William Blair Emerging Markets ex China Growth 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 6/30/23

Company	*% of Fund*
Taiwan Semiconductor Manufacturing Co. Ltd.	12.5
Samsung Electronics Co., Ltd.	6.8
PT Bank Central Asia Tbk	3.7
MercadoLibre, Inc.	2.4
HDFC Bank Limited	2.3
PT Bank Rakyat Indonesia(Persero) Tbk	2.2
Housing Development Finance Corp. Ltd.	1.6
Reliance Industries Limited	1.5
JYP Entertainment Corp.	1.4
Voltronic Power Technology Corp.	1.2
Total Top 10	**35.6**

Fund Performance

The William Blair Emerging Markets ex China Growth Fund (Class I) outperformed its benchmark, the MSCI Emerging Markets ex China IMI index, during the second quarter. The

[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.

outperformance versus MSCI Emerging Markets ex China IMI (net) during the period was driven by a combination of allocation and stock selection effects despite continued style headwinds amid strong outperformance of low valuation stocks. Positive relative performance was primarily driven by stock selection effects across most sectors and countries, an underweight allocation to materials and an overweight to Brazil. Stock selection was particularly strong within the communication services and financials sectors.

Within communication services, JYP Entertainment added to relative performance in the period. JYP Entertainment plans, produces, promotes, and markets Korean singers in both Korean and overseas markets. It also engages in licensing, merchandizing, and artist management business including non-musical pursuits of its artists. JYP is benefiting from the growing global popularity of Korean pop ("K-pop") music, and its recent stadium tour in Japan reached record profitability as merchandising and IP licensing expands with its fan base.

Within financials, Banco BTG Pactual and Bajaj Finance were the primary drivers of relative outperformance. BTG Pactual is an investment bank based and wealth/asset manager in Brazil with a presence across LatAm. The company still operates as a partnership today and has been on a path of diversifying revenues away from the more volatile investment banking business into a more stable revenue stream from wealth and asset management, and corporate lending businesses. BTG outperformed on a combination of Brazil's recovery and strong fundamental results led by above expectations growth in the more stable business units mentioned above. Bajaj Finance is the high-quality consumer finance company with a unique technology-driven customer acquisition and cross-sell model, a diversified loan book and strong asset-liability management. The stock outperformed on strong fundamental results as it announced strong earnings growth and the addition of over 3 million new users in the most recent quarter contributing to 29% customer growth the trailing 12 months.

Partially offsetting those effects was negative consumer discretionary stock selection, particularly within Brazil and an underweight to Southeast Asia. Despite an overweight allocation to Brazil, which had a strong recovery in the second quarter, MercadoLibre was a key detractor for the quarter. Meli is a leading e-commerce platform in Latin America with a best-in-class ecosystem of services such as logistics and payments, which allows the company to exploit attractive growth opportunities of the large and underpenetrated total addressable market. While it is a top contributor year-to-date, and fundamental results exceeded expectations, shares were down slightly following a late March rally. Despite strong year-to-date performance, strong earnings growth has pushed valuations lower throughout the last 24 months. Wilcon Depot, the largest home improvement and construction supplies retailer in the Philippines, also detracted from results. While growth remained strong, margins have deteriorated as sales have shifted away from house brand labeled product, the company was sold in the period.

Positioning

During the period, industrials exposure was increased through adds across existing positions, and information technology weightings were increased through the purchases of Delta Electronics and Global Unichip. Delta Electronics is a diversified provider of power management solutions across a variety of end markets including EV, automation, and infrastructure. While Taiwan based, Delta owns a majority stake in Delta Electronics Thailand, which should benefit from IT supply chain diversification efforts. The company offers stable through cycle revenue growth, with industry leading returns on capital and a scale driven cost advantage with durability underpinned by direct customer relationships and a highly customized product offering. Global Unichip is a Taiwanese ASIC design services company and provides both design and mass production (turnkey) services for semiconductor chip customers, including fabless and system companies. The company's significant IP has driven a long track record at the leading edge of semi technology, and its service offerings provide customers expertise and a faster time to market given its relationship with its primary shareholder TSMC. We feel growth expectations are understated given recent design wins and the demand from AI related spend.

These increases were funded by reductions to financials and consumer staples, driven by the sales of Banco de Bajio and Shoprite Holdings. Bajio has proven to be one of the best small-cap banks in Latin America, in our view, with above average loan growth, strong risk management, low funding cost, and strong capital ratios. The Mexican bank had appreciated meaningfully over the past 12 months, and valuations had stretched above historical averages. In addition, we expect the high sensitivity to interest rates may lead to lower earnings in the next two-to-three years as interest rates and net interest income peak in 2023. Shoprite, South Africa's leading food retailer, was sold following regional challenges. Rolling blackouts have impacted the entire food value chain from crop irrigation and agricultural yields to retail distribution. While its solar installations and diesel generator infrastructure have allowed Shoprite to operate uninterrupted the diesel costs have added an 8% headwind to profit growth.

From a geographic perspective, notable adjustments were an increase to Taiwan through the additions in technology hardware and a decrease South Africa and ASEAN.

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	Since Incep.
Class I (SI: 07/29/22)	7.99%	13.50%	--	--	--	6.80%
MSCI Emerging Markets ex-China IMI Index (net)	6.46%	10.49%	--	--	--	8.87%

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	2.81%	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 4/30/24.

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. Investing in securities of smaller companies tends to be more volatile and less liquid than securities of larger companies. 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. 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.

The Morgan Stanley Capital International (MSCI) Emerging Markets ex-China IMI Index (net) is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets excluding China.

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