV battery manufacturer in China, with approximately 50% share in the domestic market and a substantial technology/process advantage over domestic peers. We believe that the company is well positioned to benefit from the accelerating penetration of electric vehicles globally and deliver stronger returns as we expect batteries to remain the key bottleneck in the supply chain in the medium term, and CALT's ability to produce higher-density (lower-cost), longer-life, and safer products should continue to yield pricing power.

As of the end of the period, the most notable country overweighting positions were India, Brazil, Mexico, and Indonesia while the most significant underweighting positions were South Korea, Taiwan, and Saudi Arabia.

Outlook

As we head into the fourth quarter of 2022, slowing growth, high inflation and recessionary fears remain at the forefront. Particularly, the economic outlook appears challenged in all three of the world's principal demand centers in the United States, Europe, and China over the next six months. Europe is facing significant energy price shock from the ongoing Russian invasion of Ukraine, China's consumers are much more challenged than is generally appreciated due to the resurgence of COVID cases, and the U.S. economy is balanced precariously between peaking inflation and a determined Federal Reserve.

Recession

In the United States, as we look more granularly and analyze the risks of recession, the likelihood that the United States can shift into a more normal expansion, growing at its pre-COVID averages or whether the consumer will hit on the spending breaks and the economy decelerates to a recession, depends on how quickly inflationary pressures abate and the U.S. Federal Reserve can reach its approximate target policy rate. With key indicators such as the labor market (i.e. wages and payroll) yet to see a significant slowdown, it is likely that chances of a pivot to a less hawkish stance will remain low for the remainder of the year.

In Europe, recession continues to appear more unavoidable. Simply put, Europe has been hit with a sudden and large energy shock. This is not so much about whether Europe will have enough gas to heat its homes this coming winter, but rather about its energy prices being multiples higher moving forward. This has become an increasing concern as both Nord Stream pipelines were discovered to have multiple leaks, due to an unknown source at this time.

In addition, while China appears particularly challenged due to ongoing COVID-related disruption of the domestic economy, demand recovery is expected as its zero-COVID policy eases, which could begin as early as spring 2023. Early signs of gradual easing of monetary policy and increased fiscal stimulus are also supportive to recovery of growth.

Inflation

Global inflation rates have continued to soar in 2022, which as we have discussed in previous quarters has been significantly influenced by Russia's invasion of Ukraine. As a result, Europe is only now reaching its pre-COVID output trajectory, which is considerably slower than the United States. While European inflation is somewhat lower than in the United States, high energy prices, as a result of substituting LNG for Russian gas, are driving inflation. We expect European inflation will peak when energy prices roll over.

In the United States, slowing consumer demand and normalizing supply chains are beginning to exert downward pressure on inflation. Specifically, goods price inflation has already rolled over, although it will be many more months before the year-over-year print will be at 2%. Importantly, monthly CPI data will remain a key indicator to monitor as to when annual inflation will decelerate closer to the target range.

Growth

Corporate earnings growth, especially outside the United States, is widely expected to decelerate throughout the remainder of 2022, given the soaring inflation and macro-economic uncertainty. While some of that expected deceleration has been reflected in multiple contraction, we expect negative earnings revisions to continue to put further downward pressure on multiples.

Lastly, we cannot have a discussion on the economic outlook without mentioning the wild moves in the dollar exchange rates this year. Europe's massive energy price shock and inflationary pressures have created large currency discrepancies. With the U.S. dollar the strongest since the mid-1980s, the message from the foreign exchange markets seemingly is that the U.S. economy is the most resilient in the face of current economic headwinds. As we assess what could break the upward trend of the U.S. dollar, we believe that the likely scenario would require either an easing of natural gas prices in Europe, which are up nearly ten-fold in a 12-month period, or the Federal Reserve's hawkish monetary policy tightening to push the United States into a recession which would ultimately put downward pressure on the U.S. dollar.

As we continue to analyze the various market outcomes and while uncertainty remains quite high, increasingly we realize that the underlying corporate performance of our portfolio holdings remains quite resilient, and their long-term earnings power is likely to remain unchanged. Looking forward, we expect equity returns will likely be driven by earnings growth and multiple compression will largely stop when earnings growth ceases to decelerate.

INVESTMENT PERFORMANCE (AS OF 9/30/22)

	QTR	YTD	1 Y	3 Y	5 Y	10 Y
Class I (SI: 03/26/08)	-8.63%	-29.92%	-31.66%	-2.98%	-1.38%	1.57%
Class N (SI: 05/03/10)	-8.77%	-30.19%	-31.91%	-3.28%	-1.67%	1.28%
MSCI Emerging Markets Index (net)	-11.57%	-27.16%	-28.11%	-2.07%	-1.81%	1.05%

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	1.12%	0.99%
Class N	1.40%	1.24%

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. You should only consider it for the aggressive portion of your portfolio. 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 securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. International investing involves special risk considerations, including currency fluctuations, higher volatility, lower liquidity, economic and political risk. Investing in emerging markets can increase these risks. The securities of emerging market companies may be subject to greater volatility and less liquidity than companies in more developed markets. 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. Convertible securities may be called before intended, which may have an adverse effect on investment objectives.

The Morgan Stanley Capital International (MSCI) Emerging Markets Index (net) is a free float-adjusted market-capitalization-weighted index that is designed to measure equity market performance of emerging markets. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.

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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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