

Driehaus Small Cap Growth Strategy Summary

1ST QUARTER 2025

Market Overview

The U.S. equity market declined sharply during the March quarter. Initially equities held up well and were up on a year-to-date basis entering the second half of February. However, in late February stocks broadly began to decline as concerns surrounding President Trump's massive tariffs grew. At the same time, U.S. economic trends were strong heading into February but conditions became more mixed during the second half of the quarter as consumer and business sentiment weakened and net imports and industrial activity became front loaded ahead of the implementation of expected tariffs in April. Investor anxiety steadily grew about the negative ramifications of the tariffs as rhetoric from the Trump Administration ramped ahead so-called April 2nd Liberation Day.

Selling in late February and March was intense and historic. According to the large prime brokers, hedge fund de-risking and associated performance of certain risk factors (such as Beta and Medium-Term Momentum) were among the most extreme on record as policy uncertainty rose and concerns about the tariffs increased. To illustrate the intensity of the selling, here is just a sample of prime broker comments/sentiment from the late February to early March period:

- Both the Morgan Stanley and Goldman Sachs Momentum indices through mid-March saw their worst performances in over 15 years.
- The Bank of America beta risk factor basket saw its worst 14-day return in 10 years.
- "Hedge funds sold global equities at their fastest pace ever recorded" per Goldman Sachs, as it saw "unprecedented de-risking."

This intense selling and de-risking in late February and early March occurred between two other historically volatile periods. First, the debut of DeepSeek's lower cost Open Source AI Large Language Model (LLM) on January 27th caused extreme selling and unwinding of stocks related to the AI infrastructure data center capex theme. This dynamic caused many market leaders in technology and industrials to fall sharply. We believe the introduction of DeepSeek effectively ended the promising AI infrastructure investment theme as concern rose about the sustainability of the AI capex growth. Second, the days following Trump's April 2nd "reciprocal tariff" announcement saw some of the most extreme daily market declines in decades as the markets attempted to price in the impact of the proposed tariff increases which were greater than then 1930 tariff rates implemented with the passage of the disastrous Smoot-Hawley Tariff Act.

Trump Tariff Turmoil

On April 2nd, Trump announced "reciprocal" tariffs that were much higher and more severe than expected. He proposed tariffs of at least 10% on all countries globally and much higher tariff rates on 60 countries with some rates approaching 50%. The day after Trump's "Liberation Day" announcement became "Obliteration Day" for the market as the S&P 500 fell nearly 5%, the Nasdaq Composite nearly 6% and the Russell 2000 and Russell 2000 Growth 6.4%. Then the following day, the S&P 500, and the Nasdaq both declined by over 5.8%, the Russell 2000 fell nearly 4.5% and the Russell 2000 Growth 4.7%. It was U.S. market's steepest two-day decline since the Covid lock down period of 2020. The dollar, crude oil and long-term treasury yields also all fell sharply.

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Investors are clearly concerned about the path forward and what the tariffs mean for U.S. and global economic growth and corporate earnings. The tariffs will likely increase the cost of goods sold and overall prices and will slow global trade dramatically. There was immediate concern about a growth slowdown and a possible recession.

The perplexing tariff formula used by the Trump Administration defies conventional economics. The “reciprocal” tariff rates were far above rates charged by other countries and were determined by taking the bilateral trade goods deficit, divided by the U.S. annual goods imported from that country then dividing it by two, arriving at the new tariff rate. To ensure global reach, a 10 percent minimum base tariff was also implemented on all countries regardless whether there is a trade deficit or a surplus; with 60 countries receiving tariff rates higher than 10%. The tariffs violate at least twenty existing free trade agreements with various nations and are dubious legally as it may violate the Constitution as well as the International Emergency Economic Powers Act of 1977 (IEEPA) which was used to justify the tariffs as an emergency.

Then on April 9th, after four days of sharp declines, as the equity market was falling into the abyss and the credit and bond markets were starting to show cracks, Trump pivoted. He announced a 90 day pause, setting all tariff rates at 10%, with the important exception of China where he increased that tariff to a stunning 145%. While still suboptimal, the market let out a sigh of relief and reversed sharply higher. The U.S. market had one of its largest single up days on record as sentiment set in that perhaps a near certain recession could be avoided and negotiations with up to 70 countries would soon begin. The Nasdaq rose over 12%, the S&P 500 8.5% and the Russell 2000 Growth over 9.5%.

Still there is tremendous uncertainty and many questions regarding the tariffs and their impact on the economy. What are Trump’s real objectives, as he has stated multiple perplexing and sometimes conflicting goals? Will negotiations lead to reduced tariff rates? Trump and dozens of trading partners have expressed a desire to negotiate, and Trump loves to “make a deal.” Will additional tariffs on various sectors be announced? Can the US-China relationship be repaired? The 145% tariff rate on China is so high that it is essentially a \$400 billion embargo. The economic impact and dislocation will likely be immense if these tariffs remain in place for even a modest length of time.

Trump’s stated goals are complex and often conflicting. He wants the impossible goal of balanced trade by eliminating all trade deficits. He wants to end non-tariff trade barriers that he calls “unfair” trade practices by trading partners, but these practices are often subjective and difficult to negotiate. He wants to punish or isolate China and to correct the massive trade deficit and many of their trade practices. He wants to return manufacturing back to the U.S. For context, a great deal of U.S. manufacturing shifted to China in the years after it joined the World Trade Organization in 2001. The U.S. saw thousands of manufacturing plants close, and millions of jobs disappear in that following decade, and it went from being the largest global manufacturer to now the second largest. This decade, since Covid, reshoring or the return of manufacturing has been accelerating and which we view as a sustainable multi-year theme. Still, he wants to reverse the offshoring that occurred over the past few decades. He also wants to “re-order the global trading system,” a system that has been in place for many decades with origins dating back to the end of World War 2. Which of these goals has the highest priority is unclear as his messaging and rhetoric keeps shifting. This dynamic is confusing market participants and business leaders who are seeking clarity on how this crisis can be resolved.

Now that Trump has ordered a 90 day pause, there is optimism that the peak tariff rates could be off the table and that tariff rates will be reduced below 10% (excluding China which are now at 145%). The market’s ultimate concern is the impact of the tariffs on the economy and on earnings. Any avoidance of a recession and dollar, credit, and interest rate stress will be a huge relief to the market.

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This has been one of the most volatile and policy driven markets ever. Still there are multiple silver linings and potential positive outcomes that are important to consider:

- The 10% tariff rates (excluding China) are likely a high-water mark and could be negotiated lower as Trump and many key trade partners have said they want to make a deal.
- Trump has a long history of changing his mind and pivoting if there is too much market stress.
- While the tariffs will certainly pressure economic growth, the U.S. economy was relatively strong heading into this crisis with a solid labor market.
- Tariffs will be inflationary, but inflation has been trending favorably heading into April.
- Much of the U.S. economy is a service economy which could hold up relatively well as the tariffs take effect on the goods economy.
- The price of crude oil has fallen sharply acting as an offset to goods inflation and a cushion for the economy overall.
- It is possible that a court or Congress could step in to halt Trump's executive actions on the tariffs.
- While the Fed is currently on the sidelines, it is still expected to cut the federal funds rate several times this year.
- The equity market has declined sharply, and investor sentiment is extremely negative already so any positive resolution regarding tariff rates and notable bilateral or multi-lateral deals will be viewed very positively by the market.
- Deregulation and lower taxes could serve as favorable pro-business catalysts this year.

Performance Review

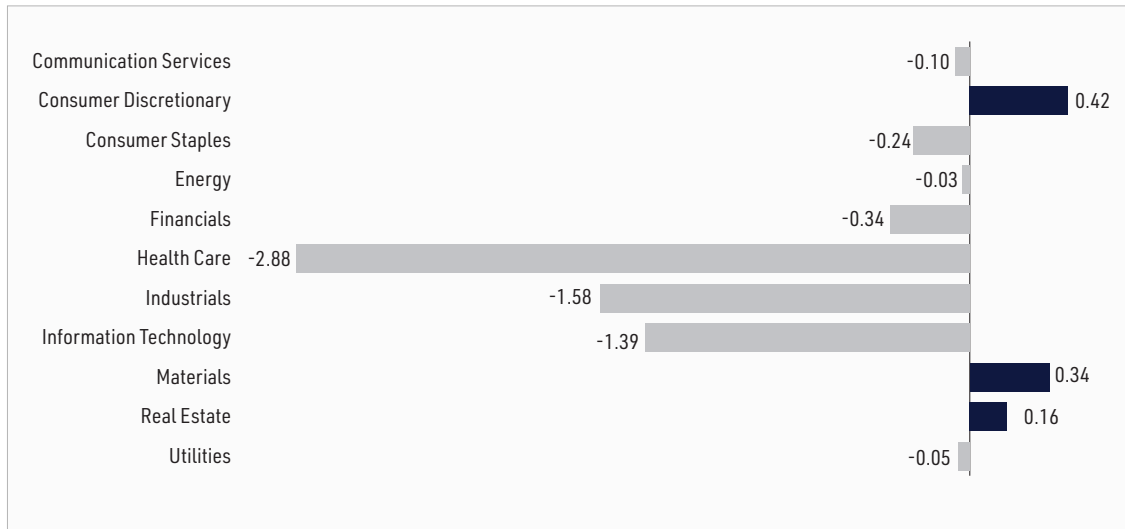
The Driehaus Small Cap Growth strategy underperformed its benchmark by 545 basis points for the March quarter, declining 16.57% versus a decline of 11.12% for the Russell 2000 Growth.¹ Additionally, the Russell 2000 fell 9.48%, and the S&P 500 4.27% for the quarter.

It was a challenging quarter as the market's breadth was extremely poor. As mentioned above, the unraveling of the AI infrastructure theme, followed by the panic surrounding Trump's tariff turmoil has been a deep one-two punch. Additionally, the controversial appointment of RFK Jr (Robert F Kennedy Jr) as the new Secretary of HHS (Health and Human Services) which oversees the FDA (Food & Drug Administration) has been an overhang on the healthcare sector.

From a sector perspective, the top two contributing sectors on a relative basis for the quarter were consumer discretionary and materials. The bottom two performing sectors on a relative basis in the March quarter were healthcare and industrials.

¹The 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.

Exhibit 1: Sector Attribution Relative to Benchmark

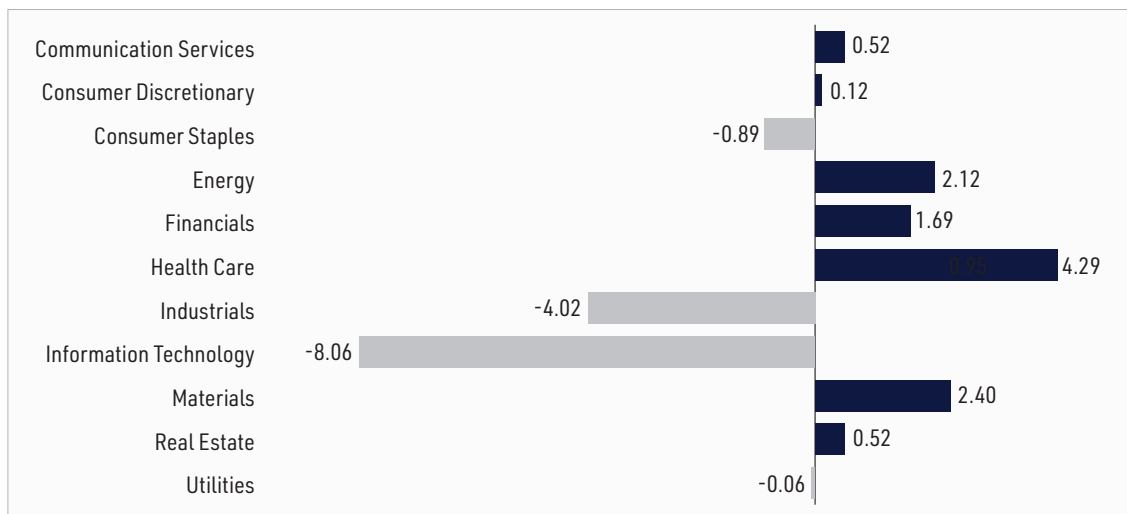


Source: Driehaus. Note: The sector attribution relative to benchmark for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector. This exhibit is ex-cash. The cash weighting at 3/31/2025 was 1.9%.

Strategy Overview and Positioning

The largest overweights in the portfolio in the March quarter were to the healthcare and energy sectors. The largest underweights during the March quarter were to information technology and industrials. The biggest shifts in the portfolio during the quarter was a decrease in its active weight to information technology and an increase in its active weight to healthcare. Detailed information about sector performance is below.

Exhibit 2: Change in Relative Weight



Source: Driehaus. Note: Change in relative weight is the difference between the change in ending weight from the previous quarter. This exhibit is ex-cash. The cash weighting at 3/31/2025 was 1.9%.

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Sectors detracting from relative returns during the quarter (in order of relative impact):

Healthcare

Healthcare underperformed by 288 basis points and detracted 455 basis points on an absolute basis. Our holdings declined 18.1% versus a decline of 6.2% for the index. We increased our exposure from 21.2% to 26.8% during the quarter, versus the index at 24.8% for the index. The portfolio finished the quarter overweight biotech, equal weight medical devices and pharmaceuticals while maintaining an underweight in the other smaller healthcare sub-industries within the benchmark. Our biotech holdings detracted 302 basis points in absolute terms and 113 basis points in relative terms. Our biotech positions declined 17.8% versus 10.8% for the index. We also saw underperformance within medical devices as strong quarterly earnings reports saw weak reactions largely due to the overall weak market environment.

The healthcare sector saw widespread multiple compression before and after the appointment of RFK Jr. As mentioned earlier he is controversial, and the market fears he will have a negative impact on the approval process for new drugs and medical devices. We believe RFK Jr's actual impact remains to be seen. A lot will depend on the actions of the new FDA commissioner, Dr. Martin Makary, whose appointment is generally viewed as positive by the biotech industry and healthcare sector overall. While large layoffs (around 18%) of full-time staff at the FDA were recently announced, we have been carefully monitoring for any potential negative impact. We believe the reductions are related to Trump's effort to reduce the size of the federal government much as other departments have seen via Elon Musk and DOGE (the Department of Government Efficiency) with the goal of reducing the annual federal deficit. Thus far it is unclear how many of the eliminated positions are actual drug reviewers and investigators versus other roles such as inspectors and general administrative functions. There is also little visibility in terms of how many of the reductions have occurred within drug regulation versus food regulation. There have been multiple high-profile departures of high-ranking regulators and directionally it is understandable why the market is concerned that this dynamic will slow down drug approvals and decision making. However, and positively, we have checked in with numerous biotech management teams of the companies we hold and more broadly we have heard from well over 100 companies and thus far 100% of those biotech companies have reported very normal dialogue and communication with the FDA and no sign of any slowdown or delay. We believe our portfolio holdings with innovative new therapies will still see their drug candidates get approved over time as they normally would.

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, and oncology. We anticipate promising results from upcoming clinical trials.

Industrials

Industrials detracted 158 basis points on a relative basis and 421 basis points in absolute terms, with our holdings declining 17.7% versus 11.2% for the index. We reduced our exposure from being overweight to underweight, going from 24.8% to 21.0% versus 22.9% for the index. The sector saw declines in AI data center related companies, machinery, distributors, and airlines. The sector saw positive performance from aerospace holdings. The reduction in sector exposure was in AI data centers companies following the debut of DeepSeek as well a reduction in other cyclical exposures as the economy began to weaken due to tariffs.

Technology

Technology detracted 139 basis points on a relative basis and 455 basis points in absolute performance. Our tech holdings fell 28.7% versus a decline of 19.3% for the index's tech holdings. We sharply reduced our exposure to the sector from 22.6% to 12.5% during the quarter, an underweight versus the benchmark's 18.5% weighting. Market breadth remains poor as semiconductors, hardware and software were all weak and the tariff concerns are an overhang.

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AI (Artificial Intelligence), which had been a strong and dominant theme in 2023 and 2024, saw broad weakness after the debut of DeepSeek's new LLM on January 27th. While capex growth by the large hyperscalers in AI infrastructure and data center spending remains strong, we believe the weakness in the related stocks is due to the idea that capex will decelerate in 2026 and beyond as DeepSeek's approach could lead to a commoditization of LLMs and more efficient building of AI applications. Over time, this will boost the development of AI software, services, and applications but in the meantime it is negative for stocks related to AI and data center infrastructure. We reduced our exposure quickly and dramatically after the development of DeepSeek.

Financials

Financials detracted 34 basis points on a relative basis and detracted 86 basis points in absolute terms. Our holdings fell 10.3% versus a decline of 6.6% for the index. We saw strength in specialty insurance offset by declines in fintech and specialty finance lenders. We increased our exposure from 7.0% to 9.2%, versus an index weight of 9.1% by the end of the quarter.

Consumer Staples

Consumer staples detracted 24 basis points in relative terms and 42 basis points in absolute terms. Our holdings declined 6.7% versus a gain of .6% for the index. We decreased our exposure from 4.8% to 4.4% during the quarter versus 3.8% for the index. We saw strength in a specialty grocer and a specialty beverage company offset by weakness in a pet food supplier.

Energy

The energy sector detracted 3 basis points in relative returns and 41 basis points in absolute terms. Our energy stocks fell 12.3% versus a decline 10.3% for the index. We increased our exposure from 2.9% to 5.1%, an overweight versus 3.4% for the index. Our holdings saw strength in oil services and exploration & production companies but pullbacks in uranium miners.

Sectors contributing positively to returns during the quarter (in order of relative impact):

Consumer Discretionary

Consumer discretionary contributed 42 basis points on a relative basis but detracted 131 basis points in absolute terms. Our holdings declined 12.6% versus a decline of 16.8% for the index. We decreased our sector exposure from 11.4% to 10.8%, maintaining an overweight versus 9.5% for the index. Our relative outperformance was due to strength in restaurants, education, gaming, and fitness related businesses partially offset by declines in specialty retail. Consumer fundamentals remain positive as wages and the labor market remain strong however the outlook is certainly cloudy as it depends on how long tariffs remain in place given the potential negative impact on inflation and consumer confidence.

Materials

Materials contributed 34 basis points in relative terms. Our holdings gained 1.6% versus a decline of 7.7% for the index. We increased our exposure from 2.8% to 5.4% during the quarter, an overweight versus 3.8% for the index. Our holdings in precious metals and aerospace composites saw gains partially offset by a pullback in a construction materials supplier.

Real Estate

Real Estate contributed 16 basis points in relative terms and 26 basis points in absolute terms. We saw strong performance from a technology oriented real estate brokerage firm that is outgrowing the industry and experiencing robust growth and positive upward estimate revisions. Our holdings appreciated 45.6% versus a gain of 2.1% for the sector in the index.

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Outlook & Positioning

It has been a challenging quarter and year-to-date with several major overhangs for the market, most notably the tariff situation. At this juncture, every part of the outlook depends on Trump's tariffs. The Trump administration and many trading partners are entering trade negotiations. If there are favorable new trade "deals" and tariff rates are lowered from here, that will be well received by the market as economic damage could be reduced. Certainly, some damage has already occurred on multiple fronts, but a quick resolution can avoid a lot of bad outcomes.

We have successfully managed portfolios through multiple crises and several bear markets over the past 27 years, including the Asian debt crisis, the Nasdaq bubble, the Great Financial Crisis (GFC), the European debt crisis, and the Covid shutdowns. This tariff crisis is unique, but it will create opportunities. Stocks of many strong businesses have declined sharply but will emerge positively out of this crisis. We are monitoring the constantly changing tariff policies very closely. As we enter the upcoming earnings season, many companies may not give near-term guidance given the high degree of uncertainty due to the tariffs. Yet as companies report earnings, a key focus for us will be to determine how tariffs are impacting expenses, margins, and demand for each holding and each new potential investment idea. As always, we will remain focused on companies that are well positioned to emerge from this unprecedented situation in a strong position to gain market share and to exceed expectations as we head into the second half of this year, 2026 and beyond.

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

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 April 15, 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 14, 2025 and may not reflect recent market activity.

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Driehaus Small Cap Growth Strategy

% Month-End Performance (as of 3/31/25)

	Annualized							
	MTH	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Inception ²
Driehaus Small Cap Growth Composite (Gross)	-9.54	-16.46	-16.46	-10.14	1.75	17.44	13.55	17.23
Driehaus Small Cap Growth Composite (Net)	-9.58	-16.57	-16.57	-10.62	1.20	16.72	12.74	16.45
Russell 2000 [®] Growth Index (Benchmark)	-7.58	-11.12	-11.12	-4.86	0.78	10.78	6.14	8.41

Top 5 Holdings⁵ (as of 2/28/25)

Company	Sector	% of Strategy
CyberArk Software Ltd.	Information Technology	2.2
Sprouts Farmers Market, Inc.	Consumer Staples	2.2
Crinetics Pharmaceuticals Inc	Health Care	1.9
Natera, Inc.	Health Care	1.8
Embraer S.A. Sponsored ADR	Industrials	1.8

Sector Weights (%)

	Strategy	Benchmark	Active Weights
Communication Services	1.6	2.1	-0.4
Consumer Discretionary	10.8	9.5	1.4
Consumer Staples	4.4	3.8	0.6
Energy	5.1	3.4	1.7
Financials	9.2	9.1	0.1
Health Care	26.8	24.8	2.0
Industrials	21.0	22.9	-1.9
Information Technology	12.5	18.5	-6.0
Materials	5.4	3.8	1.6
Real Estate	1.2	1.6	-0.4
Utilities	0.0	0.5	-0.5
Cash	1.9	0.0	1.9

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc.
Data as of 3/31/25.

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¹Composite assets include those accounts that meet the composite objectives and eligibility requirements. Please see the notes at the end of this document for additional information. ²1/1/1980.

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

Key Features

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

Facts

Inception Date	1/1/80
Composite Assets Under Management ¹	\$4,126M
Firm Assets Under Management	\$18,332M
Investment Style	Growth Equity
Available Investment Vehicles:	Separately Managed Account Collective Investment Trust Mutual Fund

Portfolio Statistics³

5-year period	Strategy	Benchmark
Information Ratio	0.71	n/a
Beta	1.01	1.00
Standard Deviation	25.07	23.45
Tracking Error	8.40	n/a
R-squared	0.89	1.00

Portfolio Characteristics

	Strategy	Benchmark
Number of Holdings	120	1,116
Weighted Avg. Market Cap (M)	\$7,323	\$4,109
Median Market Cap (M)	\$4,707	\$1,005
Active Share (3-year avg.) ⁴	80.83	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
19 years industry experience

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

All investments have risks. At times, a significant portion of an account's return may be attributable to investments in initial public offerings (IPOs) or concentrations in certain strong performing sectors, such as technology. Returns from IPOs or sector concentrations may not be repeated or consistently achieved in the future. In addition, participating in IPOs and other investments during favorable market conditions may enhance the performance of a strategy with a smaller asset base, and the strategy may not experience similar performance results as its assets grow. The securities of micro-cap companies may be more volatile in price, have wider spreads between their bid and ask prices, and have significantly lower trading volumes than the securities of larger capitalization companies. As a result, the purchase and sale of more than a limited number of shares of the securities of a smaller company may affect its market price. Growth stocks may involve special risks and their prices may be more volatile than the overall market. It is anticipated that the strategy will experience high rates of portfolio turnover.

INDICES

The Russell 2000® Growth Index measures the performance of the small cap growth segment of the U.S. equity universe. It includes those Russell 2000® companies with higher price- value ratio and higher forecasted growth values. The performance data includes reinvested dividends.

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TERMS

Active share represents the share of portfolio holdings that differ from the benchmark index holdings. **Beta** is a measure of a portfolio's volatility. A beta of 1.00 implies perfect historical correlation of movement with the market. A higher beta manager will rise and fall more rapidly than the market, whereas a lower beta manager will rise and fall slower. **Information Ratio (IR)** measures a portfolio manager's ability to generate excess returns relative to a benchmark, but also attempts to identify the consistency of the investor. This ratio will identify if a manager has beaten the benchmark by a lot in a few months or a little every month. The higher the IR the more consistent a manager is and consistency is an ideal trait. **R-Squared** is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. For fixed-income securities, the benchmark is the T-bill. For equities, the benchmark is the S&P 500. **Standard Deviation** is a measure of the average deviations of a return series from its mean; often used as a measure of portfolio volatility. A large standard deviation implies that there have been large swings or volatility in the manager's return series. **Tracking Error** is a divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

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