

# Driehaus Emerging Markets Small Cap Equity Strategy Summary

1<sup>ST</sup> QUARTER 2025

Markets entered the new year under a cloud of uncertainty, as investors awaited potential policy changes with the onset of a new US presidential administration. Further, breakthroughs from Chinese artificial intelligence (AI) startup DeepSeek represented an unexpected development and a challenge to the prevailing market narrative of "US exceptionalism." At the same time, US fiscal policy began to diverge from other major economies, as the US signaled cuts to government spending, while China promoted a fiscal expansion at the National People's Congress in March, and European economies began to spend more meaningfully on defense.

Against this backdrop, the US dollar began to depreciate, retracting nearly all of its gains from the 4th quarter of 2024. Chinese equities staged a sharp rally, led by large cap companies perceived as beneficiaries of the inflection point surrounding DeepSeek, while US equities lagged broader indices, as multiple compression among large cap technology leaders drove the decline.

During the quarter, emerging markets (EM) outperformed the MSCI All-Country World Index by 419 basis points. Within the asset class, however, small caps underperformed the broad EM index by 739 basis points. This performance differential within EM was largely a function of the higher China weighting in the all-cap index, as well as the large India weight in the small cap index. Indian small caps continued their recent underperformance during the quarter, declining by 13.6%. As we will discuss in greater detail, a combination of fundamental and technical factors led to the declines in Indian small caps, and we used this as an opportunity to increase our weighting in India.

The Driehaus Emerging Markets Small Cap Equity Strategy returned -4.8% for the quarter, compared to the -5.4% return for the MSCI Emerging Markets Small Cap Index.<sup>1</sup>

Brazil contributed positively to the strategy's performance during the quarter, adding 150 basis points to performance. After having been one of the world's worst performing currencies in 2024, the Brazilian real appreciated by 7.6% during the quarter, as investors were attracted by real interest rate differentials, while President Lula's approval rating began to deteriorate. While it is likely too early to price in political change in the 2026 presidential elections, a shift toward the political right across a number of countries in Latin America may presage a similar move in Brazil, implying a lower degree of concern over the outlook for fiscal spending. Stock selection contributed 40 basis points to performance in Brazil during the quarter, as a low-income homebuilder and a digital bank were notable contributors.

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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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India detracted 170 basis points from relative performance, with nearly all of the impact coming from stock selection. Detractors included a provider of asset management platforms and services for mutual funds and financial institutions, as well as an electronics manufacturing company. The broad market underperformed during the quarter, as beneficiaries of the capex cycle began to exhibit a slowdown in new project awards, weighing on the earnings outlook. Domestic liquidity shifted into a deficit, which represented a technical factor that further weighed on risk assets, before the newly appointed Reserve Bank of India Governor eased liquidity and cut interest rates in February. Lastly, investors reacted negatively to the central government budget announced in early February, which was broadly perceived to favor consumption, while emphasizing fiscal consolidation over growth capex. As markets sold off, the strategy accumulated high conviction ideas in India in February, moving to an overweight position in the market. We maintain a positive long-term outlook on the market and believe India is well positioned to weather the period of uncertainty on the global trade and geopolitical front.

Information Technology added 44 basis points to relative performance during the quarter, largely from stock selection. Key contributors included a Chinese datacenter operator and a Taiwanese manufacturer of server rail kits, which are integral components of server racks.

The Financials sector detracted 56 basis points from relative performance, with 42 basis points coming from stock selection. The previously referenced Indian service provider for financial institutions was the notable detractor within the sector.

The strategy is overweight India. As one of the more closed economies in EM, India should be better positioned to withstand the recent implementation of reciprocal tariffs. Thus far, pharmaceutical products and IT services, two of India's key exports, have been exempted from tariffs. Further, as a large importer of oil and other commodities, terms of trade benefits stemming from lower commodity prices could help offset any impact of tariffs. Amid the market selloff, the strategy initiated new positions in a manufacturer of high voltage power transformers and a spirits producer with a strong local market share.

The strategy maintains an underweight position in Taiwan. While we maintain positions in select AI-focused supply chain beneficiaries in Taiwan, we find fewer 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 power infrastructure spending, reflecting the high growth in emerging economies such as India, as well as 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.

Immediately following the quarter, the US announced sweeping reciprocal tariffs, with many EM economies facing significant tariff increases. The strategy had been positioned cautiously going into the announcement, with a cash level at the upper end of our normal range and an underweight position in trade centric economies such as China, Taiwan, and Korea.

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In the aftermath of the tariff announcement, we continue to expect a lower trajectory for the US dollar, as growth estimates face downward revisions, while growth differentials increasingly favor the rest of the world over the US. While a weaker dollar is a benefit to EM as a whole, there will be varying impacts across economies. Further, the disruption of longstanding geopolitical order may galvanize alternative alliances and trade relationships that are independent of the US. Localization will likely become an increasingly relevant thematic.

A central component to the case for an allocation to EM Small Cap as an asset class is the high linkage to domestically driven businesses. Additionally, the asset class carries a high weighting to India, at 27%, along with a relatively low exposure to China, at 9.5%. As certain countries seek to negotiate bilateral trade agreements with the US, India may be an attractive candidate for such a deal, given its large domestic market. Moreover, the immediate response to tariffs in key commodity markets has been negative. As a large importer of key commodities such as oil, India may benefit from a positive term of trade shock.

As the dust settles from the tariff announcement, we will seek to deploy cash into recovery growth ideas, which may be overly discounting a negative scenario. We continue to emphasize domestically oriented businesses, given the lack of visibility for exporters, and favor countries that may derive outsized benefit from a weakening US dollar.

Until next month,



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

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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 April 10, 2025 and are subject to change at any time due to changes in market or economic conditions. The material has not been updated since April 10, 2025 and may not reflect recent market activity.

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## Driehaus Emerging Markets Small Cap Equity Strategy

## Sector Performance Attribution 1st Quarter – 12/31/24 to 3/31/25

	Driehaus Emerging Markets Small Cap Equity Strategy (Port) (%)			MSCI Emerging Markets Small Cap Index (ND) <sup>1</sup> (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect <sup>2</sup>
Communication Services	0.00	0.00	0.00	3.53	1.25	0.04	-0.22
Consumer Discretionary	7.39	-11.49	-0.92	11.41	-6.81	-0.79	-0.33
Consumer Staples	5.97	-2.04	-0.15	6.43	-2.23	-0.14	-0.04
Energy	5.13	-0.96	-0.08	1.84	-7.42	-0.12	0.22
Financials	9.38	-6.70	-0.63	11.20	-1.24	-0.13	-0.56
Health Care	4.13	-6.02	-0.20	9.60	-3.18	-0.30	-0.20
Industrials	34.23	-5.82	-1.99	17.69	-9.12	-1.64	0.43
Information Technology	13.25	-9.03	-1.20	17.25	-11.55	-1.91	0.44
Materials	7.11	-1.90	-0.16	11.48	-1.40	-0.15	-0.21
Real Estate	5.41	-6.73	-0.37	6.44	-3.84	-0.25	-0.17
Utilities	3.18	-6.33	-0.22	3.12	-3.29	-0.11	-0.10
Cash	4.84	-0.38	-0.01	0.00	0.00	0.00	0.34
Other <sup>3</sup>	-0.01	1.26	1.20	0.00	0.00	0.00	1.17
<b>Total</b>	<b>100.00</b>	<b>-4.72</b>	<b>-4.72</b>	<b>100.00</b>	<b>-5.50</b>	<b>-5.50</b>	<b>0.77</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 1st Quarter – 12/31/24 to 3/31/25

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	3.97	-12.18	-0.35	0.00	0.00	0.00	-0.13
Belgium	0.00	0.00	0.00	0.14	10.29	0.01	-0.02
Brazil	8.37	23.26	1.75	3.34	15.45	0.47	1.50
Canada	0.32	-10.87	-0.07	0.11	36.13	0.03	-0.07
Cayman Islands	0.00	0.00	0.00	0.15	-9.53	-0.01	0.01
Chile	0.00	0.00	0.00	0.82	20.80	0.15	-0.19
China	2.97	-1.01	-0.02	6.82	8.77	0.55	-0.76
Colombia	0.00	0.00	0.00	0.11	5.49	0.01	-0.01
Czech Republic	0.00	0.00	0.00	0.06	13.03	0.01	-0.01
Egypt	0.00	0.00	0.00	0.17	16.17	0.02	-0.03
Greece	0.00	0.00	0.00	0.66	11.93	0.07	-0.10
Hong Kong	5.06	21.62	1.01	3.51	3.91	0.13	0.93
Hungary	0.00	0.00	0.00	0.13	31.08	0.03	-0.04
India	30.63	-18.47	-6.06	26.73	-13.68	-4.10	-1.70
Indonesia	0.00	0.00	0.00	1.81	-15.59	-0.29	0.19
Kazakhstan	1.25	0.85	0.01	0.00	0.00	0.00	0.07
Kuwait	0.00	0.00	0.00	1.27	9.99	0.12	-0.18
Malaysia	0.27	-14.51	-0.19	2.85	-13.95	-0.42	0.09
Malta	0.00	0.00	0.00	0.01	1.49	0.00	0.00
Mexico	4.44	9.22	0.38	1.46	6.05	0.08	0.44
Netherlands	0.00	0.00	0.00	0.02	-2.76	0.00	0.00
Peru	1.17	12.92	0.14	0.08	12.92	0.01	0.18
Philippines	0.00	0.00	0.00	0.75	-3.67	-0.02	-0.02
Poland	0.00	0.00	0.00	1.52	28.96	0.39	-0.45
Qatar	0.35	9.17	0.05	0.71	4.68	0.03	0.02
Saudi Arabia	3.05	-3.13	-0.16	4.22	-2.91	-0.12	-0.11
South Africa	4.53	-12.61	-0.60	3.80	-4.93	-0.18	-0.36
South Korea	9.79	5.78	1.00	11.33	3.15	0.32	0.52
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Taiwan	8.31	-11.59	-1.10	20.72	-9.85	-1.89	0.09
Thailand	0.00	0.00	0.00	2.81	-20.38	-0.63	0.46
Turkey	4.99	-12.53	-0.77	2.17	-10.19	-0.23	-0.42
United Arab Emirates	1.60	-3.96	-0.04	1.30	-1.41	-0.02	-0.01
United Kingdom	0.00	0.00	0.00	0.06	-2.26	0.00	0.00
United States	0.00	0.00	0.00	0.37	-10.64	-0.04	0.02
Vietnam	4.11	-20.39	-0.88	0.00	0.00	0.00	-0.64
Cash	4.84	-0.38	-0.01	0.00	0.00	0.00	0.34
Other <sup>3</sup>	-0.01	1.26	1.20	0.00	0.00	0.00	1.17
<b>Total</b>	<b>100.00</b>	<b>-4.72</b>	<b>-4.72</b>	<b>100.00</b>	<b>-5.50</b>	<b>-5.50</b>	<b>0.77</b>

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# Driehaus Emerging Markets Small Cap Equity Strategy

## % Month-End Performance (as of 03/31/2025)

	Annualized						
	MTH	QTD	YTD	1 YR	3 YR	5 YR	Inception <sup>1</sup>
Driehaus Emerging Markets Small Cap Equity-Gross (2/1/16)	1.70	-4.43	-4.43	3.37	2.94	15.27	10.09
Driehaus Emerging Markets Small Cap Equity-Net (2/1/16)	1.59	-4.75	-4.75	2.01	1.54	13.64	8.73
MSCI Emerging Markets Small Cap Index (ND) (Benchmark)	-0.15	-5.49	-5.49	-2.00	1.69	15.73	7.39
MSCI Emerging Markets Small Cap Growth Index (ND)	-1.20	-7.42	-7.42	-4.12	-0.46	14.40	5.87

## Top 5 Holdings<sup>5</sup> (as of 02/28/2025)

Company	Country	Sector	% of Strategy
FPT Corp.	Vietnam	Information Technology	4.2
HD Hyundai Electric	South Korea	Industrials	3.0
Vista Energy SAB de CV Class A	Mexico	Energy	2.4
TAV Havalimanlari Holding A.S.	Turkey	Industrials	1.8
King Slide Works Co., Ltd.	Taiwan	Information Technology	1.6

## Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	0.0	3.7	-3.7
Consumer Discretionary	6.7	11.4	-4.7
Consumer Staples	6.8	6.6	0.2
Energy	4.9	2.1	2.8
Financials	9.6	11.7	-2.1
Health Care	4.9	10.0	-5.1
Industrials	32.2	17.7	14.4
Information Technology	12.1	15.3	-3.2
Materials	7.5	11.8	-4.4
Real Estate	5.7	6.5	-0.9
Utilities	2.2	3.2	-0.9
Cash	7.5	0.0	7.5

Data as of 03/31/2025.

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

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>	\$114M
Firm Assets Under Management	\$18,329M

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

5-year period	Strategy	Benchmark
Information Ratio	-0.28	n/a
Beta	0.84	1.00
Standard Deviation	15.60	16.64
Tracking Error	7.50	n/a
R-squared	0.80	1.00

## Portfolio Characteristics

	Strategy	Benchmark
Number of Holdings	80	1,940
Weighted Avg. Market Cap (M)	\$3,882	\$1,972
Median Market Cap (M)	\$3,246	\$1,070
Est. 3-5 Year EPS Growth	17.1%	16.8%
Active Share (3-year avg.) <sup>4</sup>	95.86	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

**Driehaus Emerging Markets Small Cap Equity Strategy**

**Country Weights (%)**

	Strategy	Benchmark	Active Weights
Argentina	3.4	0.0	3.4
Brazil	8.7	3.9	4.8
China/Hong Kong	8.0	11.1	-3.1
India	31.8	27.2	4.6
Kazakhstan	1.3	0.0	1.3
Mexico	4.3	1.4	2.9
Peru	1.3	0.1	1.2
Saudi Arabia	3.5	4.3	-0.8
South Africa	4.4	4.0	0.4
South Korea	6.6	11.0	-4.3
Taiwan	8.6	18.6	-10.0
Turkey	5.0	2.1	2.8
United Arab Emirates	2.1	1.4	0.7
Vietnam	3.6	0.0	3.6
Cash	7.5	0.0	7.5

Data as of 03/31/2025.

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc.  
 Benchmark: MSCI Emerging Markets Small Cap Index (ND)

## 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.