DRIEHAUS
CAPITAL MANAGEMENT

Driehaus Small Cap Growth Strategy Summary

3RD QUARTER 2024

Market Overview

The U.S. equity market experienced a volatile but strong September quarter. Small caps outperformed large caps as inflation data continued to trend lower and the Federal Reserve began its rate cutting cycle by reducing the Federal Funds Rate by 50 basis points in mid-September. Despite concerns of a potential recession largely due to a rise in the unemployment rate, the U.S. economy continued to exhibit positive growth. There were some areas of economic weakness but overall healthy consumer spending, strength in the service economy and evidence of improved productivity helped estimated GDP rise nearly 3% in the quarter.

Each individual month during the quarter was quite eventful:

- The month of July saw near record setting outperformance by small caps versus large caps. For the month, the small cap Russell 2000 Index rose 10.16%, the Russell 2000 Growth Index gained 8.19%, while the S&P 500 lagged, rising just 1.22%. The trigger for the surge in small caps began on July 11th as the U.S. CPI (Consumer Price Index) was favorably below expectations. Together with dovish comments by Fed Chair Jerome Powell, the odds of a reduction in the Federal Funds Rate beginning in September increased from 75% to near 100% based on the Fed Fund Futures market. Another factor that drove the rotation into small caps was the failed assassination attempt on Donald Trump causing a surge in the polls for the former president. Then continued health concerns for Joe Biden and his sudden exit from the presidential race dramatically increased the odds in favor of Donald Trump winning in November. The market viewed a Trump victory as bullish for small caps and the U.S. economy. The election picture soon shifted again when Vice President Kamala Harris became the Democratic nominee causing the election odds to be roughly a 50/50 toss up for the time being.
- The small cap outperformance in July was quickly reversed in the first few days of August as the S&P 500 fell over 6% and the Nasdaq Composite and the Russell 2000 both dropped nearly 10%. This sharp sell-off was due to a partial unwind of the Yen carry trade. Additionally, the July nonfarm payrolls report came in well below expectations with the unemployment rate rising to 4.3% from 4.1% in July. This increased the fear of a recession as the Sahm Recession Indicator was triggered. Then strength in several economic indicators and a continued strong earnings season quickly caused equities to stabilize and rally throughout the rest of the month with small cap indices finishing down just over a percent and the S&P 500 gaining just over two percent for the month.
- The month of September (nearly always a volatile month historically) also saw a sell-off to begin the month. This was triggered by renewed fears of an economic slowdown. Sentiment temporarily shifted to the idea that the Fed was about to cut rates due to economic weakness rather than simply inflation positively trending towards their 2% target. Then, like in August, economic data quickly turned positive again causing equities to rally broadly for the rest of September.

If the Fed is cutting rates due to economic weakness leading to a recession, U.S. equities have a rather poor track record of performance over the coming year with the market averaging low single digit negative returns in five instances since 1974. However, if the Fed is cutting rates with no recession, the market has averaged positive double digit returns over the seven instances since 1971, with all seven periods delivering positive returns. We believe the current economic conditions fit the latter case with no recession expected in the near-term. Please see the table below.

Exhibit 1: Fed Cut Versus Economic Cycle

Fed cut + recession:
July '74, April '80, June '81, Jan '01, Sept '07

	% return (avg)	Win-ratio
12 Months Trailing	1.6%	60%
Week 1	-0.3	20
Weeks 2-4	0.1	60
1 Month Forward	0.5	60
3 Months Forward	-7.5	20
6 Months Forward	-3.5	20
9 Months Forward	-4.0	40
12 Months Forward	-2.3	40

We are here

Fed cut + "no landing":
Jan '71, Oct '84, Oct '87, June '89, July '95, Sept '98, July '19

	% return (avg)	Win-ratio
12 Months Trailing	7.9%	71%
Week 1	-0.8	57
Weeks 2-4	3.0	71
1 Month Forward	2.9	71
3 Months Forward	8.4	100
6 Months Forward	12.8	100
9 Months Forward	13.1	86
12 Months Forward	15.8	100

100% (3 Months Forward and 6 Months Forward)

Source: Fundstrat

Why do we see the current economic environment as non-recessionary?

Over the past two years, a U.S. recession was widely expected by market participants due to: 1) the 500 basis point rise in the Federal Funds Rate as the Federal Reserve tightened monetary policy conditions to fight inflation and 2) the yield curve became sharply inverted for a record length of time. Typically, and historically, these two factors lead to a recession. However, a recession has not appeared. Why?

It is possible that a series of major industries across the U.S. experienced downturns or rolling recessions individually but combined they never caused the broader economy to turn negative. For instance, major industries such as technology, housing, banking, transports and manufacturing all saw slowdowns over the past few years but not all at once. As offsets, themes such as reshoring, infrastructure, AI (Artificial Intelligence) all appear to have boosted the broader economy. Additionally, the service side of economy and consumer spending have both remained strong and both make up significant portions of the U.S. economy. Finally, the strong labor market, the lack of a credit contraction and rising productivity have all been supportive of economic growth as well. If these current dynamics prove sustainable, it is likely that the economy will continue to grow and will defy the usual historical pattern of a recession after a sharp rate tightening cycle and the inverted yield curve. There are certainly areas of weakness within the economy such as in transports, manufacturing and the lower end consumer, but lower rates should help support and strengthen these areas.

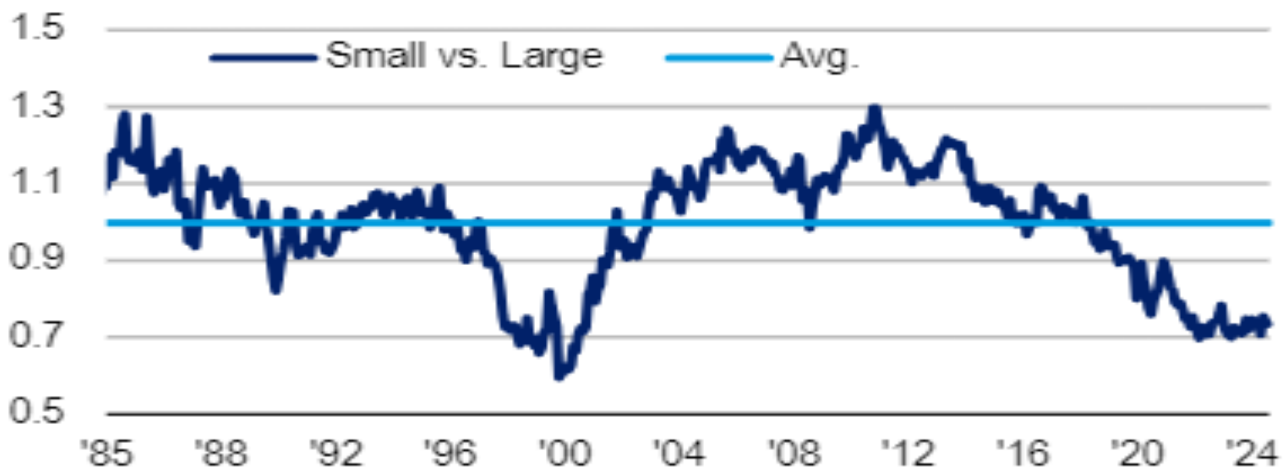
What is our current outlook for small caps?

Small caps have generally underperformed large caps over the past several years. This has caused many market observers to question the outlook for small caps given the tremendous outperformance of large caps and the love for the Magnificent Seven mega cap technology stocks. Nonetheless, we view the current environment as supportive of small caps for several reasons:

- The early 2021 to late 2023 bear market for the U.S. equity market overall caused small caps to underperform which is consistent with other bear markets historically. We believe a new bull cycle has been underway since the late October 2023 market low. Historically small caps do well versus large caps in the initial handful of years after major market lows, looking at data over the past five decades.
- This underperformance of small caps and relative outperformance of large caps have created a historical anomaly where small caps trade at a deep valuation discount relative to large caps. Looking at the valuation data since the inception of the Russell 2000 small cap index in 1979, small caps often trade at a premium to large caps, but there have been two periods where small caps have traded at a deep discount – the early 2000s and currently. After the early 2000s Nasdaq Bubble, that valuation discount helped propel small caps to outperform the broader market for much of the remainder of that decade until before the GFC (the Great Financial Crisis). Consider the following two exhibits on valuation:

Exhibit 2: Small Caps Remain Historically Cheap vs Large Caps

Relative Forward P/E: Russell 2000 vs Russell 1000, 1985-9/30/2024



Source: BofA US Equity & Quant Strategy, FactSet

Exhibit 3: Small caps trade at a historical discount vs large on all metrics we track

Relative Valuations for the Russell 2000 vs the Russell 1000 (1/31/1985-9/30/2024)

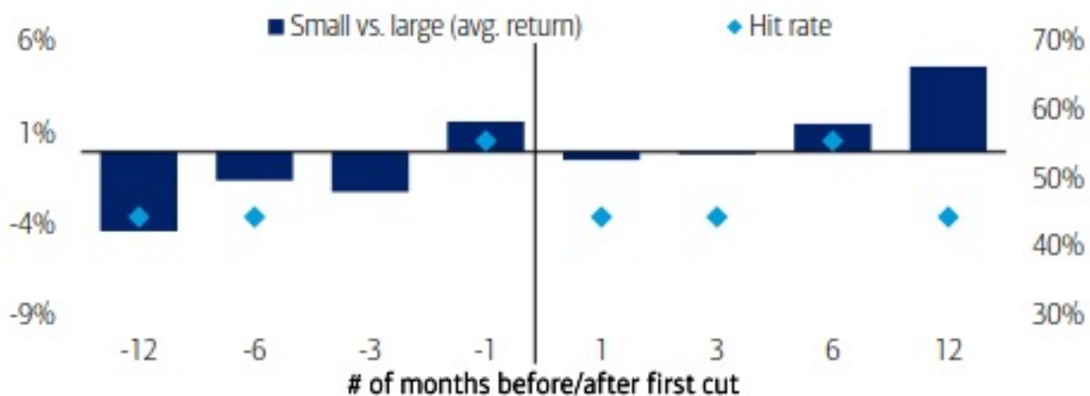
	Relative Valuation				% Difference From		
Valuation Metric	**As of Sep-24**	**Max**	**Min**	**Long-Term Average**	**Max**	**Min**	**Long-Term Average**
Trailing P/E	0.66	1.27	0.54	0.99	-48%	21%	-34%
Forward P/E	0.73	1.30	0.59	1.00	-43%	24%	-26%
Price/Book	0.44	1.11	0.44	0.75	-60%	0%	-41%
Price/Sales	0.48	1.02	0.43	0.74	-53%	11%	-35%
P/E To Growth	0.62	1.07	0.49	0.77	-42%	28%	-19%
Enterprise Value to FCF	0.63	1.22	0.56	0.84	-48%	12%	-25%

Source: BofA US Equity & Quant Strategy, FactSet
Note: P/E measures exclude negative earnings. Forward P/E is on I/B/E/S consensus N12m forecast earnings. EV/FCF excludes negative FCF.

- Looking at the first rate cut by the Federal Reserve in past cycles, small caps typically underperform during the 12-month period before the first rate cut, but they typically outperform large caps on a 6- and 12-month basis after the first rate cut. Note the following table:

Exhibit 4: Small caps have typically outperformed large caps in the 6 months after the first rate cut, but have underperformed in the inital months, and had mixed performances over 12m (positive avg. relative returns but >50% outperformance rate)

Small vs. large cap relative returns in the 1/3/6/12 mos. before and after the first Fed rate since 1974



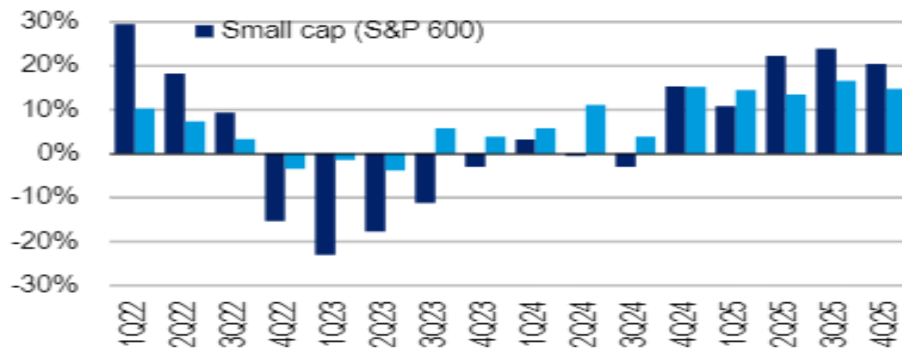
Source: Fama French data library, Haver Analytics, BofA US Equity & US Quant Strategy

- Naturally, it all comes down to earnings. Stock prices are driven by earnings growth over time. This is historically and empirically true. Ignoring, for a moment, inflation, interest rates and concerns about a recession, the key reason large caps have performed better over the past few years is because they have had better earnings. However, looking ahead, small caps are expected to see accelerating earnings growth over the next year or so based on consensus earnings. Consider the following table:

Exhibit 5: Small caps profits growth not expected to recover until 4Q24

Quarterly y/y bottom up EPS growth trajectory for S&P 600 vs S&P 500

(Consensus estimates 4Q23 onward; based on historical index constituents)



Source: FactSet, BofA US Equity & US Quant Strategy
Note: Based on historical index constituents, e.g. bottom-up EPS of constituents as of each quarter compared to bottom-up EPS in the year-ago quarter of the year-ago constituents.

So, for several reasons - valuation, earnings growth, historical tendencies, Fed rate cuts and a potentially sustained positive economy, we believe the current outlook could be very supportive of small caps.

Performance Review

For the September quarter, the Driehaus Small Cap Growth strategy underperformed its benchmark by 204 basis points. The Strategy gained 6.37%, while the Russell 2000 Growth index rose 8.41%, the Russell 2000 9.27%, and the S&P 500 5.89%. Year-to-date through the end of September, the strategy is outperforming its benchmark by 13.75%, gaining 26.97% versus 13.22% for the Russell 2000 Growth.[1]

[1]The performance data represents the strategy's composite of small cap growth accounts managed by Driehaus Capital Management LLC (DCM). These returns are estimated for the period as the underlying accounts' data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

Individual company earnings and their fundamental outlooks were strong for our holdings during the third quarter. These bottom-up results are supported by multiple themes and industry trends that we view as sustainable. The underperformance for the quarter occurred in mid-July when the Russell 2000 and the Russell 2000 Growth rose rapidly over a two-week period. Many laggard stocks within the benchmark outperformed during that brief period as short covering and index buying by market participants caused the index to rise rapidly. On a monthly basis, the strategy underperformed in July but outperformed in August and September. The Strategy has outperformed in eight of the nine months year-to-date. On a sector basis, the industrials sector led the way, contributing outperformance of 0.88%, followed by healthcare outperformance of 0.51%. More than offsetting this strength was the technology sector detracting 2.21%. followed by consumer staples detracting 0.46%, energy detracting 0.37% and consumer discretionary detracting 0.31%.

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

Technology

Technology detracted 221 basis points on a relative basis and 117 basis points in absolute performance, as our holdings fell 6.28% versus a gain of 4.49% for the index's holdings. The sector proved difficult during the quarter as AI related technology stocks and most of the semiconductor industry pulled back after seeing strength in the first half of the year. Earnings overall in tech remained positive but many faster growing stocks experienced multiple compression. Our software holdings again had several outperformers during the quarter. Semiconductors accounted for nearly half of the underperformance during the quarter. A few software stocks and several hardware stocks also pulled back after performing well in the first two quarters. As we saw better opportunities in other sectors and as breadth in tech weakened considerably, we reduced our exposure to the sector from 21.2% to 17.5% during the quarter. The strategy ended the quarter underweight versus the benchmark's 19.6% tech weighting.

Looking ahead, we continue to be positive on AI as a powerful and transformational theme. Specifically, and in the near to intermediate term, we believe capex (capital expenditures) spending on data centers and related AI infrastructure should remain robust and sustainable. The Hyperscalers (i.e., several of the Magnificent Seven and some other large cap tech stocks) have increased their AI and datacenter related capex by nearly 40% so far in 2024 versus 2023. The pace of this spending has been an area of debate for tech investors. Many are skeptical of the sustainability of this strong capex when they look at current revenues and ROI being generated from AI.

We believe the better way to look at AI capex is to view AI as the Hyperscalers/Mag Seven companies do, as an existential threat to their business models. For much of the past couple decades they didn't compete much as each dominated their own distinct, large addressable market. Increasingly though they are competing with each other. On Google's Q2 earnings call, they said "the risk of underinvesting [in AI] is dramatically greater than the risk of overinvesting." They all want to increase the intelligence of their AI GPU clusters. Think of it in terms of IQ: they want to increase the IQ of their AI GPU clusters from just above average currently (say, an IQ of 100 to 120 currently) to the genius level of 160 plus and potentially far beyond that (some have said an IQ of 1,000). Each 10 points of incremental IQ requires a tremendous amount of investment capex spending and that means continued strong spending on GPUs, servers, networking equipment and new data centers. So, while we do expect the 40% increase in capex to decelerate in 2025 and 2026, we believe AI infrastructure spending will remain strong.

Consumer Staples

Consumer staples detracted 46 basis points in relative terms but contributed 4 basis points in absolute terms. We reduced our exposure from over 6.2% to 4.2% during the quarter, overweight versus the index at 3.2%. Again, this quarter 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 a cosmetics supplier that had been a very strong performer over the prior two years, but that company experienced sharp revenue deceleration during the quarter as it faces tough comparisons from the past two years. We still believe the company is well positioned longer-term, but we exited the position as the current deceleration is causing multiple compression.

Energy

The energy sector detracted 37 basis points in relative returns and 73 basis points in absolute terms. The sector was broadly weak as the price of crude oil declined. Our energy stocks fell 6.5% versus a decline of 8.1% for the index. We reduced our exposure from an overweight to an underweight going from 5.8% to 1.9% versus the index which went from 4.2% to 3.4%.

Consumer Discretionary

Consumer discretionary detracted 31 basis points on a relative basis but contributed 89 basis points in absolute terms. Our holdings gained 4.3% versus 9.7% for the index. We saw strength in restaurants, specialty retail, and an auto dealer. This was offset by strength in various index holdings and weakness in one restaurant holding that gave conservative guidance causing that stock to be weak. Overall, we increased our sector exposure from 10.8% to 14.0% versus 10.1% for the index, as we added new positions in retail, leisure and home building, ending the quarter with an overweight position. We have a positive outlook for consumer spending as the labor market remains healthy, consumer net worth is hitting record highs and interest rates are trending lower.

Sectors contributing positively on a relative basis:

Industrials

Industrials saw strength as it contributed 88 basis points of relative outperformance and 299 basis points in absolute terms, with our holdings rising 13.1% versus 9.3% for the index. We remain overweight the sector. We increased our exposure by 40 basis points, going from 23.7% to 24.1% versus 21.8% for the index. We continue to be positive on the sector due to various stock specific positions with strong earnings outlooks and several strong themes. This includes positions benefitting from attractive trends within reshoring, infrastructure, commercial aerospace, and data centers where AI is driving demand for various technologies and equipment.

Healthcare

Healthcare outperformed by 51 basis points and contributed 274 basis points on an absolute basis as our holdings gained 12.6% versus 9.8% for the index. We increased our exposure from 21.3% to 23.0% during the quarter, reducing our underweight versus 25.6% for the index. The portfolio is slightly overweight biotech and medical devices but is underweight the smaller healthcare sub-industries within the benchmark.

Biotech outperformed with strong gains from several positions. One was a vaccine company focused on bacterial diseases including pneumonia that appreciated over 51% after it reported best-in-class clinical data that we believe has de-risked the approval of its drug candidate. The portfolio also showed strength in other positions in oncology and in other orphan diseases. Our biotech positions appreciated 17.9% versus 11.4% for the index.

We remain encouraged fundamentally as we believe our biotech 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.

Financials

Financials were inline on a relative basis for the quarter but contributed 104 basis points in absolute terms. Our holdings appreciated 17.3% versus 15.3% for the index as the sector outperformed due to strong earnings and falling interest rates. We increased our exposure to the sector from 5.6% to 7.3%, versus the index which increased from 7.9% to 8.3% by the end of the quarter.

Most of the absolute performance came from specialty insurance as several positions saw strong gains and strong earnings reports. We remain overweight the insurance industry as it is undergoing significant positive change in pricing and the supply/demand environment. The portfolio also benefitted from strength in several (ecommerce) lead generation companies within the insurance industry that are classified within the communication services, which outperformed the index. We are also positive on other holdings in the capital markets and regional banking sub-industries which added modestly to absolute performance.

Materials

Materials contributed 15 basis points and 65 basis points on an absolute basis as our holdings gained 13.6% versus 11.0% for the index. We increased our exposure from 4.1% to 5.6% during the quarter, maintaining an overweight position versus 3.9% for the index. The outperformance was generated by materials holdings related to infrastructure and specialty metals in commercial aerospace. These companies saw continued strength in earnings and in end market demand.

Outlook & Positioning

Equities saw broad but volatile strength in the September quarter. Small caps outperformed as earnings improved, U.S. economic strength appears sustainable and as the Fed joins other global central banks by beginning an easing cycle. Small caps also continue to trade at a deep discount to large caps. The market's breadth and overall technical picture also remain attractive.

We have a positive outlook for U.S. equities in general. We believe the strengths outweigh several bearish concerns or risks, including the (relatively low, in our view) risk of economic weakness and any headwinds to lower inflation. Other risks include weaker earnings trends, US political disfunction and several 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 remains our largest absolute weight, followed by healthcare, technology, and consumer discretionary. On a relative basis, the strategy is overweight industrials, consumer discretionary, consumer staples and materials. The strategy is underweight healthcare, technology, financials and energy.

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 October 8, 2024 and are subject to change at any time due to changes in market or economic conditions. The material has not been updated since October 8, 2024 and may not reflect recent market activity.

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Driehaus Small Cap Growth Strategy

% Month-End Performance (as of 9/30/24)

				Annualized				
	MTH	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Inception[2]
Driehaus Small Cap Growth Composite (Gross)	**3.65**	**6.52**	**27.47**	**39.48**	**2.15**	**18.04**	**17.60**	**17.89**
Driehaus Small Cap Growth Composite (Net)	**3.60**	**6.37**	**26.97**	**38.74**	**1.57**	**17.31**	**16.74**	**17.11**
Russell 2000® Growth Index (Benchmark)	1.33	8.41	13.22	27.66	-0.35	8.82	8.95	8.75

Top 5 Holdings[5] (as of 8/31/24)

Company	Sector	% of Strategy
TransMedics Group, Inc.	Health Care	2.7
Crinetics Pharmaceuticals Inc	Health Care	2.6
Axon Enterprise Inc	Industrials	2.3
FTAI Aviation Ltd.	Industrials	2.3
Vaxcyte, Inc.	Health Care	1.9

Sector Weights (%)

	Strategy	Benchmark	*Active Weights*
Communication Services	1.4	2.0	*-0.6*
Consumer Discretionary	14.0	10.1	*4.0*
Consumer Staples	4.2	3.2	*1.0*
Energy	1.9	3.4	*-1.5*
Financials	7.3	8.3	*-1.0*
Health Care	23.0	25.6	*-2.6*
Industrials	24.1	21.8	*2.3*
Information Technology	17.5	19.6	*-2.1*
Materials	5.6	3.9	*1.6*
Real Estate	0.6	1.5	*-0.9*
Utilities	0.0	0.5	*-0.5*
Cash	0.4	0.0	*0.4*

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc.
Data as of 9/30/24.

The performance data represents the strategy's composite of small cap growth accounts managed by Driehaus Capital Management LLC (DCM). These returns are estimated for the period as the underlying accounts' data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

[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]1/1/1980. [3]Portfolio statistics represent the strategy's composite. [4]Data is calculated monthly. [5]Holdings subject to change.

Key Features

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

Facts

Inception Date	1/1/80
Composite Assets Under Management[1]	$4.6B
Firm Assets Under Management	$19.7B
Investment Style	Growth Equity
Available Investment Vehicles:	Separately Managed Account Collective Investment Trust Mutual Fund

Portfolio Statistics[3]

5-year period	Strategy	Benchmark
Information Ratio	1.03	n/a
Beta	0.99	1.00
Standard Deviation	25.25	24.09
Tracking Error	8.27	n/a
R-squared	0.89	n/a

Portfolio Characteristics

	Strategy	Benchmark
Number of Holdings	113	1,120
Weighted Avg. Market Cap (M)	$7,935	$4,141
Median Market Cap (M)	$6,078	$1,200
Active Share (3-year avg.)[4]	81.21	n/a

Portfolio Management

Jeff James , Lead Portfolio Manager
34 years of industry experience

Michael Buck, Portfolio Manager
24 years industry experience

Prakash Vijayan, Assistant Portfolio Manager
18 years industry experience

Sector Performance Attribution 3rd Quarter – 6/30/24 to 9/30/24

	Driehaus Small Cap Growth Strategy (Port) (%)		Russell 2000 Growth Index[1] (Bench) (%)		Attribution Analysis (%)		
GICS Sector	Port Avg. Weight	Port Contrib To Return	Bench Avg.Weight	Bench Contrib To Return	Allocation Effect	Security Selection + Interaction Effect	Total Effect
Communication Services	1.17	0.14	2.07	0.10	0.02	0.13	0.15
Consumer Discretionary	12.46	0.89	9.85	0.93	0.10	-0.41	-0.31
Consumer Staples	4.72	0.04	3.24	0.25	-0.06	-0.40	-0.46
Energy	4.00	-0.73	3.75	-0.34	-0.07	-0.30	-0.37
Financials	6.67	1.04	8.24	1.20	-0.15	0.14	-0.01
Health Care	22.20	2.74	25.77	2.59	-0.07	0.58	0.51
Industrials	23.38	2.99	21.58	1.92	0.02	0.86	0.88
Information Technology	18.47	-1.17	19.66	0.97	-0.04	-2.16	-2.21
Materials	5.32	0.65	3.87	0.40	0.04	0.11	0.15
Real Estate	0.23	0.06	1.48	0.30	-0.16	0.01	-0.15
Utilities	0.00	0.00	0.50	0.03	0.01	0.00	0.01
Cash	1.39	0.00	0.00	0.00	0.08	0.00	0.08
Other[2]	0.00	-0.15	0.00	0.00	-0.15	0.00	-0.15
Total	100.00	6.49	100.00	8.36	-0.43	-1.43	-1.86

Data as of 9/30/24

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

[1]The Russell 2000® Growth Index measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends. [2]Other 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 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 Cap Growth Composite was created in January 1993. An account is considered to be a small cap growth account if it primarily invests in U.S. equity securities of high growth companies within market capitalization ranges of generally followed small cap indices at the time of purchase. However, there is no requirement to be exclusively invested in small 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
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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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