

William Blair SICAV US SMID Growth Fund Update:

February 2023

	Value	Core	Growth
Month to Date			
Russell 3000	-3.45	-2.34	-1.18
Russell 1000	-3.53	-2.38	-1.19
Russell Midcap	-3.20	-2.43	-0.99
Russell 2500	-2.83	-2.35	-1.58
Russell 2000	-2.31	-1.69	-1.08
Quarter to Date			
Russell 3000	1.79	4.39	7.15
Russell 1000	1.47	4.17	7.05
Russell Midcap	4.62	5.68	7.65
Russell 2500	6.88	7.42	8.27
Russell 2000	7.02	7.89	8.76
Year to Date			
Russell 3000	1.79	4.39	7.15
Russell 1000	1.47	4.17	7.05
Russell Midcap	4.62	5.68	7.65
Russell 2500	6.88	7.42	8.27
Russell 2000	7.02	7.89	8.76

Market Performance

- U.S. equity indices declined in February, and gave back some of their year-to-date gains, as strong economic data was counterbalanced by persistent inflation
- The Federal Reserve (Fed) raised interest rates by 0.25% and indicated further rate increases are likely needed to help tame inflation
- Despite recent layoffs in the tech industry, the U.S. labor market continued to be resilient and the unemployment rate remained near historic lows

Style Performance

- In February, growth indices outperformed value indices across all market caps
- Over the year-to-date period, growth indices outperformed value indices across all market caps with the most notable performance spread within the larger cap segment of the market

Market Cap Performance

- In February, smaller caps outperformed larger caps in the value indices and there was minimal performance dispersion among cap sizes in the growth indices
- Over the year-to-date period, smaller caps outperformed larger caps in both the growth and value indices

Source: FactSet; Eagle

Past Performance is not a guarantee of future results. A direct investment in an index is not possible.

The Russell 3000 Index measures the performance of the all-cap segment of the U.S. equity universe. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell Midcap Index measures the performance of the mid cap segment of the U.S. equity universe. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership. The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It includes approximately 2500 of the smallest securities in the Russell 3000 Index based on a combination of their market cap and current index membership. The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities in the Russell 3000 Index based on a combination of their market cap and current index membership. Core returns represent the Total Return indices. The value segments of these indices include companies with lower price-to-book ratios and lower forecasted growth values. The growth segments of these indices include companies with higher price-to-book ratios and higher forecasted growth values.

Portfolio Review

The Fund lagged the Russell 2500 Growth benchmark in the month of February, driven primarily by stock-specific factors. Our top detractors included Globus Medical (Health Care), Acadia Healthcare (Health Care), Leslie's (Consumer Discretionary), Encompass Health (Health Care) and National Vision Holdings (Consumer Discretionary). Conversely, our top individual contributors included Builders FirstSource (Industrials), TechnipFMC (Energy), Dynatrace (Information Technology), Mercury Systems (Industrials) and HealthEquity (Health Care).

Monthly Contributors

Builders FirstSource (BLDR) is a residential materials manufacturer and distributor. The company is the largest value-added manufacturer in the industry by total revenue, geographic coverage, total facilities, and product scope. After a difficult 2022, the stock reacted favorably as investor psychology reversed in January on the belief that the Federal Reserve might be close to ending interest rate increases and mortgage rates and residential housing could potentially begin to stabilize. More important, they reported their fourth quarter late in February with another beat on both the top and bottom line and raised guidance once again. Continued operating efficiency and improving margins in a difficult housing start environment is a testament to their sustainable business model.

TechnipFMC Plc (FTI) is an equipment and service provider for offshore oil and gas projects; it also has a smaller surface equipment business. The company reported an in line quarterly result in February but guided ahead of expectations for its subsea orders business and the company overall for 2023 and also ahead of their 2025 plan. Pricing is improving and the company appears to be gaining share while the offshore cycle is accelerating. The company previously indicated that they believe industry subsea tree awards should be above 350 this year while global capacity is around 400 trees. Management indicated that order flow for future deliveries is achieving levels not seen previously. Business momentum overall remains strong.

Monthly Detractors

Encompass Health (EHC) is a leading provider of rehabilitative healthcare services, through its home health services and network of inpatient rehabilitation facilities. The company offers a range of services including the management and treatment of medical conditions, physical and occupational therapy, speech-language therapy and post-discharge services. Encompass shares have weakened in late February based on political commentary that CMS (The Center for Medicare and Medicaid Services) may include or want to extend payment transfer rules to inpatient rehabilitation hospitals which could lower payment rates for certain patients. Regulatory changes are incorporated into the stock multiples of companies in this space and we believe the proposed metrics are in line with the company's existing operations.

Acadia Healthcare Company (ACHC) is a behavioral health company that operates a network of inpatient psychiatric facilities, substance abuse centers, residential treatment centers, and specialty behavioral programs. Late in February, the company reported fourth quarter results that were mixed, with revenues ahead of expectations but were offset by an 8% increase in base wage growth. More important, management expects base wage inflation to remain elevated in the 7-8% range for the first half of the year and moderate thereafter. The better news is that management has observed improvements in recent hiring trends and continues to execute on its growth pipeline.

Important Disclosures – William Blair SICAV

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The Articles of Incorporation, the Prospectus, the Key Investor Information Documents (KIID), the Annual and Half-yearly Reports of the Fund and the Subscription Form are available free of charge in English and German from the website sicav.williamblair.com or at the registered office of the Management Company (33, rue de Gasperich, L-5826 Hesperange, Grand Duchy of Luxembourg), at the registered office of the Fund (William Blair SICAV, 31, Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg) or from the Swiss representative, First Independent Fund Services Limited, Klausstrasse 33, CH-8008 Zurich, and in German language at Marcard, Stein & Co., Ballindamm 36, 20095 Hamburg, Germany, and at Bank of Austria Creditanstalt AG, Am Hof 2, 1010 Vienna, Austria. Paying agent in Switzerland is NPB New Private Bank Ltd, Limmatquai 1, CH-8024 Zurich