

Driehaus Small/Mid Cap Growth Strategy Summary

2ND QUARTER 2024

Market Overview

The U.S. equity market experienced a mixed second quarter. Large caps experienced positive gains driven (again) by strength in the mega cap tech stocks. Large cap stocks outperformed small caps and mid caps overall, which were down in the low single digit percentage range for the quarter. Absent those select mega-cap stocks, large caps would have performed similarly to small caps and the average U.S. stock.

The U.S. economy is moderating based on a slew of weaker data recently. Inflation data is also moderating and there are positive signs it is trending favorably towards the Federal Reserve's two percent target. Inflation is not at two percent yet, but most components of inflation suggest its trajectory is positive enough for the Fed to consider interest rate cuts in the second half of the year. For now, we view the slower economic growth as benign and not recessionary though the pace of economic data will be important to monitor in the near-term. Importantly, the slowing economic conditions appear to be having a favorable impact on inflation.

The broader market and the small cap indices, despite finishing down for the quarter, consolidated in a constructive manner. While many individual stocks and several industries outperformed as their earnings stood out, the market's consolidation was likely a function of market participants focusing on how economic and inflation data will frame the macro outlook for the second half of the year and how it will influence the Fed's monetary policy.

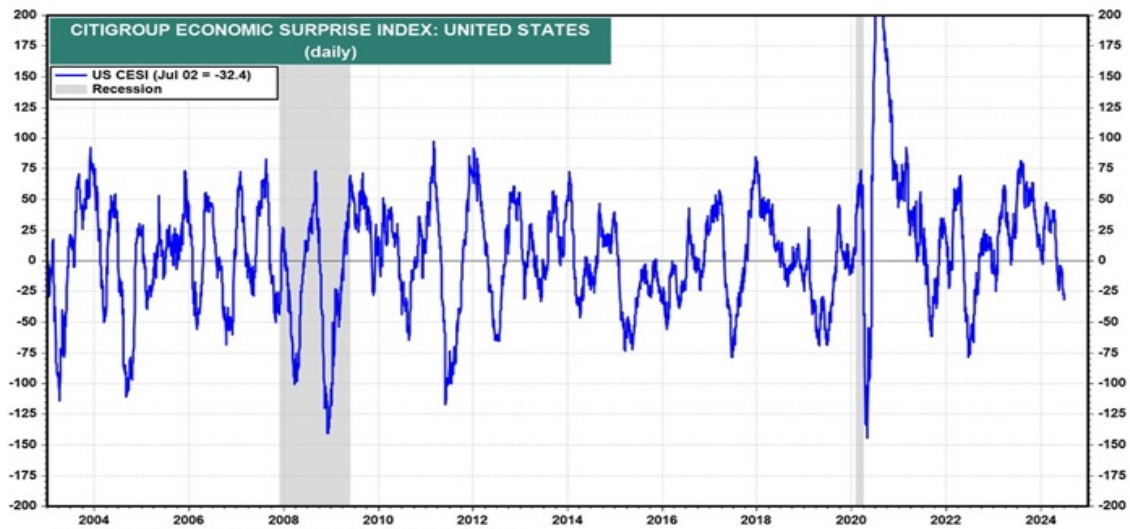
The most recent inflation data was encouraging as May and June's consumer price index (CPI) and producer price index (PPI) inflation readings were lower than expected. This along with rising unemployment claims raised market expectations that the Fed will ease monetary policy sooner rather than later. The first half of the year did see rate cut expectations pushed out to the right several times, but the market continues to expect two interest rate cuts this year with close to ninety percent odds of the first rate cut occurring in September. The reasons behind the rate cuts will be particularly important. Lower rates due to inflation approaching the Fed's target with positive economic conditions will be well received by the equity market. On the other hand, rate cuts due to the economy becoming too weak will likely not be well received.

Economic conditions

Economic conditions in the U.S. have slowed. Some of the economic data is becoming concerning but in aggregate terms economic growth remains positive. There could be several reasons for the slowdown. It is possible that the still inverted curve could be having its traditional detrimental impact, just on an exceptionally long lag. It is also possible that the sustained higher level of interest rates and the cumulative amount of inflation are negatively impacting economic demand, especially for the bottom half of consumers. On the other hand, it is also possible that the current slowdown is a mid-cycle slowdown that the economy has experienced many times in past cycles. Let's consider the strengths and weaknesses of the following important economic indicators:

- The Citi Economic Surprise Index dropped to its lowest level since August of 2022. However, as the chart below illustrates, it has reached this level many times during prior mid-cycle soft patches, and it is still well above the level reached during past recessions.

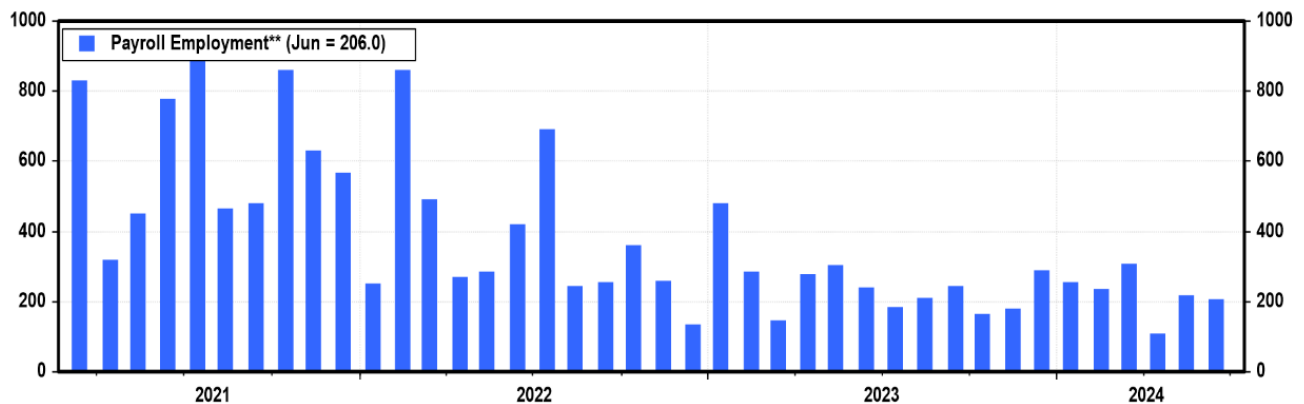
Exhibit 1: Citi Economic Surprise Index



Source: Yardeni Research

- The labor market has slowed, and it is likely the key area of the economy that the market and the Fed are evaluating to gauge the status of both the economy and inflation. Here are some key labor market indicators:
 - Job gains did grow 206,000 in the month of June but have slowed to an average of 177,300 during the second quarter, down from 267,300 in the first quarter. Constructively, the second quarter average was in the range of average monthly job gains in 2018 (190,300) and 2019 (165,700). Overall, the trend of monthly jobs added is still solid, here is the monthly trend since 2021:

Exhibit 2: Monthly Jobs



Source: LSEG Datastream and © Yardeni Research.

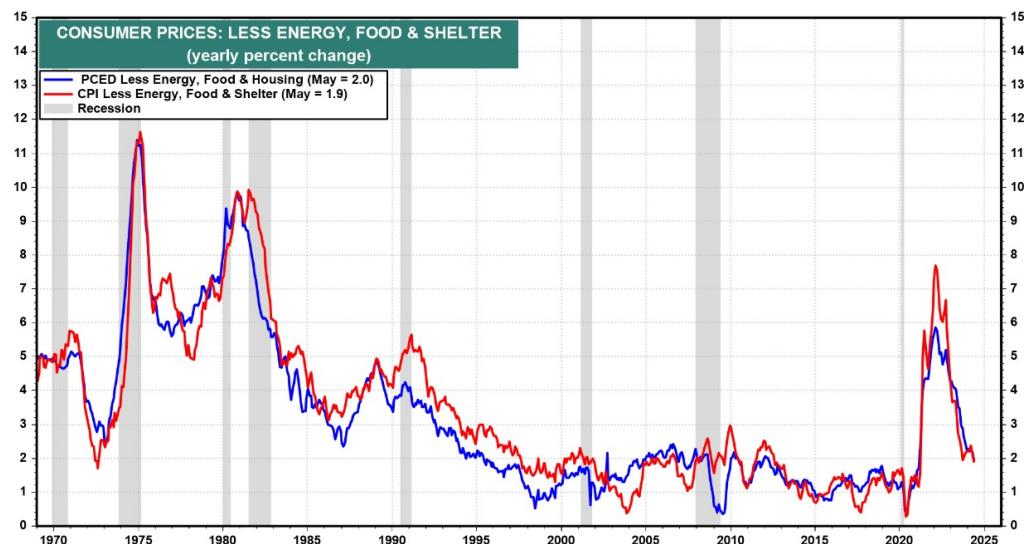
Source: Yardeni Research

Driehaus Small/Mid Cap Growth Strategy

- Job openings have also slowed from their pandemic highs but rose 221,000 in May to 8.14 million, still a healthy level. Job openings per worker were flat at 1.2, well below the 2022 high but still well above historical levels since the year 2000.
- More concerning are jobless claims and continuing claims, both of which have risen in recent months. Also concerning is the unemployment rate which has risen to 4.1%, a rise of .5% which has triggered the Sahm Rule, which says historically a recession follows after such an increase. There are some who argue that claims and unemployment were simply unusually low following the pandemic. Others suggest the adult unemployment rate is still low, considering that for age groups 25 years of age and above, unemployment remains around 3%.
- Overall, this weakness in the data is likely just a normalization, after an extended period of very tight labor conditions and since job gains and job openings remain favorable. Positively, current labor market conditions may encourage the Fed to ease. Overall, the labor market is key, and its data needs to stabilize to give the market confidence that the general economy can stabilize.
- The Institute for Supply Management (ISM) data for both manufacturing and services have weakened below 50, indicating contraction, but they remain above levels usually consistent with recessions.
- The Atlanta Fed's GDPNow, a running estimate of GDP growth based available economic data, also indicates a slowdown is underway. It is now projecting 1.5% GDP growth, down from 4.2% in the middle of the second quarter. This is a sizeable negative change, but it still suggests positive growth for the second quarter.

Inflation continues to trend favorably. Inflation readings in May were lower than expected. Most components of CPI and Personal Consumption Expenditures (PCE) Personal Consumption Expenditures, the Fed's preferred measure of inflation, are trending lower. Shelter (primarily rents) remains the main component of inflation that is keeping the overall level of CPI and PCE elevated. It is reported on a lag and more real time measures of rent inflation suggest the rate of increase in rents has already returned to low levels. Core PCE and Core CPI, ex housing, reached 2.0% and 1.9%, respectively, in May, as displayed in the chart below. It also illustrates that this cycle of inflation was Covid related and has already returned to the Fed's target when adjusting for the lagging component of shelter.

Exhibit 3: Core Consumer Prices ex Shelter Already at the Fed's 2% Target

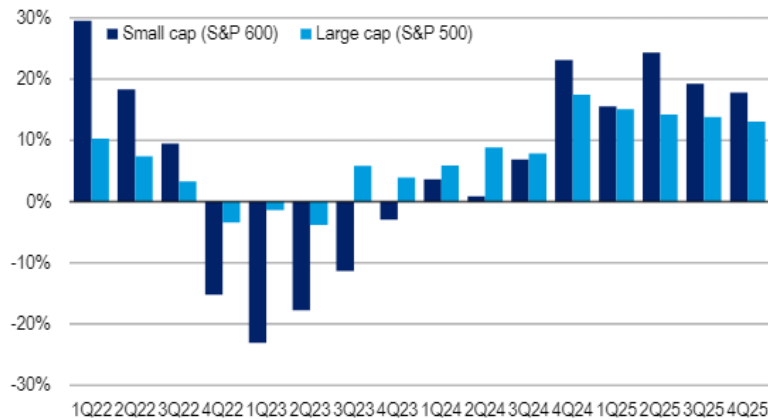


Source: BEA, BLS and Yardeni Research

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So, we have reached the half way point of the year. Earnings overall are continuing to improve, for both small caps and large caps. As the bar chart below shows, after an earnings recession in 2023, aggregate earnings have turned positive on a year-over-year basis. While delayed a bit versus recent expectations, overall small cap earnings are still expected to outpace large cap earnings in the fourth quarter and in 2025. Many individual small cap companies are seeing earnings growing much faster than these averages.

Exhibit 4: Small cap profit growth expected to outpace large cap profits growth in 4Q and in 2025

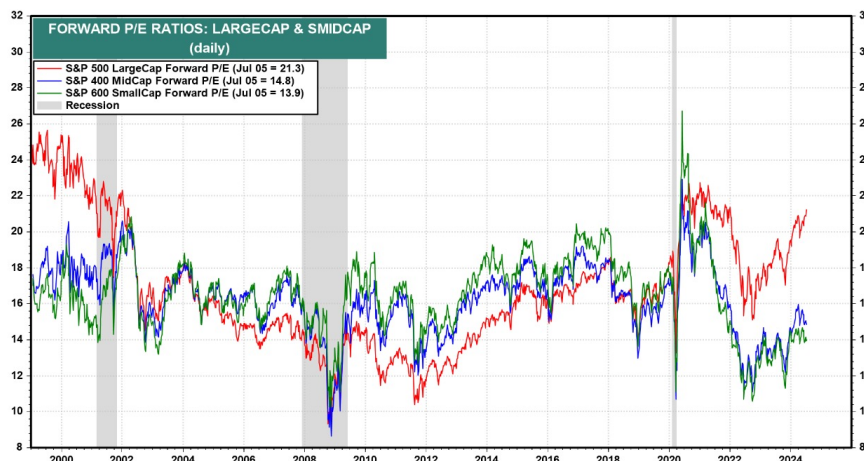


Source: BEA, BLS and Yardeni Research

How are valuations?

Given the strength in large cap performance since the market highs in 2021, large cap valuations have traded at a premium to micro and small cap valuations. Note the two valuation charts below. Whether looking at the Russell or the S&P indices, small caps currently trade at a deep relative discount. Historically, this is unusual as small caps have traded at a premium to large caps over the past several decades. This premium has likely been due to the inherently bigger growth potential and greater prospects for M&A (mergers and acquisitions). The first valuation chart below also shows how the absolute and relative valuations for small caps are both at a major discount compared to the past two and a half decades.

Exhibit 5: Small Caps remain historically cheap on an absolute and relative basis



Source: Yardeni Research

Exhibit 6: Small Caps remain historically cheap vs large caps
Relative Forward P/E: Russell 2000 vs Russell 1000, 1985-6/30/2024



Source: BofA Global Research

Overall, the macro environment has become more uncertain on the economic front but more clear in terms of inflation. Assuming our base case scenario holds, where the current economic moderation stabilizes, earnings recover as consensus estimates assume, disinflation continues and the Fed leans dovish, the outlook for equities for the second half of the year could be quite attractive.

Looking at historical market performance, a positive first half of the year usually leads to a positive second half of the year, especially during Presidential election years. Of course, if the recent economic weakness deteriorates further or if the improvement in inflation were to stall, the outlook for equities would become more bearish. As always, we will be monitoring these macro developments carefully as they will play a heavy role in the market's outlook, and they will influence our selection of individual stocks and their industries.

Performance Review

For the June quarter, the DrieHaus Small/Mid Cap Growth strategy outperformed its benchmark by 491 basis points. The Strategy gained 0.68%, while the Russell 2500 Growth Index was down -4.22%, the Russell 2500 fell 4.27%, and the S&P 500 grew 4.28%.¹

Individual company earnings and their fundamental outlooks were strong for our holdings during the second quarter. These bottom-up results are supported by multiple themes and industry trends that we view as sustainable. In terms of attribution, the portfolio's outperformance was primarily driven by a strong stock selection effect of 5.24%, although this was slightly offset by a negative sector allocation effect of -33 basis points. The technology sector led the way, contributing outperformance of 1.37%, the healthcare sector contributed outperformance of 1.24%, the consumer discretionary sector contributed outperformance of 1.03%, and the industrial sector contributed outperformance of 0.94%.

¹The performance data represents the strategy's composite of small/mid 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.

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For more detail by sector, the June quarter performance is summarized as follows (in order of relative outperformance):

Technology

Technology added 8 basis points in absolute performance and outperformed by 137 basis points versus the index, as our holdings returned 4.1% versus a loss of 4.5% for the index's holdings. All of the outperformance, 130 basis points, came from the semiconductor group, as our semi holdings appreciated 31.6% versus 5.0% for the index. A handful of holdings had strong earnings reports and are benefiting from the hardware infrastructure buildout to support AI (Artificial Intelligence) applications. These companies included semi cap equipment companies as well as semiconductor or component suppliers to data centers. During the quarter we did increase our exposure to semiconductors, raising our overweight from 0.9% to 4.0% as the fundamental outlook for our holdings and the industry as a whole have improved dramatically.

Software saw some outperformers during the quarter, but we continue to be underweight the group as IT budgets are shifting away from enterprise software towards AI and its supporting infrastructure. Cybersecurity remains a robust area within software as cyber-attacks continue to grow in number and sophistication. Several industries have been hard hit this year by cyber-attacks that have severely disrupted their operations in high profile attacks.

We increased our tech sector exposure by 150 basis points, moving from underweight at the start of the quarter to a small overweight by the end of the quarter. The increase in sector exposure was driven by a variety of hardware companies tied to AI, partially offset by a reduction in the software group as well as a significant reduction in a top holding that grew far outside of our typical market cap range via appreciation.

Healthcare

Healthcare added 91 basis points in absolute returns and outperformed by 124 basis points as our holdings gained 5.7% versus a decline of 3.5% for the index. The medical device sub-industry contributed 106 basis points in relative outperformance. One key performer in the quarter was an innovative company servicing the organ transplant market. This holding gained 103% as it reported another large quarterly earnings surprise. Its revenues grew 133% year-over-year, which was well above expectations, and it generated substantial operating leverage that produced earnings per share of 35 cents vs the consensus estimate of two cents. It also raised its forward guidance significantly.

Biotech took a break from its outperformance over the prior two quarters as the group was down very modestly (1.3% vs a decline of 1.2% for the index) and it detracted 1 basis point. We finished the quarter with a 10.1% weighting vs 11.9% for the index, versus 9.7% to start the quarter. Within biotech we remain encouraged fundamentally as we believe our holdings have very promising and innovative clinical stage therapies demonstrating superior efficacy and safety in important disease indications, such as obesity, epilepsy, endocrinology, diabetes, neurology, autoimmune diseases, vaccines, and oncology. We anticipate promising results from upcoming clinical trials.

Most of our healthcare exposure continues to be in medical devices and biotech on a sub-industry basis. Our healthcare sector weighting increased 225 basis points during the quarter but our relative underweight expanded by the end of the quarter as the index increased its sector weight from 20% to 21.9% with the annual Russell rebalance occurring at the end of the quarter.

Driehaus Small/Mid Cap Growth Strategy

Consumer Discretionary

Consumer discretionary contributed 54 basis points in absolute terms and outperformed by 103 basis points in relative terms, as our holdings gained 4.0% vs a loss of 4.7% for the benchmark's consumer discretionary holdings. We saw strength in restaurants, specialty retail, and an auto dealer. Four different restaurant holdings were particularly strong as they reported positive earnings surprises, strong same store sales, and continued robust unit growth. Homebuilding is a sub-industry that we reduced as the group began to lag and fundamentals slowed due to unfavorable home affordability. Overall, we did increase our sector exposure by 20 basis points, ending the quarter with an underweight exposure at 11.7%, versus 14.2% for the index.

Industrials

Industrials detracted 69 basis points in absolute terms and contributed 94 basis points of relative outperformance as our holdings declined 2.7% though outperforming the 6.2% decline for the industrial sector in the index. We remain overweight the sector, but we did decrease the exposure by 450 basis points, to 25.4% vs 19.6% for the index. We continue to be positive on the sector as reshoring remains a strong theme. We also hold positions benefiting from attractive trends within commercial aerospace, infrastructure, and data centers where AI is driving demand for various technologies and equipment.

Financials

Financials detracted 6 basis points in absolute terms but contributed 31 basis points of relative outperformance as our holdings declined 1.2% though outperforming the 5.7% decline for the industrial sector in the index. Our exposure includes one bank and an overweight to capital market related companies and specialty insurance. We increased our exposure to the sector by 15 basis points to 6.1% versus 8.9% for the index.

Energy

The energy sector contributed 5 basis points in absolute terms and 14 basis points in relative returns. One uranium miner continued to perform well. Within oil and gas, performance was mixed as oil service companies and E&Ps (Exploration and Production) consolidated after recent strength earlier in the year and as the underlying commodities were volatile. We reduced exposure to some of the oil levered E&Ps during the quarter. Our overweight position overall was reduced to 5.1% vs 4.2% for the index.

Consumer Staples

Consumer staples detracted 6 basis points in absolute terms but contributed 3 basis points in relative terms. We maintained our exposure at 6.5% during the quarter, versus 3.5% for the index. Among our holdings a specialty grocery store and a pet food supplier outperformed as they continue to gain share and post strong earnings surprises. This strength was offset by weakness in an energy drink company. This holding has been a significant outperformer for the past several years for the portfolio, but the company experienced sharp revenue deceleration during the quarter as it faces tough comparisons of three consecutive years of one hundred percent plus revenue growth. We believe that the stock is going through a valuation adjustment as it seeks to stabilize its growth trend at a more modest level. As a result, we reduced the position significantly.

Driehaus Small/Mid Cap Growth Strategy

Outlook & Positioning

Equities performed in a mixed fashion during the June quarter as the mega cap stocks continued to outperform and investors monitor the macro environment as both economic data and inflation continue to moderate.

Our positive outlook consists of economic growth stabilizing (we believe it will stabilize despite the current soft patch), favorable inflation trends, a neutral to dovish Federal Reserve monetary policy position, the prospect of rate cuts later in the year and improving earnings. Small caps also continue to trade at a deep discount to large caps. The market's breadth and overall technical picture also remain attractive.

A more bearish outlook would include continued economic weakness or inflation that becomes sticky and doesn't trend lower, either of which will reduce equity multiples. Other key bearish variables could be weaker earnings, US political disfunction and major geopolitical issues outside of the U.S. We continue to lean positively, as we see the economy, inflation and earnings continuing to trend in a favorable direction.

In terms of portfolio positioning, we have an attractive mix of secular and cyclical growth holdings with strong earnings. By sector, industrials are our largest absolute weight, followed by technology, healthcare, and consumer discretionary. On a relative basis, the strategy is overweight industrials, consumer staples, energy, and technology. The strategy is underweight healthcare, consumer discretionary, financials and materials.

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 strategy 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 July 11, 2024 and are subject to change at any time due to changes in market or economic conditions. The material has not been updated since July 11, 2024 and may not reflect recent market activity.

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Driehaus Small/Mid Cap Growth Strategy

% Month-End Performance (as of 6/30/24)

	Annualized							
	MTH	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Inception ²
Driehaus Small/Mid Cap Growth Composite (Gross)	0.87	0.76	20.42	26.40	1.81	14.46	15.17	15.91
Driehaus Small/Mid Cap Growth Composite (Net)	0.85	0.69	20.24	26.03	1.46	13.93	14.52	15.24
Russell 2500 [®] Growth Index (Benchmark)	-0.54	-4.22	3.93	9.02	-4.11	7.58	8.77	11.00

Top 5 Holdings⁵ (as of 5/31/24)

Company	Sector	% of Strategy
Cameco Corporation	Energy	2.7
Axon Enterprise Inc	Industrials	2.4
Natera, Inc.	Health Care	2.1
Onto Innovation, Inc.	Information Technology	2.1
HEICO Corporation	Industrials	2.0

Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	1.3	1.9	-0.6
Consumer Discretionary	11.7	13.5	-1.8
Consumer Staples	6.5	4.1	2.4
Energy	5.1	4.2	0.9
Financials	6.1	8.4	-2.3
Health Care	16.2	19.7	-3.4
Industrials	25.4	19.7	5.7
Information Technology	22.5	22.2	0.3
Materials	3.5	3.6	-0.1
Real Estate	0.0	1.4	-1.4
Utilities	0.0	1.2	-1.2
Cash	1.7	0.0	1.7

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 6/30/24.

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¹Composite 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. ²2/1/2012.

³Portfolio statistics represent the strategy's composite. ⁴Data is calculated monthly. ⁵Holdings subject to change.

Key Features

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

Facts

Inception Date	2/1/12
Composite Assets Under Management ¹	\$2.1B
Firm Assets Under Management	\$18.0B
Investment Style	Growth Equity
Available Investment Vehicles:	Separately Managed Account Mutual Fund

Portfolio Statistics³

5-year period	Strategy	Benchmark
Information Ratio	0.90	n/a
Beta	0.95	1.00
Standard Deviation	22.83	23.87
Tracking Error	7.09	n/a
R-squared	0.91	1.00

Portfolio Characteristics

	Strategy	Benchmark
Number of Holdings	100	1,245
Weighted Avg. Market Cap (M)	\$14,723	\$8,294
Median Market Cap (M)	\$10,366	\$1,606
Active Share (3-year avg.) ⁴	84.86	n/a

Portfolio Management

Jeff James, Portfolio Manager
34 years of industry experience

Michael Buck, Portfolio Manager
24 years industry experience

Prakash Vijayan, Assistant Portfolio Manager
18 years industry experience

Driehaus Small/Mid Cap Growth Strategy

Sector Performance Attribution 2nd Quarter – 3/31/24 to 6/30/24

GICS Sector	Driehaus Small/Mid Cap Growth Composite (Port) (%)		Russell 2500 Growth Index ¹ (Bench) (%)		Attribution Analysis (%)		
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Allocation Effect	Security Selection + Interaction Effect	Total Effect
Communication Services	0.95	0.21	1.86	0.07	-0.08	0.16	0.08
Consumer Discretionary	11.24	0.54	13.44	-0.61	-0.02	1.05	1.03
Consumer Staples	6.41	-0.04	3.96	0.01	0.10	-0.06	0.04
Energy	7.36	0.05	4.20	-0.04	0.06	0.09	0.15
Financials	5.54	-0.06	8.37	-0.48	0.05	0.26	0.32
Health Care	14.75	0.91	19.78	-0.69	-0.04	1.29	1.25
Industrials	29.26	-0.69	20.07	-1.25	-0.17	1.09	0.92
Information Technology	18.45	0.08	21.92	-1.05	-0.09	1.47	1.37
Materials	3.97	-0.21	3.77	-0.24	-0.01	-0.09	-0.10
Real Estate	0.00	0.00	1.43	-0.06	0.00	0.00	0.00
Utilities	0.00	0.00	1.19	0.10	-0.14	0.00	-0.14
Cash	2.07	0.00	0.00	0.00	0.11	0.00	0.11
Other ²	0.00	-0.10	0.00	0.00	-0.10	0.00	-0.10
Total	100.00	0.68	100.00	-4.26	-0.32	5.26	4.94

Data as of 6/30/24

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

¹The Russell 2500® Growth Index measures the performance of those Russell 2500® Index companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends. ²Other refers to operating expenses and securities not recognized by Factset.

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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/Mid 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/Mid Cap Growth Composite was created in February 2012. An account is considered to be a small/mid cap growth account if it primarily invests in U.S. equity securities of high growth companies with market capitalization ranges at the time of purchase as those included in the Russell 2500® Growth Index between \$1 billion and \$15 billion. However, there is no requirement to be exclusively invested in small cap and mid 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.

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 2500® Growth Index measures the performance of the small to midcap growth segment of the U.S. equity universe. It measures the performance of those Russell 2500® Index companies with higher growth earning potential as defined by FTSE Russell's leading style methodology. Data includes reinvested dividends.

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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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