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Converting Noise to Signal

An Update on the Tariff Situation



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Contents

Why We Like Smidcaps, Our Picks for Investing in Volatile Times	3
A Little Less Noise, A Little More Signal	4
Earnings Season Sheds Light on Corporate Sentiment and Growth Expectations	5
Economy Still Showing Resiliency Amid the Uncertainty.....	8
Smidcap Stocks Look Increasingly Attractive as Investors Search for Diversification at Attractive Valuations	11
Conclusion	13
Our Stock Picks for Uncertain Times	13

Why We Like Smidcaps, Our Picks for Investing in Volatile Times

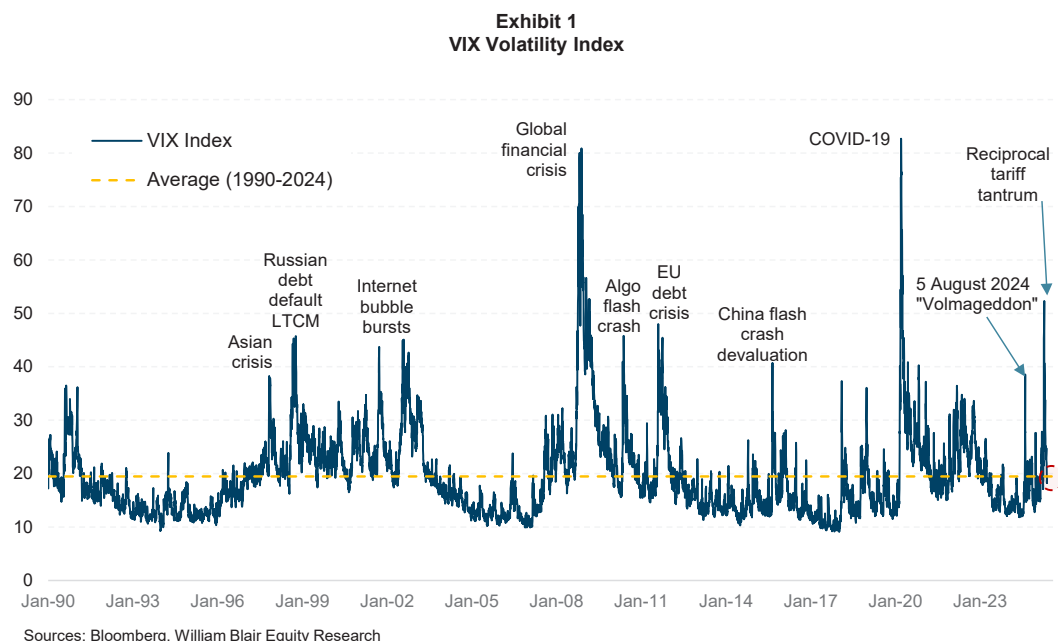
If there is one conclusion we can draw from President Trump's second term in office so far, it is that while the direction of travel remains relatively fixed, this administration is willing to pivot quickly in the face of adversity. Seemingly little is set in stone, even though it might be presented as such when first introduced.

For investors, the investment landscape has undoubtedly changed. The previous investment regime was defined by low, stable inflation and persistently low interest rates, which fueled the rise of passive investing—characterized by momentum-driven strategies and an agnosticism for valuations. This regime looks increasingly like it will be defined by greater inflation volatility, increased geopolitical tensions, and as a result, the need to adopt a more active style of portfolio management. While investors should retain a focus on quality growth, they should also be paying increased attention to valuation as a margin of safety—valuation should help strike the delicate balance between nimbleness, adaptability, and fortitude.

In this economics report, we discuss the latest plot twists in the ongoing tariff saga, the market's interpretations of those turns, and why smidcap stocks continue to look attractive over the medium to longer term. In the face of what we expect to be ongoing near-term volatility, our research analysts assembled a list of companies that they believe should do well primarily during periods of risk-on, a separate list for risk-off environments, and a third with all-weather names that should perform well in all seasons (as shown in the exhibits at the end of this report).

A Little Less Noise, A Little More Signal

Several months ago, amid what had been a spate of exceptionally high equity market volatility (exhibit 1), we discussed the importance in distinguishing risk from uncertainty ([Economics Weekly: Differentiating Risk and Uncertainty](#)). The problem at the time was that all we had was noise and no signal. Financial market participants thrive in environments of quantifiable risk, where markets can be made and those risks can be hedged; however, in environments of uncertainty, counterparties disappear, liquidity dries up, and asset values decline until either something changes to introduce more signal or investors feel the price is low enough to adequately compensate them for the uncertainty.



Since then, several developments have gradually started to turn at least some of that noise into signal and, therefore, more manageable risk.

Trump Is Sensitive to Markets and Industry, Bessent Understands the Need for Signal

Over the last two months on several occasions now, President Trump has shown himself to be sensitive to what both financial market participants and industry players in the real economy are telling him. This has included taking onboard the advice of JPMorgan CEO [Jamie Dimon](#), Apple CEO [Tim Cook](#), and the CEOs from both [Walmart](#) and [Target](#).

The more comforting signal for market participants here is that the president is open to discussion, is flexible, and is not hellbent on pushing through policies regardless of their outcomes. In short, despite what seems to be an affinity for a certain amount of instability and keeping people guessing, there look to be guardrails around policy decisions.

Treasury Secretary Scott Bessent also very much understands the difference between signal and noise and just how important that is for financial market stability. As such, he has been making clear efforts to transmit as much signal as possible. Outside the global financial crisis (and perhaps even then), we don't recall a more visible Treasury secretary. It seems like not a day goes by without Bessent being interviewed in some form of media.

Bessent likely understands that with the Fed no longer the main policy driver, it can no longer provide much in the way of credible forward guidance, which the market found so helpful. Therefore, it is quite possible that Bessent is attempting to step in and provide that guidance himself in the absence of the Fed.

Trade Deals Are Good News and Bring More Clarity, but China Still a Major Hurdle

The recent trade deal with the U.K. and the start of discussions with China have revealed further signal amid the noise. We see this in four broad areas and one area that could potentially introduce even more noise.

The first point is that deals are being done, and foreign trading partners are coming to the table to negotiate. Second, President Trump has clearly implied that those reciprocal tariffs really were intended to be the “shock and awe,” or the bait, to encourage foreign trading partners to come to the negotiating table and will mostly likely be lifted following a deal. Third, this administration does, however, intend to keep the 10% baseline tariff in place for all countries to help pay for future tax initiatives and to level the playing field. Fourth, tariffs are ending up higher than what they were before this whole process began, but they now seem more acceptable than had we got to this position from the get-go.

But there are still some important sticking points. China is not happy with the deal the U.K. struck with the U.S., which potentially cuts the Chinese out of parts of U.K. supply chains. This could complicate matters when it comes to signing new deals, and it could encourage the Chinese to front-run or intervene in other bilateral negotiations that foreign countries may be undertaking with the U.S. This would introduce yet more noise, slowing the dealmaking process and making a win for the U.S. that much more difficult.

Lastly, President Trump is not happy with Apple’s decision to relocate iPhone production to India instead of the U.S. Yet, fully relocating production to the U.S. would take many years and cost billions of dollars. There is also a major shortage of the skilled manufacturing labor that Apple would require for production. At this point, it is not yet clear how this will be resolved or what this might mean for other companies similarly moving to non-China but also non-U.S. destinations for production.

Earnings Season Sheds Light on Corporate Sentiment and Growth Expectations

With the first quarter’s corporate earnings season just about over, we now have a slightly better sense of how companies are reacting to the tariff situation. Many have breathed a sigh of relief with the tariff pause, some are expecting it to be extended, and all hope that progress is being made to lower tariff rates soon.

Nevertheless, companies are not waiting around to find out what the ultimate tariff rate will be on China, with many already enacting plans to exit China. The most high profile of these being Apple’s decision to shift production to India. Again, as mentioned above, this strategy is not without its risks, given the president’s recent comments about having “a little problem with Tim Cook.” Our industrials research team has [noted](#) that many companies are also increasingly quoting on activity tied to reshoring.

Tariff Mitigation Mode

Corporate sentiment about tariffs and some of the steps many consumer-related companies are taking to mitigate the impact of these tariffs were highlighted in a recent research note by consumer analysts Dylan Carden and Phillip Blee—[Management Survey on Tariffs](#).

During Yeti's recent earnings call, for example, CEO Matt Reintjes made the following comment, which seems fairly representative of the current sentiment:

First, clearly there **is a level of uncertainty** related to tariffs right now. Second, I want to reiterate and emphasize the things that we are doing to mitigate the impact of tariffs. We are **accelerating our efforts to diversify our supply out of China**. We are aggressively pursuing various ways to mitigate the impact of tariffs, both on the cost front in partnership with our suppliers as well as via pricing. We **are tightly managing our operating expenses and our cash**. [emphasis added]

And third, I want to make sure that it is clear that by the end of this year, our efforts to diversify our supply chain will put us in a much stronger position on a go-forward basis, meaning, once we work through any remaining inventory purchase at higher tariff rates, products purchased from China for the U.S. market will represent less than 5% of our total cost of goods.

Furthermore, Walmart CEO C. Douglas McMillon mentioned the following last week during the company's latest earning call:

[G]iven the magnitude of the tariffs, even at the reduced levels announced this week, **we aren't able to absorb all the pressure given the reality of narrow retail margins. ... China, in particular, represents a lot of volume in certain categories like electronics and toys**. All of the tariffs create cost pressure for us, but the larger tariffs on China have the biggest impact. The cost pressure from all the tariff impacted markets started in late April, and it accelerated in May ... In some cases, we'll absorb costs within a category or department and not simply pass on a tariff cost attributable to each item individually ... [W]e're positioned to manage the cost pressure from tariffs as well or better than anyone. **But even at the reduced levels, the higher tariffs will result in higher prices**. [emphasis added]

Earnings Revisions

If companies are no longer able to take what might have been the best option (producing in China) and are instead settling for the second-best option (shifting production to another Southeast Asian country)—with few seeming to find the third- (or even fourth-) best option of moving back to the U.S. attractive (where, according to our analysts, production costs are anywhere from 2 or even 6 times higher than those in other parts of Asia)—then those increased production costs will start to impact earnings. Those increased costs have not shown up in first-quarter earnings, which are roughly on track with historical trends; however, they are starting to show up in significant downward revisions to EPS growth estimates through the rest of the year (exhibits 2 and 3). Estimates for the second quarter are 3.5% below trendline of past years, and those for the third quarter are 3% lower than the historical median trend. For full year 2025, growth is optimistically still expected to be up 9%, although this is 2.8% below the historical trend for this point in the year.

Exhibit 2
Progression of S&P 500 Second-Quarter EPS Estimates, 2025 vs. Median 2003-2024

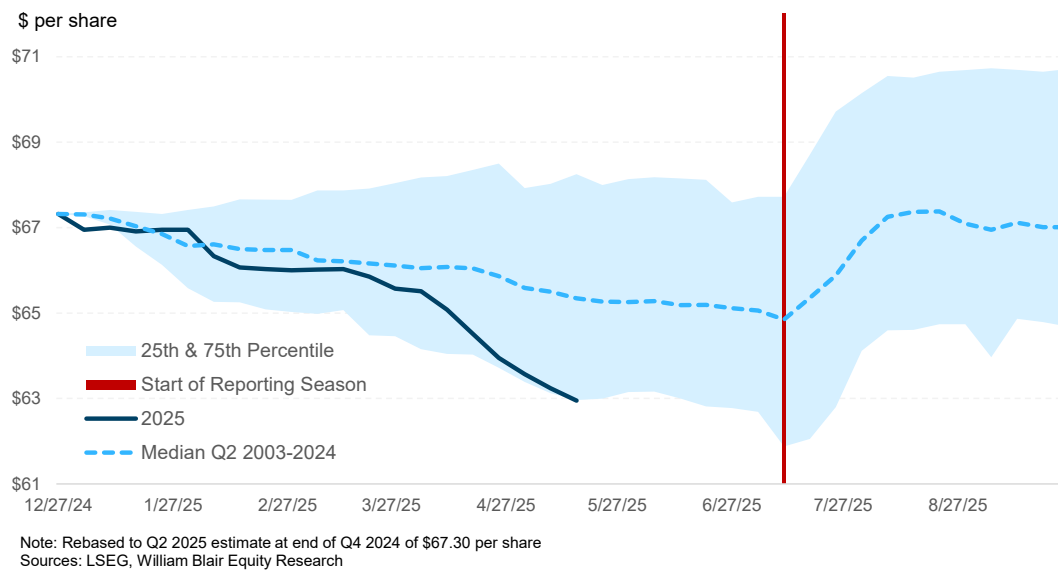
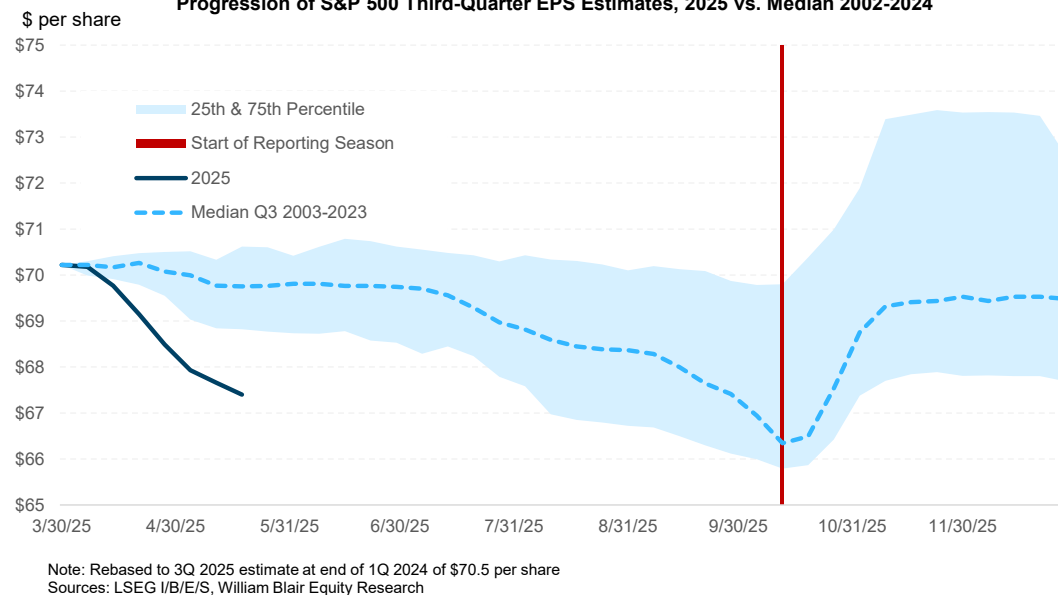


Exhibit 3
Progression of S&P 500 Third-Quarter EPS Estimates, 2025 vs. Median 2002-2024



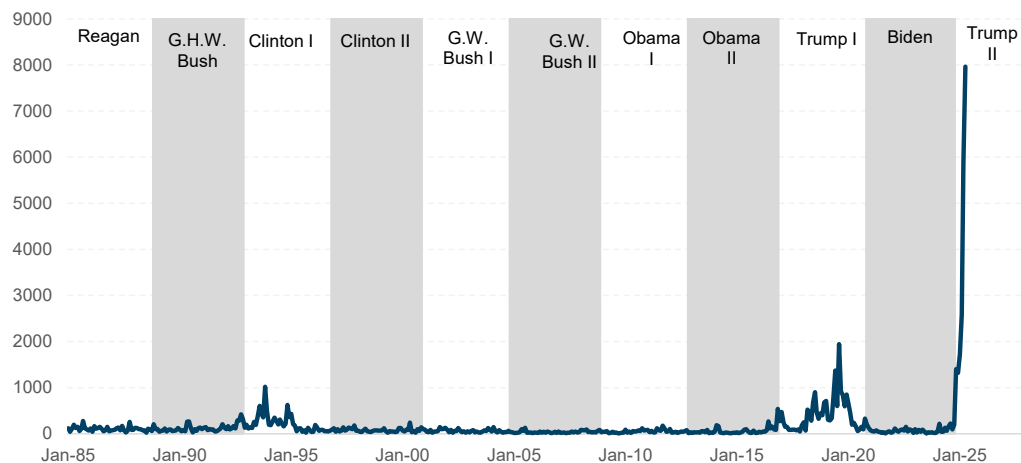
Economy Still Showing Resiliency Amid the Uncertainty

The cause of any economic slowdown is very much trade related and does not, for example, emanate from some kind of immediate collapse in the financial markets. This has meant that to some extent we have been able to watch the progression of this growth deceleration take place in slow motion.

The flow of activity seems to have been following four stages:

1. Tariffs are threatened, uncertainty skyrockets (exhibit 4), and the soft data starts to deteriorate sharply.

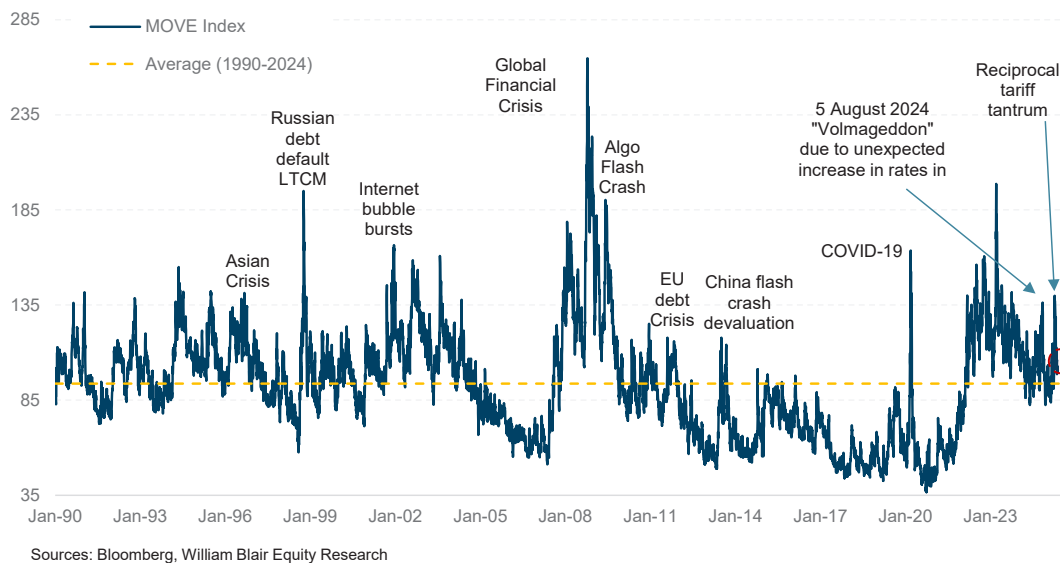
Exhibit 4
U.S. Economic Policy Uncertainty Index - Trade Policy



Source: Baker, Bloom & Davis; Economic Policy Uncertainty - "To measure policy-related economic uncertainty, we construct an index from three types of underlying components. One component quantifies newspaper coverage of policy-related economic uncertainty. A second component reflects the number of federal tax code provisions set to expire in future years. The third component uses disagreement among economic forecasters as a proxy for uncertainty."

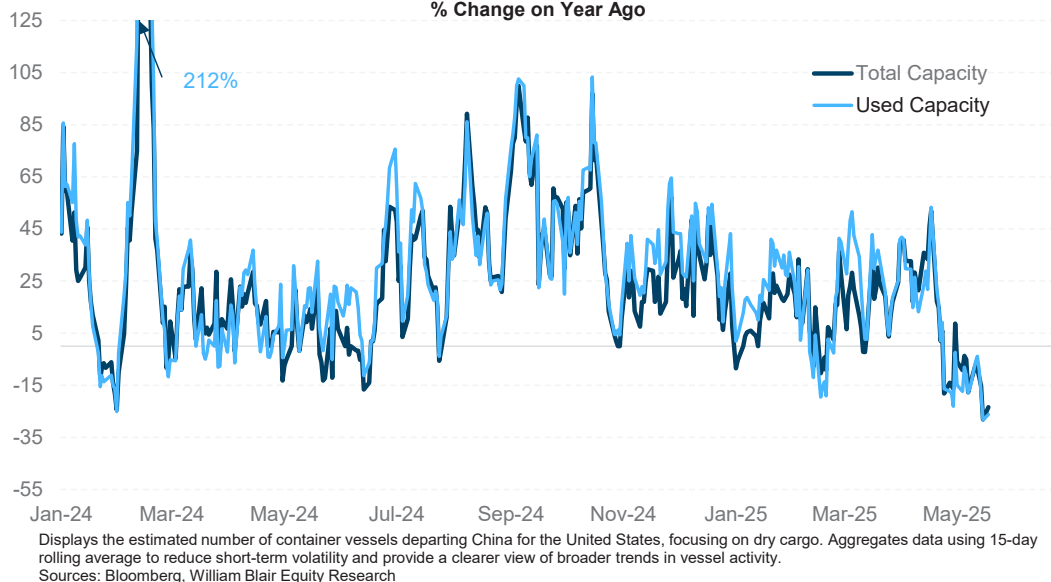
2. Tariffs are officially announced, the soft data deteriorates further, and financial markets start to get "yippy," particularly the U.S. Treasury bond market (exhibit 5). The president is forced to call a 90-day pause to prevent further weakness.

Exhibit 5
Treasury Market Volatility (MOVE) Index
 (Interest rate implied volatility 30-day options for U.S. Treasuries)

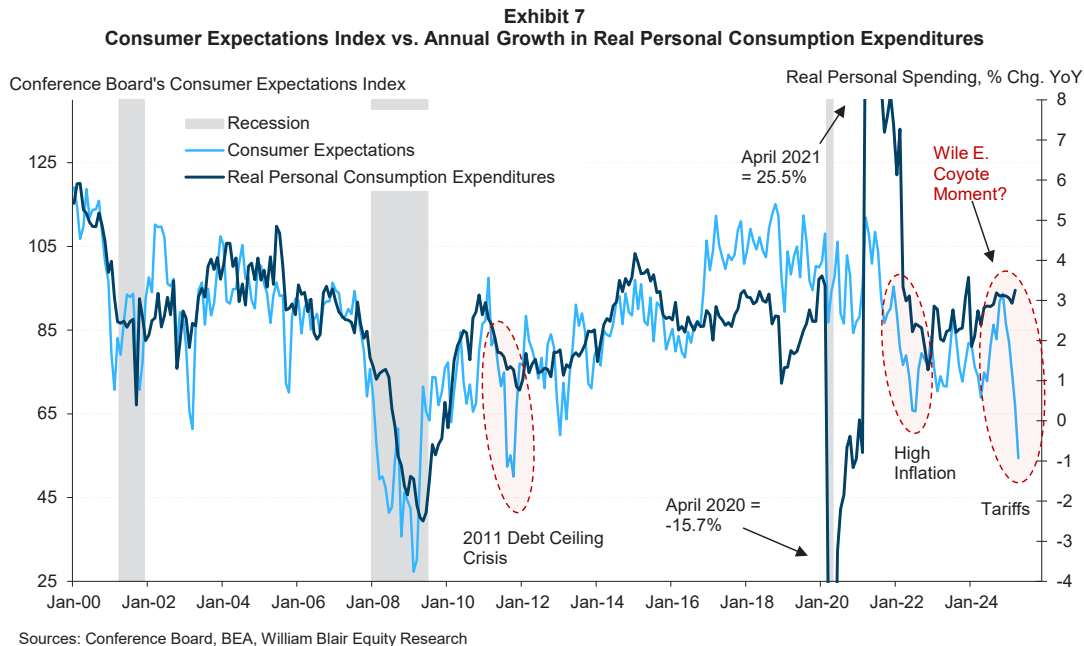


3. The first of the hard data starts to reveal a slowdown in activity with fewer container ships leaving China for U.S. ports, raising fears about empty shelves and prompting the CEOs of Walmart and Target to visit the president (exhibit 6).

Exhibit 6
Container Ship Count - Departures From China to the United States
 % Change on Year Ago

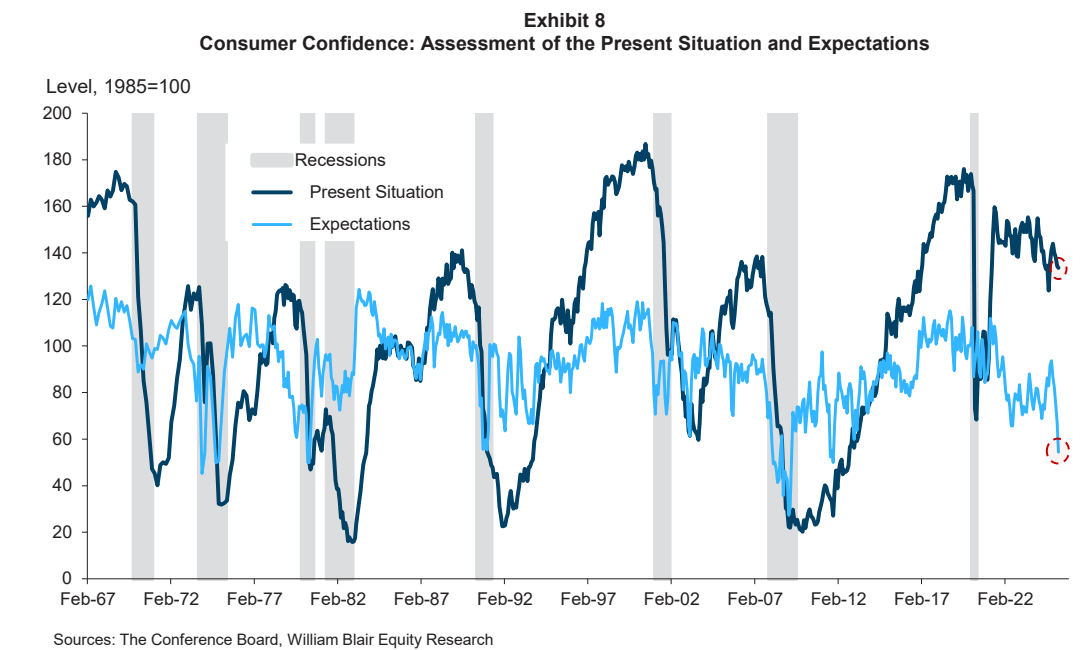


4. In the current stage, we have reached what many fear is the Wile E. Coyote moment, where we wait to see whether the even harder data on consumer spending, employment, and inflation come in as badly as the soft data have been suggesting (exhibit 7).



While exhibit 7 looks incredibly precarious, there are several reasons why we have been reluctant to jump on the recession call bandwagon, and why economists' estimated probability risks are starting to drop back down below 50%.

The sharp deterioration in consumer confidence has been almost entirely driven by consumer expectations and not their assessment of the present situation, which at the moment still feels pretty good with a reading of 133.5—this is well above the historical average of 103.1 (exhibit 8).



Meanwhile, initial jobless claims are still very low, employment growth in April was strong, and consumer spending on highly discretionary areas like restaurants has been holding up well. Consumers are also not heavily indebted and highly vulnerable heading into any potential period of economic weakness. Rather, while expectations are sharply deteriorating, we are also seeing (so far) a high degree of resiliency.

Importantly, the U.S. is primarily a service-based economy, and the vast majority of jobs are not in the direct line of fire with regard to tariffs. Unlike past periods of economic uncertainty, this time many companies have been prepared to hoard labor, stock up on inventories, and strategize about what might happen. They have not yet taken any drastic action to reduce staffing levels based on what might or might not happen with tariffs.

It is also quite possible that the Trump administration has been frontloading the more difficult policy choices (the sticks—i.e., tariffs, DOGE, and deportations) and backloading the more economically positive ones (the carrots—deregulation and tax and spending initiatives), which should start to be more forthcoming as we draw closer to the midterm elections. Furthermore, the confirmed amount the DOGE has so far been able to cut is only a fraction of what was anticipated, and there has been no notable drop in government spending judging from the Treasury's daily spending data.

Lastly, and much to the chagrin of the energy companies, the price of oil has declined by almost 20% since President Trump has taken office, which helps moderate inflation and acts as a powerful effective tax cut for economy.

Smidcap Stocks Look Increasingly Attractive as Investors Search for Diversification at Attractive Valuations

In a market that has been overwhelmingly large-cap focused for much of the last decade, life has not been easy for small- and midcap equity portfolio managers.

The large-cap trend has been driven by a powerful combination of forces, including:

- Globalization, global brand power, financialization, and massive global capital flows;
- Regulation, which has created a powerful moat for the large-cap companies;
- Low and stable rates of inflation and lower-for-longer interest rates, resulting in a sustained negative correlation between stocks and bonds, allowing portfolio managers to run more highly concentrated and less diversified large-cap equity portfolios;
- The boom in private markets following the global financial crisis, where lower interest rates encouraged greater private asset accumulation, and, when combined with increased regulation, made staying private more attractive than listing on highly regulated public equity markets;
- Rapid innovation has resulted in winner-take-all mega-cap [superstar firms](#);
- Lastly, all of this was amplified by the increasing momentum-driven passive investment.

Not all of these trends are dissipating; in fact, some—such as innovation related to AI—may still be in their early innings. As this innovation progresses, it could also turn into a major opportunity for smaller companies. For example, smaller companies may now be able to tackle much larger

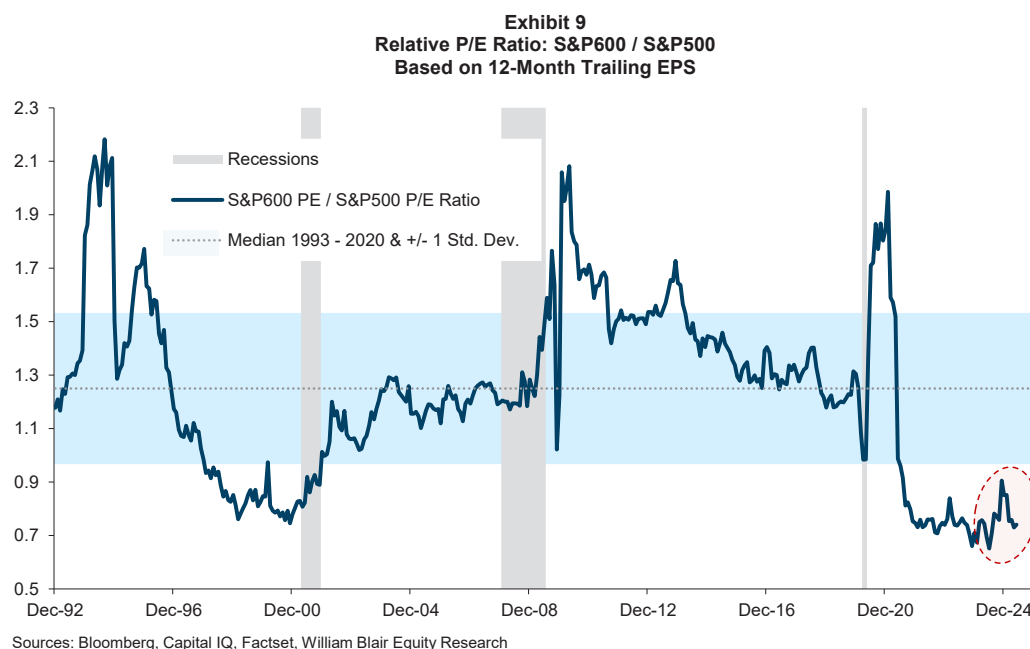
projects at much lower costs, if AI means they no longer require vast football fields full of computer programmers to compete or if much of the grunt work and data processing can now be parsed through machines rather than human hands.

Meanwhile, many of the other above factors would seem to be either no longer expanding or in fact reversing. These changes are likely to open opportunities for outperformance in the much-overlooked quality smidcap space.

One of the key drivers of this change of market direction comes from the regime change in inflation. We are now several years into a shift whereby inflation has moved from being low and stable to being still relatively low but more volatile, as it is increasingly impacted by supply shocks. In the old inflation regime, there was a negative correlation between stocks and bonds, which meant that investors could invest in much more highly concentrated equity portfolios, relying on bonds to act as a downside insurance policy. The positive correlation today means that investors no longer have that insurance and necessarily must seek diversification elsewhere to achieve portfolio ballast. One such area will be to widen market-cap criteria to owning high-quality, under-owned, and deeply undervalued smidcap stocks.

Second, if President Trump is successful in his goal of deregulation, this could be a major tailwind for the smidcaps, where increased regulation has created an enormous moat for the larger-cap stocks. This regulation has also helped push companies that might normally have listed on public equity markets, which would have acted as an incubator for growth, into the hands of private equity companies, whose tremendous growth has been assisted by the period of lower-for-longer interest rates. As funds increasingly look for exits for portfolio assets, public markets will be one avenue that should start to benefit again.

Third, in the very near term, 2026 earnings growth for the small- and midcap stocks is currently expected to be 18.8% (S&P 600), 35.9% (Russell 2000), and 19.7% (S&P Midcap), compared to 13.7% for the S&P 500. Fourth, valuations in this space are still extremely attractive. In a world of increased volatility, a renewed focus on valuation will be important in helping gauge investors' margin of safety, while limiting downside risk (exhibit 9).



Lastly, we know that the massive flows into momentum-driven valuation-agnostic passive investment strategies over the years have played a significant role in helping drive the large-cap rotation, particularly where midcap stocks were not large and liquid enough to absorb such fund flows. Now, however, if we are seeing a greater need for diversification and customization, where investors will gravitate back toward valuation as a required margin of safety in a more volatile world, this should benefit a more active portfolio management strategy, which can better tactically and opportunistically take advantage of this type of market and has the flexibility to filter down the market-cap spectrum.

Conclusion

The global economy and financial markets are in the process of major regime changes in several different areas. These changes are being amplified by the policy choices of President Trump. The disruption has unfortunately created both noise and volatility, which have been difficult for investors to negotiate.

Over the last month, however, as trade negotiations have started and decisions have been made to pause tariffs, the president has revealed some tells—enough to suggest that he is listening to both market participants and the corporate sector when it comes to policymaking. Hence, while there is still plenty of noise, at least some of that is being converted into signal, which has helped calm market volatility.

Economic growth is still likely to slow in the coming months, and tariffs will start to put upward pressure on pricing; however, neither factor is currently expected to be as severe as might have previously been envisioned. As Fed Chair Jerome Powell likes to observe, the economy is still in a good place.

Nevertheless, it would be sensible to expect more market volatility in the coming months and quarters. With that in mind, our research analysts have put together a list of their top picks for periods of risk-on and risk-off, as well as a group of high-quality stocks that should benefit during all seasons. Over the medium to longer term, we believe there is a growing list of reasons why investors should once again turn their focus back to midcap stocks.

Our Stock Picks for Uncertain Times

We do not know how the current tariff situation will ultimately play out, and we are likely to remain in an environment predicated by high levels of uncertainty as the president attempts to reorder the global economy trade and financial system. In the exhibits below, our research analysts provide stocks picks meant to perform best under three scenarios: risk-on, risk-off, and all-weather.

Exhibit 10
Stock Picks in a Risk-On Environment

Name	Ticker	Price	Market Cap (mil.)	Rating	Analyst
Consumer					
Royal Caribbean Group	RCL	\$254.03	\$69,362	Outperform	Zackfia
Carvana Co.	CVNA	\$305.21	\$64,219	Outperform	Zackfia
On Holding AG	ONON	\$59.99	\$19,398	Outperform	Carden
Burlington Stores, Inc.	BURL	\$270.12	\$16,944	Outperform	Carden
CarMax, Inc.	KMX	\$67.97	\$10,245	Outperform	Zackfia
Floor & Decor Holdings, Inc.	FND	\$79.16	\$8,559	Outperform	Blee
Wayfair Inc.	W	\$38.66	\$5,083	Outperform	Blee
Boot Barn Holdings, Inc.	BOOT	\$156.71	\$4,794	Outperform	Carden
e.l.f. Beauty, Inc.	ELF	\$79.57	\$4,472	Outperform	Andersen
Freshpet, Inc.	FRPT	\$87.52	\$4,275	Outperform	Andersen
RH	RH	\$203.91	\$3,933	Outperform	Blee
Energy & Sustainability					
Tesla, Inc.	TSLA	\$342.09	\$1,125,717	Outperform	Dorsheimer
Enovix Corporation	ENVX	\$7.96	\$1,590	Outperform	Dorsheimer
Montrose Environmental Group, Inc.	MEG	\$19.61	\$662	Outperform	Mulrooney
Financial Services and Technology					
American Express Company	AXP	\$299.30	\$209,981	Outperform	Kennedy/Jeffrey
The Charles Schwab Corporation	SCHW	\$89.23	\$161,147	Outperform	Schmitt
Block, Inc.	XYZ	\$58.33	\$35,464	Outperform	Jeffrey
LPL Financial Holdings Inc.	LPLA	\$385.37	\$30,759	Outperform	Schmitt
Affirm Holdings, Inc.	AFRM	\$51.71	\$16,959	Outperform	Jeffrey
SoFi Technologies, Inc.	SOFI	\$13.73	\$15,387	Outperform	Jeffrey
Remitly Global, Inc.	RELY	\$22.54	\$4,646	Outperform	Kennedy
Alkami Technology, Inc.	ALKT	\$30.70	\$3,182	Outperform	Kennedy
GCM Grosvenor Inc.	GCMG	\$12.55	\$2,441	Outperform	Schmitt/Klauber
Global Services					
Equifax Inc.	EFX	\$280.54	\$34,612	Outperform	Nicholas
TransUnion	TRU	\$91.87	\$17,931	Outperform	Nicholas
WillScot Mobile Mini Holdings Corp.	WSC	\$29.25	\$5,461	Outperform	Mulrooney
Korn Ferry	KFY	\$68.72	\$3,535	Outperform	Romeo
First Advantage Corporation	FA	\$18.18	\$3,152	Outperform	Nicholas
ASGN Incorporated	ASGN	\$56.29	\$2,480	Outperform	Romeo/Nolan
Healthcare					
DexCom, Inc.	DXCM	\$86.96	\$33,517	Outperform	Kaczor Andrew
Straumann Holding AG	STMN-SWX	CHF111.75	CHF17,842	Outperform	Vazquez
Align Technology, Inc.	ALGN	\$184.84	\$13,648	Outperform	Vazquez
Bio-Techne Corporation	TECH	\$49.28	\$7,705	Outperform	Larew
Guardant Health, Inc.	GH	\$40.24	\$5,039	Outperform	Brackmann
Krystal Biotech, Inc.	KRYS	\$132.29	\$3,774	Outperform	Corwin
PTC Therapeutics, Inc.	PTCT	\$46.96	\$3,647	Outperform	Corwin
Xenon Pharmaceuticals Inc.	XENE	\$30.95	\$2,324	Outperform	Minter
Twist Bioscience Corporation	TWST	\$30.39	\$1,853	Outperform	Larew
Structure Therapeutics, Inc.	GPCR	\$25.00	\$1,448	Outperform	Hsieh
Janux Therapeutics, Inc.	JANX	\$24.17	\$1,437	Outperform	Phipps
Adaptive Biotechnologies Corporation	ADPT	\$9.05	\$1,375	Outperform	Brackmann
Ocular Therapeutix, Inc.	OCUL	\$7.51	\$1,150	Outperform	Hanbury-Brown
LENZ Therapeutics, Inc.	LENZ	\$28.45	\$755	Outperform	Hanbury-Brown/Hsieh
CeriBell, Inc.	CBLL	\$17.83	\$649	Outperform	Kaczor Andrew
Simulations Plus, Inc.	SLP	\$31.34	\$630	Outperform	Smock
Xencor, Inc.	XNCR	\$8.06	\$574	Outperform	Phipps

Note: Price and market cap as of 5/19

Sources: FactSet and William Blair Equity Research

Exhibit 10 (Continued)
Stock Picks in a Risk-On Environment

Name	Ticker	Price	Market Cap (mil.)	Rating	Analyst
Healthcare (Continued)					
Butterfly Network, Inc.	BFLY	\$2.32	\$574	Outperform	Brackmann
Definitive Healthcare Corp.	DH	\$3.29	\$480	Outperform	Daniels
Upstream Bio, Inc.	UPB	\$9.05	\$465	Outperform	Phipps
Alpha Teknova, Inc.	TKNO	\$6.54	\$354	Outperform	Larew
Health Catalyst, Inc.	HCAT	\$3.90	\$283	Outperform	Daniels
Cardiff Oncology, Inc.	CRDF	\$2.91	\$187	Outperform	Hsieh
CVRx, Inc.	CVRX	\$6.85	\$179	Outperform	Kaczor Andrew
Industrials					
AAON, Inc.	AAON	\$106.36	\$8,696	Outperform	Merkel
AeroVironment, Inc.	AVAV	\$161.12	\$7,490	Outperform	DiPalma
Trex Company, Inc.	TREX	\$60.59	\$6,523	Outperform	Merkel
Sterling Infrastructure, Inc.	STRL	\$185.98	\$5,735	Outperform	DiPalma
SiteOne Landscape Supply, Inc.	SITE	\$123.32	\$5,623	Outperform	Merkel
Novanta Inc.	NOVT	\$129.26	\$4,718	Outperform	Drab
Cellebrite DI Ltd.	CLBT	\$17.02	\$4,169	Outperform	DiPalma/Ho
Kadant Inc.	KAI	\$320.28	\$3,839	Outperform	Sparenblek
Standex International Corporation	SXI	\$156.29	\$1,887	Outperform	Sparenblek
Xometry, Inc.	XMTR	\$34.10	\$1,738	Outperform	Drab
Kornit Digital Ltd.	KRNT	\$23.22	\$1,022	Outperform	Drab
Mayville Engineering Company, Inc.	MEC	\$15.33	\$319	Outperform	Sparenblek
Technology, Media, and Communications					
Meta Platforms, Inc.	META	\$640.43	\$1,609,910	Outperform	Schackart
Oracle Corporation	ORCL	\$159.64	\$450,052	Outperform	Naji/Ader
Shopify Inc.	SHOP	\$109.10	\$143,745	Outperform	Bhatia
Arm Holdings plc	ARM	\$132.05	\$139,857	Outperform	Naji
Palo Alto Networks, Inc.	PANW	\$194.30	\$127,772	Outperform	Ho
AppLovin Corp.	APP	\$370.63	\$122,611	Outperform	Schackart
Arista Networks, Inc.	ANET	\$96.70	\$121,096	Outperform	Naji/Ader
CrowdStrike Holdings, Inc.	CRWD	\$444.35	\$109,408	Outperform	Ho
Cloudflare, Inc.	NET	\$157.52	\$54,484	Outperform	Ho
Datadog, Inc.	DDOG	\$116.46	\$40,638	Outperform	Roberge
The Trade Desk, Inc.	TTD	\$76.32	\$37,502	Outperform	Schackart
Samsara Inc.	IOT	\$47.62	\$26,997	Outperform	Becker
Pure Storage, Inc.	PSTG	\$56.27	\$18,503	Outperform	Ader
MongoDB, Inc.	MDB	\$189.01	\$15,631	Outperform	Ader
Jones Lang LaSalle Incorporated	JLL	\$231.42	\$11,201	Outperform	Sheldon
Procore Technologies, Inc.	PCOR	\$69.94	\$10,603	Outperform	Becker
EPAM Systems, Inc.	EPAM	\$183.75	\$10,401	Outperform	Nolan
Klaviyo, Inc.	KVYO	\$34.50	\$9,718	Outperform	Bhatia
Elastic N.V.	ESTC	\$92.29	\$9,639	Outperform	Roberge
Unity Software Inc.	U	\$22.24	\$9,482	Outperform	Becker
Braze, Inc.	BRZE	\$35.46	\$3,860	Outperform	Bhatia
DigitalOcean Holdings, Inc.	DOCN	\$30.34	\$2,831	Outperform	Ader
Cushman & Wakefield plc	CWK	\$10.36	\$2,440	Outperform	Sheldon
Grid Dynamics Holdings, Inc.	GDYN	\$14.07	\$1,181	Outperform	Nolan
The Real Brokerage Inc.	REAX	\$4.33	\$883	Outperform	Sheldon

Note: Price and market cap as of 5/19

Sources: FactSet and William Blair Equity Research

Exhibit 11
Stock Picks in a Risk-Off Environment

Name	Ticker	Price	Market Cap (mil.)	Rating	Analyst
Consumer					
Costco Wholesale Corporation	COST	\$1,034.34	\$455,144	Outperform	Blee
The TJX Companies, Inc.	TJX	\$135.03	\$148,873	Outperform	Carden
O'Reilly Automotive, Inc.	ORLY	\$1,393.90	\$78,740	Outperform	Blee
AutoZone, Inc.	AZO	\$3,879.97	\$63,342	Outperform	Blee
Church & Dwight Co., Inc.	CHD	\$95.97	\$23,598	Outperform	Andersen
Planet Fitness, Inc.	PLNT	\$102.46	\$8,323	Outperform	Zackfia
Prestige Consumer Healthcare Inc.	PBH	\$88.94	\$4,395	Outperform	Andersen
Savers Value Village, Inc.	SVV	\$10.08	\$1,589	Outperform	Carden
thredUP, Inc.	TDUP	\$7.00	\$845	Outperform	Carden
Financial Services and Technology					
Visa Inc.	V	\$367.90	\$708,026	Outperform	Jeffrey/Kennedy
Mastercard Incorporated	MA	\$586.41	\$529,646	Outperform	Jeffrey/Kennedy
Fiserv, Inc.	FI	\$166.66	\$94,113	Outperform	Jeffrey/Kennedy
Fidelity National Information Services, Inc.	FIS	\$80.98	\$41,958	Outperform	Kennedy
Tradeweb Markets Inc.	TW	\$145.45	\$34,390	Outperform	Schmitt
Jack Henry & Associates, Inc.	JKHY	\$184.29	\$13,301	Outperform	Kennedy
MarketAxess Holdings Inc.	MKTX	\$219.42	\$8,101	Outperform	Schmitt
StoneX Group Inc.	SNEX	\$88.60	\$4,281	Outperform	Schmitt
Global Services					
Republic Services, Inc.	RSG	\$250.37	\$77,434	Outperform	Romeo
Waste Connections, Inc.	WCN	\$193.37	\$49,590	Outperform	Romeo
Verisk Analytics, Inc.	VRSK	\$314.35	\$43,304	Outperform	Nicholas
Rollins, Inc.	ROL	\$57.43	\$27,605	Outperform	Mulrooney
Casella Waste Systems, Inc.	CWST	\$115.95	\$7,268	Outperform	Romeo
FTI Consulting, Inc.	FCN	\$167.50	\$5,720	Outperform	Nicholas
Healthcare					
AbbVie Inc.	ABBV	\$184.02	\$325,053	Outperform	Phipps
Abbott Laboratories	ABT	\$135.55	\$234,530	Outperform	Kaczor Andrew
Vertex Pharmaceuticals Incorporated	VRTX	\$440.66	\$112,644	Outperform	Minter
Lonza Group AG	LONN-SWX	CHF574.20	CHF40,483	Outperform	Smock
IDEXX Laboratories, Inc.	IDXX	\$521.68	\$41,667	Outperform	Daniels/Vazquez
ResMed	RMD	\$253.35	\$36,905	Outperform	Kaczor Andrew
Insulet Corporation	PODD	\$325.84	\$22,854	Outperform	Kaczor Andrew
Labcorp Holdings Inc.	LH	\$249.80	\$20,877	Outperform	Brackmann
Quest Diagnostics Incorporated	DGX	\$178.12	\$19,868	Outperform	Brackmann
West Pharmaceutical Services, Inc.	WST	\$217.22	\$15,565	Outperform	Larew
Exelixis Inc.	EXEL	\$44.69	\$12,381	Outperform	Hsieh
Encompass Health Corporation	EHC	\$121.18	\$12,183	Outperform	Daniels
AptarGroup, Inc.	ATR	\$158.08	\$10,369	Outperform	Larew
Waystar Holding Corp.	WAY	\$39.57	\$6,807	Outperform	Daniels
Telix Pharmaceuticals Limited	TLX	\$16.54	\$5,623	Outperform	Hsieh
Option Care Health, Inc.	OPCH	\$33.09	\$5,441	Outperform	Larew
Tarsus Pharmaceuticals, Inc.	TARS	\$45.01	\$1,836	Outperform	Hanbury-Brown
Neogen Corporation	NEOG	\$6.40	\$1,389	Outperform	Vazquez
ARS Pharmaceuticals, Inc.	SPRY	\$14.26	\$1,336	Outperform	Hanbury-Brown/Phipps

Note: Price and market cap as of 5/19

Sources: FactSet and William Blair Equity Research

Exhibit 11 (Continued)
Stock Picks in a Risk-Off Environment

Name	Ticker	Price	Market Cap (mil.)	Rating	Analyst
Industrials					
Motorola Solutions, Inc.	MSI	\$425.29	\$70,802	Outperform	DiPalma
W.W. Grainger, Inc.	GWW	\$1,100.41	\$52,923	Outperform	Merkel
Fastenal Company	FAST	\$83.16	\$47,628	Outperform	Merkel
Watsco, Inc.	WSO	\$488.19	\$19,978	Outperform	Merkel
MSA Safety Incorporated	MSA	\$159.46	\$6,268	Outperform	Sprenblek
Technology, Media, and Communications					
Netflix, Inc.	NFLX	\$1,191.64	\$507,081	Outperform	Schackart
Intuit Inc.	INTU	\$670.86	\$187,385	Outperform	Bhatia
DoorDash Inc.	DASH	\$202.18	\$85,596	Outperform	Schackart
Workday, Inc.	WDAY	\$273.30	\$73,078	Outperform	Roberge
Roper Technologies, Inc.	ROP	\$580.47	\$62,669	Outperform	Becker
GoDaddy Inc.	GDDY	\$189.88	\$27,101	Outperform	Bhatia
Duolingo, Inc.	DUOL	\$520.23	\$24,049	Outperform	Schackart
Check Point Software Technologies Ltd.	CHKP	\$218.91	\$23,698	Outperform	Ho
Okta, Inc.	OKTA	\$126.44	\$22,271	Outperform	Ho
Guidewire Software, Inc.	GWRE	\$215.41	\$18,205	Outperform	Becker
Bentley Systems, Incorporated	BSY	\$48.10	\$14,553	Outperform	Becker
Pegasystems Inc.	PEGA	\$98.44	\$8,470	Outperform	Roberge
FirstService Corporation	FSV	\$176.10	\$8,123	Outperform	Sheldon
Commvault Systems, Inc.	CVLT	\$178.15	\$7,856	Outperform	Ader
Stride, Inc.	LRN	\$156.95	\$6,724	Outperform	Sheldon
InterDigital, Inc.	IDCC	\$217.36	\$5,672	Outperform	Bhatia
Qualys, Inc.	QLYS	\$136.90	\$4,972	Outperform	Ho
Box, Inc.	BOX	\$31.98	\$4,675	Outperform	Ader
WNS (Holdings) Limited	WNS	\$56.23	\$2,597	Outperform	Nolan
American Public Education, Inc.	APEI	\$29.38	\$502	Outperform	Sheldon

Note: Price and market cap as of 5/19

Sources: FactSet and William Blair Equity Research

Exhibit 12
Stock Picks in an All-Weather Environment

Name	Ticker	Price	Market Cap (mil.)	Rating	Analyst
Consumer					
Amazon.com, Inc.	AMZN	\$205.59	\$2,182,616	Outperform	Carden/Bhatia
The TJX Companies, Inc.	TJX	\$135.03	\$148,873	Outperform	Carden
Chewy, Inc.	CHWY	\$43.31	\$17,274	Outperform	Carden
Dutch Bros Inc.	BROS	\$71.91	\$15,981	Outperform	Zackfia
BJ's Wholesale Club Holdings, Inc.	BJ	\$118.32	\$15,368	Outperform	Blee
SharkNinja, Inc.	SN	\$101.15	\$14,327	Outperform	Blee
Somnigroup International Inc.	SGI	\$66.16	\$13,938	Outperform	Blee
Birkenstock Holding plc	BIRK	\$56.08	\$10,648	Outperform	Zackfia
The Simply Good Foods Company	SMPL	\$36.10	\$3,695	Outperform	Andersen
The Scotts Miracle-Gro Company	SMG	\$62.82	\$3,604	Outperform	Andersen
OneSpaWorld Holdings Limited	OSW	\$19.10	\$1,983	Outperform	Zackfia
Vital Farms, Inc.	VITL	\$35.99	\$1,595	Outperform	Andersen
Energy & Sustainability					
GE Vernova Inc.	GEV	\$446.60	\$116,832	Outperform	Dorsheimer
Tetra Tech, Inc.	TTEK	\$35.27	\$9,320	Outperform	Mulrooney
Financial Services and Technology					
Visa Inc.	V	\$367.90	\$708,026	Outperform	Kennedy/Jeffrey
Mastercard Incorporated	MA	\$586.41	\$529,646	Outperform	Kennedy/Jeffrey
Fiserv, Inc.	FI	\$166.66	\$94,113	Outperform	Kennedy/Jeffrey
Nasdaq, Inc.	NDAQ	\$81.96	\$47,021	Outperform	Schmitt
Tradeweb Markets Inc.	TW	\$145.45	\$34,324	Outperform	Schmitt
Corpay, Inc.	CPAY	\$348.76	\$24,587	Outperform	Jeffrey
SS&C Technologies Holdings, Inc.	SSNC	\$80.06	\$19,634	Outperform	Schmitt
Global Services					
Waste Management, Inc.	WM	\$231.95	\$92,502	Outperform	Romeo
Cintas Corporation	CTAS	\$223.03	\$89,176	Outperform	Mulrooney
Waste Connections, Inc.	WCN	\$193.37	\$49,590	Outperform	Romeo
UL Solutions Inc.	ULS	\$72.79	\$14,588	Outperform	Nicholas
Casella Waste Systems, Inc.	CWST	\$115.95	\$7,268	Outperform	Romeo
CBIZ, Inc.	CBZ	\$74.25	\$4,032	Outperform	Nicholas
Huron Consulting Group Inc.	HURN	\$152.93	\$2,638	Outperform	Nicholas
Healthcare					
Intuitive Surgical, Inc.	ISRG	\$561.63	\$202,005	Outperform	Vazquez
Danaher Corporation	DHR	\$196.41	\$140,350	Outperform	Larew/Brackmann
Lonza Group AG	LONN-SWX	CHF574.20	CHF40,483	Outperform	Smock
IDEXX Laboratories, Inc.	IDXX	\$521.68	\$41,667	Outperform	Daniels/Vazquez
Alnylam Pharmaceuticals, Inc.	ALNY	\$291.86	\$37,201	Outperform	Minter
argenx SE	ARGX	\$578.10	\$34,357	Outperform	Minter/Phipps
Hologic, Inc.	HOLX	\$56.43	\$12,655	Outperform	Brackmann
Encompass Health Corporation	EHC	\$121.18	\$12,183	Outperform	Daniels
Genmab A/S	GMAB	\$20.18	\$12,143	Outperform	Phipps
Penumbra, Inc.	PEN	\$281.56	\$10,870	Outperform	Kaczor Andrew
Exact Sciences Corporation	EXAS	\$56.94	\$10,643	Outperform	Brackmann
Repligen Corporation	RGEN	\$126.19	\$7,107	Outperform	Larew
Waystar Holding Corp.	WAY	\$39.57	\$6,807	Outperform	Daniels
Stevanato Group S.p.A.	STVN	\$24.78	\$6,555	Outperform	Larew
Glaukos Corporation	GKOS	\$95.85	\$5,455	Outperform	Kaczor Andrew
iRhythm Technologies, Inc.	IRTC	\$141.78	\$4,501	Outperform	Kaczor Andrew
Zealand Pharma A/S	ZEAL-CSE	DKK416.00	DKK29,833	Outperform	Hsieh
Arclxx, Inc.	ACLX	\$58.51	\$3,239	Outperform	Corwin

Note: Price and market cap as of 5/19

Sources: FactSet and William Blair Equity Research

Exhibit 12 (Continued)
Stock Picks in an All-Weather Environment

Name	Ticker	Price	Market Cap (mil.)	Rating	Analyst
Healthcare (Continued)					
PROCEPT BioRobotics Corporation	PRCT	\$59.29	\$3,213	Outperform	Vazquez
Viking Therapeutics, Inc.	VKTX	\$27.50	\$3,193	Outperform	Hsieh
Apellis Pharmaceuticals, Inc.	APLS	\$17.67	\$2,193	Outperform	Hanbury-Brown
Tarsus Pharmaceuticals, Inc.	TARS	\$45.01	\$1,836	Outperform	Hanbury-Brown
ARS Pharmaceuticals, Inc.	SPRY	\$14.26	\$1,336	Outperform	Hanbury-Brown/Phipps
Rocket Pharmaceuticals, Inc.	RCKT	\$6.45	\$700	Outperform	Corwin
Neurogene Inc.	NGNE	\$19.52	\$257	Outperform	Corwin
Industrials					
Fastenal Company	FAST	\$83.16	\$47,628	Outperform	Merkel
Watsco, Inc.	WSO	\$488.19	\$19,978	Outperform	Merkel
Curtiss-Wright Corporation	CW	\$418.03	\$15,457	Outperform	DiPalma
RBC Bearings Incorporated	RBC	\$377.14	\$11,577	Outperform	Sparenblek
AAON, Inc.	AAON	\$106.36	\$8,696	Outperform	Merkel
MSA Safety Incorporated	MSA	\$159.46	\$6,269	Outperform	Sparenblek
Karman Holdings Inc.	KRMN	\$44.32	\$5,858	Outperform	DiPalma
Federal Signal Corporation	FSS	\$96.11	\$5,814	Outperform	Sparenblek
Verra Mobility Corporation	VRRM	\$23.70	\$3,782	Outperform	DiPalma
Technology, Media, and Communications					
Microsoft Corporation	MSFT	\$458.87	\$3,376,382	Outperform	Ader
NVIDIA Corporation	NVDA	\$135.57	\$3,302,075	Outperform	Naji
Broadcom Inc.	AVGO	\$230.63	\$1,074,913	Outperform	Naji
ServiceNow, Inc.	NOW	\$1,025.75	\$215,317	Outperform	Bhatia/Roberge
Atlassian Corporation Plc	TEAM	\$214.47	\$58,124	Outperform	Bhatia
Axon Enterprise, Inc.	AXON	\$742.32	\$57,079	Outperform	Ho
CoStar Group, Inc.	CSGP	\$76.91	\$32,481	Outperform	Sheldon
Toast, Inc.	TOST	\$44.67	\$25,871	Outperform	Sheldon
Tyler Technologies, Inc.	TYL	\$574.09	\$24,878	Outperform	Ho
Nutanix, Inc.	NTNX	\$83.07	\$22,072	Outperform	Ader
DocuSign, Inc.	DOCU	\$91.31	\$18,715	Outperform	Roberge
CyberArk Software Ltd.	CYBR	\$349.29	\$17,558	Outperform	Ho
Dynatrace, Inc.	DT	\$53.26	\$15,976	Outperform	Roberge
monday.com Ltd.	MNDY	\$290.10	\$14,883	Outperform	Bhatia
ServiceTitan, Inc.	TTAN	\$129.37	\$11,716	Outperform	Becker
ExlService Holdings, Inc.	EXLS	\$46.29	\$7,495	Outperform	Nolan
Clearwater Analytics Holdings, Inc.	CWAN	\$23.52	\$6,751	Outperform	Becker
CCC Intelligent Solutions Holdings Inc.	CCCS	\$9.15	\$6,011	Outperform	Becker
Varonis Systems, Inc.	VRNS	\$46.33	\$5,184	Outperform	Ader
PAR Technology Corporation	PAR	\$69.21	\$2,828	Outperform	Sheldon

Note: Price and market cap as of 5/19

Sources: FactSet and William Blair Equity Research

The prices of the common stock of other public companies mentioned in this report follow:

Apple Inc.	\$208.78
Target Corporation	\$97.99
Walmart Inc.	\$98.12

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DOW JONES: 42677.20

S&P 500: 5940.46

NASDAQ: 19142.70

Additional information is available upon request.

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Market Perform (Hold)	29	Market Perform (Hold)	1
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