

# Driehaus Frontier Emerging Markets Fund Commentary

The backdrop for frontier markets remained heavily macro-driven throughout the third quarter, on the back of rising stress in Argentina following multiple rounds of currency devaluation and aggressive interest rate hikes, and culminated with an International Monetary Fund (IMF) agreement at the end of the quarter.

As noted in our June quarter commentary, the fund aggressively reduced positions in Argentina in tandem with the negative macro inflection earlier in the year, while using the concurrent, and fundamentally unrelated, selloff in Vietnam to significantly add to positions. Below, we update our fundamental views on these two countries.

Facing widening twin deficits and rising inflation, authorities in Argentina engaged in an orthodox economic response, aggressively hiking interest rates in an effort to attract capital and stem inflation. However, capital flight and portfolio outflows led to marked currency devaluation, negating the

policy response and necessitating a more aggressive action involving a comprehensive strategy with IMF backing.

In short, we find the current strategy credible, yet negative for growth and not without risk. The good news is that the IMF agreed to a sizable package of \$57 billion, and the Argentine authorities committed to fiscal consolidation and no growth in the monetary base, with a clear aim of bringing down inflation. The hope is that these aggressive measures, along with 60% interest rates, will stem capital flight and attract portfolio investment, arresting the vicious circle.

That said, a lack of fiscal or monetary stimulus does not portend positively for GDP or earnings growth, and we reiterate that Argentine equities are far from cheap, trading at nearly 14x forward earnings, and still facing the prospect of earnings downgrades. (Exhibit 1) While we remain attentive to the potential for positive change as these policy measures take effect, we continue to find more attractive opportunities elsewhere within frontier markets.

**Exhibit 1: MSCI Argentina Forward P/E Ratio**



Source: Bloomberg

In that regard, Vietnam remains at the top of our list. With GDP growth of nearly 7%, inflation remaining in check, and a current account surplus, Vietnam is in a sweet spot relative to many economies around the globe.

Company-specific trends reveal similar causes for optimism, as the fund's top weighting, a monopoly operator of airports in the country, reported a 17% increase in revenue over the first half of 2018, while its operating profit grew by nearly 50%. As Vietnam is among the fastest growing travel markets in the world, the fund maintains heavy exposure to this theme.

The growth of consumer companies in Vietnam is equally impressive. Among the fund's top positions is an electronics retailer and operator of a grocery chain. Modern retail sales penetration is only 5% in the country, lagging behind other countries in the region such as Philippines (31%) and Malaysia (45%) and far behind the more developed economies of Asia, such as Japan (81%). With a consumer market that represents nearly 70% of GDP, this creates an enormous structural opportunity for well positioned companies to take market share from informal competitors. Emblematic of the inefficiency we see in frontier markets, along with investors' neglect of the asset class, this retail company posted 40% earnings growth in the first half of the year and generates 45% return on equity, best in class metrics for a company in this industry, yet trades at only 12x forward P/E.

We find these types of growth characteristics in numerous industries and countries across frontier markets, including areas tied to the consumer, the growth of financial services, travel, and beneficiaries of foreign direct investment. As

China confronts the threat of trade wars and a recent peak in its working age population, the shift of lower end manufacturing to other destinations is a trend that has been in place for several years, benefiting the likes of Bangladesh and Vietnam. Across Sub-Saharan Africa, we continue to see urbanization and the growth of consumer goods and services. Tourism has been a driver of a booming economy in Cambodia. These structural growth trends lead us to hold an optimistic long-term view on frontier markets as an asset class, particularly as the diverging macroeconomic fundamentals described above creates differentiation across the frontier opportunity set.

## PERFORMANCE REVIEW

The Driehaus Frontier Emerging Markets Fund, net of fees, returned -5.53% for the quarter, compared to the MSCI Frontier Markets Index (ND) return of -1.98% for the quarter.<sup>1</sup> At the sector level, the most significant contributors to returns were real estate and consumer discretionary. The consumer staples and health care sectors detracted the most value. At the country level, Vietnam and Pakistan contributed most to performance for the month, while Egypt and Kuwait were notable detractors from performance.

Until next month,



**Chad Cleaver**  
Lead Portfolio Manager



**Rich Thies**  
Portfolio Manager

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### <sup>1</sup>Performance Disclosure

The performance data shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Principal value and investment returns will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. The Fund will charge a redemption fee of 2.00% on shares held less than 60 days. Performance data represents the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). Average annual total return reflects annualized change, while cumulative total return reflects aggregate change. Since Fund performance is subject to change after the month-end, please call (800) 560-6111 or visit [www.driehaus.com](http://www.driehaus.com) for more current performance information.

### Disclosures

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 9, 2018 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since October 9, 2018 and may not reflect recent market activity.

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Please consider the investment objectives, risks, fees and expenses of the Fund carefully prior to investing. The prospectus and summary prospectus contain this and other important information about the Fund. To obtain a copy of the prospectus and/or summary prospectus, please call us at (800) 560-6111. Please read the prospectus and summary prospectus carefully before investing. Driehaus Securities LLC, Distributor

**PERFORMANCE** as of 9/30/18

	QTR	YTD	1 Year	3 Year	Inception 5/4/15
<b>DrieHaus Frontier Emerging Markets Fund</b>	<b>-0.95</b>	<b>-13.54</b>	<b>-7.52</b>	<b>3.93</b>	<b>-0.06</b>
MSCI Frontier Markets Index (ND) <sup>1</sup>	-0.05	-12.63	-7.73	5.32	0.16

**ANNUAL FUND OPERATING EXPENSES<sup>2</sup>**

Management Fee	Other Expenses	Acquired Fund Fees and Expenses	Total annual fund operating expenses	Expense Reimbursement	Total Annual Fund Operating Expenses
1.50%	0.83%	0.01%	2.34%	(0.33%)	<b>2.01%<sup>3</sup></b>

**SECTOR PERFORMANCE ATTRIBUTION** 3rd Quarter — 6/30/18 to 9/30/18

	DrieHaus Frontier Emerging Markets Fund (Port) (%)		MSCI Frontier Markets Index (ND) <sup>1</sup> (Bench) (%)		Attribution Analysis (%)		
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
MSCI/GICS Sector							
Communication Services	3.86	-0.55	12.76	-0.14	-0.07	-0.53	-0.64
Consumer Discretionary	8.41	-0.06	0.66	-0.10	-0.94	1.15	0.21
Consumer Staples	10.04	-1.66	9.60	-0.45	-0.04	-1.24	-1.26
Energy	0.54	0.07	5.76	0.63	-0.74	0.07	-0.68
Financials	35.58	-0.47	44.32	-0.79	-0.02	0.17	0.09
Health Care	5.25	-0.93	3.02	-0.15	-0.14	-0.64	-0.79
Industrials	12.96	-0.76	4.34	-0.03	0.14	-0.70	-0.57
Information Technology	1.11	0.03	1.62	0.05	-0.01	-0.02	-0.03
Materials	5.78	-0.86	4.92	-0.31	-0.07	-0.53	-0.58
Real Estate	5.35	0.32	9.14	-0.43	0.05	0.55	0.65
Utilities	0.11	-0.03	3.85	-0.25	0.19	-0.04	0.15
Cash	11.01	-0.19	0.0	0.0	0.52	0.0	0.35
Unassigned*	0.0	-0.34	0.0	0.0	-0.33	0.0	-0.33
<b>Total</b>	<b>100.00</b>	<b>-5.42</b>	<b>100.00</b>	<b>-1.98</b>	<b>-1.46</b>	<b>-1.77</b>	<b>-3.44</b>

Data as of 9/30/18

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

<sup>1</sup>The Morgan Stanley Capital International Frontier Markets Index provides broad representation of the equity opportunity set while taking investability requirements into consideration within each market MSCI classifies as a frontier market. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment. The gross dividend (GD) index is calculated with gross dividend reinvestment. The benchmark has changed from the MSCI Frontier Markets Index (GD) to the MSCI Frontier Markets Index (ND) because the net index is more commonly used industry wide and is a more representative comparison versus the strategy because it is presented net of foreign withholding taxes. 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. Definitions of the attribution analysis can be found on page 4. \*Unassigned refers to securities that are not recognized by FactSet.

The performance data shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Principal value and investment returns will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Performance data represents the rate that an investor would have earned (or lost), during the given month, on an investment in the Fund (assuming reinvestment of all dividends and distributions). Average annual total return reflects annualized change. Since Fund performance is subject to change after the month-end, please call (800) 560-6111 or visit [www.driehaus.com](http://www.driehaus.com) for more current performance information. <sup>2</sup>Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2018. It is important to understand that a decline in the fund's average net assets due to unprecedented market volatility or other factors could cause the fund's expense ratio for the current fiscal year to be higher than the expense information presented. A shareholder may be required to pay a commission to their financial intermediary. <sup>3</sup>DrieHaus Capital Management LLC, the Fund's investment adviser, has entered into a contractual agreement to cap the Fund's ordinary annual operating expenses at 2.00% of average daily net assets until the earlier of the termination of the investment advisory agreement, by the Board of Trustees or the Fund's shareholders, or May 3, 2021. The expense cap excludes interest, taxes, brokerage commissions, dividends and interest on short sales and other investment-related costs, acquired fund fees and expenses and extraordinary expenses, such as litigation and other expenses not incurred in the ordinary course of the Fund's business, resulting in the current total annual fund operating expenses after expense reimbursement of 2.01%. Pursuant to the agreement, and so long as the investment advisory agreement is in place, for a period not to exceed three years from the date on which the waiver and reimbursement was made, the investment adviser is entitled to reimbursement for previously waived fees and reimbursed expenses to the extent that the Fund's expense ratio remains below the operating expense cap that was in place at the time of the waiver as well as the existing operating expense cap.

**COUNTRY PERFORMANCE ATTRIBUTION** 3rd Quarter — 6/30/18 to 9/30/18

MSCI Country	Driehaus Frontier Emerging Markets Fund (Port) (%)			MSCI Frontier Markets 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	Allocation Effect	Selection + Interaction	Total Effect
Argentina	4.15	-46.18	-1.22	14.92	-10.61	-1.41	0.74	-0.94	-0.22
Bahrain	0.00	0.00	0.00	4.13	10.89	0.40	-0.46	0.00	-0.48
Bangladesh	6.32	-4.07	-0.33	2.75	-6.26	-0.18	-0.33	0.17	-0.16
Botswana	0.02	-1.52	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
Cambodia	2.37	16.71	0.24	0.00	0.00	0.00	0.32	0.00	0.34
Canada	0.30	7.44	0.10	0.00	0.00	0.00	0.09	0.00	0.09
Croatia	0.00	0.00	0.00	1.67	-1.83	-0.03	0.00	0.00	0.00
Egypt	7.09	-21.02	-1.75	0.00	0.00	0.00	-1.72	0.00	-1.71
Estonia	0.00	0.00	0.00	0.27	-9.44	-0.03	0.02	0.00	0.02
Georgia	0.21	0.32	0.00	0.00	0.00	0.00	-0.02	0.00	-0.02
Ghana	0.70	-12.32	-0.10	0.00	0.00	0.00	-0.08	0.00	-0.09
Ivory Coast	0.00	0.00	0.00	0.16	-15.47	-0.03	0.02	0.00	0.03
Jordan	1.53	-9.18	-0.43	1.29	-8.52	-0.11	-0.14	-0.25	-0.38
Kazakhstan	0.68	-34.96	-0.26	0.79	-8.34	-0.07	0.01	-0.19	-0.19
Kenya	2.75	-14.98	-0.57	5.61	-13.19	-0.78	0.20	-0.01	0.17
Kuwait	7.71	6.80	0.57	20.91	8.62	1.59	-1.19	-0.14	-1.36
Lebanon	0.00	0.00	0.00	1.93	-14.40	-0.29	0.27	0.00	0.26
Lithuania	0.00	0.00	0.00	0.24	-0.77	0.00	0.00	0.00	0.00
Luxembourg	1.11	-0.41	0.03	1.87	3.53	0.05	0.00	-0.04	-0.04
Mauritius	0.00	0.00	0.00	2.20	1.53	0.03	-0.07	0.00	-0.07
Morocco	2.00	3.55	0.03	7.80	-2.74	-0.24	0.12	0.11	0.17
Netherlands	0.69	3.11	0.01	0.00	0.00	0.00	0.03	0.00	0.03
Nigeria	5.21	-16.58	-0.90	6.82	-14.27	-1.07	0.16	-0.06	0.13
Norway	0.04	-0.04	0.00	0.00	0.00	0.00	0.01	0.00	0.01
Oman	0.15	3.71	0.05	1.41	9.42	0.13	-0.13	0.02	-0.11
Pakistan	5.31	5.99	0.36	0.00	0.00	0.00	0.57	0.00	0.65
Romania	6.26	3.06	0.18	4.30	6.64	0.26	0.12	-0.20	-0.07
Saudi Arabia	3.22	-16.01	-0.68	0.00	0.00	0.00	-0.73	0.00	-0.71
Senegal	0.00	0.00	0.00	0.80	-10.31	-0.09	0.07	0.00	0.07
Slovenia	0.00	0.00	0.00	1.67	-1.91	-0.03	0.01	0.00	0.01
Serbia	0.00	0.00	0.00	0.23	0.63	0.00	0.00	0.00	0.00
Sri Lanka	1.35	-19.88	-0.29	1.12	-13.61	-0.16	-0.01	-0.08	-0.11
Suriname	1.04	-19.92	-0.24	0.00	0.00	0.00	-0.20	0.00	-0.19
Switzerland	0.02	-8.66	-0.03	0.00	0.00	0.00	-0.02	0.00	-0.02
Thailand	0.47	-27.59	-0.29	0.00	0.00	0.00	-0.31	0.00	-0.30
Togo	0.00	0.00	0.00	0.35	-11.27	-0.04	0.04	0.00	0.04
Tunisia	0.00	0.00	0.00	0.76	-7.06	-0.06	-0.01	0.00	0.04
Ukraine	1.37	-6.30	-0.09	0.00	0.00	0.00	-0.09	0.00	-0.08
United Arab Emirates	1.63	-6.84	-0.13	0.00	0.00	0.00	-0.10	0.00	-0.10
United Kingdom	0.99	-7.75	-0.15	0.00	0.00	0.00	-0.10	0.00	-0.12
Vietnam	24.35	2.58	1.00	15.99	1.23	0.18	0.61	0.44	1.01
Cash	11.01	-2.32	-0.19	0.00	0.00	0.00	0.51	0.00	0.34
Unassigned	0.00	-0.35	-0.34	0.00	0.00	0.00	-0.34	0.00	-0.34
<b>Total</b>	<b>100.00</b>	<b>-5.42</b>	<b>-5.42</b>	<b>100.00</b>	<b>-1.98</b>	<b>-1.98</b>	<b>-2.09</b>	<b>-1.15</b>	<b>-3.45</b>

Sources: FactSet Research Systems Inc. and Driehaus Capital Management. Per FactSet Research Systems Inc., the Attribution Report provides an in-depth analysis of relative performance. With this report one can research whether a portfolio outperformed a benchmark, and how each group contributed to performance. The performance data shown above is estimated and represents past performance and does not guarantee future results. **Current performance may be lower or higher than the performance data quoted. The information presented is intended for informational purposes only.** <sup>1</sup>A definition of this index can be found on page 3. Definitions of the attribution analysis can be found below.

**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.

**Currency Effect** - The currency effect is the portion of the total effect the portfolio manager can potentially influence by using currency hedging.

**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.

## PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Number of Holdings	55	115
Weighted Avg. Market Cap (M)	\$4,080	\$5,706
Median Market Cap (M)	\$1,671	\$1,858
Est. 3-5 Year EPS Growth	23.5%	28.1%
Active Share	76.94	n/a
<b>Market Cap Breakout (%)</b>		
< \$5 billion	80.1	59.0
\$5 - \$15 billion	11.8	33.7
> \$15 billion	8.1	7.3

## SECTOR WEIGHTS(%)

	Fund	Benchmark	Active Weights
Consumer Discretionary	3.7	12.7	-9.0
Consumer Staples	12.0	0.6	11.3
Energy	10.6	9.7	0.9
Financials	3.3	6.0	-2.7
Health Care	33.0	44.1	-11.1
Industrials	3.1	3.0	0.1
Information Technology	5.6	4.3	1.3
Materials	1.0	1.7	-0.7
Real Estate	6.4	5.0	1.3
Telecomm. Services	6.5	9.2	-2.6
Utilities	0.7	3.7	-3.0
Cash	1.3	0.0	1.3
Unassigned	12.8	0.0	12.8

## COUNTRY WEIGHTS (%)

	Fund	Benchmark	Fund	Benchmark	
Argentina	0.7	13.8	Netherlands	1.8	0.0
Bahrain	0.0	4.3	Nigeria	2.1	6.5
Bangladesh	7.4	2.8	Norway	1.0	0.0
Cambodia	3.6	0.0	Oman	1.1	1.6
Canada	1.3	0.0	Pakistan	7.9	0.0
Croatia	0.0	1.7	Romania	7.8	4.5
Egypt	5.9	0.0	Saudi Arabia	2.5	0.0
Estonia	0.0	0.3	Senegal	0.0	0.8
Ghana	0.8	0.0	Slovenia	0.0	1.6
Ivory Coast	0.0	0.1	Serbia	0.0	0.2
Jordan	0.7	1.3	Sri Lanka	1.6	1.0
Kazakhstan	0.8	0.8	Togo	0.0	0.3
Kenya	3.7	5.0	Tunisia	0.0	0.7
Kuwait	7.5	21.5	Ukraine	1.6	0.0
Lebanon	0.0	1.8	UAE	1.8	0.0
Lithuania	0.0	0.2	United Kingdom	0.6	0.0
Luxembourg	1.0	1.9	Vietnam	33.7	16.8
Mauritius	0.0	2.3	Cash	1.3	0.0
Morocco	1.8	7.9			

TOP 5 HOLDINGS<sup>1</sup> (as of 8/31/18)

Company	% of Fund
Airports Corporation of Vietnam	7.5
National Bank of Kuwait K.S.C.	5.3
Guaranty Trust Bank PLC	3.6
Safaricom PLC	3.6
NagaCorp Ltd.	3.1

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
Data as of 9/30/18. Benchmark: MSCI Frontier Markets Index (ND)  
<sup>1</sup>Holdings subject to change.

Driehaus Securities LLC, Distributor

The Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than other investments. During certain periods, the Fund has benefited from unusually strong market conditions. At times, a significant portion of a Fund'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 Fund with a smaller asset base, and the Fund may not experience similar performance results as its assets grow. **Investments in overseas markets can pose more risks than U.S. investments, and the Fund's share prices are expected to be more volatile than that of a U.S.-only fund.** In addition, the Fund'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 Fund invests. These risks are generally greater when investing in emerging markets. These and other risk considerations are discussed in the Fund's prospectus. **Please consider the investment objectives, risks, fees and expenses of the Fund carefully prior to investing. The prospectus and summary prospectus contain this and other important information about the Fund. To obtain a copy of the prospectus and/or summary prospectus, please call us at (800) 560-6111 or visit [www.driehaus.com](http://www.driehaus.com). Please read the prospectus carefully before investing.**

**TERMS:** **Active share** represents the share of portfolio holdings that differ from the benchmark index holdings. Average drawdown is the arithmetic average of declines in value during a given period of time. Downside risk is a measure of the average deviations of a negative return series. A large downside risk implies that there have been large swings or volatility in the manager's return series. **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. **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** measures the amount of active risk that is being taken by a manager. Tracking error accounts for the deviation away from the benchmark and does not indicate in which direction it occurred, either positive or negative. Source: eVestment Alliance. **Alpha** is the measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. **Sharpe ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. **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.