

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

## Market Overview

Following the first quarter equity market decline, performance of U.S. equity indices worsened during the second quarter. Using the S&P 500 Index as a proxy for U.S. equity market performance, it was the weakest first half of a year since 1970.

In a volatile first quarter, the Omicron wave, inflation concerns, and the invasion of Ukraine weighed on equity valuations. Elevated inflation drove expectations for faster monetary tightening by the Federal Open Market Committee (FOMC) and corresponded with a rise in 10-year U.S. Treasury bond yields and U.S. mortgage rates. During March, the FOMC increased the target federal funds rate by 25 basis points for the first increase in this cycle.

The second quarter was characterized by tightening financial conditions and weakening economic data. The Consumer Price Index hit a multi-decade high and the Fed implemented two additional rate increases. In total, the Fed raised rates by 150 basis points year-to-date, and signaled further increases for the balance of the year. With record-high gas prices, elevated mortgage rates, lower asset prices and higher food costs, consumer sentiment declined in the quarter. Other economic data points, including U.S. manufacturing PMIs and housing-related indicators, also weakened. While these dynamics pressured stock prices, U.S. corporate earnings remained solid.

## Fund Performance

The William Blair SICAV U.S. Small-Mid Cap Growth Fund underperformed its benchmark, the Russell 2500 Growth index during the third quarter. Relative performance was primarily driven by stock specific factors. Our top individual detractors included Virtu Financial (Financials), Varonis Systems (Information Technology), Penumbra (Health Care) and Wolfspeed (Information Technology). Virtu Financial, a leading electronic market maker and liquidity provider, reported a decline in retail participation as a percentage of the mix. Stock selection in Consumer Discretionary, including our position in Revolve Group, also detracted from relative returns. Elevated shipping rates and concerns around the health of the consumer weighed on shares of online fashion retailer Revolve Group. Conversely, our top individual contributors included Health Care holdings Acadia Healthcare and Halozyme Therapeutics. Behavioral health company Acadia Healthcare reported solid earnings results amid a challenging operating environment. Stock selection in Industrials, including our positions in BWX Technologies, Mercury Systems and Ritchie Bros, contributed positively to relative returns. BWX Technologies, the sole-source provider of propulsion systems for the U.S. Navy, reported solid earnings results, as well as continued progress in the medical isotopes business.

## Top 10 Holdings as of 9/30/2022

<i>Company Name</i>	<i>% of Fund</i>
BWX Technologies, Inc.	2.7
Builders FirstSource, Inc.	2.6
Acadia Healthcare Co., Inc.	2.5
Crown Holdings, Inc.	2.3
Denbury, Inc.	2.3
National Vision Holdings, Inc.	2.3
Axon Enterprise, Inc.	2.1
Chemed Corp.	2.1
SolarEdge Technologies, Inc.	2.1
Wyndham Hotels & Resorts, Inc.	2.1
<b>Total Top 10</b>	<b>23.1</b>

## Outlook

Recent data points suggest a slow-down in economic activity relative to the extremely strong levels experienced in 2021. Supply chain disruptions present continued challenges as over-ordering amid shortages is now yielding excessive inventories in some pockets of the economy. U.S. consumers are increasingly feeling the pressures of inflation, dampening real income and confidence, while a supportive labor market and healthy post-COVID demand for experiential purchases remain bright spots.

With the backdrop of inflationary pressures and rising interest rates, equity market weakness year-to-date has been driven primarily by valuation compression while corporate earnings have exhibited resilience thus far. It is broadly anticipated that in the coming quarters corporate earnings will begin to reflect the challenges observed in other parts of the economy.

As investor focus shifts from higher rates to the potential for an economic slowdown, we believe it is increasingly likely that investors will differentiate among stocks on the basis of quality attributes, such as the durability of margins and earnings. In our view, companies with these attributes are in a better position than many of their peers to navigate turbulence. We believe our philosophy of identifying durable businesses whose stocks present attractive risk/reward opportunities should add value in a variety of economic environments, as it has historically.



## 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](http://sicav.williamblair.com). Read these documents carefully before investing.**

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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. The Fund focuses its investments in the United States and will have greater exposure to the market, political and economic risks of that country than if it was more diversified across a number of countries. Smaller companies may be more adversely affected by poor economic or market conditions, and may be traded in low volumes, which may increase volatility and liquidity risks.

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 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° 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.

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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](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. Paying agent in Switzerland is NPB New Private Bank Ltd, Limmatquai 1, CH-8024 Zurich.