

# Driehaus International Small Cap Growth Strategy Summary

3<sup>RD</sup> QUARTER 2023

## Performance Review

For the third quarter of 2023, the Driehaus International Small Cap Growth Strategy returned -2.73%, net of fees, versus the MSCI ACWI ex-US Small Cap Growth Index which returned -3.71%.<sup>1</sup> During the quarter, relative contributions to performance came from the consumer staples and communications services sectors. The largest relative detractors were consumer discretionary and materials. From a country standpoint, Italy and China were the largest contributors to performance. Denmark and India were the largest country detractors.

## Market Overview

Economic activity remained resilient through the third quarter, however most global indices logged slightly negative returns, as real interest rates increased substantially.

By and large global growth has continued to be driven by robust growth in the service sector, which continues to benefit from post covid pent up demand and some substitution away from goods. In addition, tight labor markets continue to boost incomes and consumption levels.

The first half of the year was predominantly characterized by style factor rotation – January and February saw outperformance from stocks that mostly underperformed in 2022, and then after Nvidia’s May guidance update, many technology hardware companies saw substantial multiple expansion – before any sign of improving fundamentals, and in some cases along with deteriorating fundamentals. However, the third quarter seemed to be a more typical environment, with companies who executed well and exceeded expectations seeing subsequent share price outperformance.

Of the major benchmark countries, the best performing were Turkey and Hungary, and Malta and Macau were notable laggards. At the sector level Energy (the only sector with a positive return) and communication services led while Industrials and Information Technology had the largest declines. From a style factor perspective within developed ex-US markets, value and medium-term momentum were the best performers, while market sensitivity and dividend yield were the worst.

## Market Outlook

Within Europe, the recovery has begun to fade, with 2nd quarter GDP growth just slightly positive. PMIs have been in a downward trend for the past 5 months, although have stabilized more recently. The good news is that inflation, while elevated, is declining. The European Central Bank’s policy rate will likely not rise further than the current 4%, with cuts likely to begin mid next year. Much of the bad news appears to be priced into European markets, as relative valuations are near historical wides versus US equities. The strategy is overweight Europe, although this is driven mostly by stock selection rather than regional allocation preference.

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<sup>1</sup>The performance data represents the strategy’s composite of international small cap growth accounts managed by Driehaus Capital Management LLC (DCM) (the composite). These returns are estimated for the period as the underlying accounts’ data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

## Driehaus International Small Cap Growth Strategy

In the UK, core inflation has been stubbornly persistent and wage pressures also are not receding as hoped. The Bank of England has responded with a relatively hawkish posture and the short-term growth outlook is fairly bleak, with recession risk greater in the UK than elsewhere. The strategy reduced exposure to the UK (the largest country reduction) during the quarter and is now underweight.

As compared to Europe and China, Japanese growth has shown relative strength, helped by a relatively more dovish central bank and persistently strong consumption spending. In addition, efforts to improve corporate governance continue – recently the Japan Exchange Group announced an intention to use “name and shame” to drive better governance and higher valuations – by publicly naming companies that have complied with their requests. Sustained reflation and rising productivity combined with better corporate governance could drive further improvement in corporate profitability in Japan.

Within emerging markets, Latin America and particularly Mexico are becoming key beneficiaries of the growing trend of global manufacturing companies moving production closer to the US due to their lower labor costs, locational advantage and trade agreements.

In China, demand for exports remains subdued and, more importantly, a strong recovery will require further improvement in the property sector, which is still highly uncertain. However, given the current account surplus and internally financed, slower growth seems like a more likely scenario than an outright collapse.

From a positioning perspective, exposure to energy was increased during the quarter - oil is expected to remain supported by supply-side issues, while in contrast industrial metals have a more muted outlook on softer demand. Within energy, our preference is for off-shore oriented companies, where rig and equipment supply has been restrained for years and is likely to remain so given increasing financing costs.

Exposure to consumer staples was also increased, primarily in Japan, as many corporates there are pushing through price increases in a meaningful way for the first time in decades which is driving margin expansion. In addition, volumes have benefitted from a broader travel reopening in Asia.

Healthcare was one of the largest reductions to a sector during the quarter – life sciences tools and equipment companies continue to see a muted recovery following the substantial covid driven boom during 2020 and 2021. Industrials exposure was also decreased, although that was from a substantial overweight position.

Until next quarter,

### Driehaus International Small Cap Growth Team

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This update is not intended to provide investment advice. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment fund or strategies. You should assess your own investment needs based on your individual financial circumstances and investment objectives.

This material is not intended to be relied upon as a forecast or research. The opinions expressed are those of Driehaus Capital Management LLC (“Driehaus”) as of October 19, 2023 and are subject to change at any time due to changes in market or economic conditions. The material has not been updated since October 19, 2023 and may not reflect recent market activity.

The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Driehaus to be reliable and are not necessarily all inclusive. Driehaus does not guarantee the accuracy or completeness of this information. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

# Driehaus International Small Cap Growth Strategy

## % Month-End Performance (as of 9/30/23)

	Annualized							
	MTH	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception <sup>3</sup>
Driehaus International Small Cap Growth Composite (Gross)	-5.01	-2.56	3.21	20.54	2.83	5.16	8.02	14.60
Driehaus International Small Cap Growth Composite (Net)	-5.07	-2.73	2.68	19.71	2.03	4.33	7.01	13.55
MSCI AC World ex USA Small Cap Growth Index (ND)	-4.98	-3.71	3.57	15.71	-0.28	2.08	4.39	6.70

## Top 5 Holdings<sup>6</sup> (as of 8/31/23)

Company	Country	Sector	% of Strategy
Rolls-Royce Holdings plc	United Kingdom	Industrials	2.7
Gerresheimer AG	Germany	Health Care	2.5
Metso Corporation	Finland	Industrials	2.3
Glanbia Plc	Ireland	Consumer Staples	2.1
Asics Corporation	Japan	Consumer Discretionary	2.0

## Sector Weights (%)

	Strategy	Benchmark	Active Weights
Comm Services	5.8	4.2	1.6
Consumer Discretionary	10.9	12.6	-1.7
Consumer Staples	14.2	7.6	6.6
Energy	6.0	3.7	2.3
Financials	5.8	5.8	-0.1
Health Care	8.7	11.0	-2.3
Industrials	22.3	21.5	0.9
Information Technology	16.4	17.0	-0.6
Materials	5.9	10.7	-4.7
Real Estate	1.6	3.9	-2.3
Utilities	0.5	2.1	-1.5
Cash	1.9	0.0	1.9

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
Data as of 9/30/23.

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<sup>1</sup>Composite assets include those accounts that meet the composite objectives and eligibility requirements. Please see the notes at the end of this document for additional information. <sup>2</sup>The Driehaus International Small Cap Growth team manages multiple international small cap strategies/styles. <sup>3</sup>7/1/2001. <sup>4</sup>Portfolio characteristics represent the strategy's composite. <sup>5</sup>Data is calculated monthly. <sup>6</sup>Holdings subject to change.

## Key Features

- Developed and emerging markets small cap exposure
- Benchmark aware, not benchmark constrained
- Opportunistic investment approach
- High active share

## Facts

Inception Date	7/1/01
Composite Assets Under Management <sup>1</sup>	\$683M
Total International Small Cap Assets <sup>2</sup>	\$1.9B
Firm Assets Under Management	\$14.1B
Investment Universe	Developed and emerging markets small cap equity
Investment Style	Growth Equity
Available Investment Vehicles:	Separately Managed Account Collective Investment Trust Mutual Fund

## Portfolio Characteristics<sup>4</sup>

5-year period	STRATEGY	BENCHMARK
Information Ratio	0.47	n/a
Beta	0.96	1.00
Standard Deviation	20.07	20.37
Tracking Error	4.75	n/a
R-squared	0.95	1.00

  

Market Cap Breakout	STRATEGY	BENCHMARK
< \$5 billion	59.3%	93.3%
> \$5 billion	37.8%	6.6%
> \$15 billion	2.8%	0.0%

  

	STRATEGY	BENCHMARK
Number of Holdings	108	2,528
Weighted Avg. Market Cap (M)	\$4,879	\$2,371
Median Market Cap (M)	\$3,881	\$986
Est. 3-5 Year EPS Growth	17.2%	17.5%
Active Share (3-year avg.) <sup>5</sup>	94.04	n/a

## Portfolio Management

**Daniel Burr**, CFA, Portfolio Manager  
23 years of industry experience

**David Mouser**, Portfolio Manager  
25 years industry experience

**Ryan Carpenter**, Assistant Portfolio Manager  
18 years industry experience

**Andrew Srichandra**, Assistant Portfolio Manager  
25 years industry experience

**Driehaus International Small Cap Growth Strategy**

**Country Weights (%)**

	Strategy	Benchmark	Active Weights
Australia	1.5	6.4	-4.9
Austria	1.3	0.2	1.2
Belgium	0.9	0.8	0.1
Bermuda	2.4	0.2	2.3
Brazil	1.5	1.4	0.1
Canada	9.1	6.3	2.8
China	1.8	1.9	-0.1
Denmark	0.9	1.8	-0.9
Finland	2.2	0.6	1.6
France	3.0	2.5	0.5
Germany	9.4	2.8	6.5
Hong Kong	0.4	1.5	-1.1
India	5.0	7.9	-2.9
Indonesia	1.6	0.6	0.9
Ireland	3.1	0.3	2.8
Isle Of Man	1.2	1.1	0.1
Israel	1.3	2.0	-0.6
Italy	4.4	1.4	3.1
Japan	21.3	20.7	0.6
Luxembourg	0.5	0.4	0.0
Mexico	1.6	0.7	0.9
Netherlands	2.9	0.7	2.2
Norway	1.9	1.1	0.7
South Korea	1.2	3.9	-2.6
Spain	2.9	0.8	2.1
Sweden	1.0	4.3	-3.3
Switzerland	3.6	3.9	-0.2
Taiwan	2.3	6.3	-4.1
Thailand	1.0	1.1	0.0
United Arab Emirates	0.6	0.5	0.1
United Kingdom	6.2	8.4	-2.1
Cash	1.9	0.0	1.9

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc.

Data as of 9/30/23. Benchmark: MSCI AC World ex USA Small Cap Growth Index (ND)

## Driehaus International Small Cap Growth Strategy

### Sector Attribution 3rd Quarter – 6/30/23 to 9/30/23

	Driehaus International Small Cap Growth Strategy (Port) (%)			MSCI AC World ex USA Small Cap Growth Index <sup>1</sup> (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect <sup>2</sup>
Communication Services	4.71	4.56	0.18	4.26	-1.17	-0.05	0.26
Consumer Discretionary	12.27	-5.68	-0.67	12.58	-4.49	-0.58	-0.12
Consumer Staples	12.84	0.93	0.06	7.43	-2.24	-0.18	0.51
Energy	4.18	17.11	0.49	3.26	16.31	0.47	0.11
Financials	5.87	-4.64	-0.27	5.70	-4.09	-0.24	-0.04
Health Care	10.74	-6.48	-0.62	10.86	-5.88	-0.65	-0.05
Industrials	24.96	-5.04	-1.22	21.49	-5.55	-1.18	0.08
Information Technology	15.05	-2.82	-0.52	17.00	-4.30	-0.74	0.23
Materials	5.74	-0.65	-0.07	11.24	-1.75	-0.16	-0.08
Real Estate	1.56	-1.14	-0.02	3.86	-5.77	-0.23	0.12
Utilities	0.05	-1.55	-0.01	2.31	-7.94	-0.18	0.10
Cash	2.02	-0.63	0.00	0.00	0.00	0.00	-0.06
Other <sup>3</sup>	0.00	-0.29	-0.28	0.00	-2.97	0.00	-0.28
<b>Total</b>	<b>100.00</b>	<b>-2.93</b>	<b>-2.93</b>	<b>100.00</b>	<b>-3.71</b>	<b>-3.71</b>	<b>0.78</b>

Data as of 9/30/23

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance

<sup>1</sup>The definition of the index can be found on page 8. <sup>2</sup>Total Effect - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector. <sup>3</sup>Other refers to operating expenses and securities not recognized by Factset.

Per FactSet Research Systems Inc., the attribution report provides an in-depth analysis of relative performance. With this report one can research whether or not a portfolio outperformed a benchmark, and how each group contributed to performance. The performance data shown above is estimated and represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The information presented is intended for informational purposes only.

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**Driehaus International Small Cap Growth Strategy**

**Country Performance Attribution 3rd Quarter – 6/30/23 to 9/30/23**

MSCI Country	Driehaus International Small Cap Growth Strategy (Port) (%)			MSCI AC World ex USA Small Cap Growth Index <sup>1</sup> (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect <sup>2</sup>
Australia	1.02	15.13	0.13	6.28	-4.50	-0.28	0.23
Austria	1.58	-19.28	-0.31	0.18	-13.51	-0.02	-0.26
Belgium	0.85	2.33	0.02	0.85	-6.58	-0.05	0.08
Bermuda	1.08	13.38	0.01	0.15	6.55	0.01	0.08
Brazil	1.52	-12.14	-0.17	1.50	-13.23	-0.20	0.06
Canada	8.68	-1.57	-0.14	6.49	-5.11	-0.31	0.29
Cayman Islands	0.00	0.00	0.00	0.08	47.04	0.03	-0.03
Chile	0.00	0.00	0.00	0.24	-10.60	-0.03	0.02
China	1.72	13.61	0.21	1.81	-6.79	-0.13	0.31
Colombia	0.00	0.00	0.00	0.01	-15.43	0.00	0.00
Cyprus	0.00	0.00	0.00	0.02	4.22	0.00	0.00
Czech Republic	0.00	0.00	0.00	0.02	-4.09	0.00	0.00
Denmark	2.38	-27.33	-0.60	2.05	-11.24	-0.24	-0.43
Egypt	0.00	0.00	0.00	0.07	13.44	0.01	-0.01
Finland	2.37	-13.03	-0.32	0.69	-8.07	-0.05	-0.22
France	3.17	-1.72	0.01	2.48	-3.04	-0.08	0.06
Germany	10.66	-4.43	-0.45	2.99	-12.08	-0.36	0.20
Gibraltar	0.00	0.00	0.00	0.02	-1.84	0.00	0.00
Greece	0.00	0.00	0.00	0.14	-9.88	-0.02	0.01
Hong Kong	0.42	-10.36	-0.04	1.54	-3.20	-0.04	-0.04
Hungary	0.00	0.00	0.00	0.01	24.44	0.00	0.00
India	3.56	1.89	0.06	7.09	9.51	0.60	-0.66
Indonesia	1.41	10.11	0.12	0.62	-0.71	0.00	0.17
Ireland	2.83	5.40	0.11	0.35	-14.09	-0.05	0.27
Isle Of Man	1.26	14.35	0.16	1.12	-5.70	-0.07	0.24
Israel	1.65	0.61	0.03	1.86	-3.44	-0.07	0.10
Italy	4.38	7.87	0.30	1.45	-13.82	-0.20	0.63
Japan	20.68	-3.36	-0.82	20.44	-3.73	-0.79	0.00
Jersey	0.00	0.00	0.00	0.07	-0.62	0.00	0.00
Kuwait	0.00	0.00	0.00	0.29	-6.63	-0.02	0.01
Luxembourg	0.50	-13.33	-0.07	0.49	-2.58	-0.01	-0.06
Macau	0.00	0.00	0.00	0.01	-54.52	-0.01	0.01

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Sources: FactSet Research Systems Inc. and Driehaus Capital Management. Per FactSet Research Systems Inc., the Attribution Report provides an in-depth analysis of relative performance. With this report one can research whether a portfolio outperformed a benchmark, and how each group contributed to performance. The performance data shown above is estimated and represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The information presented is intended for informational purposes only. <sup>1</sup>A definition of this index can be found on page 8. <sup>2</sup>Total Effect - The Total Effect for each MSCI Country is equal to the sum of the individual Attribution Effects for that MSCI Country.

**Driehaus International Small Cap Growth Strategy**

**Country Performance Attribution 3rd Quarter – 6/30/23 to 9/30/23**

MSCI Country	Driehaus International Small Cap Growth Strategy (Port) (%)			MSCI AC World ex USA Small Cap Growth Index <sup>1</sup> (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect <sup>2</sup>
Malaysia	0.00	0.00	0.00	0.68	0.55	0.00	-0.03
Malta	0.00	0.00	0.00	0.02	-18.62	0.00	0.00
Mexico	1.28	6.48	0.05	0.70	-2.59	-0.02	0.10
Netherlands	2.95	-4.34	-0.15	1.00	-8.30	-0.05	-0.02
New Zealand	0.00	0.00	0.00	0.52	-6.13	-0.03	0.01
Norway	1.46	20.39	0.17	1.17	-8.48	-0.10	0.30
Philippines	0.00	0.00	0.00	0.25	-7.13	-0.02	0.01
Poland	0.32	-22.44	-0.13	0.32	-5.16	-0.02	-0.12
Portugal	0.00	0.00	0.00	0.07	-3.53	0.00	0.00
Qatar	0.00	0.00	0.00	0.23	6.31	0.01	-0.02
Saudi Arabia	0.00	0.00	0.00	1.08	-3.23	-0.03	-0.01
Singapore	0.00	0.00	0.00	1.22	-7.18	-0.09	0.05
South Africa	0.00	0.00	0.00	0.85	0.83	0.01	-0.04
South Korea	1.58	2.61	0.03	4.34	3.60	0.18	-0.24
Spain	2.37	3.79	-0.02	0.80	-1.27	-0.01	0.09
Sweden	1.19	-18.83	-0.22	4.40	-13.76	-0.61	0.28
Switzerland	3.54	-8.24	-0.30	3.97	-9.02	-0.36	0.04
Taiwan	1.90	-16.05	-0.27	5.91	-1.14	-0.05	-0.36
Thailand	0.68	15.53	0.08	0.95	-0.60	-0.03	0.11
Turkey	0.00	0.00	0.00	0.58	65.68	0.25	-0.29
United Arab Emirates	0.62	-2.35	-0.01	0.44	4.68	0.02	-0.03
United Kingdom	8.35	-1.11	-0.11	8.58	-3.46	-0.30	0.20
United States	0.00	0.00	0.00	0.51	-11.72	-0.06	0.04
Cash	2.02	-0.63	0.00	0.00	0.00	0.00	-0.06
Other <sup>3</sup>	0.00	-0.29	-0.29	0.00	0.00	0.00	-0.28
<b>Total</b>	<b>100.00</b>	<b>-2.93</b>	<b>-2.93</b>	<b>100.00</b>	<b>-3.71</b>	<b>-3.71</b>	<b>0.78</b>

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## Notes // Driehaus International Small Cap Growth Strategy

### FIRM DEFINITION

Driehaus Capital Management LLC (DCM) is a registered investment adviser with the United States Securities and Exchange Commission (SEC). DCM provides investment advisory services using growth equity and credit strategies to individuals, organizations, and institutions. The firm consists of all accounts managed by DCM (the Company).

DCM claims compliance with the Global Investment Performance Standards (GIPS®).

### COMPOSITE DESCRIPTION

The International Small Cap Growth Composite was created in July 2001. An account is considered to be an international small cap growth account if it seeks to maximize capital appreciation through active investment primarily in equity securities of smaller capitalization, non-U.S. companies exhibiting strong growth characteristics. Under normal market conditions, the style invests at least 80% of total net assets in the equity securities of non-U.S. small capitalization companies.

### PERFORMANCE RESULTS

Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings.

Valuations and returns are computed and stated in U.S. dollars. Returns are presented on a pre-tax basis.

Past performance is not indicative of future results. All investments have risks and you could lose money.

Additional information regarding policies for valuing investments, calculating performance and preparing GIPS Reports are available upon request. A list of composite descriptions and a list of broad distribution pooled funds are available upon request. Please contact our sales, marketing and relationship management department at 312-932-8621.

### RISKS

All investments have risks. The strategy invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than other investments. During certain periods, the strategy has benefited from unusually strong market conditions. At times, a significant portion of an account's return may be attributable to investments in initial public offerings (IPOs) or concentrations in certain strong performing sectors, such as technology. Returns from IPOs or sector concentrations may not be repeated or consistently achieved in the future. In addition, participating in IPOs and other investments during favorable market conditions may enhance the performance of a strategy with a smaller asset base, and the strategy may not experience similar performance results as its assets grow. Investments in overseas markets can pose more risks than U.S. investments. In addition, the strategy's returns will fluctuate with changes in stock market conditions, currency values, interest rates, foreign government regulations, and economic and political conditions in countries in which the strategy invests. These risks are generally greater when investing in emerging markets.

### TAX EFFECT

Income tax may be withheld on income depending on the tax laws of each country and its treaty, if any, with the U.S. Such withholding taxes are reflected in the performance of accounts.

### INDICES

The Morgan Stanley Capital International (MSCI) AC World ex USA Small Cap Growth Index is a market capitalization-weighted index designed to measure equity performance in global developed markets and emerging markets, excluding the U.S and is composed of stocks which are categorized as small capitalization stocks. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment.

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### TERMS

**Active share** represents the share of portfolio holdings that differ from the benchmark index holdings. **Beta** is a measure of a portfolio's volatility. A beta of 1.00 implies perfect historical correlation of movement with the market. A higher beta manager will rise and fall more rapidly than the market, whereas a lower beta manager will rise and fall slower. **Information Ratio (IR)** measures a portfolio manager's ability to generate excess returns relative to a benchmark, but also attempts to identify the consistency of the investor. This ratio will identify if a manager has beaten the benchmark by a lot in a few months or a little every month. The higher the IR the more consistent a manager is and consistency is an ideal trait. **R-Squared** is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. For fixed-income securities, the benchmark is the T-bill. For equities, the benchmark is the S&P 500. **Standard Deviation** is a measure of the average deviations of a return series from its mean; often used as a measure of portfolio volatility. A large standard deviation implies that there have been large swings or volatility in the manager's return series. **Tracking Error** is a divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

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