DRIEHAUS
CAPITAL MANAGEMENT

Driehaus Micro Cap Growth Strategy Summary

4TH QUARTER 2022

Market Overview

The December quarter was a relatively stable period compared to the first three quarters of 2022 as the market largely churned and consolidated with slightly positive gains. Market participants continued to be glued to inflation, economic data and of course every move made by the Federal Reserve. While inflation has eased month to month, progress has not been enough to change the Fed's hawkish stance on rates and monetary policy. Economic growth continued to slow but the Fed is very focused on the labor market (and wage inflation) which remained tight as new job creation sustained each month and unemployment persisted near multi-decade lows. This "good news" remains "bad news" for equities as it puts more pressure on the FOMC (Federal Open Market Committee).

While equities did make gains for the fourth quarter, that did little to erase a very difficult year for the US equity market. 2022 was the worst year for US stock returns since the GFC (Global Financial Crisis) (2008) and rivaled historical negative periods such as the post-Nasdaq Bubble period of the early 2000s and great bear market of 1973-1974.

The current bear market has been painful, but its reasons are straightforward. The extremes of the Covid pandemic fueled the highest level of inflation in decades. That inflation drove extremely hawkish Federal Reserve monetary policy. That hawkish policy, intended to reduce inflation, has resulted in an economic slowdown, a potential recession and has put pressure on corporate earnings. This dynamic has been very negative for investor sentiment and in turn for equity multiples which have fallen sharply since the market highs in 2021.

The equity market outlook remains dependent on inflation and therefore Fed policy. We continue to see inflation primarily driven by:

- Excess money (M2 grew nearly 27% year-over-year at its height in 2021)
- Excess saving (like after World War II) caused by rising wages, full employment and in the current case stimulus payments, drove excess demand.
- Supply chains (Covid caused many global supply chain issues and bottlenecks which limited supply)
- Labor shortages (Covid, for multiple reasons, caused labor shortages which exacerbated supply issues)

Where do we see these causes of inflation now?

- M2 is now negative on a year-over-year basis. Just as it was a key driver of inflation, we believe falling M2 will significantly subdue inflation.
- Excess savings – its level continues to fall. This is reducing the level of demand for goods and services and therefore the prices paid. After WWII, excess savings rose to extreme highs which fueled inflation. As excess savings fell, so did inflation. We believe the current environment is similar with falling savings putting downward pressure on inflation. As an example, durable goods inflation is already falling sharply.

- Supply chains have largely recovered, which has improved the overall level of supply. Of course, some supply chain issues do remain. It varies by industry and geography (semiconductor shortages in the auto industry is one example). However, overall supply chains have recovered. As a result, many industries have normal to even elevated inventories, a major change from 12-18 months ago.
- Labor shortages remain the biggest wildcard. Labor markets remain tight. Jobless claims are rising but the US unemployment rate remains at multi-decade lows. The Fed is intensely focused on this as it wants to see slack in the labor force which will ease wage inflation. Despite full employment, recently wage growth has begun to slow.
- There are other factors as well. The trend away from globalization is a major one with uncertain outcomes. Globalization was a major source of disinflation, and de-globalization may create some inflationary pressures. Other key factors, such as technology, the Internet, automation and aging populations are all arguably disinflationary, and we believe those trends remain persistent.

So, while we believe inflation will continue to fall, the trajectory of inflation, month by month and versus expectations, may be uneven and may take time to normalize. Some inflation inputs such as housing and rent inflation fall on a long lag due to how they are measured. Other inflation factors such as energy costs fall more in real-time. The Fed wants to see multiple months of evidence that inflation is clearly on the right path. The Fed is data dependent and in the coming months it should adjust to the easing inflation data. As the Fed adjusts it will likely announce smaller rate hikes, reach its target neutral rate, and eventually pause rate hikes all together.

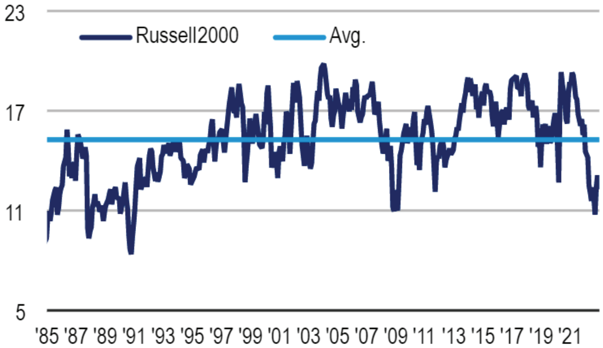
As inflation eases and the Fed normalizes its monetary policy, it will have a positive impact on equity investor sentiment and on equity multiples. Uncertainty remains very high, but we believe this period of uncertainty offers opportunity. A lot of bad news is currently priced in. Current valuations are at levels consistent with or at levels below past recessions.

Please note the charts below. Chart 1 (Exhibit 1) shows the Russell 2000 small cap P/E multiples over time with the current valuation level at the bottom of its long-term range. Chart 2 (Exhibit 1) shows the deep discount small caps currently trade at relative to large caps. It is the second lowest relative valuation to large caps in the past forty years.

Exhibit 1: Small Caps Remain Historically Cheap vs Large Caps

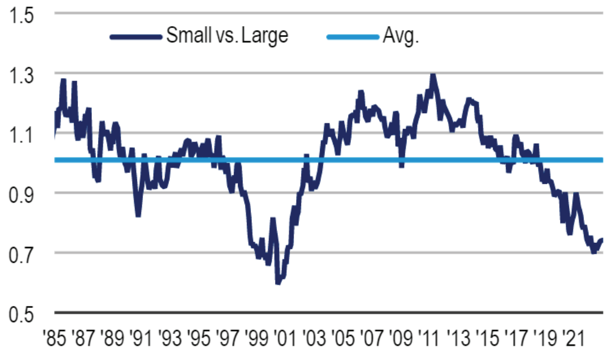
Small cap forward P/E well below the long-term average

(Russell 2000 Forward P/E, 1985-12/31/2022)



Small caps remain historically cheap vs. large caps

(Relative Forward P/E: Russell 2000 vs. Russell 1000, 1985 -12/31/2022)



Source: BofA US Equity & Quant Strategy, FactSet

We have studied how equities bottom over time during other high inflationary periods. As we wrote a quarter ago, equities typically bottom when inflation peaks. This occurred in 1970, 1974, 1980 and 1990. Also, equities typically bottom before earnings do. Since the market is a forward-looking discounting mechanism, looking at several decades of data, equities typically bottom ahead of the low in consensus earnings. One bear argument we frequently hear is the market has another leg down since earnings may get worse. This is possible, but if inflation continues to head lower, we believe it is likely we will see stock multiples stabilize and even rise as the market has likely already discounted earnings getting worse. The final key variable to consider is how does the equity market behave going into a recession. Historically, equities bottom during a recession. So, while inflation peaking is a needed check mark, the other necessary variable is an economic bottom. From an equity perspective, the widely anticipated recession could actually be a welcome sign, as it is finally here and is potentially expected and discounted. The depth of any recession of course matters.

Entering 2022, it seemed like the consensus call was that the US economy would enter a recession. While US economic growth has slowed, most economic indicators suggest the US has not entered a recession yet. Looking into 2023, the odds of a recession are much higher. Several reliable recession indicators suggest a recession will likely be upon us in the near-term: (1) a very high percentage of the US treasury yield curves are inverted, (2) LEIs (Leading economic indicators) have fallen sharply and are consistent with a recession and (3) ISM manufacturing and services readings are now both well below 50, suggesting a contraction.

Despite that evidence, a couple key indicators are not consistent with a recession. First, the labor market while starting to weaken is still strong. Second is credit availability. It is getting less available in certain segments, but overall credit conditions remain surprisingly benign. The credit markets are not yet signaling a credit crunch or crisis. It is possible we have a (mild) recession without these two key ingredients, as labor and credit, remain benign. It is also possible that we have already had a series of rolling recessions across various segments of the economy as opposed to a full traditional recession.

Performance Review

For the December quarter, the Driehaus Micro Cap Growth strategy underperformed its benchmark. The Strategy gained 0.50%, net of fees, while the Russell Microcap Growth Index gained 2.69%.[1] By comparison, the small cap Russell 2000 appreciated 6.23%, the Russell 2000 Growth gained 4.13% and the large cap S&P 500 rose 7.56%. It was a quarter where value outperformed growth, and larger caps outgrew smaller capitalizations.

For the full calendar year, the Driehaus Micro Cap Growth strategy underperformed its benchmark. The Strategy declined 32.90%, net of fees, while the Russell Microcap Growth Index declined 29.76%. By comparison, the small cap Russell 2000 declined 20.44%, the Russell 2000 Growth declined 26.36% and the S&P 500 declined 18.11%. Size and value outperformed for the full year.

Our full year investment performance was disappointing to us. It was one of the worst absolute years for US equity returns in market history. The market dynamics were challenging, characterized by bearish macro factors, weak market breadth, extreme industry and stock rotation, and individual company earnings that were generally not rewarded by the market as they typically are. Regardless, the team and I were not satisfied with these results. We pride ourselves on consistent outperformance. This year marked just the second time the Driehaus Micro Cap Growth strategy has trailed its relevant benchmark, on a full calendar year basis, since I began managing the strategy in 1998, twenty-five years ago.

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

By sector, the December quarter performance is summarized as follows:

Consumer Staples

Staples outperformed by 112 basis points. Our holdings rose 8.6% for the quarter outperforming the benchmark staples components which were down nearly 13%. The sector's outperformance partially came from one cosmetic/beauty supplier which appreciated 47% after a positive earnings surprise and strong upward estimate revisions. In addition, a couple of specialty beverage holdings performed well based on strong earnings. We continue to maintain an overweight in the sector.

Technology

Technology outperformed by 93 basis points. The strategy's tech holdings gained 6.7% while the benchmark's tech holdings gained 1.1%. The outperformance was broad with holdings in telco equipment, semiconductors and software doing well. Strong earnings, individual product cycles and other idiosyncratic factors were positive drivers. These gains were offset by underperformance in IT services and fintech. We increased our sector overweight position slightly during the quarter.

By sub-industry, telco equipment was again a standout. Several holdings outperformed due to continued strong earnings driven by new product cycles, some of which are tied to robust rural broadband equipment spending which has a strong sustainable outlook.

Semiconductors outperformed with our holdings up 23% versus the index's semi positions up 7%. The strength was due to a Radio Frequency Identification (RFID) chip supplier which again beat earnings as it gains supply to catch up to overwhelming demand. Also, a couple semicap equipment holdings continue to perform well. Overall, the semicap equipment industry is in a cyclical decline as industry capex (capital expenditures) is falling. However, a couple equipment suppliers are benefiting from the adoption of silicon carbide (SiC). As a specialized alternative to silicon, SiC is seeing strong adoption in specific applications in the automotive sector, especially within EVs (electric vehicles).

Software remains challenged as interest rates are a valuation headwind and corporate IT budgets are seeing pressures. However, we did see strength in a few specific holdings, including one that appreciated nearly 40% in the quarter as it won a landmark new contract to supply the world's largest hotel company.

Healthcare

Healthcare outperformed by 45 basis points vs the benchmark. For the second consecutive quarter, the strength was led by medical devices which returned more than 13% versus 3% for the benchmark. Healthcare remains the portfolio's largest sector in absolute terms at over 31% but is a small underweight in relative terms. We did decrease exposure to the sector during the quarter by nearly 200 basis points as we exited a few biotech and medical device positions in favor of opportunities in other sectors.

The group was led by five different medical device holdings that gained more than 20% supported by strong quarterly reports. These quarterly results were driven by innovative new products taking market share and robust demand as medical procedures recover post-Covid. These gains were offset by a decline in one holding, which was a successful gainer during the first three quarters of the year. This holding sold off after its November report, and we exited the position, as the market started to price in potential deceleration after very rapid market penetration that was achieved faster than expected.

Biotech holdings performed in line with the benchmark but did return nearly 50 basis points in absolute performance as the industry continues to recover from its long bear market decline. We remain quite encouraged with clinical trial updates and outlooks for our therapeutic holdings. We anticipate 2023 will be a promising year for them as various clinical trials demonstrate successful outcomes.

Consumer Discretionary

After outperforming nicely in the September quarter, consumer discretionary was difficult and was the portfolio's largest detractor, underperforming by 275 basis points. Slowing consumer spending and fears of further slowdowns ahead of a potential recession caused multiple holdings to trade lower after their quarterly results. Only a couple holdings had actual earnings misses or disappointing guidance but the negative reactions about future slowdowns was broad based. Given the bearish reactions and increasing macro pressures we reduced our exposure to an underweight as we exited several positions.

Financials

The financial sector holdings detracted over 100 basis points. The relative underperformance was due to a specialty insurance holding that missed its earnings report and a bounce in index holdings within regional banks and the capital markets sub-industry.

Industrials

Industrials gained 50 basis points in absolute terms but underperformed by 20 basis points. We have increased exposure to the industrial sector and maintain an overweight as we see industrials as arguably the strongest sector looking ahead.

After multiple decades of moving manufacturing and supply chains overseas that process is now being reversed. Due to headaches from Covid led supply chain disruptions and uncertain behavior by China, many companies are in the process of "reshoring" large parts of their manufacturing and supply chains back to the US. Additionally, multiple very large federal stimulus programs offer big opportunities for US companies. These include programs worth well over $1 trillion such as new infrastructure spending, the Inflation Reduction Act, Rural Broadband Spending programs and the Chips Act to name just a few. We see multiple sub-industries and individual companies that should benefit, including engineering & construction, infrastructure companies, automation companies, machinery companies, EV (electric vehicle) suppliers, specialty material companies and renewable/clean energy companies.

Energy

Energy continued to be very volatile, performing relatively inline with the index. It was the market's best performing sector for the year but sold off sharply from June to September before sharply recovering in September and October but trading lower in the last half of the quarter. The sector's volatility has been driven by the sharp swings in the prices of crude oil and natural gas which are now well off their second quarter post-Russian invasion highs. We did increase exposure to the group as prices recovered but remain underweight.

Outlook & Positioning

Market conditions remain challenging. Inflation, Fed tightening, higher interest rates, recession fears, slowing earnings and the Russia-Ukraine war remain top of the market's mind entering 2023. The key topic remains the direction of inflation and the Fed's continued policy response. Rapidly falling inflation, a soft economic landing and an incrementally flexible Fed will be bullish developments. Stubbornly high inflation, a hard economic landing and a Fed policy mistake are the market's primary fears.

Yet this period of uncertainty offers opportunity. Positively, valuations have declined for our portfolio as we see many holdings trading at attractive discounts versus their own history. Micro/small cap stocks in general continue to trade at a deep discount versus large caps, the second largest discount in 40 years. Importantly, current small cap valuations are at levels similar to past recessions. While the odds of a recession have materially increased, this is a widely anticipated recession that the market has been discounting for about a year.

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 staples, consumer discretionary, financials, energy, and materials. Relative to the benchmark, the strategy is overweight consumer staples, industrials and technology. The strategy is underweight health care, financials, energy, and consumer discretionary.

Overall, we still see many dynamic investment opportunities which have attractive valuations. These holdings nicely fit our investment philosophy of companies exhibiting growth inflections, differentiation, market share gains, strong revenues and expanding profitability.

Driehaus Micro Cap Growth Strategy

% Month-End Performance (as of 12/31/22)

				Annualized				
	MTH	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception[2]
Driehaus Micro Cap Growth Composite (Gross)	-5.59	0.70	-32.37	-32.37	17.01	18.21	20.35	21.11
Driehaus Micro Cap Growth Composite (Net)	-5.65	0.50	-32.90	-32.90	16.06	17.18	19.10	20.18
Russell Microcap® Growth Index (Benchmark)	-4.21	2.69	-29.76	-29.76	-0.24	1.00	7.22	*

Top 5 Holdings[5] (as of 11/30/22)

Company	Sector	% of Strategy
Impinj, Inc.	Information Technology	2.5
Xenon Pharmaceuticals Inc.	Health Care	2.3
Clearfield, Inc.	Information Technology	2.1
e.l.f. Beauty, Inc.	Consumer Staples	2.0
TransMedics Group, Inc.	Health Care	2.0

Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	1.4	1.9	-0.4
Consumer Discretionary	8.3	8.7	-0.4
Consumer Staples	11.0	3.0	8.1
Energy	4.1	6.7	-2.7
Financials	1.8	7.0	-5.1
Health Care	31.3	36.3	-4.9
Industrials	17.2	11.9	5.3
Information Technology	22.4	18.6	3.8
Materials	1.9	2.9	-1.1
Real Estate	0.0	1.7	-1.7
Utilities	0.0	1.3	-1.3
Cash	0.5	0.0	0.5

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance Data as of 12/31/22.

The performance data represents the strategy's composite of micro 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]1/1/1996. [3]Portfolio characteristics represent the strategy's composite. [4]Data is calculated monthly. [5]Holdings subject to change.

*The Index's performance is presented for all periods except "Since Inception" because the Index was not established until August 2000.

Key Features

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

Facts

Inception Date	1/1/96
Composite Assets Under Management[1]	$1.6B
Firm Assets Under Management	$12.7B
Investment Style	Growth Equity
Investment Vehicles:	Separately Managed Account Mutual Fund

Portfolio Characteristics[3]

5-year period	STRATEGY	BENCHMARK
Information Ratio	1.70	n/a
Beta	1.03	1.00
Standard Deviation	29.47	27.00
Tracking Error	9.51	n/a
R-squared	0.90	1.00

Market Cap Breakout	STRATEGY	BENCHMARK
< $1 billion	22.7%	72.2%
> $1 billion	77.3%	27.8%

	STRATEGY	BENCHMARK
Number of Holdings	127	989
Weighted Avg. Market Cap (M)	$1,899	$835
Median Market Cap (M)	$1,341	$165
Active Share (3-year avg.)[4]	83.29	n/a

Portfolio Management

Jeff James, Portfolio Manager
31 years of industry experience

Michael Buck, Portfolio Manager
21 years industry experience

Prakash Vijayan, Assistant Portfolio Manager
16 years industry experience

Sector Performance Attribution 4th Quarter – 9/30/22 to 12/31/22

	Driehaus Micro Cap Growth Strategy (Port) (%)		Russell Microcap 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	0.81	0.14	1.97	0.03	-0.06	0.20	0.15
Consumer Discretionary	11.78	-2.25	9.18	0.16	0.21	-2.95	-2.74
Consumer Staples	10.78	0.83	3.31	-0.44	-1.15	2.28	1.13
Energy	5.32	0.34	6.01	0.44	0.06	-0.12	-0.06
Financials	2.63	-0.57	6.86	0.84	-0.40	-0.98	-1.38
Health Care	30.35	0.55	35.33	0.05	0.00	0.48	0.47
Industrials	13.49	0.50	12.13	0.86	-0.05	-0.16	-0.21
Information Technology	20.87	1.10	19.16	0.25	-0.12	1.05	0.92
Materials	1.59	0.23	3.02	0.22	-0.10	0.16	0.06
Real Estate	0.00	0.00	1.78	0.11	-0.06	0.00	-0.06
Utilities	0.33	-0.23	1.25	0.11	-0.06	-0.28	-0.33
Cash	2.04	0.00	0.00	0.00	0.09	0.00	0.09
Other[2]	0.00	-0.30	0.00	0.00	-0.31	0.00	-0.31
Total	100.00	0.36	100.00	2.63	-1.95	-0.32	-2.27

Data as of 12/31/22

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

[1]The Russell Microcap® Growth Index measures the performance of those Russell Microcap® companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap® Index is represented by the smallest 1,000 securities in the small cap Russell 2000® Index plus the next 1,000 securities. An investor cannot invest directly in an index. [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.

Driehaus Micro Cap Growth Strategy

Sector Performance Attribution 1-Year – 12/31/21 to 12/31/22

	Driehaus Micro Cap Growth Strategy (Port) (%)		Russell Microcap 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	0.78	-0.38	1.84	-1.25	0.29	0.19	0.48
Consumer Discretionary	14.52	-9.40	11.77	-5.36	-0.21	-2.22	-2.43
Consumer Staples	9.05	0.45	2.93	-1.55	-0.96	2.92	1.96
Energy	8.50	-3.14	5.87	-1.02	0.73	-1.10	-0.37
Financials	4.42	-3.69	5.08	-0.02	0.19	-2.28	-2.08
Health Care	28.55	-5.55	35.38	-10.65	0.37	0.85	1.22
Industrials	12.41	-4.43	12.37	-3.60	-0.01	-0.61	-0.62
Information Technology	16.78	-3.91	17.70	-5.85	-0.15	0.71	0.56
Materials	2.31	-1.53	3.28	-0.12	0.06	-1.11	-1.06
Real Estate	0.11	-0.27	2.40	-0.82	-0.10	-0.12	-0.22
Utilities	0.09	-0.32	0.97	0.00	-0.17	-0.22	-0.40
Cash	2.49	0.00	0.00	0.00	0.71	0.00	0.71
Other[2]	0.00	-1.14	0.41	0.35	-0.64	-0.56	-1.19
Total	100.00	-33.31	100.00	-29.87	0.12	-3.55	-3.43

Data as of 12/31/22

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

[1]The Russell Microcap® Growth Index measures the performance of those Russell Microcap® companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap® Index is represented by the smallest 1,000 securities in the small cap Russell 2000® Index plus the next 1,000 securities. An investor cannot invest directly in an index. [2]Other refers to securities not recognized by FactSet.

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Notes // Driehaus Micro 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 Micro Cap Growth Composite was created in January 1996. An account is considered to be a micro cap growth account if it primarily invests in U.S. equity securities of growth companies with market capitalization ranges of generally followed micro cap indices at the time of purchase. However, there is no requirement to be exclusively invested in micro cap stocks, and the accounts have invested, to a lesser extent, in stocks with a 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.

RISKS
All investments have risks. 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. The securities of micro-cap companies may be more volatile in price, have wider spreads between their bid and ask prices, and have significantly lower trading volumes than the securities of larger capitalization companies. As a result, the purchase and sale of more than a limited number of shares of the securities of a smaller company may affect its market price. Growth stocks may involve special risks and their prices may be more volatile than the overall market. It is anticipated that the strategy will experience high rates of portfolio turnover.

INDICES
The Russell Microcap Growth® Index measures the performance of the microcap growth segment of the U.S equity universe. It includes those Russell Microcap® companies that are considered more growth oriented relative to the overall market as defined by FTSE Russell's leading style methodology.

The most recent annual GIPS Report is available here.

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.