DRIEHAUS
CAPITAL MANAGEMENT

Driehaus Small Cap Growth Strategy Summary

2ND QUARTER 2022

Market Overview

The June quarter was another difficult period for U.S. equities. It was among the worst in terms of total percentage decline for a quarter for the Russell Microcap and Russell 2000 indices. The first half of 2022 was also among the most extreme. It was the worst percentage decline ever for a first half of a year for the Russell 2000 and the Russell 2000 Growth. It was also the worst first half of a year for the S&P 500 since 1970. While the market declines were severe across all market cap ranges and nearly every industry, the smallest market caps and growth declined more than larger caps and value.

Amid growing bearish sentiment and fear of a Fed-induced economic slowdown, equity multiples were under severe pressure. Fighting the Fed when the Fed is fighting inflation is typically not favorable for equities in the short-term. Inflation thus far has proven more persistent and stubborn than hoped. The May Consumer Price Index (CPI) report released on June 10th showed that inflation in the U.S. accelerated, reaching a new cycle high. This further pressured equities through the end of the quarter as market participants concluded the Fed would have to further raise interest rates and tighten financial conditions more aggressively. This monetary stance by the Fed increases the risk of U.S. recession.

While inflation is the number one focus for the Fed, positively, there are multiple signs the underlying drivers of inflation are easing:

- M2 (the widely used measure of the money supply) has slowed from a peak of 27% y/y growth to a more normal 6% increase y/y. It will likely continue to ease.
- Average hourly wages also appear to have peaked as labor participation rates are improving.
- Supply chains are improving (though issues remain) helping logistics, shipping and container costs to come down.
- Inventories in many industries are returning to more normal or in some cases are at elevated levels – thus reducing goods inflation and prompting discounting.
- Most commodity prices have fallen and some sharply. Though crude oil does remain over $100.
- The core CPI (ex-food and energy) and Personal Consumption Expenditures (PCE) have eased from recent highs.
- Market-based measures of inflation expectations have eased meaningfully, for instance the 5-year break-even inflation expectations have eased.

While these are very encouraging secondary signs, market participants and the Fed want to see total CPI peak and improve materially to conclude inflation is convincingly on track for a decline to lower levels. The June CPI is expected to be reported very soon in July and will be the next critical update on inflation.

Two key factors in coming months will be the rate at which inflationary pressures ease and to what degree economic growth slows. It will be critical for the market to see evidence of easing inflation. Economic conditions are slowing, but how much it slows going forward is the topic of much debate. Weakness is evident in the durable goods sectors of the economy as strong demand for durable goods during Covid continues to wane. Recent ISM Manufacturing data has been below expectations. Consumer spending continues to shift to services, leisure, travel and hospitality as those parts of the economy are seeing robust spending. The recent ISM Services report was nicely above expectations. How sustainable spending on services will be is also an open question as the economy slows and the price of crude oil remains elevated.

Will the U.S. economy deteriorate into a recession? It is getting close, and the market is concluding that a recession is a high probability as equity multiples have fallen sharply, consistent with past recessions. Also, a Fed tightening cycle this aggressive makes a recession seem reasonable and justified. Sentiment readings across consumers, small businesses, and professional investors have dropped to all-time low levels only seen during actual recessions. U.S. GDP may be negative for the first half as the current expectations continue to decline. The Atlanta Fed's GDPNow tracking model was recently revised suggesting a negative GDP reading for the second quarter. While two quarters of negative GDP reading is the common definition of a recession, the official definition (by the NBER – the National Bureau of Economic Research) looks at a variety of factors.

Whether or not a recession happens, it is shaping up to be a non-traditional one as the labor markets are far more robust than what we have seen during past recessions. Other traditional recession indicators are not consistent with a recession yet. These include the yield curve (using the 10 year-3 month and 30 year - the Fed Funds Rate spreads), household incomes, ISM data and high yield credit spreads. Further, corporate earnings remain at all-time highs. At this stage, more relevant is how severe will the current economic slowdown be and how much will earnings be impacted. The strong labor markets and the high level of excess household savings could cushion the current slowdown.

The market's key focus is on inflation. Our base case view is that inflation will come down in the second half as financial conditions have tightened sharply. The pace of the easing is a key question. Will it remain persistently high or will it quickly rollover as many secondary indicators have already? The trajectory of inflation going forward will be key for equity multiples as investors interpret how the Fed will handle inflation going forward.

While the near-term market outlook is uncertain and will be volatile, the intermediate term outlook is looking more compelling. Historically when equities have fallen this sharply and equity multiples have declined to these levels, the 12-month outlook for forward returns is positive looking at past precedents. How equities perform in the near-term will largely depend on the next few months of inflation reports and how corporate earnings hold up. Inflation will drive the Fed monetary response. Equity multiples have priced in a great deal of earnings deterioration and how the market responds to the upcoming earnings season will be a key test.

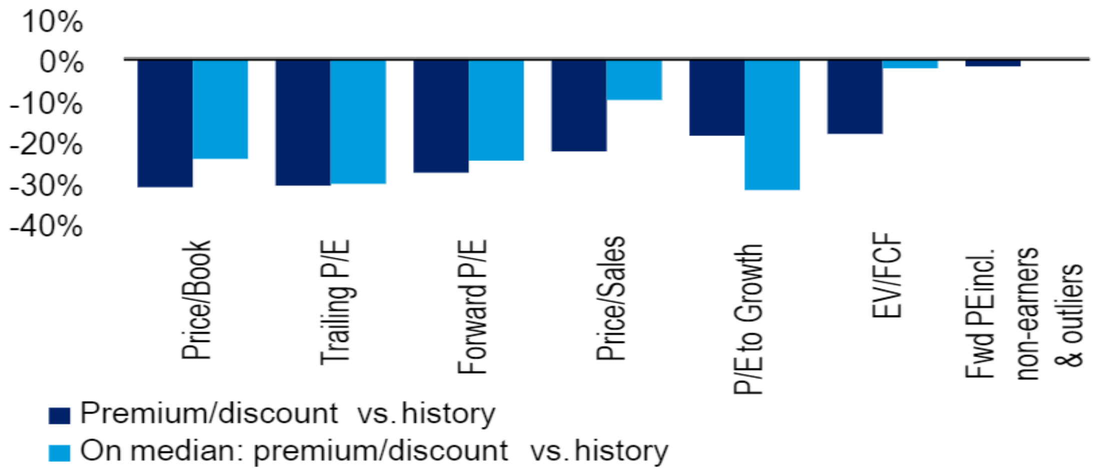
Since the Fed's last official meeting in the first half of June, a lot has changed. Commodity prices and other inflation indicators have eased, and economic conditions have slowed. The monetary policy outlook is very fluid. The Fed Funds future market is actually forecasting rate cuts next year as the economic conditions slow and inflation is expected to slow. As the outlook for inflation improves a recovery in equities could begin in the second half as the market gains clarity on the outlook for the economy. Looking ahead, many intermediate and long-term growth drivers for the U.S. economy and for many industries remain fully intact.

Valuations have declined to historically attractive levels as earnings have stayed at new highs while multiples have compressed meaningfully since last year. While earnings likely will fall over the second half of this year, much of the slowdown may already be priced in. Consider the following:

- Small caps trade at near a 30% discount relative to large caps based on multiple valuation metrics (Russell 2000 vs Russell 1000) going back to the inception of the Russell 2000 index in 1980. (See Exhibit 1 below)
- Small caps typically trade at a premium to large caps and this current relative discount has occurred only once (around the year 2000) since 1980.
- At 10-12x, the forward P/E for small caps is at prior recession lows. (See Exhibit 2)
- Small caps historically fall 36% during recessions, based on data from Bank of America, and the current Russell 2000 decline is already similar.

Exhibit 1: Small Caps Remain Historically Cheap vs. Large Caps

Russell 2000 vs. Russell 1000 Valuations vs. History (1985-6/30/22)



Source: BofA US Equity & Quant Strategy, FactSet

Exhibit 2: Small Cap Forward P/Es Near the Global Financial Crisis and Covid Recession Bottoms

Source: Yardeni Research

Performance Review

For the June quarter, the Driehaus Small Cap Growth Strategy underperformed its benchmark. The strategy declined -21.51%, net of fees, while the Russell 2000 Growth Index declined -19.25%.[1] By the month, the strategy outperformed in April offset by underperformance in May and June.

Overall, the market's price weakness was widespread with very few groups acting well and most declining sharply. Macro concerns drove the multiple compression across the equity market. Stocks with higher growth rates underperformed and stocks and industries that had performed well in 2021 continued to underperform. Stocks that were commodity or inflation beneficiaries performed well until early June then declined sharply as the market questioned the sustainability of demand while factoring in recession concerns.

Performance was also challenged as the market has been highly rotational with stock and industry leadership shifting rapidly as macro factors dominated over idiosyncratic (bottom up, company specific) ones during the quarter. Overall earnings reports for our portfolio holdings remained strong with solid forward outlooks. However, stocks typically fell (in most industries) due to sharp multiple compression as market participants are instead anticipating deceleration ahead and have questioned the sustainability of the current positive trends.

By sector, performance is summarized as follows:

Energy outperformed in relative terms versus the benchmark.

Energy

Energy overall outperformed by 44 basis points on a relative basis as crude oil and natural gas prices rose driven by dramatic underinvestment in supply since the end of the Shale Revolution (the prior energy upcycle) in 2014. Exploration & Production (E&Ps) companies reported robust earnings and cash flow generation that impressively outperformed expectations. Earnings revisions went up sharply. Oil Service companies also reported strong earnings. In early June, however, as recession fears grew, the energy sector sold off sharply. We reduced our overweight position in oil/gas companies to a relative equal weight as demand fears grew during the month of June.

The following sectors performed relatively in-line with the benchmark:

Consumer Staples

Consumer staples outperformed by a modest 3 basis points as the sector performed well in what was a very defensive market environment. A number of specialty food and specialty beverage holdings posted strong revenue and earnings expansion that exceeded consensus expectations. We increased our relative overweight exposure to consumer staples during the quarter as the holdings performed well and a couple new specialty food positions were initiated.

[1]The performance data represents the strategy's composite of 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.

Financials
The financial sector underperformed by 1 basis points. The modest weakness was driven by banks due to macro concerns. This was offset by modest outperformance in the specialty insurance sub-industry.

Healthcare
Healthcare's underperformed by 5 basis points with 40 basis points of outperformance in biotech being offset by underperformance in other industries. The sector conditioned to remain challenging. Notably, as inflation and rate fears may be subsiding late in the quarter, biotech and other non-earners have begun to perform better. We have increased our exposure to biotech and healthcare overall of late as fundamental outlooks remain strong, macro fears (inflation) appear to be shifting and technical action has materially improved.

The following sectors saw modest negative relative returns (in order of magnitude): materials, consumer discretionary, technology and industrials:

Materials
Materials underperformed by 114 basis points. In April and May, the sector performed well as commodity prices rose driven by underinvestment in supply in recent years combined with continued strong demand. Areas of strength included chemicals, uranium, aerospace, lithium, rare earth elements and agricultural related products. However, in the month of June, recession driven demand concerns caused these relatively strong stocks to underperform as sustainability was questioned. We did reduce our exposure given these macro driven demand concerns.

Consumer Discretionary
Consumer discretionary underperformed by 84 basis points on a relative basis. Relative underperformance came from the leisure and hospitality sub-industry. As the consumer has shifted spending from durable goods, apparel and household goods to more leisure activities, hotels, casinos, restaurants, and other related services businesses have benefitted fundamentally. However, in the month of June, as recession concerns rose these sub-industries sold off as demand was questioned. Notably, to date, company and industry channel checks remain positive but the market is skeptical that current leisure demand trends will be sustained.

Technology
Technology underperformed by 42 basis points. We maintained an underweight in the sectors and in semiconductors as their key group remained under pressure during the quarter. We remain underweight as the group remains under pressure as earnings estimates are adjusted lower due to weakness in cell phones and laptops and as the economy slows. Expectations for semi capital equipment are also being adjusted lower. Towards the end of the quarter, we did begin to increase exposure to software and IT Services as some of the worst areas of the market are beginning to perform and the market is beginning to adjust to lower inflation and rate expectations. Fundamentals in software and IT Services remain strong and valuations have come down sharply.

Industrials
Industrials underperformed by 48 basis points on a relative basis. A number of services, cyclicals and other consistent growth industrials saw continued strong fundamental performance but sold off as economic growth concerns weighed on the sector. We finished the quarter with an equal weight position.

Outlook & Positioning

The market's conditions remain challenging. Macro conditions continue to dominate over bottom-up and industry trends. The market fears inflation will continue to drive the Fed to further tighten financial conditions and to raise interest rates which will put further pressure on the economy and on earnings.

Positively, valuations have declined for our portfolio and micro/small cap stocks in general. Looking at history, the current declines in price and in multiple are similar to past recessions. While the odds of a recession have increased materially, economic conditions remain mixed. Some economic variables are recessionary while several others are not yet. A second key positive is that multiple inflation indicators are easing.

However, it is not clear how quickly the rate of inflation will come down over the rest of the second half. Several scenarios could play out in terms of the trajectory of the decline in inflation. Also, it is not clear how much the economy and earnings will slow.

A bullish scenario that could unfold is inflation steadily eases over the second half of the year, the Fed's rhetoric in time adjusts to the improving inflation outlook and the economy and earnings continue to deteriorate but only modestly so. In this scenario, equity multiples stabilize in the coming months with severe economic and earnings declines already discounted.

A bearish scenario would be inflation remains stubbornly high versus expectations, the Fed is forced to remain very hawkish and economic growth and earnings deteriorate.   While we recognize this bearish scenario is possible, our base case is that inflation will ease, earnings deteriorate only modestly, and equity multiples stabilize as they have declined to recessionary levels already.

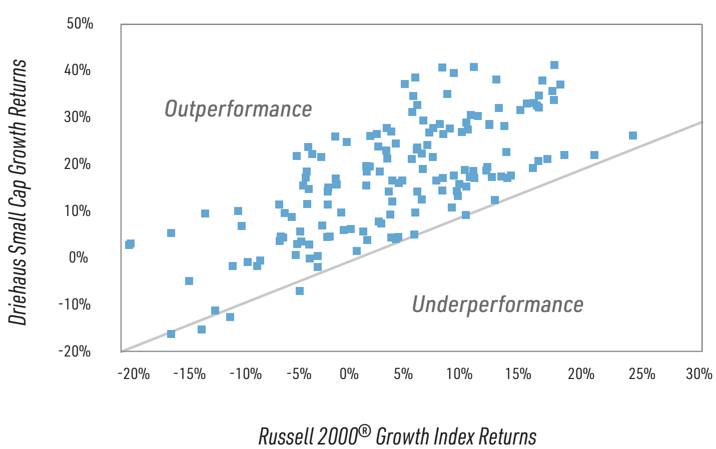
In terms of portfolio positioning, we have an attractive mix of secular and cyclical growth holdings. By sector, healthcare remains our largest absolute weight, followed by technology, industrials, consumer discretionary, consumer staples and energy. Relative to the benchmark, the strategy is overweight consumer staples, consumer discretionary, energy and, industrials. The strategy is underweight health care, technology, and financials. Overall, we still see many dynamic investment opportunities which have reduced valuations versus the start of the year and a year ago. These holdings nicely fit our investment philosophy of companies exhibiting growth inflections, differentiation, market share gains, strong revenues and expanding profitability.

Driehaus Small Cap Growth Strategy

% Month-End Performance (as of 6/30/22)

				Annualized				
	MTH	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception[2]
Driehaus Small Cap Growth Composite (Gross)	-8.23	-21.40	-36.68	-32.77	10.21	16.69	17.61	17.63
Driehaus Small Cap Growth Composite (Net)	-8.27	-21.51	-36.85	-33.18	9.45	15.85	16.66	16.83
Russell 2000® Growth Index (Benchmark)	-6.19	-19.25	-29.45	-33.43	1.40	4.80	9.30	8.37

Rolling Five-Year Returns, Net of Fees[3]



Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance Data as of 6/30/22.

The performance data represents the strategy's composite of small cap growth accounts managed by Driehaus Capital Management LLC (DCM). 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.

[1]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. [2]1/1/1980. [3]Returns are calculated from monthly returns and shown for every quarter interval since the index's inception. [4]Portfolio characteristics represent the strategy's composite. [5]Data is calculated monthly. Data as of June 30, 2021.

Key Features

- Benchmark aware, not benchmark constrained
- Opportunistic investment approach
- High active share

Facts

Inception Date	1/1/80
Composite Assets Under Management[1]	$1,924M
Firm Assets Under Management	$11.2B
Investment Style	Growth Equity
Available Investment Vehicles:	Separately Managed Account Mutual Fund

Portfolio Characteristics[4]

5-year period	STRATEGY	BENCHMARK
Annualized Alpha	11.57	n/a
Sharpe Ratio	0.60	0.16
Information Ratio	1.45	n/a
Beta	1.09	1.00
Standard Deviation	25.91	22.65
Tracking Error	8.19	n/a
R-squared	0.91	1.00

Market Cap Breakout	STRATEGY	BENCHMARK
< $2.5 billion	27.0%	44.3%
$2.5 - $15 billion	73.0%	55.6%
> $15 billion	0.0%	0.1%

	STRATEGY	BENCHMARK
Number of Holdings	111	1,136
Weighted Avg. Market Cap (M)	$4,040	$2,856
Median Market Cap (M)	$3,421	$1,120
Active Share (3-year avg.)[5]	82.67	n/a

Portfolio Management

Jeff James, Lead Portfolio Manager
31 years of industry experience

Michael Buck, Portfolio Manager
21 years industry experience

Prakash Vijayan, Assistant Portfolio Manager
16 years industry experience

Driehaus Small Cap Growth Strategy

Top 5 Holdings[1] (as of 5/31/22)

Company	Sector	% of Strategy
Livent Corporation	Materials	2.3
Kinsale Capital Group, Inc.	Financials	2.2
Chart Industries, Inc.	Industrials	2.1
Magnolia Oil & Gas Corp. Class A	Energy	2.0
WillScot Mobile Mini Holdings Corp. Class A	Industrials	2.0

Sector Weights (%)

	Comm. Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities	Cash
Strategy	**2.9**	**11.6**	**9.1**	**7.3**	**4.3**	**22.8**	**17.9**	**14.0**	**6.3**	**0.7**	**0.0**	**3.2**
Benchmark	2.4	10.4	4.7	6.1	5.9	22.7	17.3	21.4	4.4	2.9	1.8	0.0
Active Weights	*0.5*	*1.1*	*4.5*	*1.1*	*-1.6*	*0.1*	*0.5*	*-7.4*	*1.9*	*-2.2*	*-1.8*	*3.2*

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 6/30/22. Benchmark: Russell 2000® Growth Index
[1]Holdings subject to change.

Driehaus Small Cap Growth Strategy

Sector Performance Attribution 2nd Quarter – 3/31/22 to 6/30/22

	Driehaus Small Cap Growth Strategy (Port) (%)		Russell 2000 Growth Index[1] (Bench) (%)		Attribution Analysis (%)		
GICS Sector	Port Avg. Weight	Port Contrib To Return	Bench Avg.Weight	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
Communication Services	2.20	-0.79	2.57	-0.69	0.04	-0.22	-0.18
Consumer Discretionary	11.41	-3.55	13.67	-2.96	-0.03	-0.79	-0.82
Consumer Staples	6.81	-0.18	4.52	-0.04	0.32	-0.29	0.03
Energy	10.02	-1.65	4.07	-0.89	0.56	-0.11	0.45
Financials	3.82	-0.60	5.44	-1.02	-0.07	0.07	-0.01
Health Care	21.59	-3.96	23.92	-4.21	-0.04	-0.01	-0.05
Industrials	21.42	-4.30	16.28	-2.81	0.23	-0.70	-0.47
Information Technology	10.67	-3.14	22.15	-5.17	0.34	-0.77	-0.43
Materials	7.62	-2.71	3.69	-0.66	0.13	-1.26	-1.13
Real Estate	1.70	-0.49	3.22	-0.85	0.08	0.02	0.10
Utilities	0.00	0.00	0.45	0.00	-0.10	0.00	-0.10
Cash	2.75	0.00	0.00	0.00	0.52	0.00	0.52
Other[2]	0.00	-0.13	0.01	0.00	-0.11	-0.01	-0.12
Total	100.00	-21.50	100.00	-19.30	1.86	-4.06	-2.20

Data as of 6/30/22

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

[1]The Russell 2000® Growth Index measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends. [2]Other refers to 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.

ATTRIBUTION ANALYSIS CATEGORIES ARE DEFINED AS:

Allocation Effect - Measures the impact of the decision to allocate assets differently than those in the benchmark.

Security Selection Effect - Measures the effect of choosing securities, which may or may not outperform those of the benchmark.

Interaction Effect - Jointly measures the effect of allocation and selection decisions.

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.

Notes // Driehaus 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 Small Cap Growth Composite was created in January 1993. An account is considered to be a small cap growth account if it primarily invests in U.S. equity securities of high growth companies within market capitalization ranges of generally followed small cap indices at the time of purchase. However, there is no requirement to be exclusively invested in small cap stocks, and the accounts have invested, to a lesser extent, in stocks with a smaller or larger capitalization from time to time.

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 pretax 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.

INDICES
The Russell 2000® Growth Index measures the performance of the small cap growth segment of the U.S equity universe. It includes those Russell 2000® companies with higher price- value ratio and higher forecasted growth values. The performance data includes reinvested dividends.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

The most recent annual GIPS Report is available here.

GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

TERMS
Active share represents the share of portfolio holdings that differ from the benchmark index holdings. **Alpha** is the measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. **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. **Sharpe Ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. **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.

For more information about Driehaus Capital Management LLC, please contact us at 312.932.8621.