Second Quarter 2023

William Blair Global Leaders Fund
Fund Manager Commentary

Market Review

Global equities continued to advance in the second quarter (the MSCI ACWI IMI returned +5.89% for the quarter and +13.25% year-to-date in USD terms), as the global economy proved to be more resilient than anticipated on easing inflationary pressures and better-than-feared corporate earnings results. From a global sector perspective, leading outperformance was information technology (+13.21% for the quarter and +35.81% year-to-date, as measured by the MSCI ACWI IMI) and consumer discretionary (+7.62% for the quarter and +22.05% year-to-date, as measured by the MSCI ACWI IMI). Information technology continued its ascent on enthusiasm around artificial intelligence. Alternatively, materials (-0.71% for the quarter and +5.09% year-to-date, as measured by the MSCI ACWI IMI) and real estate (-0.20% for the quarter and -0.08% year-to-date, as measured by the MSCI ACWI IMI) lagged during the period. Growth equities outperformed value-oriented equities (the MSCI ACWI IMI Growth returned +8.67% for the quarter and +22.74% year to date, while the MSCI ACWI IMI Value returned +2.95% for the quarter and +4.29% year-to-date).

U.S. equities advanced during the period (+8.26% for the quarter and +16.07% year-to-date, as measured by the MSCI USA IMI) with gains driven primarily by a handful of large cap technology stocks, however, the breadth of performance broadened in June with small-cap companies outperforming. Inflationary pressures continued to ease during the period; the personal consumption expenditures (PCE) index was relatively benign, showing an increase of 0.1% in May and 3.8% year-over-year. While the Federal Reserved paused its rate hiking cycle in June, Fed Chair Powell signaled that rates could still be increased further if inflation proves sticky. Regional banking stress also seemed to subside. The Federal Reserve conducted its annual stress test, which resulted in all the included U.S. banks clearing the stress test hurdle.

European equities gained for the quarter (+2.46% for the quarter and +12.95% year-to-date, as measured by the MSCI Europe IMI). The European Central Bank raised the deposit rate by 0.25% to 3.5% in June, with signals of a future hike. The Eurozone's annual inflation rate continued to slow in June to 5.5%, primarily driven by sharp declines in energy prices, which are down nearly 50% from their peak last year. U.K. equities advanced (+2.08% for the quarter and +8.09% year-to-date, as measured by the MSCI United Kingdom IMI) despite consumer price inflation holding steady at 8.7%, unchanged from last month. The Bank of England hiked interest rates by 0.50% to 5%, taking the base rate to the highest level since 2008.

Emerging markets posted positive returns (+1.62% for the quarter and +5.62% year-to-date, as measured by the MSCI EM IMI), lagging developed markets primarily from weakness in China. Chinese equities declined (-9.89% for the quarter and -6.00% year-to-date, as measured by the MSCI China IMI index) on slower-than-expected consumption recovery driven by low consumer confidence, continuously high youth unemployment, and the reduced wealth effect stemming from the weak property market. Latin America returns gained (+14.80% for the quarter and +19.52% year-to-date, as measured by the MSCI EM Latin America IMI), with notable strength from Argentina (+35.72% for the quarter and +42.15% year-to-date, as measured by MSCI Argentina), Brazil (+21.85% for the quarter and +18.26% year-to-date, as measured by MSCI Brazil IMI), and Mexico's continued outperformance (+5.39% for the quarter and +26.96% year-to-date as measured by MSCI Mexico IMI). EMEA outperformed (+3.12% for the quarter and +1.91% year-to-date, as measured by the MSCI EM EMEA IMI), led by Poland (+23.47% for the quarter and +23.80% year-to-date, as measured by MSCI Poland IMI).

Top 10 Holdings[1] as of 6/30/2023

Company	***% of Fund***
Microsoft Corporation	5.5
Mastercard Incorporated	3.3
Alphabet Inc.	3.1
Airbus SE	3.0
Amazon.com, Inc.	2.6
Synopsys, Inc.	2.3
LVMH Moet Hennessy-Louis Vuitton SE	2.3
MTU Aero Engines AG	2.3
Canadian Pacific Kansas City Limited	2.2
DSV A/S	2.1
Total Top 10	**28.7**

Fund Performance

The William Blair Global Leaders Fund (Class N shares) outperformed its benchmark, the MSCI ACWI IMI (net), during the second quarter. Outperformance versus MSCI ACWI IMI (net) was largely driven by a combination of allocation effects

[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.

across most sectors and positive stock selection within industrials, communication services, and materials sectors. Partially offsetting this was negative stock selection within information technology and consumer discretionary.

Within industrials, stock selection was bolstered by Watsco, the largest heating, ventilation, air conditioning (HVAC) and refrigerants distributor in the United States with high network density (over 670 locations), great product availability, and strong relationships with over 350,000 contractors and technicians. The company delivered better-than-expected operating first quarter 2023 results, driven by robust margins amid improving product mix on the back of regulatory efficiency requirements. We believe the growth outlook remains well underpinned by regulatory tailwinds and support from the Inflation Reduction Act.

Meta Platforms, the leading global social media platform, added the most to communication services relative results. The share price outperformance was driven by the company's continued strong operating momentum. Meta's first quarter revenue results and guidance exceeded consensus expectations amid improved engagement trends and management's continued focus on efficiency gains, including AI execution and monetization.

Materials selection was also positive, due to strong performance of Vulcan Materials, a U.S. leading producer of construction materials aggregates (such as crushed limestone or calcium carbonate rocks) that are the primary ingredient in concrete and asphalt. The company has a natural monopoly with high barriers to entry and the low price, yet the critical nature of aggregates gives Vulcan Materials pricing power, especially in periods of high inflation. In line with our investment thesis, the stock outperformed as the company delivered better-than-expected results as price increases drove higher-than-expected margin expansion and management increased guidance.

Selection was negative within information technology, partly driven by an underweight to large-cap tech hardware names, and by exposure to Enphase Energy, which produces microinverters (solar), batteries, and electric vehicle chargers for residential consumers. While the company's first-quarter results beat consensus expectations, the weaker-than-expected second-quarter revenue guidance raised concerns about the growth outlook in the U.S. residential solar market and weighed on the share price.

Weak performance by Ulta Beauty hampered consumer discretionary relative results. Ulta Beauty is a U.S. off-mall retailer that we believe is well positioned to expand share in the structurally attractive beauty category, as it benefits from continued channel shift away from department stores, strong user engagement thanks to its extensive loyalty program, and higher mix of prestige brands and skin products. The stock price weakened as management confirmed margin pressure from organized theft and increased in promotional activity as growth moderates.

Positioning

During the quarter, exposure to industrials, energy, and materials was increased through new purchases and addition to existing positions. These increases were funded via reductions to consumer discretionary, financials, and healthcare sector exposures.

Trane Technologies and Booz Allen Hamilton Holdings were notable purchases within industrials. Energy weighting was increased from the purchase of Chevron, while materials exposure was boosted from the purchase of Crown Holdings.

Trane Technologies is one of the largest global HVAC manufacturers with a significant U.S. commercial exposure, a solid track record and reputation in the market and key competitive advantages centered on scale, product innovation, and service. We believe the company is well positioned to benefit from regulatory tailwinds driving higher demand for more energy-efficient products.

Booz Allen Hamilton Holdings is the oldest consulting firm and the leading service provider for the U.S. government. Thanks to its unique positioning and strong competitive advantages, we believe the firm is best positioned to benefit from a long runway for the government's modernization and digitalization efforts and rising investment in areas such as cyber, data analytics, cloud, and artificial intelligence.

Chevron is a large, integrated oil company (IOC) with a high-quality portfolio, which has enabled it to earn superior returns through cycle. Its production is primarily in the United States; the Permian (onshore production in Texas) is the largest single resource. The company has superior operational capabilities, allowing it to minimize operating and capital costs. We expect that Chevron will benefit from a favorable supply-driven upcycle environment, while at the same time continuing to improve its cost position.

Crown Holdings is a leading aluminum cans manufacturer with strong competitive advantages centered on its scale, innovation, and high switching costs. The investment thesis is predicated on expectations of improving returns as the company is at the end of a capex upcycle while structural growth drivers due to sustainability-driven substitution of other packaging materials for aluminum provide upside risk to earnings growth and potentially valuation.

Consumer discretionary weighting was reduced through trims to existing holdings. In addition, financials exposure decreased due to the liquidation of Blackrock, while healthcare reduction was driven by the sale of Charles River Laboratories.

Blackrock is a global asset manager well diversified across products and geographies has provided balanced revenue and flows across the cycle. We exited the position amid an unattractive risk/reward equation due to extended valuation, after the strong stock performance that was mostly driven by multiple expansion.

Charles River Laboratories is a leading contract research organization (CRO) providing research tools and support services for drug discovery and development, with a dominant position in the early-stage portion of the research market. We sold the stock as we see downward risk to earnings expectations amid softer end-market trends and the suspension of Cambodian shipments of non-human primates on the back of the U.S. Department of Justice investigation.

Outlook

The global economy proved resilient in the first half of the year. Headline inflation across most regions has peaked with signs of easing, and by and large corporate earnings surprised to the upside. Dominating headlines was the market momentum within the U.S., which was largely driven by mega-cap technology amid enthusiasm around artificial intelligence. While outperformance in the U.S. was narrowly led by a handful of stocks, performance outside the U.S. was more broadly based, particularly within Europe and Japan.

Economic Expectations

Regional banking stress also has seemed to subside. The Federal Reserve continues to be vigilant on the banking turmoil, providing increased liquidity when necessary. We think the potential for further distress is unlikely and net lending volumes are remaining healthy returning to 2018-2019 levels.

Looking to the second half of the year, expectations are a bit disconnected with projections raised for GDP growth in many areas while earnings estimates have been revised down, with emerging markets skewed the lowest. Thus, despite the market's focus on the risk of a continued slowdown or recession, we believe we could actually experience upside to corporate earnings expectations for the balance of the year if the economic growth plays out as expected.

Global central banks remain vigilant in the fight against inflation, signaling the potential for further rate hikes and higher-for-longer rhetoric, despite headline inflation peaking in most regions. As the energy crisis in 2022 drove up Euro-zone inflation at a quicker rate than the U.S., we expect to see disinflation in Europe more rapid than the U.S. with energy prices continuing to decline (down nearly 50% from their peak last year).

Further, real wage growth has begun turning positive in both the U.S. and Europe for the first time in nearly two years, due to lower inflation. This in turn is supportive for domestic demand and consumption growth, which we expect will support U.S. GDP growth to continue at current levels. While Europe is lagging the U.S. by a few quarters, this is broadly the same story.

Within China, we expect the recovery to be slower than originally projected after losing momentum shortly following its COVID reopening. The near-term outlook remains soft on the slower-than-expected consumption recovery driven by low consumer confidence, continuously high youth unemployment, and the reduced wealth effect due to the weak property market. While uncertainty remains, the potential for government stimulus and improved U.S.-China relations have the potential to drive equities in the near term. Performance has been primarily driven by SOEs and AI-themed names, which we expect to shift as the economy recovers and valuations reset. The overall Chinese market remains inexpensive, but there is no improvement in clarity or timeliness.

Market Views

The narrowness of market leadership, or lack of breadth, has been a surprising phenomenon this year given our belief that a return to historic long-term interest rate levels would suggest a continued broadening out of growth and stock returns.

In reality, the uncertainty of economic outcomes this year has driven the market to safety or visibility of growth, which has favored some of the prior market leaders including large-cap technology stocks, especially in the U.S. Not coincidentally, some of these year-to-date leaders saw their multiple premiums contract considerably last year, and thus perhaps were poised for some degree of re-rating.

Internationally, particularly in Japan and Europe, market performance has been more evenly distributed, and recently the U.S. has begun to see a similar effect with the breadth of market leadership broadening and a reversal away from large-cap technology to small cap and sectors that were left behind, as we had expected earlier in the year. This broadening effect is consistent with easing inflationary pressures and growth stabilizing.

Our portfolios remain focused on identifying a diversity of growth across regions, industries, and market-cap sizes. We believe that the market is due for a shift in momentum, and contraction of relative multiples for the highest-valued companies and areas of the market; as such, we continue to monitor these potential risks within our portfolios.

A Few Words on Artificial Intelligence

The astounding launch of the generative AI application Chat-GPT toward the end of last year has brought unprecedented public attention to all things AI. While we have analyzed numerous artificial intelligence and machine learning applications across a number of applications and industries for the last several years, it is clear we are just now approaching the steep part of the "S curve."

Our work of late has centered on organizing an artificial intelligence taxonomy, so as investors we can begin to assess the areas for the most impact to companies and even industries. The simplified beginning of the exercise is to focus on analyzing which companies or business models currently rely on people to perform tasks that AI can now, or will soon do, cheaper, faster, or more accurately.

We also wanted to highlight which functionalities we believe are done better with AI as compared to a human. In initial phases, we found that vision, translation, and predictive analytics are areas we believe AI has potential for significant impact. For example, vision could mean physical, chemical, or molecular, where AI could surpass the abilities of the human eye. Translation, for instance, could include translating the English language to code or merely language translation. Within predictive analytics, AI's ability to identify peak sales, supply chain management, peak pricing, or patterns are also areas of potential advancement. As expected, many companies we research and own are far along in a number of these practices.

Importantly, these are preliminary findings. The era of artificial intelligence is just beginning, and the full realization of the technology's benefits, limitations, and risks are still widely unknown in this emergent phase. As growth investors, we are keenly focused on innovation and disruption cycles. While there is currently an abundance of hype built into a few key companies and stocks, the reality is that we do believe this will likely play out as a collection of transformational technologies that will have broad impact on determining corporate winners and losers. Our portfolios will reflect this research, and we look forward to reporting back to you in future writings.

INVESTMENT PERFORMANCE (AS OF 6/30/23)

	QTR	YTD	1 Y	3 Y	5 Y	10 Y
Class I (SI: 10/15/07)	6.82%	18.58%	21.30%	8.06%	8.04%	9.85%
Class N (SI: 10/15/07)	6.81%	18.50%	21.07%	7.81%	7.78%	9.55%
MSCI All Country World IMI Index (net)	5.89%	13.25%	16.14%	10.97%	7.65%	8.62%

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	1.12%	0.90%
Class N	1.45%	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 4/30/24.

IMPORTANT DISCLOSURES

The Fund involves a high level of risk and may not be appropriate for everyone. You should only consider it for the aggressive portion of your portfolio. The Fund's returns will vary, and you could lose money by investing in the Fund. The Fund holds equities which may decline in value due to both real and perceived general market, economic, and industry conditions. International investing involves special risk considerations, including currency fluctuations, higher volatility, lower liquidity, economic and political risk. Investing in emerging markets can increase these risks. The securities of emerging market companies may be subject to greater volatility and less liquidity than companies in more developed markets. Investing in securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. Individual securities may not perform as expected or a strategy 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. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Diversification does not ensure against loss.

The Morgan Stanley Capital International (MSCI) All Country World 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. This series approximates the minimum possible dividend reinvestment. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly.

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