William Blair China Growth 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 3/31/23

Company	*% of Fund*
Tencent Holdings Limited	10.7
Alibaba Group Holding Limited	7.6
Kweichow Moutai Co., Ltd.	5.5
China Tourism Group Duty Free Corp Ltd	4.4
Foshan Haitian Flavouring and Food Co. Ltd.	4.0
Beijing Kingsoft Office Software, Inc.	3.5
NetEase, Inc.	3.1
JD.com, Inc.	3.0
China Merchants Bank Co., Ltd.	2.9
Meituan	2.9
Total Top 10	**47.6**

Fund Performance

The William Blair China Growth Fund (Class I shares) underperformed its benchmark, the MSCI China All Shares index (net) during the first quarter. Underperformance versus MSCI China All Shares (net) was primarily driven by negative stock selection within consumer discretionary and financials. Within consumer discretionary, China Tourism Group (CTG) underperformed as the recovery of duty-free sales remained slow as COVID-related headwinds dissipate. CTG remains a

[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.

best-in-class operator with a government-endorsed monopoly position. As sales and margins begin to normalize, we believe the large and growing total addressable market of duty-free shopping in China provides a substantial runway for growth and reinvestment.

Bank of Ningbo underperformed in the financials sector. Bank of Ningbo is a top-five city commercial bank in China by total assets, loans, and deposits. The company continues to stand out for its focused strategy around higher-margin small and midsize enterprises and non-mortgage retail businesses, which we believe will generate superior growth, good asset quality, and profitability relative to its peers. The stock traded down due to the broad underperformance in the banking sector, which suffered declines that stemmed from the collapse of multiple regional banks, specifically Silicon Valley Bank and Credit Suisse.

Partially offsetting these effects was an overweight allocation and positive stock selection within the information technology sector. Within information technology, Beijing Kingsoft Office Software (KOS) outperformed. KOS is the largest domestic office software company in China. We believe the company offers a unique opportunity to invest in an expanding growth software company that benefits from two long-term themes in China, workplace digitalization, and software localization. The share price advanced after delivering fiscal 2022 results that were largely in line with expectations.

Positioning

During the quarter, communication services exposure was increased through the additions to existing holdings. Consumer discretionary was also increased through the purchase of Topsports International. Topsports is the largest sportswear retailer in China. We believe the company's long-standing relationships with global brand partners and the attractiveness of the sporting goods market within China will drive long-term growth opportunities.

Conversely, financials and consumer staples exposure decreased during the period. Within financials, we trimmed Bank of Ningbo and Bank of Chengdu. Bank of Chengdu (BOCD) is one of the largest city commercial banks in China; it was the first and is now the largest city commercial bank in the Sichuan province. Despite strong fundamentals, the stock traded down on volatility in the banking space. Consumer staples decreased through the liquidation of Yunnan Botanee Bio-Technology, the leading player in China's dermocosmetics market. We exited our position given weaker fundamentals and expectations for prolonged uncertainty in earnings growth.

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	Since Incep.
Class I (SI: 08/27/21)	1.70%	1.70%	-12.52%	--	--	--	-23.16%
MSCI China All Shares Index (Net)	5.01%	5.01%	-6.44%	--	--	--	-14.74%

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	4.68%	0.99%

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. The Fund's returns will vary, and you could lose money by investing in the Fund. The Fund invests in equities which may decline in value due to both real and perceived general market, economic, and industry conditions. Investing in Chinese securities involves a higher degree of risk and special considerations not typically associated with investing in other more established economies or securities markets. The Fund's investment exposure to China may subject the Fund, to a greater extent than if investments were made in developed countries, to the risks of adverse securities markets, exchange rates and social, political, regulatory, economic, or environmental events and natural disasters that may occur in the China region. Investing in China A-Shares through the Shanghai - Hong Kong and Shenzhen - Hong Kong Stock Connect programs is subject to trading, clearance, settlement, and other procedures, which could pose risks to the Fund. 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. Diversification does not ensure against loss. The Fund is non-diversified, meaning that it is permitted to invest a larger percentage of its assets in fewer issuers than diversified funds. Thus, the Fund may be more susceptible to adverse developments affecting any single issuer.

The MSCI China All Shares Index (net) captures large and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips, and foreign listings. The index aims to reflect the opportunity set of China share classes listed in Hong Kong, Shanghai, Shenzhen, and outside of China. 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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