

Summary & Outlook

Large Cap Growth SMA Strategy

Market Overview

The third quarter of 2025 delivered strong, broad-based gains in U.S. equity indices, building upon the rebound that began in early April. Market sentiment was buoyed by subsiding trade tensions, strong corporate earnings, easing monetary policy and continued enthusiasm surrounding artificial intelligence (AI). As the quarter progressed, the Federal Open Market Committee (FOMC) reduced its benchmark Fed Funds rate in September by 25 basis points to a range of 4.00% to 4.25%. This pivot came despite Core PCE (Personal Consumption Expenditures) inflation remaining above target and was prompted by softening labor signals and a need to balance the Fed's dual mandate. Investors continue to anticipate a path of monetary easing, with the potential for additional rate cuts in 2025 and 2026.

Equity returns in 2025 have been extremely volatile. Following an acute, tariff-driven sell-off from late February through early April, the subsequent rally that began on April 9th has strongly favored risk-on assets and momentum-driven themes. This environment has generally created a headwind for quality-oriented managers, who have struggled to keep pace as many less proven business models and speculative companies have sharply outperformed.

Performance

The William Blair Large Cap Growth SMA Strategy underperformed its benchmark, the Russell 1000 Growth Index, during the third quarter.

The Large Cap Growth SMA Strategy trailed the Russell 1000 Growth Index in the third quarter due to stock-specific dynamics and style headwinds. From a stock perspective, selection in the Information Technology sector, including our positions in Intuit, ServiceNow and Tyler Technologies, detracted from performance. Shares of Intuit, a leading provider of software for tax preparation, personal finance and small business management, declined as the company issued conservative revenue guidance for fiscal year 2026, in part due to weakness in its Mailchimp marketing platform. Other top detractors included Chipotle Mexican Grill (Consumer Discretionary) and our underweight to Alphabet (Communication Services). Shares of Chipotle Mexican Grill, a best-in-class restaurant company that operates a chain of fast-casual, fresh Mexican food restaurants, retreated as same store

sales growth fell short of expectations, driven by a decline in transactions, and management lowered forward-looking revenue guidance. Not owning Tesla (Consumer Discretionary) was also a headwind to relative performance. In terms of style, stocks with higher fundamental volatility and higher beta outperformed, creating a headwind to relative performance given our bias towards more consistent business models. The top contributors to performance included Carlyle Group (Financials), IDEXX Laboratories (Health Care), Lam Research (Information Technology), O'Reilly Automotive (Consumer Discretionary) and Broadcom (Information Technology). Shares of Carlyle Group, an alternative asset manager, moved higher as the company reported upside in both fee-related and performance-related earnings. IDEXX Laboratories, a global leader in pet healthcare diagnostics, outperformed as the company delivered strong top- and bottom-line growth during the period, driven by strong performance from its high-margin Companion Animal Group business. Not owning Netflix (Communication Services) and Eli Lilly (Health Care) were also tailwinds to relative performance.

Outlook

Our investment philosophy centers on identifying companies with superior management teams, sustainable business models and solid financials whose stock prices are not fully appreciated by the market. Market environments like the current one, where our focus on durable businesses with compelling risk-reward profiles is temporarily out of favor, have historically been challenging given our quality-oriented approach. Despite the current market headwinds, we remain committed to our long-standing philosophy of owning high-quality, durable businesses that have compelling long-term risk/reward profiles. This disciplined, time-tested approach has delivered strong results over time, and we remain focused on continually enhancing our investment process to drive the best long-term outcomes for the portfolio.

Composite Performance (%)	Qtr	YTD	1 Yr	Annualized				Since Inception (Jul 1 01)
				3 Yr	5 Yr	10 Yr		
Large Cap Growth SMA (Gross of fees)	7.61	14.07	17.90	28.70	14.93	17.90		10.49
Large Cap Growth SMA (Net of fees)	6.82	11.57	14.46	24.97	11.56	14.45		7.25
Russell 1000 Growth Index	10.51	17.24	25.53	31.61	17.58	18.83		10.61

https://williamblair.com/~media/Downloads/IM/Composite_Disclosures.pdf

IMPORTANT DISCLOSURES

Past performance is not indicative of future returns.

This is not a solicitation or offer of the purchase or sale of securities. 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. This material may include estimates, outlooks, projections and other forward-looking statements. Due to a variety of factors, actual events may differ significantly from those presented.

This content is for informational and educational purposes only and not intended as investment advice or a recommendation to buy or sell any security. Investment advice and recommendations can be provided only after careful consideration of an investor's objectives, guidelines, and restrictions.

The data and other information included herein has been provided for the intended recipient's review only and may not be copied, reproduced, redistributed, published, retransmitted, or otherwise shared with any third-party without written permission from William Blair.

For your reference, the following hyperlink contains additional notices and disclaimers required by our data suppliers: https://williamblair.com/~media/Downloads/IM/Vendor_Disclosures.pdf

Performance & Fees

Past performance is not indicative of future returns. Performance is shown in U.S. dollar unless otherwise noted. Returns for periods greater than one year are annualized. Performance results assume the reinvestment of dividends and capital gains and are net of transaction costs. Net investment performance represents the deduction of a model fee equal to the highest separate account management fee. Investment management fees are described in William Blair's Form ADV Part 2A. Net of fees performance are net of all fees charged directly or indirectly to the accounts. Net of fee results are calculated using the wrap program's maximum fee of 3.00%. This bundled (wrap) fee includes investment advisory fees, financial consultant fees, custodial fees, and trading expenses.

Attribution Analysis

The attribution analysis contained herein is calculated by William Blair and is intended to provide an estimate as to which elements of a strategy contributed (positively or negatively) to a portfolio's performance. Attribution is based on the strategy's representative portfolio. Attribution analysis is not a precise measure and should not be relied upon for investment decisions.

Risk

Investing involves risks, including the possible loss of principal. Equity securities may decline in value due to both real and perceived general market, economic, and industry conditions. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result. Diversification does not ensure against loss.

Securities Referenced

References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. William Blair may or may not own the securities referenced and, if such securities are owned, no representation is being made that such securities will continue to be held. The securities referenced do not represent all of the securities purchased, sold, or recommended for advisory clients. It should not be assumed that any investment in the securities referenced was or will be profitable. Holdings information is based on the strategy's representative portfolio.

Index

The Russell 1000® Growth Index is an unmanaged index registered to Russell/Mellon. It measures those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. It is a capitalization-weighted index as calculated by Russell on a total return basis with dividends reinvested. It is not possible to directly invest in an unmanaged index.

As used in this document, "William Blair" refers to William Blair Investment Management, LLC unless otherwise noted. Copyright © William Blair. William Blair is a registered trademark of William Blair & Company, L.L.C.