William Blair

Fourth Quarter 2021

William Blair SICAV Global Leaders Sustainability Fund Summary and Outlook

Market Review

Global equities advanced in the fourth quarter to close out a strong calendar year despite heightened concerns surrounding rising coronavirus cases, higher inflation, and global supply chain disruptions (the MSCI ACWI IMI gained +6.10% for the quarter and +18.22% for the year). Volatility picked up in the December as the new and highly infectious Omicron variant weighed on investor sentiment. Developed markets meaningfully outperformed emerging markets driven by strength within the US and weakness within China.

US equities rallied (+9.25% for the quarter and +25.62% for the year) as strong corporate earnings overshadowed a slowdown in economic activity. A handful of mega-cap technology companies that have remained resilient throughout the pandemic accounted for a significant portion of outperformance. Investor sentiment was further bolstered as President Biden signed the long awaited $1.2 trillion bipartisan infrastructure bill into law. The bill emphasizes the need to upgrade roads and bridges in the US, while also seeking to address climate change. From a monetary policy perspective, the Fed announced an accelerated taper pace amid higher than expected inflation. Specifically, the central bank will double the pace at which it tapers bond purchases to $30 billion a month and projected three quarter-point interest rate increases in 2022, another three in 2023, and two more in 2024.

European equities advanced (+5.24% for the quarter and +16.13% for the year) even as several major countries reintroduced lockdown measures amid a spike in new coronavirus cases. Austria took a stricter stance as the country reimposed a full lockdown for three weeks and announced a legal requirement for the population over the age of 14 to be vaccinated by February 2022. In Germany, coalition talks concluded, and Olaf Schols of the German Social Democrats will become the country's next chancellor, replacing Angela Merkel.

Emerging markets declined (-0.98% for the quarter and -0.28% for the year) primarily due to weakness within China, Russia, and Turkey. Chinese equities declined in the fourth quarter to close out an egregious year of underperformance relative to global equities (-6.15% for the quarter and -21.21% for the year). In Turkey, the Lira plunged in the fourth quarter as the central bank cut its key interest rates for a third time to boost economic growth despite rising inflation. Conversely, Taiwan remained resilient (+9.16% for the quarter and +27.71% for year) primarily due to strength within semiconductor related names.

Fund Performance

Fourth quarter outperformance by the William Blair SICAV Global Leaders Sustainability Fund versus its benchmark, the MSCI ACWI IMI Index (net), was primarily driven by positive stock selection across most sectors. Stock selection within the industrials and healthcare sectors were particularly beneficial. Tomra Systems within industrials is a Norwegian based technology-led solutions company that specializes in advanced sorting systems to minimize waste in food, recycling, mining and other industries. Tomra is at the forefront of long-term ESG-related trends like resource optimization, circular economy, and automation. We believe the company is well positioned to take advantage of most growth opportunities in this space thanks to its cutting-edge technology, global presence, and strong balance sheet. One key area to monitor is government regulation on plastic recycling which should determine the pace of growth of the collection business in the following years.

UnitedHealth Group (UNH) also added to performance within healthcare. UNH is the best-of-breed operator in the US managed care industry with strong current fundamentals and an impressive earnings growth outlook. UNH has been delivering better-than-expected quarterly results and forward guidance which has led to consistent positive earnings revisions. We believe UNH has ample growth opportunities across multiple business lines. Key drivers include growth in Medicare Advantage, the shift to value-based care including fully capitated models, and the digitalization of healthcare.

Partially offsetting these effects was negative stock selection within information technology. Within information technology, unowned Apple was the largest source of relative underperformance. Paypal within information technology also detracted from performance after the company reported softer third quarter revenue and lowered guidance for 2022.

Top 10 Holdings as of 12/31/2021

Company Name	*% of Fund*
Alphabet Inc.	3.6
Microsoft Corporation	3.2
Taiwan Semiconductor Manufacturing Company Limited	2.9
salesforce.com, inc.	2.4
Mastercard Incorporated	2.2
Thermo Fisher Scientific Inc.	2.2
Experian plc	2.2
Infineon Technologies AG	2.1
Ulta Beauty, Inc.	2.0
Partners Group Holding AG	2.0
Total Top 10	**24.8**

PayPal is a leading digital payments company in the US. The company delivers quick, easy, and secure checkout for consumers, and meaningfully higher conversion rates and lower fraud risks for merchants, resulting in pricing power. The total addressable market is large and expanding, and we believe PayPal is uniquely positioned to benefit from the powerful secular driver of e-commerce. We expect earnings to grow faster than consensus, which we believe overstates competitive threats and under-appreciates the potential upside from the monetization of its social payments platform Venmo and the potential for game-changing partnerships.

Salesforce.com, one of the early pioneers of cloud-based software within the information technology sector, also hurt relative performance. After strong gains for most of the year, the share price declined following softer third quarter numbers and lower guidance. Despite near-term noise, our long-term thesis for Salesforce remains intact. Salesforce is a disruptive share-gainer that is now the largest pure-play software-as-a-service company in the world. The company has successfully maintained double-digit growth in its original offering, Sales Cloud, while expanding into adjacencies with products critical to customers' revenue-generating activities. The result is a durable competitive advantage with pricing power driven by criticality, high switching costs, and network effects with a boost from its acquisition of Slack.

Positioning

During the period, consumer discretionary exposure was reduced through the liquidation of Alibaba. Industrials exposure increased primarily through strong price performance and market appreciation. Information technology also increased through the purchase of Synopsys Inc. Synopsys is a leading provider of software tools used for designing and developing semiconductors. The company's products help drive innovation, limit chip defects, and shorten the time to market. The company's key competitive advantages are its switching costs and mission-critical products, which are supported by its electronic design automation oligopoly.

Outlook

2022 is shaping up to be one of slowing toward more normal, healthy rates of economic growth and inflation, thereby potentially paving the way to a sustainable, multi-year expansion. However, the route to get there, as we have already seen, will likely be marked by periods of high volatility.

This is not unusual in transitions, and the nature of the ongoing pandemic is adding to the volatility of this particular transition. Both the direction and the complexion of the market in 2022 will be determined by the unique nature of this global economic cycle.

We analyze our outlook around the connected categories of expectations for Growth, Inflation, Interest Rates, Valuations and Style.

Growth

The focus for us will be the transition of the economy and corporate profit growth as the economy normalizes to a post-pandemic world, or at the least more comfortable coping in a pandemic. While we are still in the middle of what we believe to be a long-term economic expansion corporate profit growth has clearly peaked and will likely continue to decline sequentially.

The US economy is much closer to its pre-pandemic output trajectory as compared to major European economies. On current trends, we expect the US to reach its pre-crisis output by summer 2022 before settling into 2% annualized growth. In this scenario, full economic recovery implies significant sequential deceleration in annualized quarterly growth in 2022.

Most European economies remain some ways below their pre-pandemic output trajectory, which leaves significant scope for strong growth throughout much of 2022. Thus, European economies should generate stronger sequential growth compared to the US as we expect these economies, except Spain, to fully recover to pre-pandemic output by the end of 2022.

As China's economy fully recovered by the end of 2020, growth in China decelerated materially in 2021, to the point where macroeconomic policy is already becoming more supportive of near-term growth pick up on the margin. On December 6th, 2021, the People's Bank of China (PBoC) announced a 50bpts reserve requirement ratio (RRR) cut, enabling banks to lend more. We expect China's economy to accelerate gradually in 2022, as domestic policy is calibrated to reach annual output growth of 6%+.

The sharp nature of the initial economic recovery was almost by definition unsustainable, with output growth more than 5.5% in 2021, and corporate profits in turn growing more than +50%. We believe we will experience something like ~2.5% economic growth and profit growth of ~20% in '22. That in itself is a healthy result.

Inflation

Another unique feature of this recovery has been the surprising rise of inflation. The big question is just how much of a risk does this represent?

With output still well below trend on both sides of the Atlantic, rising inflation, especially in the US, is largely a function of persistent and sudden supply disruptions as the pandemic continues to wreak havoc. COVID has exposed the weakness of pairing global supply chains with national responses to medical challenges. For example, China has pursued a practice of zero-tolerance of infections, while the US and many others embraced economic activity while attempting to minimize severe illness outcomes.

The China policy has translated into impossible-to-anticipate, sporadic, highly disruptive closures of plants and ports, which have significant impact as China's ports now process nearly 50% of global container volumes. Therefore, goods prices are rising at a 12% rate in the United States, which is a sharp and temporary reversal of multi-decade price deflation.

Fortunately purchasing patterns suggest that consumers do not expect pricing pressures and scarcity to persist, as there are no signs of hoarding. In fact, the supply-demand adjustment is occurring as expected: consumers are postponing purchases in response to higher prices. Overall demand declined more than 10% since the re-opening peak, with much of the deceleration concentrated in motor vehicles. Consumers are postponing purchases, and surveys indicate that affordability is not a deterrent. Instead, people believe that prices are too high at the moment and expect them to decline.

We will continue to watch this closely, as the persistence of the price inflation has surprised us, but our base case remains that as supply chains normalize – and they will – inflation will subside.

Interest Rates

Given those expectations for growth and inflation, we expect the 10 yr. US Treasury rate to settle into the 2.5%–3% range we experienced prior to the pandemic. While relatively low and manageable as compared to long-term history, the market recently has been reacting to both the direction of travel from the extremely low levels of 2020, with tapering of central bank asset purchases and increases to the discount rates expected; and the risk of policy moves that would drive rates higher than that due to fears of persistent inflation. In other words, a natural reaction to the normalization of the economy and the potential risks that go with that.

Valuation and Style Performance

Which leads to a discussion regarding equity valuations. The general relationship between rates and valuations holds, and thus we would expect multiples to contract as the expansion continues and rates go higher. In fact, this has already been occurring, as all of the market's increase in performance since mid-2020 has been driven by earnings growth, not multiple expansion. Multiples globally have quietly contracted on average 10-15% during this period. Given our assumption that rates revert back to pre-pandemic levels, this would imply further contraction, especially in the US.

This phenomenon has direct implications for the performance of Growth equities vs. Value equites, and we have seen this play out in the latter part of 2021 and into the first trading sessions of this year. Growth equities on balance have a larger percentage of their cash flows occurring in the outer years than Value stocks, thus are considered longer duration. Simply put, higher assumed discount rates reduce the present value of those cash flows, disproportionately impacting traditional growth stocks. In fact, Valuation as a factor has been by far the strongest driver of performance recently.

The backdrop for Growth outperforming Value in the post-GFC-era can be characterized by low economic growth and low interest rates, as well as an acknowledgement in the real economy that corporate innovation and business models were changing the economic and competitive landscape in material ways. Thus companies with perceived sustainable competitive advantages re-rated, as did those with higher rates of expected growth and profits. And future cash flows were being discounted at relatively low rates. The environment was ripe to reward current and expected future execution.

This was fueled even further during the pandemic where the difference between growth Haves and Have-Nots expanded even further. Some of this was initially a preference for "visible" growth (COVID demand beneficiaries), and some of this could be categorized by increased risk tolerance for future growth driven by abundant liquidity (SPACs, IPOs, thematic funds, Cryptocurrencies). As expected, both of these categories have already been punished as the central banks threaten to take away the punch bowls.

But does this imply by extension that traditional growth equities will completely give way to a preference for value stocks? We don't think so. Many of the drivers of the outperformance of Growth are still in place: positive but low-ish economic growth, low (albeit rising) interest rates, and a competitive landscape in the real economy that acknowledges the structural advantages of some areas of the economy over others, as well as those of differentiated, innovative business models.

In other words, we believe the next several years will look more like the years leading up to the pandemic rather than revert to something more different than we have seen in the recent past.

However, as we said at the outset, we expect this year will be one of transition, and we do expect volatility. So it is likely that expected corporate revenue or profit growth that does not materialize will be punished. Value stocks with near-term visibility may get rewarded more than growth stocks with long term potential. Valuations may contract more than earnings will grow, and markets may struggle to deliver gains.

IMPORTANT DISCLOSURES

This is a marketing communication. Please carefully consider the investment objectives, risks, charges, and expenses of the Company. This and other important information is contained in the Company's Prospectus and KIIDs, which you may obtain by visiting sicav.williamblair.com. Read these documents carefully before investing.

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.

Risks

The value of shares can increase or decrease and an investor may not get back the amount originally invested. Where investments are made in currencies other than an investor's base currency, the value of those investments will be affected (favourably or unfavourably) by movements in exchange rates. Equity securities may decrease in value in response to the activities of an individual company or in response to general market, business, and economic conditions. International investments typically involve special risk considerations, including higher volatility, lower liquidity, economic and political risk.

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.

Fund Information

The Fund is a sub-fund 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^{0} 98806 and approved by the Luxembourg Supervisory Authority of the Financial Sector (the "CSSF") as an undertaking for collective investment in transferable securities ("UCITS") in accordance with the EU directive 2009/65/EC, as amended (the "Company"). Authorization of the Company by the CSSF is not an endorsement or guarantee nor is the CSSF responsible for the contents of any marketing material or the Company's Prospectus or applicable Key Investor Information Document ("KIID"). Authorization by the CSSF shall not constitute a warranty as to the performance of the Company, and the CSSF shall not be liable for the performance of the Company.

The investments in the Fund may not be suitable for all recipients. This material is for informational purposes only, is not contractually binding, and does not contain personalized recommendations or advice and is not intended to substitute any professional advice on investment in financial products. The Company may not be registered to be marketed in or may only be marketed to certain categories of investors in your jurisdiction. For information regarding jurisdictions in which the Company is registered or passported, please contact your William Blair representative. This document should not be used or distributed in any jurisdiction, other than those in which the Fund is authorized, where authorization for distribution is required.

This document has been prepared and issued by WILLIAM BLAIR INVESTMENT MANAGEMENT, LLC in its capacity as a delegate of the FUNDROCK MANAGEMENT COMPANY S.A., a "société anonyme", incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 33, rue de Gasperich, L-5826 Hesperange and registered in the R.C.S. Luxembourg under n° 104196 (the "Management Company"). The Management Company is authorised and regulated by CSSF as the management company of UCITS under the EU directive 2009/65/EC, as amended. The Management Company has been appointed as the management company of the Company and has appointed WILLIAM BLAIR INVESTMENT MANAGEMENT, LLC, the asset management business of WILLIAM BLAIR & COMPANY, LLC., having its registered office at 150 North Riverside Plaza Chicago, IL 60606, USA as the investment manager for the Fund. WILLIAM BLAIR & COMPANY, L.L.C. is authorized as the global distributor of the Company and to facilitate the distribution of Shares in certain jurisdictions through financial intermediaries.

The Articles of Incorporation, the Prospectus, the 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.