William Blair

Summary & Outlook

Large Cap Growth SMA Strategy

Market Overview

Performance of U.S. equity indices was broadly positive in the full-year period ended December 31, 2024. In the first quarter, market gains were driven by positive economic data as recession fears continued to subside, inflation gradually moderated from peak levels and corporate profits were solid. While some of this strength continued through the second quarter, economic data softened, which contributed to a variation in returns across market caps and styles during the period.

In the third quarter, U.S. equity returns were more volatile as the market responded to mixed economic data. GDP growth accelerated to an annual rate of 3.0%; however, manufacturing activity declined as new orders for goods fell, in part due to weakened demand and political uncertainty. While unemployment ticked down modestly to 4.2%, the labor market showed signs of cooling as job gains were lower than expected. The consumer price index (CPI) fell to 2.5%, inching closer to the Federal Reserve's 2% inflation target. Accordingly, the Federal Open Market Committee (FOMC) initiated its long-awaited rate easing cycle by lowering the target federal funds rate by 50 basis points in September.

GDP growth accelerated further to 3.1% in the fourth quarter, driven by an increase in consumer and government spending, as well as strong capital expenditure. Inflation was in line with expectations as the CPI increased to 2.7% and the labor market remained solid as U.S. job growth rebounded in November. The Republican Party claimed the U.S. presidency and will control both houses of Congress, albeit by a slim margin. Following the election, the market moved sharply higher as investors anticipated a more favorable regulatory and tax environment under the new administration. Stocks viewed as beneficiaries of a more deregulated environment markedly outperformed in the weeks following the election. However, after the mid-December FOMC meeting, the market abated. Despite enacting the Fed's third rate cut in 2024, stocks moved lower on Powell's comments that further rate cuts will likely occur at a slower pace due to the higher-than-expected inflation readings and the possible implications of future tariffs. At the end of December, the U.S. Congress avoided a government shutdown by passing a short-term continuing resolution to keep the current fiscal spending levels in place. Against this backdrop, and despite healthy corporate earnings, U.S. equity indices were mixed in the fourth quarter, with the magnitude of returns varied across size and style dimensions.

For the full year period, returns for the Large Cap Growth index (Russell 1000 Growth) were extraordinarily concentrated as the top 10 issuer weights in the Index accounted for approximately 80% of the Index return.

Performance

The William Blair Large Cap Growth SMA Strategy underperformed its benchmark, the Russell 1000 Growth Index, during the fourth quarter, due to stock-specific dynamics. The top detractors for the period included Advanced Micro Devices (Information Technology), UnitedHealth Group (Health Care), Uber Technologies (Industrials), TransUnion (Industrials) and Linde (Materials). Advanced Micro Devices, a fabless semiconductor company, underperformed due to weaker Gaming revenues, and a more tepid recovery in its Embedded segment. Shares of Uber Technologies, a technology platform that develops and operates networks facilitating the movement of products and people, retreated due to concerns about autonomous vehicles (AVs) and the potential disruption in its business at some point over the next several years. Earnings for the stock were strong for the year, however, the multiple compressed. Not owning Tesla (Consumer Discretionary) and Alphabet (Communication Services) also damped returns. In the case of Tesla, shares moved higher on the belief that the new administration will change the regulatory environment to lower the safety standard and allow AVs to enter the market sooner than expected. Alphabet also benefited from the AV trade in the quarter since the market had previously assigned little value to Waymo, an AV company owned by Alphabet. The top contributors for the period included Apollo Global Management (Financials), Salesforce (Information Technology), Broadcom (Information Technology), ServiceNow (Information Technology) and Amazon (Consumer Discretionary). Shares of Apollo Global Management, a leading global alternatives investment manager, rallied after delivering strong earnings results from its major segments —asset management, insurance, principal investing—along with strong business momentum from its insurance and third-party asset management (ex-Athene) business lines. Amazon, an operator of the internet's leading e-commerce website and a cloud computing business, Amazon Web Services (AWS), benefited from margin strength in its AWS business and improving returns in its retail business. Not owning Eli Lilly and Merck & Co. within the Health Care sector also benefited returns.

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Outlook

Looking ahead, investors have generally remained cautiously optimistic, supported by a solid economic backdrop. While the incoming presidential administration's pro-growth policies, including a focus on domestic businesses, could be stimulative to the economy, the inflationary impacts of new tariffs remain a concern. Further, uncertainty surrounding the pace of disinflation, escalating geopolitical tensions, and increasing government debt could be impediments to economic growth and thus negatively impact corporate earnings.

Our investment philosophy leads us to companies with durable businesses, whose stock prices are not reflective of our long-term fundamental expectations, that we believe can outperform over a market cycle. We remain focused on bottom-up, fundamental analysis and identifying companies with superior management, high barriers to entry and differentiated products or services that are underappreciated by the market. We believe our longstanding focus on bottom-up identification of durable business franchises, whose stocks present attractive risk/reward opportunities, will serve us well in a variety of economic environments.

Large Cap Growth SMA Strategy

Fourth Quarter 2024

Composite Performance (%)	Qtr	YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Since Inception (Jul 1 01)
Large Cap Growth SMA (Gross of fees)	**3.36**	**26.40**	**26.40**	**6.70**	**16.55**	**16.57**	**10.22**
Large Cap Growth SMA (Net of fees)	**2.59**	**22.73**	**22.73**	**3.56**	**13.14**	**13.16**	**6.99**
Russell 1000 Growth Index	7.07	33.36	33.36	10.47	18.96	16.78	10.22

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

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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.

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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.