William Blair

William Blair Growth Fund
Fund Manager Commentary

Market Overview

The U.S. equity market showed resilience throughout the first half of 2023, reflected in the positive performance across U.S. equity indices, albeit with a wide range of performance across style and size dimensions. Despite investors' concerns regarding regional bank failures and higher interest rates, positive developments such as robust jobs growth and moderating inflation provided a strong counterbalance for the market.

During the first quarter, moderating inflation and strong employment data provided optimism for a soft landing. The Federal Open Market Committee (FOMC) increased the target Federal Funds Rate by 25 basis points in both February and March. In March, the market experienced a decline due to the collapse of Silicon Valley Bank and concerns surrounding smaller banks. This led to a rally in U.S. Government bonds as investors questioned the stability of smaller banks and anticipated a potential pause in Federal Reserve (Fed) tightening. Despite these challenges, the job market remained resilient, with notable employment gains in leisure, hospitality, retail trade, and healthcare, somewhat offset by employment declines in information technology.

U.S. equities continued their advance in the second quarter as the likelihood of further bank failures appeared to diminish and the economy displayed modest growth. The revised Q1 Gross Domestic Product (GDP) figures revealed a year-over-year expansion of 2.0%, surpassing the previous estimate of 1.3% growth. In May, the Consumer Price Index (CPI) showed a year-over-year increase of +4.0%, underscoring ongoing inflationary pressures, albeit coming in lower than the multi-decade peak of +9.1% reported in June of 2022. The FOMC raised interest rates by 25 basis points in May, bringing the Federal Funds Rate to a target range of 5.00%-5.25%, the highest level since August 2007.

Fund Performance

The William Blair Growth Fund (Class N shares) underperformed its benchmark, the Russell 3000 Growth index, during the second quarter. The All Cap Growth portfolio modestly lagged the Russell 3000 Growth Index in the second quarter, driven by a combination of stock-specific dynamics and a style headwind. From a style perspective, our typical bias toward small and mid-caps was a headwind as mega caps outperformed in the period. From a stock-specific perspective, our top detractors included Warner Music Group (Communication Services), SBA Communications (Real Estate), PayPal (Financials) and NICE (Information Technology). Music label Warner Music Group reported mixed earnings results, with ad-supported revenue and subscription growth falling short of expectations. Shares of SBA Communications, one of the largest independent operators of wireless towers, lagged as carrier spending has generally slowed in the near term. Not owning Apple (Information Technology) was also a detractor during the period. In the case of Apple, shareholders have benefited from share buybacks and valuation multiple expansion despite year-over-year declines in earnings, resulting in a risk/reward profile we view to be less attractive than other Information Technology holdings. Additionally, stock selection in Consumer Discretionary, including our position in Nike, was a detractor from relative performance. Conversely, our top individual contributors included MongoDB (Information Technology), Intuitive Surgical (Health Care), Palo Alto Networks (Information Technology) and Pure Storage (Information Technology). MongoDB, the provider of the world's leading NoSQL database, reported strength in Enterprise Advanced and Atlas and benefitted from healthy new workload acquisitions. Intuitive Surgical, the dominant provider of soft-tissue robotic surgical instrumentation, reported an exceptional quarter with revenues ahead of expectations, driven by strong procedure growth. Stock selection in Industrials, including our position in CoStar Group, also contributed positively to relative performance. Stock specific contributors and detractors for the second quarter are discussed in greater detail at the end of this quarterly review.

Top 10 Holdings[1] as of 6/30/23

Company	*% of Fund*
Microsoft Corporation	11.1
Alphabet Inc.	6.8
Amazon.com, Inc.	6.1
Mastercard Incorporated	4.7
NVIDIA Corporation	4.3
UnitedHealth Group Inc.	4.0
Palo Alto Networks, Inc.	3.1
Copart, Inc.	2.7
Intuitive Surgical, Inc.	2.7
Advanced Micro Devices, Inc.	2.6
Total Top 10	**48.1**

[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.

Outlook

As we enter the second half of the year, there is potential for the Fed's rate-hiking cycle to exert a slowing effect on economic growth. While the pace of inflation has moderated, it remains above the Fed's target level, indicating the possibility of additional interest rate increases. Although the full impact of rate increases over the past 18 months has yet to be felt, there are already noticeable effects as lending conditions tighten for businesses, consumers, and real estate developers. Despite these potential headwinds, the current backdrop of a slowly expanding economy, robust consumer spending on areas such as travel and leisure, and new job growth offers support for equity investors.

Looking ahead, companies with strong balance sheets, durable business models, sustainable cash flow, and the ability to self-fund growth are likely to be uniquely positioned as the economic landscape unfolds. 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 6/30/23)

	QTR	YTD	1 Y	3 Y	5 Y	10 Y
Class I (SI: 10/01/99)	11.89%	26.11%	24.20%	11.23%	12.90%	13.39%
Class N (SI: 03/20/46)	11.73%	25.79%	23.83%	10.89%	12.56%	13.05%
Russell 3000® Growth Index	12.47%	28.05%	26.60%	13.24%	14.39%	15.26%
S&P 500 Index	8.74%	16.89%	19.59%	14.60%	12.31%	12.86%

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	0.92%	--
Class N	1.24%	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 4/30/24.

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 3000 Growth Index consists of large, medium and small-capitalization companies with above average price-to-book ratios and forecasted growth rates. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. The size of companies in the Russell 3000 Growth Index may change with market conditions. 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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