Summary & Outlook
Large Cap Growth SMA Strategy

Market Overview

U.S. equity indices experienced a downturn in the first quarter of 2025. Weakness in the market was primarily driven by increasing fears around economic growth and uncertainty around the new administration's tariff policy. While positive economic indicators such as strong employment and easing inflation in January and February offered some support, rising investor caution exacerbated by policy uncertainty drove market declines. U.S. corporate earnings growth was generally healthy, with continued outsized growth and planned capital expenditures among mega-cap technology companies. However, concerns that the AI growth narrative could be upended by competitors like DeepSeek spurred a retrenchment among the "Magnificent Seven," which had an outsized effect on the returns of the large cap indices in the quarter. Ultimately, despite healthy earnings and continued employment strength, economic growth fears and tariff policy uncertainty were the primary drivers of negative performance across U.S. equity indices.

Performance

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

Relative performance was driven by stock-specific dynamics and a modest style headwind. The top contributors to performance for the period included O'Reilly Automotive (Consumer Discretionary), Mastercard (Financials), United Healthcare (Health Care), Uber Technologies (Industrials) and Linde (Materials). Shares of O'Reilly Automotive, one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, rose due to strong same-store sales growth, with particular strength in the company's professional "do-it-for-me" segment. Mastercard, a technology-driven global payments company, outperformed on strength in its cross-border and value-added services segments. Not owning Tesla (Consumer Discretionary) and Alphabet (Communication Services) was also a tailwind to relative performance. The top detractors for the period came from Information Technology, including our positions in Datadog, ServiceNow, Salesforce and NVIDIA, and Health Care, including our position in West Pharmaceuticals and not owning Eli Lilly. Shares of Datadog, an observability solution that helps companies of different sizes keep cloud applications running, retreated after the company issued weaker 2025 margin guidance due to an increase in headcount, investments in R&D and sales and marketing. Shares of West Pharmaceuticals, a leading supplier of packaging components for injectable drugs and accessories for prefilled syringes and cartridge components, declined as its 2025 guidance was below expectations, driven by the loss of two major contract manufacturing customers and weaker-than-expected incentive payments for its SmartDose manufacturing segment. From a style perspective, our underweight exposure to the highest dividend-yielding stocks was a modest headwind.

Outlook

As of the end of the first quarter, the underlying economy remained stable, driven by favorable employment trends and steady economic growth. However, investor sentiment has turned cautious due to evolving narratives around AI and the new administration's policy announcements. While potential pro-growth policies from the new administration could stimulate economic activity and benefit domestically oriented businesses, the inflationary risks associated with new tariffs remain a prominent concern. Moreover, escalating geopolitical tensions and rising government debt pose potential headwinds to economic growth and corporate earnings.

Our investment philosophy focuses on finding durable businesses through bottom-up, fundamental analysis. We seek companies with superior management, significant competitive advantages, and differentiated products and services, whose stock prices are not reflective of their long-term fundamental expectations. We believe our focus on durable businesses with compelling risk-reward profiles positions us to successfully navigate a multitude of economic regimes.

Composite Performance (%)	Qtr	YTD	1 Yr	Annualized 3 Yr	Annualized 5 Yr	Annualized 10 Yr	Annualized Since Inception (Jul 1 01)
Large Cap Growth SMA (Gross of fees)	**-10.00**	**-10.00**	**-0.88**	**7.59**	**17.26**	**14.68**	**9.62**
Large Cap Growth SMA (Net of fees)	**-10.70**	**-10.70**	**-3.81**	**4.42**	**13.83**	**11.33**	**6.41**
Russell 1000 Growth Index	-9.97	-9.97	7.76	10.10	20.09	15.12	9.62

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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.

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.

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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.

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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.