

# Driehaus Emerging Markets Small Cap Equity Strategy Summary

3<sup>RD</sup> QUARTER 2023

Global equity markets experienced a bout of volatility during the third quarter as macro concerns returned to the forefront. After a brief decline in the first half of July, the broad US Dollar Index rallied for eleven consecutive weeks over the remainder of the quarter. This was accompanied by the WTI crude oil price rising from \$70 to \$95, while the US 10-year Treasury yield increased from 3.83% to 4.57% over the course of the quarter.

Emerging Markets (EM) slightly outperformed the MSCI All-Country World Index during the quarter, and EM small cap equities outperformed the all-cap index behind the ongoing strength of India.

The Driehaus Emerging Markets Small Cap Equity Strategy returned -2.3% for the quarter, trailing the 2.9% return for the MSCI Emerging Markets Small Cap Index.<sup>1</sup>

Key contributors during the quarter included Korea and the energy sector, while India and the materials sector detracted from relative performance.

Korea added to relative performance. The strategy's long-time underweight to the market contributed positively by way of the allocation effect, as Korea lagged the broad index during the quarter.

The energy sector added to relative performance, led by strong stock selection from Latin American oil and gas exploration and production (E&P) companies. One of the strategy's larger weightings, a Brazilian E&P with a contiguous offshore acreage block, outperformed on the back of a series of strong well results. An Argentine E&P rallied amid optimism surrounding energy reforms in the market, as the company has a large position in the highly prospective shale assets in the country, known as the Vaca Muerta.

India detracted from relative performance during the quarter. While there were no major stock specific laggards to note, with the individual largest negative contributor only down 6.4%, the strategy trailed as a result of an underweight position to several consumer and industrial stocks which staged parabolic advances during the quarter.

The materials sector detracted from relative performance, with positions in two copper producers leading the downside amid shifting sentiment, as concerns over the trajectory of China's economic growth, as well as deteriorating physical market conditions led these companies to underperform.

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<sup>1</sup>The performance data represents the strategy's composite of emerging markets small cap equity 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. **Please see the notes section for other important information.**

**Driehaus Emerging Markets Small Cap Equity Strategy**

The strategy maintains an overweight position in Mexico. We expect Mexico to be a beneficiary of shifting global supply chains and hold positions in several industrial companies that are well positioned to benefit from nearshoring activity.

The strategy maintains an underweight position in Korea. A narrow subset of companies in Korea tend to fit the strategy's investment philosophy, and current positions are concentrated in the technology sector, as well as companies with exposure to infrastructure related to liquefied natural gas (LNG) and refining.

The strategy is overweight the industrials sector. While country specific dynamics are wide ranging within the sector, the strategy is positioned for an inflection point in the capex cycle in India, alongside continued increases in infrastructure spending in the country. The strategy also holds a positive view toward the industrials sector in Brazil, where prominent positions include a rail operator with a focus on agricultural commodities, as well as a port operator.

The strategy maintains an underweight position in the financials sector. We observe a narrowness of positive earnings revisions across the sector as credit growth has slowed, while certain countries are experiencing asset quality deterioration.

The strategy continues to hold a positive view on the relative case for EM equities, as we observe a broadening opportunity set, reflecting thematic areas of growth such as AI suppliers in Taiwan, the structural growth of the consumer in India, the shift of manufacturing capacity to destinations such as Mexico and India, and positive macro dynamics in Brazil. Amid this backdrop, we continue to emphasize the strong opportunity set for bottom-up stock selection within the small cap segment of emerging markets.

Until next month,



**Chad Cleaver**, Lead Portfolio Manager  
Driehaus Emerging Markets Small Cap Equity Strategy

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# Driehaus Emerging Markets Small Cap Equity Strategy

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

	Annualized						
	MTH	QTD	YTD	1 Year	3 Year	5 Year	Inception <sup>1</sup>
Driehaus Emerging Markets Small Cap Equity-Gross (2/1/16)	-2.27	-1.92	5.52	10.68	6.77	10.61	9.81
Driehaus Emerging Markets Small Cap Equity-Net (2/1/16)	-2.38	-2.25	4.45	9.14	5.28	8.96	8.47
MSCI Emerging Markets Small Cap Index (ND) (Benchmark)	-2.05	2.93	13.74	23.06	10.61	6.45	7.82
MSCI Emerging Markets Small Cap Growth Index (ND)	-2.89	2.05	14.89	22.69	8.54	6.44	6.49

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

Company	Country	Sector	% of Strategy
FPT Corp.	Vietnam	Information Technology	3.1
KASPI.KZ JSC-144A	Kazakhstan	NA	2.1
Accton Technology Corp.	Taiwan	Information Technology	2.1
Ivanhoe Mines Ltd. Class A	Canada	Materials	2.1
Hygeia Healthcare Holdings Co., Ltd.	China	Health Care	1.8

## Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	0.0	0.0	0.0
Consumer Discretionary	13.8	11.4	2.4
Consumer Staples	7.4	6.3	1.2
Energy	5.9	2.1	3.8
Financials	5.1	10.2	-5.1
Health Care	8.3	9.2	-0.8
Industrials	24.0	17.1	6.9
Information Technology	15.1	17.7	-2.7
Materials	10.0	13.1	-3.1
Real Estate	4.1	6.1	-2.0
Utilities	2.5	3.1	-0.5
Cash	3.7	0.0	3.7

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

The performance data represents the strategy's composite of emerging markets small cap equity 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>2/1/2016. <sup>2</sup>Composite assets include those accounts that meet the composite objectives and eligibility requirements. Please see notes at the end of this presentation for additional information. <sup>3</sup>Portfolio characteristics represent the strategy's composite. <sup>4</sup>Data is calculated monthly. <sup>5</sup>Holdings subject to change.

## Key Features

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

## Facts

Inception Date	2/1/16
Composite Assets Under Management <sup>2</sup>	\$103 million
Firm Assets Under Management	\$14.1 billion

## Portfolio Characteristics<sup>3</sup>

5-year period	STRATEGY	BENCHMARK
Information Ratio	0.30	n/a
Beta	0.83	1.00
Standard Deviation	18.69	20.77
Tracking Error	8.21	n/a
R-squared	0.84	1.00
Market Cap Breakout	Strategy	Benchmark
<\$5 billion	59.0%	97.1%
\$5- \$15 billion	38.8%	2.9%
> \$15 billion	2.2%	0.0%
	Strategy	Benchmark
Number of Holdings	86	1,978
Weighted Avg. Market Cap (M)	\$4,716	\$1,743
Median Market Cap (M)	\$3,752	\$894
Est. 3-5 Year EPS Growth	23.6%	23.1%
Active Share (3-year avg.) <sup>4</sup>	95.84	n/a

## Portfolio Management

**Chad Cleaver, CFA**, Lead Portfolio Manager  
21 years industry experience

**Howard Schwab**, Portfolio Manager  
23 years of industry experience

**Richard Thies**, Portfolio Manager  
16 years of industry experience

**Driehaus Emerging Markets Small Cap Equity Strategy**

**Country Weights (%)**

	Strategy	Benchmark	Active Weights
Bermuda	1.2	0.1	1.2
Brazil	9.5	5.1	4.4
Canada	2.6	0.0	2.6
China	4.6	5.0	-0.4
Hong Kong	7.8	2.5	5.3
India	29.7	26.2	3.5
Indonesia	1.0	2.2	-1.2
Kazakhstan	2.1	0.0	2.1
Luxembourg	1.6	0.0	1.6
Mexico	7.7	2.3	5.4
Panama	0.5	0.0	0.5
Poland	1.0	1.0	-0.1
Qatar	0.9	0.7	0.2
Saudi Arabia	2.9	3.6	-0.7
South Korea	3.0	13.9	-10.9
Taiwan	11.5	21.0	-9.5
Thailand	1.4	3.4	-2.0
Turkey	1.8	2.5	-0.7
United Arab Emirates	2.9	1.2	1.7
Vietnam	2.8	0.0	2.8
Cash	3.7	0.0	3.7

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

Data as of 9/30/23.

Benchmark: MSCI Emerging Markets Small Cap Index (ND)

## Driehaus Emerging Markets Small Cap Equity Strategy

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

	Driehaus Emerging Markets Small Cap Equity Strategy (Port) (%)			MSCI Emerging Markets Small Cap Index (ND) <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	0.00	0.00	0.00	3.89	1.99	0.08	0.04
Consumer Discretionary	11.89	0.21	-0.15	11.16	-2.01	-0.24	0.19
Consumer Staples	8.49	-8.10	-0.69	6.16	1.55	0.10	-0.88
Energy	5.75	15.11	0.71	1.87	14.09	0.25	0.40
Financials	5.34	4.79	0.23	10.76	5.46	0.60	-0.20
Health Care	9.79	-2.91	-0.24	8.84	0.03	-0.01	-0.38
Industrials	21.57	-4.05	-1.11	16.89	1.38	0.22	-1.30
Information Technology	15.09	-1.99	-0.11	17.25	4.91	0.84	-1.12
Materials	11.01	-3.39	-0.29	13.94	8.27	1.13	-1.45
Real Estate	4.19	4.22	0.18	6.14	-1.83	-0.11	0.34
Utilities	1.89	2.38	0.08	3.09	1.86	0.06	0.03
Cash	4.99	-1.92	-0.06	0.00	0.00	0.00	-0.03
Other <sup>3</sup>	0.00	-0.78	-0.76	0.00	-5.03	0.00	-0.79
<b>Total</b>	<b>100.00</b>	<b>-2.21</b>	<b>-2.21</b>	<b>100.00</b>	<b>2.93</b>	<b>2.93</b>	<b>-5.14</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 7. <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.

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## Driehaus Emerging Markets Small Cap Equity Strategy

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

MSCI Country	Driehaus Emerging Markets Small Cap Growth Strategy (Port) (%)			MSCI Emerging Markets Small Cap Index (ND) <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>
Argentina	0.28	-7.38	-0.05	0.00	0.00	0.00	-0.08
Australia	0.00	0.00	0.00	0.09	5.79	0.00	0.00
Belgium	0.00	0.00	0.00	0.07	-0.94	0.00	0.00
Bermuda	0.80	-7.82	-0.08	0.05	-0.05	0.00	-0.06
Brazil	8.22	-2.80	-0.29	5.36	-10.18	-0.56	0.24
Canada	3.40	-19.22	-0.67	0.00	0.00	0.00	-0.83
Cayman Islands	0.00	0.00	0.00	0.11	61.94	0.05	-0.05
Chile	0.00	0.00	0.00	0.85	-10.96	-0.09	0.12
China	6.25	-15.55	-1.02	5.14	-7.40	-0.39	-0.70
Colombia	0.00	0.00	0.00	0.07	-12.82	-0.01	0.02
Czech Republic	0.00	0.00	0.00	0.05	-3.58	0.00	0.00
Egypt	0.00	0.00	0.00	0.27	28.28	0.07	-0.06
Greece	0.00	0.00	0.00	0.53	-9.34	-0.03	0.05
Hong Kong	9.08	-4.76	-0.42	2.52	-3.61	-0.09	-0.48
Hungary	0.00	0.00	0.00	0.04	24.44	0.01	-0.01
India	26.34	8.00	1.86	25.01	12.32	2.87	-1.00
Indonesia	1.30	-18.50	-0.25	2.18	1.70	0.04	-0.30
Kazakhstan	1.86	23.76	0.36	0.00	0.00	0.00	0.34
Kuwait	0.00	0.00	0.00	1.02	-7.64	-0.08	0.11
Luxembourg	1.53	0.63	0.01	0.00	0.00	0.00	-0.03
Malaysia	0.00	0.00	0.00	2.42	7.70	0.18	-0.11
Mexico	5.27	2.38	0.01	2.41	-2.51	-0.05	0.10
Netherlands	0.00	0.00	0.00	0.05	1.98	0.00	0.00
Panama	0.82	-19.43	-0.13	0.00	0.00	0.00	-0.18
Philippines	0.00	0.00	0.00	0.91	-2.81	-0.03	0.06
Poland	1.26	-30.54	-0.40	1.09	-0.87	0.00	-0.44
Portugal	0.00	0.00	0.00	0.01	-1.23	0.00	0.00
Qatar	0.94	-8.63	-0.08	0.78	3.74	0.03	-0.11
Saudi Arabia	5.54	-1.91	-0.08	3.67	-4.83	-0.16	-0.04
Singapore	0.00	0.00	0.00	0.03	-14.55	0.00	0.01
South Africa	0.00	0.00	0.00	2.88	4.05	0.12	-0.04
South Korea	3.40	-2.39	0.02	14.99	0.13	0.09	0.29
Taiwan	11.76	-8.25	-0.79	20.78	0.44	0.13	-0.93
Thailand	1.22	15.60	0.17	3.30	-0.66	-0.04	0.27
Turkey	0.23	-5.76	-0.01	1.99	56.59	0.82	-0.79
United Arab Emirates	2.80	3.41	0.11	1.10	8.73	0.08	-0.04
United States	0.00	0.00	0.00	0.24	-10.28	-0.02	0.03
Vietnam	2.69	16.35	0.35	0.00	0.00	0.00	0.31
Cash	4.99	-1.92	-0.06	0.00	0.00	0.00	-0.03
Other <sup>3</sup>	0.00	-0.78	-0.76	0.00	0.00	0.00	-0.79
<b>Total</b>	<b>100.00</b>	<b>-2.21</b>	<b>-2.21</b>	<b>100.00</b>	<b>2.93</b>	<b>2.93</b>	<b>-5.14</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 7. <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.

## Notes // Driehaus Emerging Markets Small Cap Equity 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 Emerging Markets Small Cap Equity Composite (the Composite) was created in February 2016. An account is considered to be an emerging markets small cap equity account if it seeks to maximize capital appreciation through active investment primarily in a portfolio of emerging market traded equity and equity-convertible securities of smaller capitalization companies with perceived high growth potential.

### 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. 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 Emerging Markets Small Cap Index (MSCI Emerging Markets Small Cap Index) is a market capitalization-weighted index designed to measure equity market performance of small cap stocks in global emerging markets. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment.

The MSCI Emerging Markets Small Cap Growth Index is a subset of the MSCI Emerging Markets Small Cap Index and includes only the MSCI Emerging Markets Small Cap Index stocks which are categorized as growth 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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