

William Blair Mid Cap Growth Fund Fund Manager Commentary

Market Overview

Following a difficult year for investors, 2023 got off to a more positive start as most U.S. equity indices advanced during the first quarter.

To start the year, U.S. equities moved higher as slowing inflation and resilient employment data helped fuel investor hopes of a soft landing. However, the collapse of Silicon Valley Bank (SVB) and related events caused equities to dip in March. Government bonds rallied sharply as investors questioned the soundness of smaller banks and factored in a possible pause in Federal Reserve (Fed) tightening.

The Federal Open Market Committee (FOMC) increased the target federal funds rate by 25 basis points in both February and March. In response to the SVB bankruptcy and related events, the Fed expressed confidence in the resilience of the U.S. banking system. The Fed signaled it has likely moved closer to the end of the tightening cycle supported by cooling inflation data during the quarter. The February Consumer Price Index (CPI) report showed inflation fell to 6.0% year-on-year, the eighth consecutive monthly decline from its 8.9% peak in June.

Despite interest rate headwinds, the job market remained strong but the mix of jobs is changing. In the first two months of 2023, notable job gains occurred in leisure, hospitality, retail trade, government and health care. Employment declined in information technology, transportation and warehousing. The unemployment rate remained near its historical low.

Although equities generally finished the first quarter higher, concerns about the economy and potential fallout from the regional banking issues remained at the forefront for investors.

Fund Performance

The William Blair Mid Cap Growth Fund (Class N shares) underperformed its benchmark, the Russell Midcap Growth index, during the first quarter. The portfolio modestly trailed the Russell Midcap Growth Index in the first quarter driven by stock-specific dynamics. Our top detractors included New Fortress Energy (Energy), CoStar Group (Industrials), Western Alliance Bancorp (Financials), Vulcan Materials (Materials) and PacWest Bancorp (Financials). New Fortress Energy develops, finances and constructs liquified natural gas (LNG) assets and related infrastructure. Shares were pressured as the company reported mixed quarterly results and lowered 2023 guidance. CoStar Group, a provider of information, marketing and analytic services to the real estate industry, reported robust quarterly earnings results but revenue guidance was lower than expected. In terms of positives, stock selection in Industrials, including our positions in Axon Enterprise and Builders FirstSource,

Top 10 Holdings¹ as of 3/31/23

<i>Company</i>	<i>% of Fund</i>
Cadence Design Systems, Inc.	4.3
Copart, Inc.	4.2
Veeva Systems Inc.	3.7
BWX Technologies, Inc.	3.6
Teledyne Technologies Inc.	3.5
Vulcan Materials Co.	3.4
Chipotle Mexican Grill, Inc.	3.3
CoStar Group, Inc.	3.1
Axon Enterprise, Inc.	3.1
Euronet Worldwide, Inc.	3.1
Total Top 10	35.3

contributed to relative returns. Shares of Axon Enterprise, a leading provider of law enforcement technology including conducted energy devices, on-officer and in-car cameras, as well as cloud-based digital evidence management, advanced as the company reported strong quarterly revenue growth. Builders FirstSource, a residential materials manufacturer and distributor, benefited from continued operational efficiency. Other top contributors included Palo Alto Networks (Information Technology), Align Technology (Health Care) and Cadence Design Systems (Information Technology).

Outlook

The long-term effects from the regional banking issues that arose in March create uncertainty as we look forward. Potentially more restrictive bank lending standards and the lagged impact of the Federal Reserve's tightening cycle could dampen economic growth ahead. Aggregate demand may weaken and businesses may slow fixed investments as the cumulative effects of tighter financial conditions take hold. While the odds of an economic slowdown have increased, there are also counterbalances that could provide a ballast.

¹Listed 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.

Moderating inflation and wage growth could provide some relief for corporations and monetary policy could pose less of a headwind for stocks as the Federal Reserve has signaled we are close to peak rates.

Following an era of inexpensive capital for the last 10+ years, an environment of higher interest rates and higher inflation could result in a more challenging operating environment for businesses and a more discerning equity market landscape. A higher cost of borrowing should spur a rise in debt service costs and pressure corporate earnings. Companies with strong balance sheets, durable business models, sustainable cash flow and the ability to self-fund growth are likely to be uniquely positioned in this type of environment. We believe our philosophy of identifying durable businesses whose stocks present attractive risk/reward opportunities should serve us well in a variety of economic environments, as it has historically.



INVESTMENT PERFORMANCE (AS OF 3/31/23)

	QTR	YTD	1 Y	3 Y	5 Y	10 Y
Class I (SI: 02/01/06)	8.72%	8.72%	-8.47%	11.08%	6.97%	8.51%
Class N (SI: 02/01/06)	8.57%	8.57%	-8.69%	10.78%	6.68%	8.24%
Russell Midcap [®] Growth Index	9.14%	9.14%	-8.52%	15.20%	9.07%	11.17%

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	1.24%	0.95%
Class N	1.48%	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 Midcap Growth Index is an index that is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. 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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