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William Blair

Investment Management
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Why Small- to Mid-Cap Equities Now?

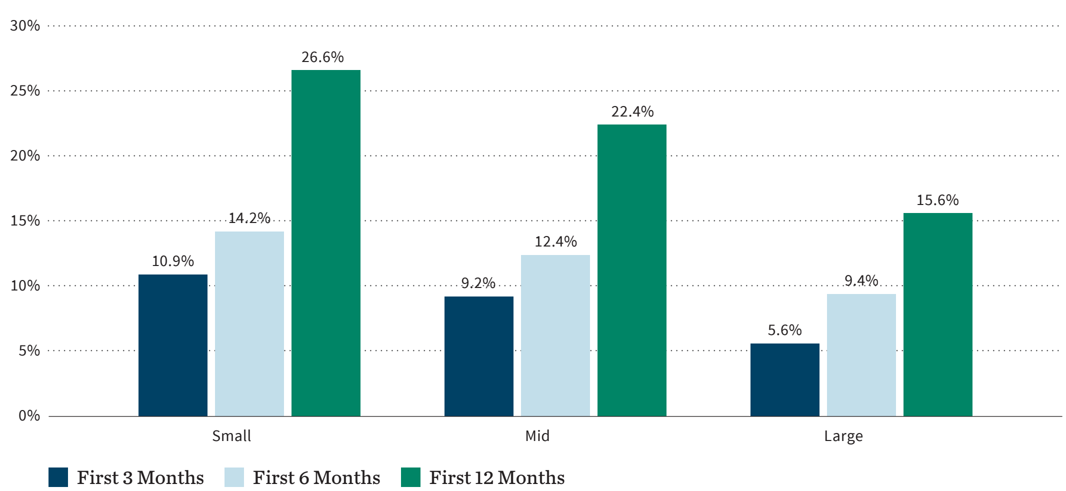
The performance of U.S. small- and mid-cap (SMID) equities, in comparison to large-cap equities, was challenging in 2023, regardless of style—but we believe investors should consider leaning into this phenomenon rather than trying to time a market pivot toward smaller-cap companies.

1. **SMID-cap equities appear undervalued**
The valuations of the Russell 2000 Index and Russell 2500 Index are materially below their long-term median, from both an absolute and relative perspective. This is not the case for the Russell Top 200 Index. That means smaller-cap equities may be "on sale."

2. **SMID-cap equities have typically outperformed coming out of recessions**
In the 24 months prior to five of the last six recessions, large caps outperformed smaller caps—yet almost immediately upon entering the recession, smaller caps outperformed large caps for the next three years.[1]

3. **SMID-cap equities could benefit from interest-rate cuts**
Since 1954, after the first rate cut, SMID-cap companies have outperformed large-cap companies for the subsequent 3, 6, and 12 months.

Performance of Small-, Mid-, and Large-Cap Companies After the First Rate Cut[2]



1 William Blair and Bloomberg, as of October 31, 2023. Small cap is represented by the Russell 2000(R) Index; large cap is represented by the S&P 500 Index. Relative performance around recessions from 1980 to 2022.

2 Federal Reserve Board, Haver Analytics, Center for Research in Security Prices, The University of Chicago Booth School of Business, Jefferies, and William Blair, as of 10/31/2023. **Past performance is not indicative of future returns.** A direct investment in an unmanaged index is not possible.

Not every SMID-cap product outperforms in these environments; we believe stock selection is key. Our focus on quality companies—combined with our strong valuation discipline—seeks to provide consistent upside capture and downside protection across market cycles. **Learn more about our quality-focused SMID-cap products.**

Small-Mid Cap Core Fund

Small-Mid Cap Growth Fund

Important Disclosures

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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 small and medium capitalization companies involves special risks, including higher volatility and lower liquidity. Small and mid-cap stocks are also more sensitive to purchase/sale transactions and changes in the issuer's financial condition. Different investment styles may shift in and out of favor depending on market conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result. Investments focused in the United States will have greater exposure to the market, political and economic risks of that country than if it was more diversified across a number of countries. Diversification does not ensure against loss.

The **Russell 2000® Index** measures the performance of the 2000 smallest companies in the **Russell 3000 Index**, representing the small cap market. **The Russell 2500® Index** measures the performance of the 2500 smallest companies in the **Russell 3000 Index**, representing the small-mid cap market. The **Russell Top 200® Index** measures the performance of the 200 largest companies in the **Russell 3000 Index**, representing the large cap market. Indices are unmanaged and do not incur fees or expenses. A direct investment in an unmanaged index is not possible. Past performance is not indicative of future returns. The **Standard & Poor's 500 Index** (S&P 500) is an index of 500 companies chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

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