William Blair

William Blair Large Cap 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 Large Cap Growth Fund (Class N shares) underperformed its benchmark, the Russell 1000 Growth index during the third quarter. The Large Cap Growth portfolio lagged the return of the Russell 1000 Growth Index in the third quarter, primarily driven by stock-specific dynamics. The largest source of underperformance as compared to our benchmark came from not owning Tesla (Consumer Discretionary) and Apple (Information Technology). 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 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. Within the portfolio, our top detractors in the period were Adobe (Information Technology) and Mastercard (Information Technology). Adobe announced an acquisition that is likely to have a dilutive impact on margins in the intermediate term, while foreign exchange headwinds weighed on shares of Mastercard. Other notable laggards included Nike (Consumer Discretionary), Zoetis (Health Care) and Veeva Systems (Health Care). In terms of positives, the top contributors to relative performance were PayPal Holdings (Information Technology) and CoStar Group (Industrials). PayPal reported better-than-expected earnings results despite facing continued e-commerce spending headwinds, while CoStar Group reported broad-based strength across segments and benefited from favorable pricing and volume trends. Other notable contributors included Starbucks Corp (Consumer Discretionary), Amazon (Consumer Discretionary) and Marriott (Consumer Discretionary).

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

Company	*% of Fund*
Microsoft Corp.	13.1
Amazon.com, Inc.	9.0
Alphabet Inc.	7.0
UnitedHealth Group Inc.	5.5
Mastercard Inc.	5.4
Costco Wholesale Corp.	4.7
Accenture Public Ltd. Co.	3.7
CoStar Group, Inc.	3.7
PayPal Holdings, Inc.	3.2
Starbucks Corp.	3.2
Total Top 10	**58.5**

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 economic effects of rate hikes have likely yet to be felt. Rising interest rates, elevated inventories paired with softening

[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.

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: 12/27/99)	-4.98%	-35.14%	-27.93%	7.26%	12.47%	13.60%
Class N (SI: 12/27/99)	-5.09%	-35.28%	-28.12%	6.96%	12.17%	13.31%
Russell 1000® Growth Index	-3.60%	-30.66%	-22.59%	10.67%	12.17%	13.70%

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	0.75%	0.65%
Class N	1.05%	0.90%

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 large cap 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. Different investment styles tend to shift in and out of favor depending on market conditions and investor sentiment, and at times when the investment style used by the Adviser for the Fund is out of favor, the Fund may underperform other equity funds that use different investment styles. The Fund invests most of its assets in equity securities of domestic growth companies, including common stocks and other forms of equity investments (e.g., convertible securities). Convertible securities are at risk of being called before intended, which may have an adverse effect on investment objectives. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 1000 Growth Index consists of large-capitalization companies with above 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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