William Blair

William Blair Growth Fund
Fund Manager Commentary

Market Overview

Most U.S. equity indices declined in the third quarter, marking the third consecutive quarter of negative returns. During the first half of the year, the market was largely dominated by elevated inflation and monetary tightening by the Federal Open Market Committee (FOMC) which broadly pressured equity valuations. During March, the FOMC implemented the first increase of the target federal funds rate in this cycle. With record-high gasoline prices, elevated mortgage rates, lower asset prices and higher food costs, consumer sentiment weakened, as did other economic data points, such as U.S. manufacturing PMIs and housing-related indicators. At the same time, the labor market and corporate earnings remained resilient.

The third quarter began with an equity market rally fueled by optimism that inflation would moderate, requiring fewer rate increases by the Fed. This sentiment faded mid-quarter after the Fed reiterated its priority was to tame inflation, potentially at the expense of economic growth, and equities fell back into negative territory to end the quarter. Correspondingly, 10-year U.S. Treasury bond yields rose and the U.S. dollar continued to strengthen. Supply chain pressure began to ease, providing welcomed deflationary tailwinds to food and transportation costs. U.S. corporate earnings broadly held up well in the quarter, while forward-looking guidance generally reflected considerable uncertainty and consensus estimates began to decline.

Fund Performance

The William Blair Growth Fund (Class N shares) underperformed its benchmark, the Russell 3000 Growth index during the third quarter. The portfolio trailed the Russell 3000 Growth Index in the third quarter, primarily due to stock-specific dynamics. Our top detractors in the period included Ball (Materials), Adobe (Information Technology), Azenta (Health Care) and Steris (Health Care), as well as not owning Apple (Information Technology). Ball Corporation reported weaker-than-expected earnings results, as inflationary pressures had a significant negative impact on volume growth. In the case of Apple, we believe the valuation does not reflect earnings risk related to macro challenges. Sales of the company's premium priced products are likely to be pressured by the expected slowdown in economic growth. Given the maturity of the high-end smart phone, tablet and PC markets, and the solid growth of its services business, we believe the long-term growth and return prospects for our other Information Technology holdings are more attractive. Stock selection in Consumer Discretionary, including our position in Bright Horizons and not owning Tesla, also detracted from relative returns. Shares of Bright Horizons declined due to the slower-than-expected pace of recovery in its full-service care offering and margin headwinds associated with competition for labor, both a reflection of the lingering effects of COVID disruptions. As it relates to Tesla, while we share the market's view that electric vehicle penetration is likely to accelerate from here, resulting in better forward industry growth rates than was previously expected, we believe the stock is embedding unrealistic expectations as to Tesla's ultimate market share and margin profile. In terms of positives, our top contributors were Cameco (Energy) and National Instruments Corp (Information Technology). Cameco reported strong pricing and momentum in new contract activity as the fundamental backdrop continued to improve. National Instruments reported revenues and gross margins that were ahead of expectations as supply chain headwinds appear to be resolving. Other notable contributors included PayPal (Information Technology), Penumbra (Health Care) and CoStar Group (Industrials).

Top 10 Holdings[1] as of 9/30/22

Company	*% of Fund*
Microsoft Corp.	9.8
Amazon.com, Inc.	7.4
Alphabet Inc.	7.1
Mastercard Inc.	4.6
UnitedHealth Group Inc.	4.1
Cameco Corp.	2.6
The Coca-Cola Co.	2.6
Texas Instruments Inc.	2.3
Copart, Inc.	2.0
SBA Communications Corp.	2.0
Total Top 10	**44.5**

Outlook

While the pace of inflation has moderated, it remains above the Fed's target level and further interest rate increases are anticipated. Some areas of the economy, such as housing, already appear to be responding to tightening, but the full

[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.

economic effects of rate hikes have likely yet to be felt. Rising interest rates, elevated inventories paired with softening demand, and a relatively strong U.S. dollar are likely to create a more challenging environment for corporate earnings as we look forward. In addition, difficult comparisons relative to prior year's growth persist into 2023.

We continue to expect that investors will begin to reward quality attributes, such as the durability of margins and earnings, which have not yet provided a considerable benefit year-to-date. We remain focused on identifying durable businesses whose stocks present attractive risk/reward opportunities, which we believe are well-suited to withstand market turbulence and add-value in client portfolios over the long term.

INVESTMENT PERFORMANCE (AS OF 9/30/22)

	QTR	YTD	1 Y	3 Y	5 Y	10 Y
Class I (SI: 10/01/99)	-5.62%	-32.46%	-28.46%	6.51%	11.03%	11.48%
Class N (SI: 03/20/46)	-5.69%	-32.60%	-28.71%	6.21%	10.69%	11.15%
Russell 3000® Growth Index	-3.37%	-30.57%	-23.01%	10.16%	11.57%	13.36%
S&P 500 Index	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.70%

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	0.89%	--
Class N	1.21%	1.20%

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 invests most of its assets in equity securities of 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. The securities of smaller and medium sized companies tend to be more volatile and less liquid than securities of larger companies. In addition, small and medium sized companies may be traded in lower volumes. This can increase volatility and increase the liquidity risk whereby the Fund will not be able to sell the security on short notice at a reasonable price. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 3000 Growth Index consists of large, medium and small-capitalization companies with above average price-to-book ratios and forecasted growth rates. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. The size of companies in the Russell 3000 Growth Index may change with market conditions. 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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