

# Driehaus Emerging Markets Small Cap Equity Strategy Summary

2<sup>ND</sup> QUARTER 2024

The second quarter was characterized by rising geopolitical uncertainty, marked by increasing tensions in the Middle East and volatility associated with the heavy global election calendar.

A series of attacks and counterattacks between Iran and Israel in April accompanied a bout of market volatility, as oil prices temporarily rose above \$90/barrel. However, oil subsequently remained rangebound, and equity volatility indices returned to the low end of the recent range.

Coming into 2024, there was an awareness on the part of market participants that nearly 50% of the world's population would head to the polls, including key emerging markets (EM) countries such as India, Mexico, and Taiwan.

In recent months, it became increasingly clear that Claudia Sheinbaum would likely win Mexico's presidential election, which took place in early June. However, the unexpected outcome of Sheinbaum's party, Morena, winning a supermajority in the lower house of Congress, fueled a selloff in currency and interest rate markets, owing to uncertainty over potential forthcoming judicial reforms, which could further concentrate Morena's power.

India similarly witnessed volatility around its election in early June, but quickly bounced back, as the market made fresh highs into the end of the month. The market's initial turbulence stemmed from an errant signal from exit polls, which pointed to a much better than expected showing for popular incumbent Narendra Modi's Bharatiya Janata Party (BJP), leading market participants to speculate on a clear mandate for Modi to adopt pro-growth economic policies centered around infrastructure spending.

The actual results showed a much more divided vote, leading the BJP to have to form a coalition government and prompting concerns over the degree of concessions the party may have to make, particularly to factions with more of a populist bent. While this led markets to sharply reverse the initial gains, sentiment quickly turned positive once again, as markets coalesced around the notion that the continuity of infrastructure spending and a pro-growth mandate would be preserved, but with the welcomed development of checks and balances on the BJP's power.

The political uncertainty now turns to the developed world, and by October 2025, key elections will have taken place in six of the seven G7 countries.

On the macro front, recent data points have pointed to a modest global slowdown, with economic data releases in the US coming in generally weaker than expected, particularly on the labor front, where unemployment ticked up to 4%, while April job openings came in at the lowest level since February 2021. Inflation continues to ease, but certain commodity prices remain stubbornly high, and the most recent US core personal consumption expenditure (PCE) inflation print of 2.6% remains above the Fed's 2.0% target.

## Driehaus Emerging Markets Small Cap Equity Strategy

China's equity market rallied strongly during the first half of the quarter, before pulling back in May and stabilizing in recent weeks. Economic growth has stabilized, largely due to resilient export demand, while policymakers enacted a fresh round of property stimulus in May, providing financing support to buy excess housing inventory from developers. This should improve liquidity and reduce default risk in the property sector, but in its current size, is unlikely to represent a major inflection point for growth or confidence.

Against this backdrop, EM outperformed the MSCI All-Country World Index during the quarter, and within the asset class, small caps outperformed the broad index.

The Driehaus Emerging Markets Small Cap Equity Strategy returned 9.37% for the quarter, exceeding the 5.93% return for the MSCI Emerging Markets Small Cap Index.<sup>1</sup>

India contributed positively to the strategy's performance during the quarter. Key contributors included a property developer, a shipyard, and a manufacturer of rail wagons. With growing real incomes and near-record affordability levels, property developers continue to be well positioned in the current macro environment. As we move into the third Modi administration, virtually every area of infrastructure investment is inflecting or accelerating, including ports, airports, roads, rail, power, and defense, and the strategy maintains positions across all of these verticals. Collectively, these stocks contributed positively to performance during the quarter.

Mexico detracted from relative performance, driven primarily by the negative market reaction to the election. While many of the nearshoring-related equities have remained resilient in the aftermath of the election, the Mexican peso endured a peak-to-trough depreciation of nearly 12% during the first two weeks of June, reflecting the unwind of a popular carry trade among macro investors.

The Industrials sector contributed positively to performance during the quarter. In addition to the Indian infrastructure stocks mentioned above, the strategy benefited from investments in the power supply chain, including a leading exporter of transformers based in Korea. Strength was also evident in the defense sector, where two Korean exporters of defense equipment performed well amid global shortages of their products, coupled with strong order growth.

The Consumer Discretionary sector detracted from performance during the quarter, dragged down by one individual name, a restaurant operator in Mexico, which sold off following the election in June.

The strategy remains overweight Mexico, despite the recent turbulence post elections, as the country is benefiting from a wave of investments in its manufacturing sector, tied to the trend of nearshoring. Given the proximity of Mexico to the US end market, the comparatively low cost of labor, particularly in relation to China, and the relatively low tariffs in key industries, the economics have been increasingly favorable for new investment in manufacturing capacity in the country. The Strategy holds positions in industrial property companies, which are accelerating their gross leasable area, as well as consumer companies, which are poised to benefit from an improving macro backdrop.

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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 underweight position in Taiwan. While we remain optimistic about AI-focused supply chain beneficiaries in Taiwan, we find less compelling opportunities outside of this theme, and consequently carry a meaningful underweight relative to the Index.

The strategy is overweight the Industrials sector. While country specific dynamics are wide ranging within the sector, the strategy is positioned for growth in the capex cycle in India, alongside continued increases in infrastructure spending in the country. The strategy also holds a positive view toward power infrastructure on a global basis, reflecting the high growth in emerging economies such as India, as well as the strong incremental power demand associated with AI.

The strategy maintains an underweight position in the Health Care sector. We observe a narrowness of positive earnings revisions across the sector, with large EM economies such as China and India demonstrating positive trends around health care spending, while a less compelling opportunity set currently exists outside of these markets.

We continue 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, a strong capex cycle in India, the shift of manufacturing capacity to destinations such as Mexico and India. 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 6/30/24)

	Annualized						
	MTH	QTD	YTD	1 YR	3 YR	5 YR	Inception <sup>1</sup>
Driehaus Emerging Markets Small Cap Equity-Gross (2/1/16)	4.38	9.73	18.11	22.71	1.93	13.61	11.83
Driehaus Emerging Markets Small Cap Equity-Net (2/1/16)	4.28	9.37	17.33	21.08	0.53	11.94	10.46
MSCI Emerging Markets Small Cap Index (ND) (Benchmark)	3.20	5.93	7.04	20.04	2.54	9.99	9.08
MSCI Emerging Markets Small Cap Growth Index (ND)	3.65	5.39	6.25	16.82	0.42	10.07	7.61

## Top 5 Holdings<sup>5</sup> (as of 5/31/24)

Company	Country	Sector	% of Strategy
HD Hyundai Electric	South Korea	Industrials	3.9
FPT Corp.	Vietnam	Information Technology	3.6
Vista Energy SAB de CV Sponsored ADR Class A	Mexico	Energy	2.7
Paladin Energy Ltd	Australia	Energy	2.0
Hanwha Aerospace Co., Ltd.	South Korea	Industrials	1.9

## Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	1.2	3.6	-2.4
Consumer Discretionary	8.7	12.0	-3.3
Consumer Staples	4.1	6.1	-2.0
Energy	7.5	1.8	5.7
Financials	9.2	10.8	-1.7
Health Care	3.0	8.3	-5.3
Industrials	30.7	19.1	11.6
Information Technology	15.2	17.9	-2.7
Materials	6.6	11.3	-4.7
Real Estate	4.1	5.8	-1.7
Utilities	3.8	3.3	0.5
Cash	6.0	0.0	6.0

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

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 AUM <sup>2</sup>	\$118 million
Firm Assets Under Management	\$18.0 billion

## Portfolio Statistics<sup>3</sup>

5-year period	Strategy	Benchmark
Information Ratio	0.24	n/a
Beta	0.82	1.00
Standard Deviation	18.17	20.37
Tracking Error	8.06	n/a
R-squared	0.84	1.00

## Portfolio Characteristics

	Strategy	Benchmark
Number of Holdings	83	2,031
Weighted Avg. Market Cap (M)	\$4,503	\$2,066
Median Market Cap (M)	\$3,632	\$1,045
Active Share (3-year avg.) <sup>4</sup>	96.12	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
Argentina	4.9	0.0	4.9
Australia	1.4	0.0	1.4
Bermuda	1.1	0.0	1.1
Brazil	6.4	3.6	2.9
Canada	1.2	0.0	1.2
China	1.9	5.2	-3.2
Hong Kong	3.3	3.1	0.3
India	31.0	28.6	2.4
Kazakhstan	1.7	0.0	1.7
Malaysia	1.4	2.6	-1.1
Mexico	5.7	1.6	4.1
Panama	0.8	0.0	0.8
Qatar	1.0	0.7	0.4
Saudi Arabia	1.6	3.9	-2.3
South Africa	1.4	3.1	-1.7
South Korea	10.0	12.3	-2.2
Taiwan	12.1	22.4	-10.3
Turkey	1.5	2.4	-0.9
United Arab Emirates	1.5	1.1	0.4
Vietnam	3.8	0.0	3.8
Cash	6.0	0.0	6.0

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

Data as of 6/30/24.

Benchmark: MSCI Emerging Markets Small Cap Index (ND)

## Driehaus Emerging Markets Small Cap Equity Strategy

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

	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	0.71	13.90	0.20	3.67	1.02	0.04	0.33
Consumer Discretionary	8.95	1.65	0.04	11.62	6.14	0.73	-0.50
Consumer Staples	5.21	0.68	0.08	6.24	6.49	0.41	-0.30
Energy	8.66	-1.34	-0.06	1.94	-0.34	-0.01	-0.45
Financials	9.63	11.06	1.03	10.74	6.83	0.75	0.32
Health Care	3.94	-3.59	-0.13	8.77	0.96	0.09	0.09
Industrials	27.08	26.12	6.95	18.52	11.34	2.05	4.48
Information Technology	15.27	8.42	1.40	17.55	4.85	0.78	0.66
Materials	7.26	7.53	0.66	11.73	6.81	0.80	0.10
Real Estate	4.10	-5.10	-0.24	5.97	1.13	0.08	-0.22
Utilities	4.37	4.37	0.23	3.19	6.07	0.19	-0.06
Cash	4.82	0.17	0.00	0.00	0.00	0.00	-0.21
Other <sup>3</sup>	0.00	N/A	-0.80	0.05	N/A	0.01	-0.82
<b>Total</b>	<b>100.00</b>	<b>7.29</b>	<b>7.29</b>	<b>100.00</b>	<b>1.03</b>	<b>1.03</b>	<b>3.45</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>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. <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 2nd Quarter – 3/31/24 to 6/30/24

MSCI Country	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>
Argentina	5.17	9.67	0.47	0.00	0.00	0.00	0.15
Australia	1.81	-7.35	-0.13	0.08	24.48	0.02	-0.26
Belgium	0.00	0.00	0.00	0.10	12.54	0.01	-0.01
Bermuda	1.14	2.39	0.02	0.00	0.00	0.00	-0.04
Brazil	8.35	-10.82	-1.11	4.17	-17.21	-0.82	-0.50
Canada	1.78	15.57	0.44	0.00	0.00	0.00	0.32
Cayman Islands	0.00	0.00	0.00	0.12	-4.41	-0.01	0.01
Chile	0.00	0.00	0.00	0.79	2.53	0.03	0.03
China	0.83	34.70	0.34	5.42	-1.17	-0.05	0.70
Czech Republic	0.00	0.00	0.00	0.05	6.12	0.00	0.00
Egypt	0.00	0.00	0.00	0.25	7.71	0.01	0.00
Greece	0.03	-6.21	-0.05	0.50	-2.41	-0.01	-0.02
Hong Kong	4.53	2.95	0.31	2.99	8.11	0.23	-0.05
Hungary	0.00	0.00	0.00	0.10	17.23	0.02	-0.01
India	29.20	25.27	7.24	26.85	19.50	4.97	2.09
Indonesia	0.00	0.00	0.00	1.64	-8.73	-0.16	0.26
Kazakhstan	1.67	10.45	0.17	0.00	0.00	0.00	0.08
Kuwait	0.00	0.00	0.00	1.12	-0.84	0.00	0.07
Luxembourg	0.14	1.03	0.01	0.00	0.00	0.00	0.01
Malaysia	1.40	22.99	0.31	2.54	11.09	0.28	0.10
Mexico	6.76	-18.29	-1.46	1.88	-18.39	-0.38	-1.37
Netherlands	0.00	0.00	0.00	0.04	0.01	0.00	0.00
Panama	0.92	-7.11	-0.07	0.00	0.00	0.00	-0.13
Peru	0.00	0.00	0.00	0.06	-1.87	0.00	0.01
Philippines	0.00	0.00	0.00	0.70	-8.19	-0.07	0.11
Poland	0.00	0.00	0.00	1.29	9.24	0.12	-0.04
Qatar	0.96	18.07	0.17	0.67	5.55	0.04	0.12
Saudi Arabia	2.56	-10.78	-0.41	3.93	-2.04	-0.09	-0.24
Singapore	0.00	0.00	0.00	0.02	-31.98	-0.01	0.01
South Africa	1.12	27.23	0.30	3.06	15.01	0.42	-0.02
South Korea	8.83	17.25	1.51	12.83	1.86	0.23	1.55
Taiwan	11.25	10.42	1.27	22.20	5.96	1.25	0.60
Thailand	0.00	0.00	0.00	2.91	-7.47	-0.23	0.42
Turkey	1.46	35.47	0.43	2.43	7.77	0.18	0.31
United Arab Emirates	1.64	-10.47	-0.20	1.06	-7.10	-0.08	-0.15
United Kingdom	0.00	0.00	0.00	0.02	-15.56	-0.01	0.02
United States	0.00	0.00	0.00	0.18	22.23	0.04	-0.03
Vietnam	3.65	17.26	0.63	0.00	0.00	0.00	0.40
Cash	4.82	0.17	0.00	0.00	0.00	0.00	-0.21
Other <sup>3</sup>	0.00	-0.78	-0.82	0.00	0.00	0.00	-0.83
<b>Total</b>	<b>100.00</b>	<b>9.37</b>	<b>9.37</b>	<b>100.00</b>	<b>5.93</b>	<b>5.93</b>	<b>3.45</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 6. <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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For more information about Driehaus Capital Management LLC, please contact us at 312.932.8621.