

William Blair US Smid Growth Fund Update: October 2022

	Value	Core	Growth
Month to Date			
Russell 3000	10.39	8.20	6.07
Russell 1000	10.25	8.02	5.84
Russell Midcap	9.45	8.88	7.86
Russell 2500	10.56	9.59	8.13
Russell 2000	12.59	11.01	9.49
Quarter to Date			
Russell 3000	10.39	8.20	6.07
Russell 1000	10.25	8.02	5.84
Russell Midcap	9.45	8.88	7.86
Russell 2500	10.56	9.59	8.13
Russell 2000	12.59	11.01	9.49
Year to Date			
Russell 3000	-9.45	-18.44	-26.36
Russell 1000	-9.32	-18.54	-26.61
Russell Midcap	-12.83	-17.55	-26.06
Russell 2500	-12.01	-16.72	-23.81
Russell 2000	-11.19	-16.86	-22.57

Market Performance

U.S. equity indices rallied in October as investors continued to focus on central banks' responses to inflation and U.S. mid-term elections.

U.S. GDP for the third quarter increased at an annual rate of +2.6%, rebounding from a contraction in the first half of the year.

Headline and core consumer price indexes reported for September rose 8.2% and 6.6% year-over-year respectively, largely driven by strong services prices.

The Fed confirmed that tighter monetary policy is still needed to contain elevated inflation.

U.S. corporate earnings were resilient, while forward-looking guidance generally reflected considerable uncertainty.

Style Performance

For the month and year-to-date periods, value indices outperformed growth indices across the size spectrum.

Market Cap Performance

Among value indices, small caps outperformed large caps for the month and large caps outperformed small caps for the year-to-date period.

Among growth indices, small caps outperformed large caps for the month and year-to date periods.

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 SMID Growth strategy trailed the Russell 2500 Growth benchmark for the month of October. Relative performance was driven primarily by stock-specific dynamics while style factors were offsetting. Top individual detractors included Cameco (Energy), Wolfspeed (Information Technology), Penumbra (Health Care), Alarm.com (Information Technology) and Crown Holdings (Materials). Our top contributors included Axon Enterprise (Industrials), Wyndham Hotels & Resorts (Consumer Discretionary), Brink's Company (Industrials), Ares Management (Financials) and Merit Medical (Health Care). From a style perspective, our bias toward larger market cap companies was a headwind while our typical underweight to unprofitable companies was a tailwind to performance.

Monthly Contributors

Axon (AXON) is a leading provider of law enforcement technology including conducted energy devices (branded TASER), on-officer and in-car cameras, as well as cloud-based digital evidence management software. Axon's overarching goal is to protect life through its stated mission to obsolete the bullet, reduce social conflict and enable a fair and effective justice system. Shares advanced during the month as demand trends across the public safety environment remained strong and the company announced its goal to cut the number of officer-involved shooting deaths by 50% over the next ten years. We continue to believe the company is well positioned to benefit from a healthy demand environment for all of its product offerings given the secular shift toward use of non-lethal force in the U.S. and internationally.

Wyndham Hotels & Resorts (WH) is the U.S. market leader in economy and midscale hotels, primarily serving leisure travelers with a portfolio of 20 brands (e.g., Super 8, Days Inn, La Quinta, Ramada, Hawthorn and Wyndham). Wyndham operates an asset light model with over 90% of its rooms franchised. It provides a clear value proposition for its franchisees given occupancy gains and cost savings driven by brand affiliation and a large base of rewards program members. We believe Wyndham is among the best positioned lodging companies to benefit from post-pandemic travel trends due to its limited exposure to corporate business travel, less vulnerability to growth in alternative accommodations (due to value price points and off-highway locations), and the limited supply growth among midscale/economy lodging segments. We believe the capital returns of the business and the pace of recovery in revenue per available room for Wyndham are broadly underappreciated as demonstrated with the late October 3Q report that was both a revenue and earnings beat and guidance raise.

Monthly Detractors

Cameco (CCJ) is a company focused on the mining, trading, and processing of uranium, a key input into nuclear power generation. Cameco announced its intent to acquire Westinghouse Electric Company, one of the world's largest nuclear services businesses. Cameco will own 49% of the business with Brookfield Renewable Partners owning 51%. The acquisition should enhance Cameco's ability to expand its long-term uranium contract book, while also placing more conversion business under contract as it offers more competitive solutions for utilities seeking full fuel assemblies. In association with the deal, the company raised equity which pressured the stock. The company also reported a strong quarterly beat and bullish longer term outlook late in October.

Wolfspeed (WOLF) produces wide bandgap semiconductors for products and materials used in power management and radio frequency applications that houses all the specialty semiconductor activities based on silicon carbide and gallium nitride chemistries. Wolfspeed sells both the silicon carbide wafers to others as well as makes its own silicon carbide devices based on their internally produced wafers. The company reported solid results late in October but operational issues have weakened guidance despite exceptionally strong demand expectations.

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