William Blair

First Quarter 2023

William Blair International Leaders Fund
Fund Manager Commentary

Market Review

Global equities advanced in the first quarter (the MSCI ACWI IMI returned +6.95% for the quarter in USD terms), despite a volatile period amid turmoil in the banking industry. From a global sector perspective, information technology and communication services rallied during the period (+19.97% and +16.50%, respectively, as measured by the MSCI ACWI IMI index), while energy lagged on weaker energy prices (-3.24% as measured by the MSCI ACWI IMI index). Growth equities outperformed value-oriented equities (the MSCI ACWI IMI Growth returned +12.95% for the quarter, while the MSCI ACWI IMI Value returned +1.30%) as the concerns over banking contagion and resulting drop in bond yields caused a shift in market leadership toward growth segments of the market.

U.S. equities advanced during the period (+7.21% for the quarter as measured by the MSCI USA IMI) propelled primarily by technology stocks, while financials remained under pressure. With a turbulent quarter that stemmed from the demise of Silicon Valley Bank, investor sentiment was boosted by the swift coordinated actions of the Federal Reserve and central banks to help restore confidence in the banking system, coupled with hopes that the Federal Reserve could ease monetary policy tightening earlier than anticipated as a result of the financial instability and potential impact to the U.S. economy. While the Fed further slowed the pace of rate hikes to 25 basis points, Powell flagged the need to do more work to combat inflationary pressures, reiterated the higher-for-longer messaging, and noted that the labor market remains too tight.

European equities outperformed global markets for the quarter (+10.24% for the quarter as measured by the MSCI Europe IMI). While the ECB's interest rate hike of 50 basis points was higher than expectations given the uncertainty after the collapse of Silicon Valley Bank, European stock markets rallied on President Lagarde signaling that the ECB would be cautious about further rate increases. The European banking sector sold off during March following UBS's acquisition of Credit Suisse. The Swiss regulator's decision to write down Credit Suisse's additional tier 1 bonds also sparked a decline in the banking sector. Within the U.K., equities advanced (+5.89% for the quarter as measured by the MSCI United Kingdom IMI) after GDP showed a 0.1% expansion in the fourth quarter, narrowly avoiding recession. Similarly, Europe ex-U.K. advanced (+11.63% for the quarter as measured by the MSCI Europe ex-UK IMI), as Euro area CPI plunged to 6.9% in March, down from 8.5% in the previous month.

Emerging markets gained (+3.94% for the quarter as measured by the MSCI EM IMI index) with mixed performance across regions. Within Asia, Chinese equities advanced (+4.32% for the quarter as measured by the MSCI China IMI index) on continued momentum in its economic recovery in March, as the non-manufacturing PMI rose to 58.2 alongside a notable increase in activity in the construction sector. Taiwan and Korea were the strongest contributors to performance within EM Asia, on a relative basis (+14.88% and +10.35%, respectively as measured by MSCI Taiwan IMI and MSCI Korea IMI). Similarly, Latin America returns gained (+4.12% for the quarter as measured by the MSCI EM Latin America IMI), driven primarily by strength in Mexico (+20.47% for the quarter as measured by MSCI Mexico IMI). EMEA declined (-1.17% for the quarter as measured by the MSCI EM EMEA IMI) stemming from broad weakness across countries, particularly Turkey (-12.56% during the quarter as measured by MSCI Turkey IMI).

Top 10 Holdings[1] as of 3/31/2023

Company	*% of Fund*
LVMH Moet Hennessy-Louis Vuitton SE	3.2
Taiwan Semiconductor Mfg. Co. Ltd.	2.6
VINCI SA	2.6
ASML Holding N.V.	2.6
Amadeus IT Group, S.A.	2.5
Reliance Industries Limited	2.4
Compass Group PLC	2.4
Canadian Pacific Railway Limited	2.4
Novo Nordisk A/S	2.3
Alibaba Group Holding Limited	2.3
Total Top 10	**25.3**

Fund Performance

The William Blair International Leaders Fund (Class N shares) outperformed its benchmark, the MSCI ACWI ex US IMI (net), during the first quarter. Outperformance versus the MSCI ACWI ex USA IMI index (net) was driven by a combination of allocation and stock selection effects. While outperformance was driven by positive stock selection across most sectors, an overweight to the information technology sector and an underweight to the financial sector, coupled with above-average

[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.

stock selection within the information technology, healthcare, and consumer discretionary sectors drove relative returns for the period.

Within information technology, hardware positions including Infineon Technologies were the primary drivers of returns. Infineon Technologies is a German semiconductor manufacturer with a high exposure to automotive semis. It outperformed on strong fundamental results led by growth in its auto segment of 35% year-over-year, and expectations for margin improvement in 2023. Infineon is a critical enabler of electric vehicles and renewable energy, and we believe it is positioned to benefit from secular tailwinds from rising electric content in autos.

Positive selection in consumer discretionary was broad based and led by Amadeus IT Group and Evolution. Amadeus is the leading provider of IT solutions to the travel industry. It benefited from the continued recovery in air travel and hospitality and cost-cutting efforts that have improved margins; revenue per booking is now 9% higher than pre-COVID levels. Evolution is a leading provider of live casino solutions; they develop, produce, market, and license fully integrated solutions for its customers, which enables the B2C operator to deliver live casino offerings digitally. It outperformed on strong fundamental results including 31% year-over-year growth and a 40% increase in its dividend. The company has a strong product portfolio, with vastly more games than its peers, and we maintain high confidence in the firm's competitive advantages and management execution.

Partially offsetting these effects was a lack of exposure to the communications services sector and stock selection in energy including Tenaris and Reliance Industries. Tenaris is the global leader in seamless pipe used for drilling oil and gas wells. While fundamental results were strong including 76% growth in revenue year-over-year, the stock was down in March on lower energy prices. Tenaris continues to make investments to structurally improve its operations and the pipe market overall. Reliance detracted from overall results as Indian equities broadly underperformed.

Positioning

During the quarter, exposure to the consumer discretionary sector was increased primarily through purchases of Alibaba and Ferrari. Alibaba is the dominant provider of comprehensive goods/services in China including e-commerce and is benefiting from increasing Chinese consumption as China moves beyond COVID. We believe improving fundamentals with renewed focus on customer retention and loyalty, in tandem with core e-commerce growth and cost optimization provides a favorable risk/reward at depressed valuations. Ferrari is an Italian sports car manufacturer that is positioned as an ultra-luxury goods company with strong pricing power and resilient demand resulting in what we view to be a long-term value creator with a relatively narrow range of outcomes. Ferrari's competitive advantages are centered around product innovation and the strength of the brand, which results in a captive customer base where approximately 60% of sales are to existing Ferrari owners. Returns and cash conversion are strong, and we expect continued margin improvements driven by improving product mix, operating leverage, and improving supply chains.

Within information technology, we added to technology hardware and we purchased Samsung SDI. SDI is among the global leaders in battery production including large batteries for use in electric vehicles. It focuses primarily on the premium end of the market, is well positioned for western export, and is highly innovative. SDI is piloting a solid-state battery line that is a first-of-kind facility, potentially offering a step-change in battery performance and overall EV penetration. As a result of those changes, the allocation to emerging Asia increased in the period.

These increases were offset by reductions in financials and energy including the sales of KBC Group and Neste. KBC is a retail-focused bank and insurer based in Belgium. Despite its position as one of the most well-capitalized banks in Europe, it was sold as the pressures on smaller U.S. banks have made the fundamental outlook for KBC more challenging including higher costs to maintain high-quality deposits and a reduction in loan growth that is not reflected in valuations. Neste is a Northern European refinery and fuel station operator with significant exposure to renewable fuels; the position was exited as we believe its first-mover advantage on input costs is waning and expansion plans will pressure intermediate term results. As a result of those changes, the allocation to Europe ex U.K. decreased in the period.

Outlook

The collapse of Silicon Valley Bank and Credit Suisse's demise have exposed some of the feared risks related to the severity of central banks' monetary tightening. Despite U.S. regional banks still facing headwinds and signs of stress in the system not fully subsided, we do not believe that full contagion across the banking sector is a likely outcome. We are, however, monitoring the private debt and commercial real estate markets for signs of systemic risk.

As we settle into the second quarter of 2023, we reassess our projections for the remainder of the year and analyze how these implications will affect our outlook on risks of recession, central banks' likelihood to pivot away from restrictive monetary policy sooner than expected, and revised corporate earnings expectations.

Despite the instability in the financial sector, the Federal Reserve and global central banks remain vigilant in their fight against inflation, as evidenced by the ECB's and U.S. Fed's further rate increases in March. We believe the Fed will be reluctant to move back on its monetary policy settings by lowering interest rates, however that does not mean it will not provide liquidity, which we have seen over the last several weeks.

In this tighter economic environment, the likelihood of recession is increasing. Banking stress is unambiguously negative because it creates difficulties in lending to small and midsize companies, which tend to utilize smaller banks due to the ease of access to credit as opposed to larger banks. In the

current environment, the balance sheets of many regional banks are suffering from the mismatch of assets and liabilities. As long as this mismatch persists, we can expect to see a curtailing of lending and other forms of credit activity, which will dampen growth of regional and local economies.

As a result, we are likely to see a deceleration in economic activity (approximately 1% of GDP growth). This slowdown in economic growth will also have downward pressure on corporate earnings. Our base case assumed a deceleration in corporate earnings through third quarter and we now expect additional downward pressure, how far it extends toward the end of the year we believe is still too early to tell. Consensus for 2023 corporate profit growth expectations now stands at a touch below +2%, down from about +10% one year ago.

Despite lowering expectations of economic and corporate profit growth, earnings multiples for the most part have expanded this year. This is a bit of a surprise to us, and likely due to the assumption that real rates and inflation have peaked. We would not expect valuations to further rerate materially until there is some confidence of at what level growth troughs.

We also think it is relevant to highlight China given its earlier-than-expected reopening during the first quarter. While the reopening brought renewed optimism and the beginning phases of recovery, the pace of growth could be slow in the near term given the time needed to repair consumer confidence, which dropped to a 20-year low in late December. The government continues to deliver supportive yet measured initiatives on both fiscal and monetary fronts to stimulate the economy, including stabilizing the property market (which fell 30%-40% last year) while considerate of persistent structural issues.

The government is also keen to support consumption and youth employment, where unemployment rates went up substantially last year to 20% versus 5-6% for the general population due to covid lockdowns and internet industry regulations. Recent messaging has also indicated a boost in supportive measures in the private sectors and the platform economy (signaling the regulatory measures are easing and stabilizing) and continue to push for technology advancement and energy transition. Additionally, the excess savings in China over the last two to three years should support the recovery of consumption, the property market and investment.

While U.S.-China relations and geopolitical risks have not abated and continue to weigh on market valuation, policy support, a stabilizing regulatory environment, and the potential for earnings recovery due to the reopening could be supportive for investors in 2023.

As previously discussed, inflation and rates have shifted upward, and the forces that caused this may be beyond just this current pandemic-influenced economic cycle. We believe the environment has changed enough that market leadership will be broader in the coming years as compared to the pre-pandemic era. Our focus remains to identify a diversity of mis-priced value-creating companies across the wide array of our opportunity set.

INVESTMENT PERFORMANCE (AS OF 3/31/23)

	QTR	YTD	1 Y	3 Y	5 Y	10 Y [1]
Class I (SI: 08/16/12)	8.50%	8.50%	-9.06%	10.00%	4.61%	6.86%
Class N (SI: 08/16/12)	8.39%	8.39%	-9.31%	9.73%	4.35%	6.60%
MSCI All Country World ex-U.S. IMI Index (net)	6.56%	6.56%	-5.84%	12.20%	2.35%	4.28%

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.

[1]Class I and Class N inception date: 8/16/2012.

EXPENSE RATIOS

	Gross Expense	Net Expense
Class I	0.99%	0.90%
Class N	1.30%	1.15%

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. International investing involves special risk considerations, including currency fluctuations, lower liquidity, economic and political risk. Because the Fund may focus its investments in a limited number of securities, its performance may be more volatile than a fund that invests in a greater number of securities. International investing involves special risk considerations, including currency fluctuations, lower liquidity, and economic and political risk. Investing in emerging markets can increase these risks, including higher volatility and lower liquidity. Investing in smaller and medium capitalization companies involves special risks, including higher volatility and lower liquidity. Small and mid-cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition. Convertible securities may be called before intended, which may have an adverse effect on investment objectives. Diversification does not ensure against loss.

The MSCI All Country World ex-U.S. IMI Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. This series approximates the minimum possible dividend reinvestment. 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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