

# Driehaus Emerging Markets Small Cap Equity Strategy Summary

3<sup>RD</sup> QUARTER 2024

Emerging market equities were rangebound for much of the third quarter, as ongoing economic deterioration in China was offset by strength in the Indian equity market, while stocks with links to the artificial intelligence (AI) theme continued to exhibit relative strength.

The final two weeks of the quarter brought a sharp reversal of these trends, as a policy shift in China brought about a decisive change in tone from the central government as it relates to property and equity markets. As market participants await more detailed announcements regarding the specific elements of the stimulus, historically large flows into local equity markets drove a 30% advance in the MSCI China Small Cap Index between September 16 and the end of the quarter.

Against this backdrop, EM outperformed the MSCI All-Country World Index for the quarter, however within the asset class, small caps underperformed the broad index by just over 300 basis points, owing to the much larger China weighting in the all-cap index relative to the small cap segment of EM.

The Driehaus Emerging Markets Small Cap Equity Strategy returned 2.9% for the quarter, trailing the 5.5% return for the MSCI Emerging Markets Small Cap Index.<sup>1</sup>

Korea contributed positively to the strategy's performance during the quarter. The country's industrial sector has been a beneficiary of "friendshoring" trends in strategically important industries such as power equipment, defense, and shipbuilding, and the strategy carries overweight positions in these areas.

India detracted from relative performance, largely due to strong year-to-date performers consolidating after large price advances. Fundamentally, the largest laggard in India was that of a rail wagon supplier, which underperformed due to a delay in the implementation of the government's Vande Bharat program to upgrade the passenger rail network.

The information technology sector contributed positively to performance during the quarter. Strength was led by an Indian electronic manufacturing services (EMS) firm tapping into import substitution trends, with exposure to auto, industrial, rail, medical, and aerospace & defense. The stock was strong during the quarter, as the government approved the company's proposal to set up a semiconductor plant in the state of Gujarat, which could more than double the company's revenue base in the years ahead.

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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.**

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The energy sector detracted from performance during the quarter. Oil prices drifted lower throughout the quarter, leading to broad underperformance in the sector, with a notable detractor being a deepwater rig operator. A deteriorating macro environment for oil drove the underperformance, as concerns over slowing China demand, alongside ample new supply from multiple regions, led to worsening economics for deepwater oil, which sits near the upper end of the cost curve.

The strategy is overweight Brazil. Several companies across various sectors are delivering idiosyncratic positive earnings revisions, while Brazil has moved aggressively to tighten monetary policy in recent years, and may prove to be a beneficiary of falling global interest rates and inflation.

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, and macroeconomic reforms in countries such as Turkey and Argentina. 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 9/30/24)

	Annualized						
	MTH	QTD	YTD	1 YR	3 YR	5 YR	Inception <sup>1</sup>
Driehaus Emerging Markets Small Cap Equity-Gross (2/1/16)	1.51	3.20	21.89	29.11	4.22	14.46	11.88
Driehaus Emerging Markets Small Cap Equity-Net (2/1/16)	1.40	2.86	20.68	27.40	2.79	12.82	10.50
MSCI Emerging Markets Small Cap Index (ND) (Benchmark)	3.69	5.48	12.91	23.01	5.14	12.22	9.48
MSCI Emerging Markets Small Cap Growth Index (ND)	3.87	5.00	11.55	20.19	2.92	11.94	7.99

## Top 5 Holdings<sup>5</sup> (as of 8/31/24)

Company	Country	Sector	% of Strategy
FPT Corp.	Vietnam	Information Technology	3.9
HD Hyundai Electric	South Korea	Industrials	3.7
ASPEED Technology, Inc.	Taiwan	Information Technology	2.8
Vista Energy SAB de CV Sponsored ADR Class A	Mexico	Energy	2.6
Cury Construtora e Incorporadora SA	Brazil	Consumer Discretionary	1.9

## Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	1.4	3.7	-2.3
Consumer Discretionary	9.9	12.0	-2.1
Consumer Staples	5.6	6.3	-0.7
Energy	6.3	1.8	4.5
Financials	9.9	10.8	-0.9
Health Care	4.0	9.3	-5.3
Industrials	29.3	18.1	11.1
Information Technology	11.4	16.6	-5.2
Materials	8.6	11.3	-2.7
Real Estate	6.1	6.5	-0.4
Utilities	4.6	3.4	1.2
Cash	2.8	0.0	2.8

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

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 Assets Under Management <sup>2</sup>	\$125M
Firm Assets Under Management	\$19.7B

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

5-year period	Strategy	Benchmark
Information Ratio	0.08	n/a
Beta	0.82	1.00
Standard Deviation	18.11	20.19
Tracking Error	8.00	n/a
R-squared	0.84	1.00

## Portfolio Characteristics

	Strategy	Benchmark
Number of Holdings	83	2,687
Weighted Avg. Market Cap (M)	\$4,503	\$2,153
Median Market Cap (M)	\$3,508	\$1,098
Est. 3-5 Year EPS Growth	28.0	21.2
Active Share (3-year avg.) <sup>4</sup>	96.23	n/a

## Portfolio Management

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

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

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

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**Country Weights (%)**

	Strategy	Benchmark	Active Weights
Argentina	4.6	0.0	4.6
Australia	1.4	0.0	1.4
Bermuda	0.9	0.0	0.9
Brazil	8.9	3.3	5.6
Canada	1.5	0.0	1.5
China	1.7	5.9	-4.2
Hong Kong	5.5	3.4	2.0
India	31.9	29.6	2.3
Kazakhstan	1.3	0.0	1.3
Malaysia	1.2	2.8	-1.6
Mexico	5.9	1.2	4.6
Qatar	0.9	0.6	0.3
Saudi Arabia	1.8	3.7	-2.0
South Africa	3.8	3.6	0.3
South Korea	8.6	11.3	-2.8
Taiwan	9.0	20.9	-11.9
Turkey	3.2	1.9	1.3
United Arab Emirates	1.5	1.2	0.3
Vietnam	3.8	0.0	3.8
Cash	2.8	0.0	2.8

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

Data as of 9/30/24.

Benchmark: MSCI Emerging Markets Small Cap Index (ND)

## Driehaus Emerging Markets Small Cap Equity Strategy

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

	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	1.24	29.19	0.33	3.63	12.46	0.45	0.03
Consumer Discretionary	9.79	6.83	0.62	12.01	5.39	0.63	0.14
Consumer Staples	4.63	12.11	0.52	6.23	7.85	0.49	0.09
Energy	7.25	-5.08	-0.41	1.74	5.40	0.10	-0.77
Financials	9.76	11.52	1.08	10.98	9.13	0.99	0.14
Health Care	3.58	18.11	0.66	8.85	17.25	1.49	-0.48
Industrials	28.95	2.33	0.59	18.77	1.44	0.25	-0.18
Information Technology	12.52	0.05	-0.17	16.98	-3.86	-0.72	0.72
Materials	7.05	8.16	0.60	11.23	4.34	0.46	0.32
Real Estate	5.48	4.67	0.31	6.12	16.42	0.97	-0.65
Utilities	4.64	4.51	0.23	3.40	9.68	0.32	-0.23
Cash	5.11	-0.09	0.00	0.00	0.00	0.00	-0.16
Other <sup>3</sup>	0.00	N/A	-1.54	0.04	N/A	0.04	-1.62
<b>Total</b>	<b>100.00</b>	<b>2.83</b>	<b>2.83</b>	<b>100.00</b>	<b>5.48</b>	<b>5.48</b>	<b>-2.65</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 3rd Quarter – 6/30/24 to 9/30/24

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	5.37	14.93	0.90	0.00	0.00	0.00	0.55
Australia	1.28	-3.42	-0.08	0.00	0.00	0.00	-0.13
Belgium	0.00	0.00	0.00	0.10	27.10	0.02	-0.02
Bermuda	1.05	-22.76	-0.31	0.00	0.00	0.00	-0.34
Brazil	8.02	12.57	0.93	3.62	6.14	0.27	0.34
Canada	1.43	29.99	0.36	0.00	0.00	0.00	0.29
Cayman Islands	0.00	0.00	0.00	0.11	16.13	0.02	-0.01
Chile	0.00	0.00	0.00	0.75	8.89	0.07	-0.02
China	1.25	10.20	0.12	4.99	20.83	1.01	-0.70
Colombia	0.00	0.00	0.00	0.03	-10.08	-0.01	0.01
Czech Republic	0.00	0.00	0.00	0.05	2.47	0.00	0.00
Egypt	0.00	0.00	0.00	0.16	17.38	0.03	-0.02
Greece	0.00	0.00	0.00	0.59	6.20	0.03	0.00
Hong Kong	3.74	27.13	1.04	2.98	15.23	0.45	0.56
Hungary	0.00	0.00	0.00	0.10	8.61	0.01	0.00
India	31.06	5.11	1.57	29.83	8.69	2.56	-1.00
Indonesia	0.00	0.00	0.00	1.80	17.82	0.31	-0.20
Kazakhstan	1.57	-16.68	-0.27	0.00	0.00	0.00	-0.35
Kuwait	0.00	0.00	0.00	1.11	2.24	0.02	0.04
Malaysia	1.32	-12.39	-0.18	2.71	7.86	0.22	-0.31
Mexico	5.88	-1.82	-0.09	1.40	-12.78	-0.21	-0.18
Netherlands	0.00	0.00	0.00	0.03	-1.39	0.00	0.00
Panama	0.28	-12.85	-0.09	0.00	0.00	0.00	-0.10
Peru	0.00	0.00	0.00	0.06	16.60	0.01	-0.01
Philippines	0.00	0.00	0.00	0.71	13.16	0.10	-0.05
Poland	0.00	0.00	0.00	1.26	5.38	0.07	0.00
Qatar	0.97	-6.14	-0.06	0.67	2.48	0.02	-0.10
Saudi Arabia	1.76	1.12	0.02	3.88	4.23	0.15	-0.02
Singapore	0.00	0.00	0.00	0.01	-15.44	0.00	0.00
South Africa	2.79	18.60	0.70	3.36	22.12	0.72	-0.02
South Korea	8.81	10.06	0.90	11.64	-2.53	-0.32	1.39
Taiwan	10.00	-7.99	-1.11	21.52	-2.02	-0.50	-0.04
Thailand	0.00	0.00	0.00	2.88	25.34	0.70	-0.54
Turkey	3.04	-5.52	-0.37	2.22	-13.89	-0.37	-0.02
United Arab Emirates	1.49	6.59	0.09	1.12	6.71	0.08	0.01
United Kingdom	0.00	0.00	0.00	0.07	0.06	0.00	0.00
United States	0.00	0.00	0.00	0.23	10.32	0.02	-0.01
Vietnam	3.78	6.97	0.28	0.00	0.00	0.00	0.06
Cash	5.11	-0.09	0.00	0.00	0.00	0.00	-0.16
Other <sup>3</sup>	0.00	-1.46	-1.52	0.00	0.00	0.00	-1.55
<b>Total</b>	<b>100.00</b>	<b>2.83</b>	<b>2.83</b>	<b>100.00</b>	<b>5.48</b>	<b>5.48</b>	<b>-2.65</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 5. <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.