William Blair

Third Quarter 2022

William Blair Small 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 Small Cap Growth Fund (Class N shares) outperformed its benchmark, the Russell 2000 Growth index during the third quarter. The Small Cap Growth portfolio modestly outperformed the Russell 2000 Growth Index in the third quarter. Relative performance was primarily driven by stock-specific dynamics. Our top individual contributors included Penumbra (Health Care), Stem (Industrials) and National Vision (Consumer Discretionary). Penumbra designs, develops, manufactures, and markets novel products and aspiration systems used to treat stroke and various peripheral vascular conditions. The company benefited from improving profitability metrics and share gains in peripheral vascular driven by its superior patient safety. Stock selection in Energy, including our positions in TechnipFMC and Denbury, also contributed positively to relative returns. Shares of TechnipFMC, equipment and service provider for offshore oil and gas projects, benefited from improved pricing and share gains against the backdrop of an accelerating offshore cycle. Stock selection in Health Care, including our positions in Azenta and Certara, was a detractor in the period. Azenta, a life sciences company, experienced a slowdown in demand for DNA sequencing and synthesis. Other notable laggards included Mercury Systems (Industrials), Brink's Company (Industrials) and SiTime (Information Technology). Mercury Systems, a provider of sensor processing subsystems, reported contract timing and supply chain challenges that weighed on results.

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

Company	*% of Fund*
BWX Technologies, Inc.	2.5
National Vision Holdings	2.4
Verra Mobility Corporation	2.3
Casella Waste Systems, Inc.	2.2
TechnipFMC plc	2.2
Merit Medical Systems, Inc.	2.1
The Brink's Co.	1.9
Cameco Corp.	1.9
WNS (Holdings) Ltd.	1.8
Albany International Corp.	1.7
Total Top 10	**21.0**

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 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

[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.

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)	0.44%	-27.56%	-27.52%	6.38%	7.48%	12.11%
Class N (SI: 12/27/99)	0.39%	-27.68%	-27.71%	6.11%	7.21%	11.83%
Russell 2000® Growth Index	0.24%	-29.28%	-29.27%	2.94%	3.60%	8.81%

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%	--
Class N	1.56%	1.50%

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 small 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. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Small cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition. These risks are intensified for investments in micro-cap companies. 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. The Fund is not intended to be a complete investment program. The Fund is designed for long-term investors.

The Russell 2000 Growth Index is the Fund's primary benchmark and consists of small-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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