

Summary & Outlook

Large Cap Growth SMA Strategy

Market Overview

U.S. equities rose in the fourth quarter driven by better-than-expected economic growth, resilient consumer spending, and continued easing of monetary policy. Investors looked past a record-long government shutdown and signs of a cooling labor market, instead focusing on strong corporate earnings growth and a supportive Federal Reserve, which implemented two twenty-five basis point rate cuts during the period. In contrast to previous quarters, AI enthusiasm faced heightened scrutiny as investors sought a clearer path to return on investment from large AI infrastructure spend. Geopolitical risk between the U.S. and China subsided as the countries extended their trade truce, supported by reciprocal concessions on rare earth exports and fentanyl tariffs. Concurrently, the White House bolstered inflation-fighting efforts by removing tariffs on key staples from Latin America, while the Supreme Court signaled potential constraints on executive tariff authority, further stabilizing the trade outlook.

The 2025 market backdrop was defined by heightened volatility and a distinct market rotation. Following an acute, tariff-driven sell-off from late February through early April, the ensuing rally that began on April 9th strongly favored risk-on assets and momentum-driven themes. This environment created significant challenges for quality-oriented managers, as speculative and unproven business models sharply outperformed high-quality companies with proven business models for most of the period. Overall, 2025 saw robust performance across the board, with all major indices delivering double-digit returns.

Performance

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

The Large Cap Growth SMA Strategy trailed the Russell 1000 Growth Index in the fourth quarter due primarily to stock-specific dynamics. Stock selection in Information Technology, including our position in ServiceNow, detracted from performance. Shares of ServiceNow, a provider of cloud-based service management and business management solutions, lagged due to concerns around the potential disruption AI may have on software companies. However, we feel ServiceNow is well positioned to benefit from AI as they embed AI capabilities into existing workflows and introduce new offerings. Other top

detractors included Veeva Systems (Health Care), O'Reilly Automotive (Consumer Discretionary), Live Nation Entertainment (Communication Services), as well as our underweight to Alphabet (Communication Services). Shares of Veeva Systems, a cloud-based software and data solutions provider primarily for the life sciences industry, was pressured due to modestly lower-than-expected adoption forecasts for its new Vault CRM within the Big Pharma segment. Not owning Eli Lilly (Health Care) was also a headwind to relative performance. The top contributors to performance included Monster Beverage (Consumer Staples), Agilent Technologies (Health Care), Advanced Micro Devices (Information Technology), IDEXX Laboratories (Health Care) and Amazon (Consumer Discretionary). Monster Beverage, a company that develops, markets, sells and distributes energy drink beverages, outperformed as the company reported robust revenue growth and gross margin expansion during the period, driven by strength across geographies. Shares of Advanced Micro Devices, a semiconductor company that designs and markets central processing unit (CPU) chipsets, graphics processing unit (GPU) chipsets and custom chip designs for large original equipment manufacturers, advanced on an announced partnership with OpenAI to deliver AI compute capacity via AMD's Instinct MI450 series GPU chip and its rack-scale AI solutions. Not owning Netflix (Communication Services) and Home Depot (Consumer Discretionary) 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. While 2025 proved exceptionally challenging—marking one of the worst years for quality stocks on record—our commitment to owning high quality, durable businesses with compelling risk-reward profiles remains steadfast. Our disciplined, time-tested approach has historically delivered strong results, and we remain focused on continually enhancing our investment process to support stock picking and to drive the best long-term outcomes for our clients.

Composite Performance (%)	Qtr	YTD	Annualized				Since Inception
			1 Yr	3 Yr	5 Yr	10 Yr	(Jul 1 01)
Large Cap Growth SMA (Gross of fees)	-1.72	12.11	12.11	26.13	11.93	16.98	10.30
Large Cap Growth SMA (Net of fees)	-2.46	8.82	8.82	22.46	8.64	13.56	7.07
Russell 1000 Growth Index	1.12	18.56	18.56	31.15	15.32	18.13	10.54

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.

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