

William Blair SICAV
Dynamic Diversified Allocation Fund

Class J (USD)

William Blair

Quarterly Review

Q3 2021

Brian D. Singer, CFA, Partner
Thomas Clarke, Partner

ISIN: LU0874273070

FOR PROFESSIONAL INVESTORS ONLY

- **Consumer price increases generally gathered pace across the world (with Japan and a few other Asian countries being exceptions), and the annual inflation rate is above the respective central bank target midpoint almost everywhere.**
- **No developed country increased policy interest rates, although expectations for central banks' first move in this direction were brought forward in many markets. Rates were raised in several emerging countries as a sign of less tolerance for higher inflation.**
- **We modestly reduced our equity exposure in the quarter, though overall exposure at quarter end remains slightly above its typical average in our portfolios. We also have some non-linear exposure to eurozone equity via a long option position, which has caused our overall equity weight in portfolios to increase during rising markets and decrease in market declines.**
- **For the last two years our fixed income exposure has been held at a higher level than the significant overvaluation of bonds would warrant because of the dominant central bank interference in this market, but during the third quarter we decreased exposure.**
- **Our largest emerging currency exposures continue to be in currencies where the respective central banks have been most aggressively hiking policy rates, namely Brazil and Russia.**

Performance Summary

Dynamic Diversified Allocation completed the quarter with positive performance with the market segment detracting, and the currency segment and security selection adding value. Within markets, long exposures to U.S., U.K., Chile, and global energy sector equities

contributed. Partially offsetting this were negative contributions from long exposures to Brazil and European equities and long exposure to emerging debt.

Within currencies, short exposures to Australian dollar, euro and Thai baht helped performance, while long exposure to the Brazilian real, Philippine peso and Singapore dollar detracted.

Positive security selection was mostly driven by outperformance of the International Leaders and Emerging Markets Growth strategies.

Strategy Positioning

The market segment remains long of equities with net exposure of +41%. The segment's largest country exposures are in U.S. and U.K. equities. Markets are modestly long of fixed income with a net exposure of +24%, with primary long exposure in U.S. Treasuries and emerging debt.

Within currencies, the largest long exposures are the Singapore dollar, Japanese yen, Russian ruble, and Brazilian real, while the largest short exposures are to the New Zealand dollar, euro, and U.S. dollar.

Strategy Review and Outlook

Global equities recorded flat overall performance in the third quarter (as measured by the MSCI All-Country World Index), with a few bouts of worry-induced volatility. Some positive returns were concentrated in developed markets, and most emerging market indices finished lower for the quarter. Bond yields moved moderately higher in developed markets, and more significantly higher in some emerging markets where interest rates continued to be increased quite aggressively. Most currencies depreciated against the U.S. dollar in the quarter. No developed country

increased policy interest rates, although expectations for central banks' first move in this direction were brought forward in many markets. Rates were raised in several emerging countries as a sign of less tolerance for higher inflation. Turkey, which has for some time been on its own trajectory, defied the norm and cut interest rates for the first time since the first half of 2020. Turkish interest rates remain the highest in our investment universe, but inflation is higher still.

Consumer price increases generally gathered pace across the world (with Japan and a few other Asian countries being exceptions), and the annual inflation rate is above the respective central bank target midpoint almost everywhere. Higher inflation is partly due to the recovery of economic growth from the slump induced by the COVID-19 pandemic, and part of it reflects myriad supply bottlenecks, most of which can similarly be traced back to dislocations that were caused by the prolonged lockdowns that governments implemented as the coronavirus struck in 2020. In major economies, monetary policy makers have continued to emphasize a belief that above-target price rises will not be permanent, and none have raised interest rates. Most have also continued with their programs of buying large quantities of sovereign debt to hold bond yields low. Markets have been giving stronger signals, however, that bond-buying plans will soon be scaled back even if policy rate rises will in most cases be delayed until 2022. New Zealand is expected to be the first central bank in the developed world to raise rates, though a move in August was put off at the last minute partly because the country's defenses against imported infections of COVID-19—successful in keeping the pandemic out of New Zealand for some time—appeared to have been breached. This triggered a nationwide lockdown that lasted for several weeks in its largest city. Developed world bond yields traded higher as both reported inflation and improving growth increased confidence that monetary

accommodation is set to wind down, though yields remain extremely low. We sold bonds, reducing exposure, early in the quarter in the United States, Germany, and China. Our fixed income exposure has for the last two years been held at a higher level than the significant overvaluation of bonds would warrant because of the dominant central bank interference in this market, but we are now decreasing exposure.

Given the very high levels of indebtedness on the part of most governments following their unprecedented stimulus efforts to support economies through the pandemic, above-target inflation is favorable in their eyes, as it works over time to deflate the real value of their outstanding debt. But this is only the case if inflation does not translate into higher interest rates and yields on the same debt because then the cost of issuing new debt (and rolling that which matures) would rise in line with inflation. This is, of course, why monetary policy is delegated to independent central banks that are ostensibly not influenced by governments' fiscal concerns; but it also means that those central banks have to continuously convince market participants of their autonomy, which has become much more of a challenge as they have extended their sphere of influence into direct asset buying. Therefore, the ability of central banks to reassure markets both that price rises are transitory and that they will respond if this appears to become no longer true, is becoming an ever-greater challenge as more and more "idiosyncratic" and/or "temporary" sources of inflation (such as semiconductors and natural gas) are revealed. Against this background, reduced bond market exposure is appropriate in our view.

We modestly reduced our equity exposure in the quarter, though overall exposure at quarter-end remains slightly above its typical average in our portfolios. We did increase exposure in China, which is a market whose fundamental attractiveness had been improved

as a result of various regulatory actions by the authorities to rein in leverage. Further actions, most recently in China's property sector, have continued to weigh on sentiment, but we believe the bottom line is that the curbing of excesses is a long-run beneficial development for China's markets and is being wrought by leadership whose interests lie in facilitating China's continued emergence as an economic power. Our valuation assumptions associated with the equity market have incorporated significantly slower growth expectations (relative to China's history) for some time.

We also have some nonlinear exposure to eurozone equity via a long option position, which has caused our overall equity weight in portfolios to increase during rising markets and decrease in market declines. This is known as convex equity exposure, and we have reset and rolled the option position going forward. Late in the quarter, we reduced our long position in Chile, which had outperformed other emerging markets in recent months.

In currencies, we also have a long option position, which is a call on Japanese yen (JPY) and a put on New Zealand dollar (NZD). In a similar way, the option increases our JPY exposure (and decreases our NZD exposure) if the JPY appreciates (versus the NZD), and it does the reverse if the JPY falls. In valuation terms, the NZD is highly overvalued relative to the JPY so the exposure inherent in the option trade is aligned with our valuation view. In addition, this particular exchange rate is often negatively correlated with global equities (the JPY tends to rise and the NZD tends to fall when equities go down), so as well as it having valuation support, the option can have the effect of slightly hedging equity exposure elsewhere in our portfolios. Another factor in the attractiveness of options as investments is the forward-looking expectation of volatility of the underlying market prices. During the period, we have held the

NZDJPY and eurozone equity options, these implied volatilities have been unusually low, making options more compelling to buy in view of their other advantageous (convex) feature.

Elsewhere in our currency strategy, our largest emerging currency exposures continue to be in currencies where the respective central banks have been most aggressively hiking policy rates, namely Brazil and Russia. In contrast to developed world central banks, those in Brazil and Russia do not consider themselves to have the same luxury of presuming domestic inflation is temporary (and indeed, inflation is higher in these countries than in the United States and Europe). Monetary tightness is positive for the Brazilian real and the Russian ruble, and both currencies remain very fundamentally attractive in our view. We increased our exposure to each early in the quarter. We also moved long of the Chilean peso—which we had held previously in 2020 but removed—as Chile's central bank also began to raise interest rates in response to a quite vigorous economic growth rebound. Another modest change in currency strategy was a response to weaker European currencies relative to North American—this was manifested in the euro-U.S. dollar rate and some others, and the change we made was to buy Norwegian krone against Canadian dollar.

We have retained a small exposure to the Turkish lira (TRY) since March—when we significantly cut the position in response to a shock dismissal of a market-friendly central bank head who was replaced with another, more amenable to President Erdogan's unique desire to cut interest rates in the face of rising inflation. Although the credibility of monetary policy in Turkey has been severely curtailed since then, the new governor kept Turkey's interest rate at 19% (the highest in our investment universe) until September, at which point it was cut to 18% even though inflation has not fallen. The scarcely credible monetary regime has weakened

the TRY but has not yet tempted us to re-increase this exposure. However, the very high nominal carry offered by Turkish interest rates means that a material amount of TRY depreciation remains compensated, and in total return terms, TRY exposure has had a positive performance effect in the last six months.

Our long-term investment objective is to deliver positive investment returns through a market cycle. We remain grounded in fundamental valuation as our first stage—we strive to take only compensated risk and are unwilling to extend exposures unduly in a reach for yield that would be dictated not by opportunities and risks but by very low real interest rates. There will be environments in which we conclude that macro markets do not provide returns and risks compatible with portfolio objectives, alongside other periods where compensation is abnormally high. During the last decade, the challenge of navigating these evolving environments has remained a significant component in the investment landscape, but we find our investment process, dialogue, and decision-making well-equipped to meet this challenge in an appropriate way. We remain vigilant as we assess new and relevant information to capture future investment opportunities in a timely manner and will seek to continue balancing the relationship between risk taken and compensation expected.

The below table shows the performance of the William Blair SICAV – Dynamic Diversified Allocation Fund for the quarter.

<i>Periods ended 30/09/2021</i>	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception*
William Blair SICAV – Dynamic Diversified Allocation Fund (Class J ^{USD})	0.41%	4.71%	10.43%	6.61%	5.14%	4.04%
ICE BofAML 3M T-Bill	0.01%	0.04%	0.07%	1.18%	1.16%	0.97%

*Inception: 30/06/2015

The ICE BofAML 3-Month U.S. Treasury Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

Periods greater than one year are annualised. All charges and fees have been included within the performance figures. For the most current month-end performance information, please visit our Web site at sicav.williamblair.com.

Please refer to the 'Important Disclosures' section at the end of this document for further information on investment risks and returns.

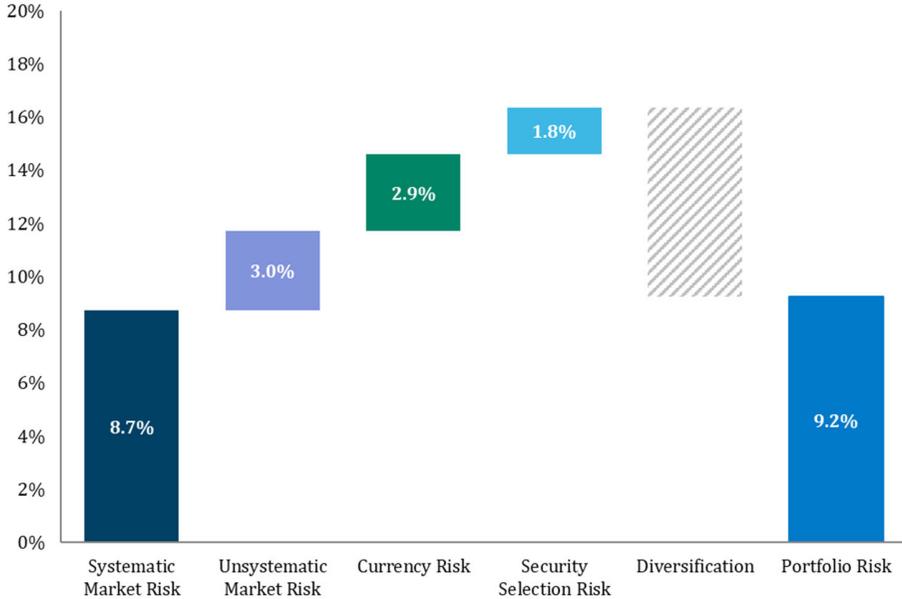
The below table shows the calculated regional performance attribution of DDA SICAV by asset segment for the reporting period.

Total (%)	0.4
Equity	0.1
North America	0.1
Europe	0.0
Asia	0.0
Emerging	-0.3
Other	0.1
Fixed Income	-0.3
North America Rates	0.0
Europe Rates	0.0
Asia Rates	0.0
Emerging	-0.4
Credit	0.0
Low Duration	0.0
Currency	0.1
North America	0.1
Europe	0.2
Asia	0.3
Emerging	-0.6
Security Selection	1.1
Residual	-0.5

Source: Cloud Attribution Ltd.

Past performance does not guarantee future results. Portfolio exposures based on the William Blair DDA SICAV. Past performance does not guarantee future results. Performance attribution is sourced from Cloud Attribution Ltd. Using the Karnosky-Singer performance attribution methodology.

The below chart shows the expected sources of investment risk* for DDA as of quarter-end.



Source: William Blair.

*The DAS team’s expectation of the portfolio’s volatility as viewed through the team’s proprietary Outlook risk model, in which the team’s near-term risk assumptions are quantified.

The table below shows select market and currency strategy exposures as of quarter end.

Equity	40.7%
U.S.	9.7%
Canada	0.5%
Europe (ex-U.K.)	3.2%
UK	7.8%
Asia Developed	5.3%
Emerging	14.1%

Fixed Income	24.2%
U.S. Treasury & Credit ^{1*}	9.0%
Non-U.S. Treasury & Credit ^{1*}	4.5%
Emerging	10.7%

Cash & Other	35.1%
-------------------------	--------------

<i>*Credit Detail</i>	
<i>U.S. Investment Grade Spread</i>	<i>8.2%</i>
<i>U.S. High Yield Spread</i>	<i>1.5%</i>
<i>U.S. MBS Spread</i>	<i>0.0%</i>
<i>European Investment Grade Spread</i>	<i>3.3%</i>
<i>European High Yield Spread</i>	<i>0.0%</i>

¹Reflected as 10-year exposures

²Select currency exposures by largest expected contribution to portfolio risk

Active Currency	
U.S. Dollar (USD)	-16.2%
Canada Dollar (CAD)	-8.8%
Other Americas	23.7%
Euro (EUR)	-8.0%
Switzerland Franc (CHF)	-4.8%
Great Britain Pound (GBP)	2.1%
Other Europe	0.5%
Australia Dollar (AUD) and New Zealand Dollar (NZD)	-20.0%
Japan Yen (JPY)	9.5%
China Yuan (CNY)	0.0%
Asia (Excluding JPY and CNY)	14.5%
Other	7.4%

<i>Select Exposures Detail²</i>	
<i>Russian Ruble (RUB)</i>	<i>9.9%</i>
<i>Brazilian Real (BRL)</i>	<i>9.9%</i>
<i>Colombian Peso (COP)</i>	<i>7.1%</i>

Market and currency strategy exposures shown above are as of quarter-end. For illustrative purposes only and not intended as investment advice. Allocations are subject to change without notice.

GENERAL INFORMATION 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 and any income from them 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. Emerging markets 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° 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.

Copyright © 2021 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.

