

# Driehaus International Small Cap Growth Strategy Summary

3<sup>RD</sup> QUARTER 2022

## Market Overview

The persistency of elevated inflation has created a dynamic that has not been seen for close to 40 years. The predominant source has been region dependent: Europe has been most impacted by a shock to energy prices from the war in Ukraine. Whereas in the United States, the increased rate of inflation started primarily as a shortages/supply pressure story and has now transitioned to a tight labor market story. In the US, the labor market is the tightest it has been since World War II. The retirement of Baby Boomers, immigration restrictions and COVID have all limited supply, with demographics being the most relevant of the three.

In addition, fiscal policy changes and central banks rapidly shifting into more restrictive territory is injecting volatility into macroeconomic variables. For example, towards the end of the quarter the government in the United Kingdom introduced unfunded tax cuts, which prompted a substantially weakening of the pound and increase in interest rates. Given this environment, we are wary of business models that operate in high-cost geographies or move parts/components around an increasingly costly and protectionist world to price sensitive customers. We favor businesses that have low asset intensity or can sweat fixed assets and benefit from inflation without having to spend increasing capex.

From a company level perspective, the supply chain dynamic does seem to be persisting. Typically, a company can plan ahead/contract parts on a quarterly or at least monthly basis – however now they are paying spot prices for a much higher percentage of cost of goods sold. This is diminishing margins unless they can pass the prices on to their customers. From indications from companies we meet with, it will likely take until 2024 to see signs of normalization within these supply chains.

Within energy, disinvestment in traditional fossil fuels combined with a lack of low-cost renewable alternative energy sources has driven higher energy costs. Energy costs will stay stubbornly high if investments are not made to bridge this gap. Many energy expenditures are non-discretionary and simply raising rates will not cure the underlying lack of resource development.

One of the clear conclusions from the crisis is that Europe must decrease its reliance on Russian energy, and even in the event of a de-escalation of the conflict, this vulnerability in energy security needs to be addressed. We have balanced exposure across the portfolio in energy including thematic exposure to liquefied natural gas (LNG), nuclear, renewables, and conventional fossil fuels.

## Performance Review

For the third quarter of 2022, the Driehaus International Small Cap Growth Strategy returned -9.36%, net of fees, and the MSCI ACWI ex-US Small Cap Growth Index returned -7.96%.<sup>1</sup> Most global equity indices generated negative returns as concerns over inflation, more restrictive monetary policy, and a potential recession persisted.

## Driehaus International Small Cap Growth Strategy

At the country level, stock selection in Italy and Germany, and an underweight to India were the biggest detractors on a relative basis, while stock selection in Sweden and Norway were the largest positive contributors.

From a regional perspective, Brazil was the most notable increase to a country for the strategy. The Central Bank was among the first to start a rate rising cycle to combat inflation (with 10-year yields over 12% as of quarter end). They are now likely at the end of their rate hiking cycle and at an economic inflection point for the domestic economy. Brazil is commodity rich (soft commodities, oil and metals/minerals) which helps them insulate from inflationary pressures. The first-round election in October generally favored market friendly candidates. Valuations appear cheap and our screens are identifying a number of meaningful earnings inflections at the company level across various industries.

From a sector perspective, contributors to performance came from the stock selection in financials and health care, and an underweight to real estate. The largest detractors were in consumer discretionary and materials, largely driven by stock selection.

The biggest increase in sector allocation during the quarter was consumer staples—primarily in Japan. Companies are at or near trough valuation levels, and for the first time in nearly 20 years are raising prices. Our expectation is that price increases will outstrip any cost pressures, driving substantial operating leverage and earnings growth.

In contrast, we have reduced our consumer discretionary exposure within the UK and Europe. The significant rise in energy prices is taking a heavy toll on consumers. Despite some fiscal measures announced by various governments across Europe and the UK, there remains uncertainty on energy rations into the winter or how the impacts of sharply higher prices feed through European businesses overall.

### Market Outlook

Looking forward, it is our belief that leadership will be much different than in the past 5 years, capital will be scarcer, there will be a muted risk appetite for speculative story stocks, and dispersion across sectors will be heightened. This will create alpha opportunities, as stock selection and superior risk management will be differentiators.

Until next quarter,

### Driehaus International Small Cap Growth Team

<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.

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 18, 2022 and are subject to change at any time due to changes in market or economic conditions. The material has not been updated since October 18, 2022 and may not reflect recent market activity.

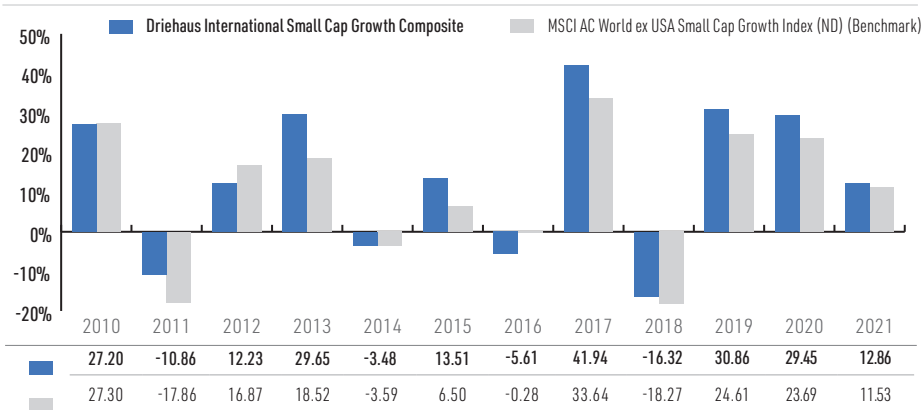
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# Driehaus International Small Cap Growth Strategy

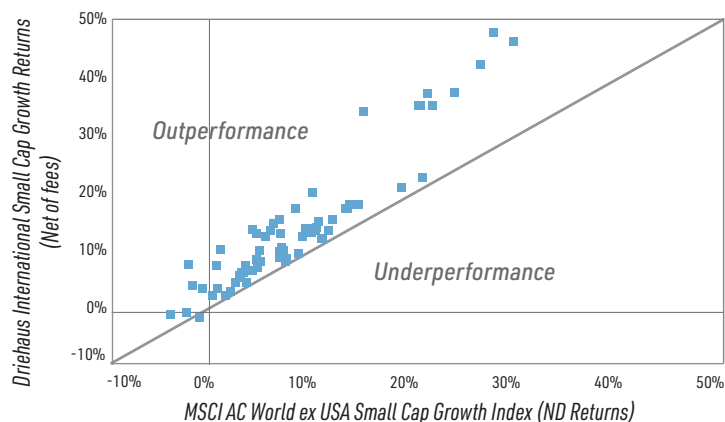
## % Month-End Performance (as of 9/30/22)

	MTH	QTD	YTD	Annualized					Inception <sup>3</sup>
Driehaus International Small Cap Growth Composite (Gross)	-10.21	-9.12	-34.28	-33.65	3.01	2.90	8.64	14.32	
Driehaus International Small Cap Growth Composite (Net)	-10.31	-9.36	-34.57	-34.04	2.20	2.03	7.57	13.27	
MSCI AC World ex USA Small Cap Growth Index (ND)	-11.29	-7.96	-33.85	-33.36	0.49	-0.08	4.50	6.30	

## % Calendar Year Return, Net of Fees (10-year period)



## Rolling Five-Year Returns, Net of Fees<sup>4</sup>



Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance Data as of 9/30/22.

The performance data represents the strategy's composite of international 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.

<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>Returns are calculated from monthly returns and shown for every quarter interval since the fund's inception. Data as of September 30, 2022. <sup>5</sup>Portfolio characteristics represent the strategy's composite. <sup>6</sup>Data is calculated monthly.

## 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>	\$599M
Total International Small Cap Assets <sup>2</sup>	\$921M
Firm Assets Under Management	\$11.3B
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>5</sup>

5-year period	STRATEGY	BENCHMARK
Annualized Alpha	2.99	n/a
Sharpe Ratio	0.09	-0.06
Information Ratio	0.71	n/a
Beta	0.96	1.00
Standard Deviation	19.19	19.57
Tracking Error	4.23	n/a
R-squared	0.95	1.00
Market Cap Breakout	STRATEGY	BENCHMARK
< \$5 billion	82.4%	96.3%
> \$5 billion	17.6%	3.7%
> \$15 billion	0.0%	0.0%
	STRATEGY	BENCHMARK
Number of Holdings	101	2,505
Weighted Avg. Market Cap (M)	\$3,354	\$2,050
Median Market Cap (M)	\$2,247	\$862
Est. 3-5 Year EPS Growth	18.1%	16.1%
Active Share (3-year avg.) <sup>6</sup>	93.76	n/a

## Portfolio Management

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

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

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

## Driehaus International Small Cap Growth Strategy

### Sector Weights (%)

Month-End Absolute Weights (%)

	Comm. Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities	Cash
Strategy	4.3	11.6	11.9	8.8	6.1	10.5	23.3	11.6	5.9	0.9	NA	5.0
Benchmark	4.3	11.8	8.0	3.0	5.1	10.4	21.2	16.1	11.4	5.9	NA	0.0
Active Weights	0.1	-0.2	3.9	5.8	1.0	0.0	2.1	-4.5	-5.5	-5.0	NA	5.0

### Top 5 Holdings<sup>1</sup> (as of 8/31/22)

Company	Sector	Country	% of Strategy
ABCAM PLC	Health Care	Isle Of Man	2.2
Serco Group plc	Industrials	United Kingdom	2.1
Kinaxis, Inc.	Information Technology	Canada	2.0
Metso Outotec Oyj	Industrials	Finland	1.9
ISS A/S	Industrials	Denmark	1.9

### Country Weights (%)

	Strategy	Benchmark	Active Weights		Strategy	Benchmark	Active Weights
Australia	1.3	7.0	-5.8	Italy	2.8	1.5	1.3
Austria	2.1	0.3	1.9	Japan	17.3	21.3	-4.0
Belgium	1.4	1.0	0.4	Luxembourg	0.3	0.4	-0.1
Brazil	4.1	1.9	2.3	Mexico	1.9	0.5	1.4
Canada	12.4	7.4	5.1	Netherlands	3.4	1.0	2.4
China	0.9	1.6	-0.6	Norway	1.1	1.2	-0.1
Denmark	3.9	1.6	2.3	Spain	0.8	0.6	0.2
Finland	3.1	0.8	2.3	Sweden	3.0	4.8	-1.8
France	6.7	1.7	5.0	Switzerland	4.4	3.6	0.8
Germany	4.0	2.4	1.6	Taiwan	0.9	5.2	-4.3
India	0.5	7.0	-6.5	United Kingdom	9.8	8.3	1.5
Indonesia	1.1	0.7	0.4	United States	1.3	0.4	0.9
Ireland	1.3	0.3	1.0	Cash	5.0	0.0	5.0
Isle Of Man	3.7	1.0	2.7				
Israel	1.3	2.2	-0.9				

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

Data as of 9/30/22. Benchmark: MSCI AC World ex USA Small Cap Growth Index (ND)

<sup>1</sup>Holdings subject to change.

## Driehaus International Small Cap Growth Strategy

### Sector Attribution 3rd Quarter – 6/30/22 to 9/30/22

	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	4.75	-9.14	-0.36	4.61	-12.27	-0.52	0.13
Consumer Discretionary	11.27	-13.01	-1.64	11.57	-6.66	-0.80	-0.72
Consumer Staples	10.75	-9.07	-1.04	7.72	-7.63	-0.60	-0.10
Energy	9.31	-9.42	-0.83	2.88	0.01	-0.06	-0.29
Financials	6.34	-0.49	-0.06	5.04	-7.82	-0.40	0.42
Health Care	10.35	-8.12	-0.84	10.57	-11.08	-1.08	0.32
Industrials	23.25	-9.68	-2.34	21.23	-6.74	-1.41	-0.65
Information Technology	13.72	-12.16	-1.41	16.59	-11.03	-1.81	-0.07
Materials	7.00	-9.19	-0.52	11.02	-2.27	-0.33	-0.79
Real Estate	0.87	3.38	0.02	6.05	-13.29	-0.80	0.42
Utilities	0.00	0.00	0.00	2.71	-4.31	-0.15	-0.09
Cash	2.40	-2.62	-0.03	0.00	0.00	0.00	0.34
Other <sup>3</sup>	0.00	-0.29	-0.26	0.00	0.00	0.00	-0.26
<b>Total</b>	<b>100.00</b>	<b>-9.30</b>	<b>-9.30</b>	<b>100.00</b>	<b>-7.96</b>	<b>-7.96</b>	<b>-1.35</b>

Data as of 9/30/22

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

<sup>1</sup> 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. <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 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 – 6/30/22 to 9/30/22**

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	1.38	-3.79	-0.04	6.96	-0.90	-0.19	-0.40
Austria	2.16	-10.24	-0.24	0.28	-27.46	-0.08	0.02
Belgium	1.35	-6.57	-0.09	1.00	-11.51	-0.12	0.05
Bermuda	0.37	-8.83	-0.03	0.12	20.12	0.01	-0.10
Brazil	3.12	9.58	0.06	1.68	10.12	0.08	0.24
Canada	14.18	-8.62	-1.00	7.16	-4.42	-0.32	-0.30
Cayman Islands	0.00	0.00	0.00	0.12	-27.22	-0.04	0.03
Chile	0.00	0.00	0.00	0.16	-1.58	0.00	-0.01
China	1.14	-34.81	-0.46	1.73	-29.16	-0.55	0.02
Colombia	0.00	0.00	0.00	0.04	-30.57	-0.01	0.01
Czech Republic	0.00	0.00	0.00	0.01	-4.86	0.00	0.00
Denmark	4.17	-15.02	-0.64	1.73	-16.38	-0.26	-0.15
Egypt	0.00	0.00	0.00	0.05	-5.01	0.00	0.00
Finland	3.22	-14.45	-0.47	0.84	-17.14	-0.14	-0.13
France	7.41	-16.00	-1.06	1.79	-13.41	-0.21	-0.51
Germany	4.97	-26.42	-1.33	2.63	-17.70	-0.43	-0.81
Gibraltar	0.00	0.00	0.00	0.02	-48.67	-0.01	0.01
Greece	0.00	0.00	0.00	0.15	-8.67	-0.01	0.00
Hong Kong	0.00	0.00	0.00	1.96	-18.56	-0.39	0.23
Hungary	0.00	0.00	0.00	0.01	-25.11	0.00	0.00
Imn	0.00	0.00	0.00	0.02	-32.30	-0.01	0.01
India	0.05	-8.07	-0.04	6.14	11.37	0.52	-1.10
Indonesia	0.30	-4.39	-0.01	0.67	-5.29	-0.04	0.08
Ireland	1.26	5.28	0.04	0.30	-10.55	-0.03	0.17
Isle Of Man	3.63	-2.10	-0.14	1.11	-18.27	-0.19	0.31
Israel	1.05	-9.02	-0.14	2.20	-0.90	-0.04	-0.15
Italy	3.75	-28.45	-1.08	1.55	-11.43	-0.16	-0.83
Japan	16.14	-3.22	-0.58	20.24	-3.89	-0.87	-0.04
Jersey	0.00	0.00	0.00	0.10	-6.81	0.00	0.00
Kuwait	0.00	0.00	0.00	0.30	-11.25	-0.04	0.01
Luxembourg	0.42	-38.26	-0.17	0.47	-21.85	-0.10	-0.08
Macau	0.00	0.00	0.00	0.09	-8.10	-0.01	0.00

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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 5. <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 – 6/30/22 to 9/30/22**

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	0.78	-3.96	-0.04	-0.03
Malta	0.00	0.00	0.00	0.04	-21.72	-0.01	0.01
Mexico	1.65	22.71	0.32	0.48	-4.76	-0.02	0.43
Netherlands	3.69	-6.01	-0.18	1.07	-12.92	-0.11	0.15
New Zealand	0.00	0.00	0.00	0.76	-3.36	-0.03	-0.03
Norway	1.57	18.05	0.24	1.34	-13.61	-0.17	0.45
Peru	0.00	0.00	0.00	0.02	-14.27	0.00	0.00
Philippines	0.00	0.00	0.00	0.25	-2.48	-0.01	-0.01
Poland	0.00	0.00	0.00	0.23	-14.86	-0.04	0.02
Portugal	0.00	0.00	0.00	0.08	-14.90	-0.01	0.01
Qatar	0.00	0.00	0.00	0.25	-3.09	-0.01	-0.01
Saudi Arabia	0.00	0.00	0.00	0.83	10.82	0.07	-0.15
Singapore	0.00	0.00	0.00	1.58	-9.25	-0.16	0.02
South Africa	0.00	0.00	0.00	1.10	-7.40	-0.09	0.00
South Korea	0.00	0.00	0.00	3.68	-17.59	-0.68	0.35
Spain	1.15	-18.88	-0.21	0.59	-21.67	-0.13	-0.10
Suriname	0.00	0.00	0.00	0.01	20.74	0.00	0.00
Sweden	3.04	7.12	0.21	5.11	-17.24	-0.77	0.87
Switzerland	3.38	5.89	0.00	3.76	-6.45	-0.19	0.36
Taiwan	1.05	-17.83	-0.19	5.20	-11.12	-0.66	0.07
Thailand	0.00	0.00	0.00	0.99	-11.07	-0.13	0.03
Turkey	0.00	0.00	0.00	0.30	23.24	0.05	-0.09
United Arab Emirates	0.00	0.00	0.00	0.26	12.69	0.03	-0.05
United Kingdom	11.69	-16.58	-1.75	9.21	-14.71	-1.18	-0.35
United States	0.30	-3.06	-0.07	0.42	-7.97	-0.04	0.07
Zambia	0.00	0.00	0.00	0.03	-17.16	-0.01	0.00
Cash	2.40	-2.62	-0.03	0.00	0.00	0.00	0.34
Other	0.00	-0.29	-0.26	0.00	0.00	0.00	-0.26
<b>Total</b>	<b>100.00</b>	<b>-9.30</b>	<b>-9.30</b>	<b>100.00</b>	<b>-7.96</b>	<b>-7.96</b>	<b>-1.35</b>

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 5. <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.

## 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.

### 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. **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.

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