

## William Blair SICAV US Small-Mid Cap Core Fund Summary and Outlook

### Market Overview

While COVID-19 was the dominant force affecting the economy and equities year-to-date, the tenor of the market was dramatically different in the first and second quarters of the year.

During the first quarter, equities declined rapidly as market participants digested the magnitude of the economic impact of COVID-19. Stay-at-home directives effectively shut down many segments of the economy. First quarter GDP declined 5% and the unemployment rate spiked to almost 15%. This was the most dramatic decline in GDP and the sharpest rise in unemployment in the post-World War II period.

After bottoming in mid-March, equity returns were robust during the second quarter. This was predominately the result of massive amounts of fiscal and monetary stimulus, coupled with improving COVID-19 trends, optimism regarding vaccine development and progress toward re-opening the economy. The Federal Reserve (Fed) responded quickly and dramatically in an attempt to limit economic damage. With the federal funds rate near zero and purchases of both government and corporate bonds, the Fed balance sheet has expanded by over \$3 trillion since the pandemic began. The Fed's actions, paired with unprecedented levels of fiscal stimulus, supported strong demand for equities and a decline in fixed income spreads.

The strength of the recovery brought several market indices into positive territory for the first half of the year. The S&P 500 was down close to 20% in the first quarter and regained nearly all of the lost ground, returning over 20% during the second quarter – its highest quarterly gain since 1998.

### Fund Performance

With the Russell 2500 benchmark up over 26% during the second quarter, the William Blair SICAV U.S Small-Mid Cap Core Fund did not keep pace due to a combination of style headwinds and stock specific dynamics. From a style perspective, the companies within the lowest quintile of return on invested capital and those with the most volatile fundamentals outperformed, creating an unfavorable style environment for the portfolio given our high-quality investment philosophy. From a stock specific standpoint, selection in Industrials, including our position in Brink's Company, and Information Technology, including our position in j2 Global, detracted from relative returns. COVID-19 related closures weighed on cash management services provider Brink's Company, most notably as it relates to revenues derived from retail locations that were either temporarily closed or operating on a limited basis.

### Top 10 Holdings as of 6/30/20

<i>Company Name</i>	<i>% of Fund</i>
Merit Medical Systems Inc.	2.6%
BWX Technologies Inc.	2.6%
Grand Canyon Education Inc.	2.4%
Horizon Therapeutics Public Limited Co.	2.3%
NICE Ltd.	2.2%
Advance Auto Parts Inc.	2.1%
Western Alliance Bancorp.	2.0%
BJ's Wholesale Club Holdings	2.0%
SVB Financial Group	2.0%
Crown Holdings, Inc.	1.8%
<b>Total Top 10</b>	<b>22.0%</b>

j2 Global also experienced headwinds related to COVID-19 as certain portions of the business slowed and the inability to visit target companies reduced potential for M&A activity in the near term. Also within Information Technology, our underweight to the most expensive stocks in the sector (e.g., Software), which materially outperformed, dampened returns. Other top detractors during the quarter were Encompass Health (Health Care), Americold Realty Trust (Real Estate) and Douglas Emmett (Real Estate). Conversely, top contributors included Horizon Therapeutics (Health Care), Portola Pharmaceuticals (Health Care), SolarEdge Technologies (Information Technology), Boot Barn (Consumer Discretionary) and Trex (Industrials). Horizon Therapeutics benefitted from robust growth of the company's newly launched drug Tepezza, as well as broad based strength across the rest of the business. Portola Pharmaceuticals agreed to be acquired for a significant premium. Broad-based positive stock selection in Financials also added value.

## Outlook

Despite the recovery of the equity market, significant uncertainty remains as we emerge from an economic shutdown amidst an ongoing global health pandemic. The economic trajectory of the U.S. is unclear as some states begin to re-open while others retrench in response to rising COVID-19 infections. Early signs of economic improvement could prove fleeting as unemployment benefits expire and potential structural changes could leave some workers permanently out of work. Possible offsets to these challenges include the development of a vaccine and the lagged impact of monetary and fiscal stimulus. These factors, together with social unrest and a contentious forthcoming U.S. presidential election, leave corporate management teams with limited visibility.

As long-term investors, we are reminded more than ever that companies with superior management, high barriers to entry, differentiated products or services, and the financial flexibility to invest through uncertainty should ultimately prevail. We continually seek to identify companies that we believe will come out the other side of this unprecedented period stronger, with increased market share and profitability, regardless of the shape and duration of the broader recovery. While non-fundamental factors can create short-term volatility, the foundational belief upon which our portfolio is built is that earnings and cash flows are the determinants of long-term value creation and stock performance.



## IMPORTANT DISCLOSURES

Recipients of this document should be aware of the risks detailed in this paragraph. Please be advised that any return estimates or indications of past performance on this document are for information purposes only. Both past performance and yield may not be a reliable guide to future performance. The value of investments and income from them may fall as well as rise and investors may not get back the full amount invested. The value of shares and any income from them can increase or decrease. An investor may not get back the amount originally invested. Where investment is made in currencies other than the investor's base currency, the value of those investments, and any income from them, will be affected by movements in exchange rates. This effect could be unfavourable as well as favourable. Levels and bases for taxation may change.

Specific securities identified and described to do not represent all of the securities purchased or sold and you should not assume that investments in the securities identified and discussed were or will be profitable. Holdings are subject to change at any time. References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as investment advice, offer or a recommendation to buy or sell any particular security or product.

Any discussion of particular topics is not meant to be complete, accurate, comprehensive or up-to-date and may be subject to change. Factual information has been taken from sources we believe to be reliable, but its accuracy, completeness or interpretation cannot be guaranteed. Information and opinions expressed are those of the author and may not reflect the opinions of other investment teams within William Blair. Information is current as of the date appearing in this material only and subject to change without notice.

Further specific risks may arise in relation to specific investments and you should review the risk factors very carefully before investing. Intended risk profile of the Fund may change overtime. The Fund is designed for long-term investors. The most current month-end performance information is available on [sicav.williamblair.com](http://sicav.williamblair.com).

### Fund Information

The SICAV has appointed FUNDROCK MANAGEMENT COMPANY S.A., a "société anonyme" incorporated under the laws of the Grand Duchy of Luxembourg and having its registered office at 33, rue de Gasperich, L-5826 Hesperange as its management company (the "Management Company"). The Management Company is authorised and regulated by the Luxembourg Supervisory Authority of the Financial Sector (the "CSSF") as the management company of UCITS (defined below) under the EU directive 2009/65/EC, as amended.

The Management Company has been appointed as the management company of WILLIAM BLAIR SICAV, a "société d'investissement à capital variable", incorporated under the

laws of the Grand Duchy of Luxembourg having its registered office at 31, Z.A.I. Bourmicht, Bertrange, registered in the R.C.S. Luxembourg under n° 98806 and approved by the CSSF as an undertaking for collective investment in transferable securities (UCITS) in accordance with the EU directive 2009/65/EC, as amended (the "Fund").

The Management Company has appointed WILLIAM BLAIR INVESTMENT MANAGEMENT, LLC, having its registered office at 150 North Riverside Plaza Chicago, IL 60606-1598, USA ("William Blair Group") as the investment manager for the Fund (the "Investment Manager").

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 our website [SICAV.williamblair.com](http://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.

This is a marketing document and does not contain personalized recommendations or advice. Recipients of this document should make their own investment decisions based upon the Fund Documents listed above (which can be obtained free of charge) and in accordance with their own financial objectives and financial resources and, if in any doubt, should seek advice from independent professional advice as to risks and consequences of any investment.

William Blair makes no representations that this website or any contents contained on it are appropriate or available for use in any jurisdiction. This information is not intended to be published or made available to any person in any jurisdiction where doing so would result in contravention of any laws or regulations applicable to the user. The SICAV Fund is currently registered for marketing in: Austria, Denmark, Finland, France, Germany, Ireland, Luxembourg, Norway, Singapore, Spain, Sweden, Switzerland and the UK. Therefore the SICAV Fund is either not registered to be marketed in your jurisdiction or may only be marketed or offered to professional investors in your jurisdiction.

To the extent permitted by applicable law, William Blair will accept no liability for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this document or its contents.

Copyright © William Blair. "William Blair" refers to William Blair & Company, L.L.C., William Blair Investment Management, LLC, and affiliates. No part of this material may be reproduced in any form, or referred to in any other publication, without express written consent.