

# Driehaus Emerging Markets Small Cap Growth Fund Commentary

This month’s commentary is light on words and heavy on pictures, as we present what we believe to be the most impactful charts for emerging markets, showing the risks, opportunities, and our favorite themes within the portfolio.

We start with two areas that have been top of mind for investors as EM assets have corrected over the past several months – the US dollar and trade.

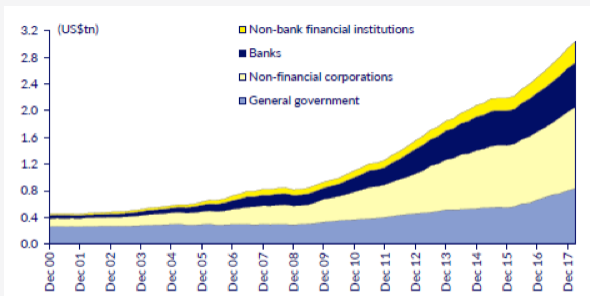
As shown in Exhibit 1, the stock of outstanding US dollar denominated debt across emerging markets continues to rise, with the current total approaching \$3 trillion. This continued rise has represented one of the main risks to EM in recent years.

Much of the growth in dollar denominated debt in recent years has come from China, where the current amount outstanding is approximately \$750 billion. (Exhibit 2)

However, as interest coverage ratios have improved over the past two years, the proportion of corporate debt at risk has come down, with China leading the way in improvement. (Exhibit 3) This is largely attributable to two major initiatives undertaken by the Chinese government – deleveraging of the financial system and supply side reform, intended to reduce excess capacity and support pricing within industries such as steel, cement, and base metals. We expect the government to continue with these initiatives in an effort to address the aggregate debt level in a manner that minimizes the disruption to the real economy.

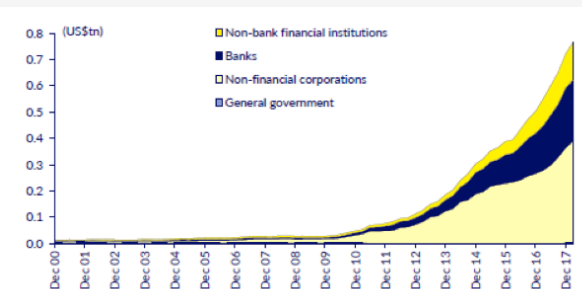
In fact, China was relatively less impacted than many other emerging markets by the strength of the US dollar that transpired during the second quarter of 2018, as the focus of market participants was largely on economies that maintained external vulnerabilities.

**Exhibit 1:  
Emerging markets US dollar debt outstanding**



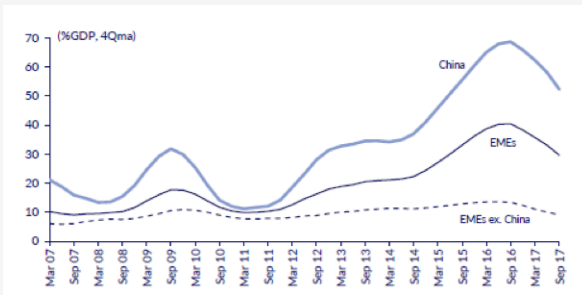
Source: BIS

**Exhibit 2:  
China US dollar debt outstanding**



Source: BIS

**Exhibit 3:  
China and EM corporate debt at risk as % of GDP**



Source: Bank for International Settlements; Standard & Poor’s Global Market Intelligence, Federal Reserve Board staff estimates.

Note: Debt at risk is debt of firms with ratio of earnings before interest, tax, depreciation, and amortization to interest expense less than 2.

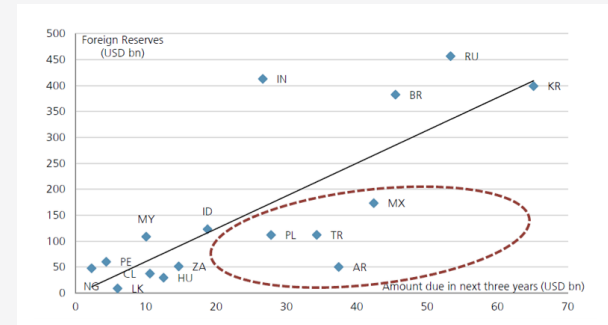
The next chart (Exhibit 4) shows the amount of hard currency debt maturing in the next three years, relative to the level of foreign exchange reserves. It is no coincidence that markets such as Argentina and Turkey were among the hardest hit during the bout of turbulence, as their external situation is far worse than what we see elsewhere in EM.

While much attention has been paid to the developing trade war between the US and China, an arguably bigger concern is the nascent slowdown in export growth that was already in motion before the US levied tariffs on certain goods imported from China.

Export growth correlates closely with EM earnings growth, and some EM economies have built up meaningful current account surpluses over time, a dynamic which has supported local liquidity. (Exhibit 5) The prospect of negative incremental change in the liquidity backdrop is a potential risk heading into the second half of 2018.

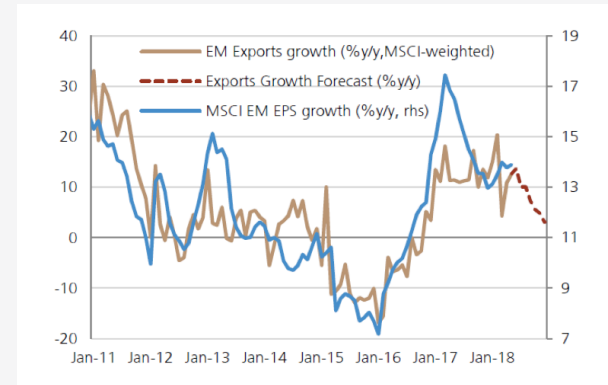
On the subject of trade wars, while it is true that the US runs a substantial bilateral trade deficit with China, this does not reflect the business conducted in China by US-based multinational companies. For many of these companies, China represents a huge market, and the prospect of retaliatory measures or a less open global economy could bring repercussions to US equities in the case of escalating tensions. (Exhibit 6)

**Exhibit 4:**  
EM hard currency bonds maturing in next three years relative to foreign exchange reserves



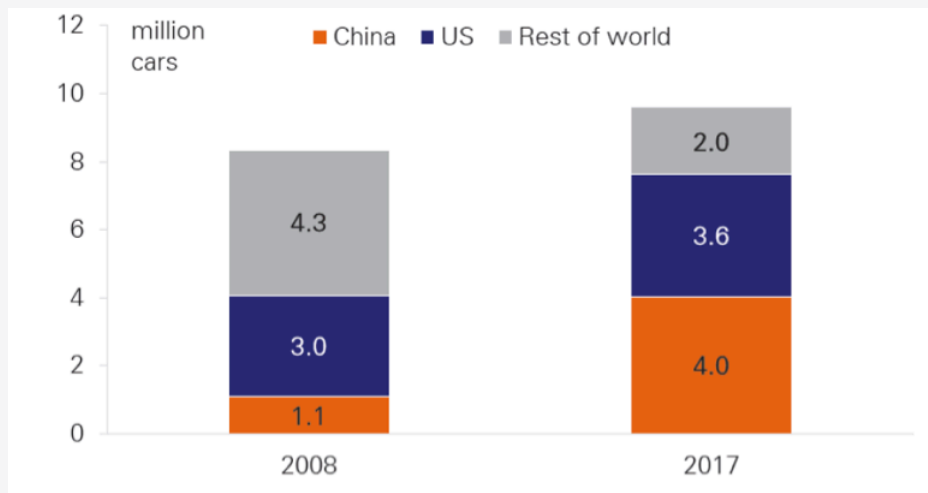
Source: Bloomberg, UBS

**Exhibit 5:**  
EM export growth vs. forward earnings growth estimates



Source: MSCI, Datastream, Haver, UBS

**Exhibit 6:**  
Auto sales by country



Source: Deutsche Bank

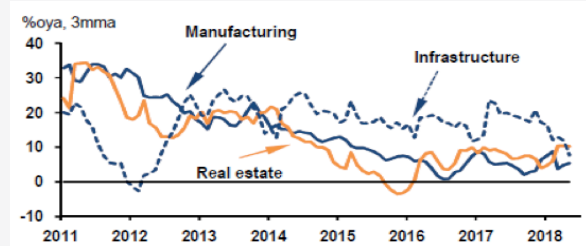
The trade war and appreciation of the US dollar materialized at a time when fixed asset investment had also begun to slow in China. The rate of growth in infrastructure investment is down to levels not seen since 2011. (Exhibit 7) While manufacturing (particularly investments in automation equipment) and real estate have held up relatively better, the targeted deleveraging pursued by China has had negative ramifications for the funding of new infrastructure projects.

Given that this source of commodity demand has slowed markedly over the last year, it may seem counterintuitive that commodity prices have aided the reflationary efforts of global central banks. This is principally due to the supply side reform agenda outlined above, which has supported pricing power at a time when demand has trended lower. (Exhibit 8)

As a consequence, industrial profits have maintained an adequate pace of growth, resulting from the high correlation between producer price inflation and industrial profitability. This reinforces the view that Chinese policymakers are likely to proceed with deleveraging, as deflationary risks are currently contained and corporate profitability is holding up reasonably well. (Exhibit 9)

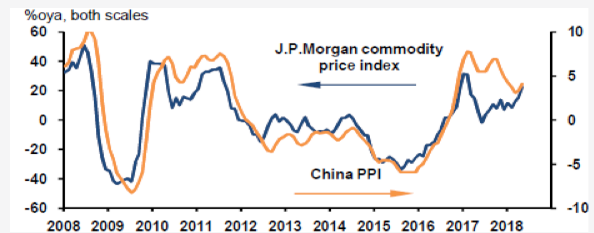
The above charts show some of the risks that investors have considered in recent months, and as shown below (Exhibit 10), the rising dollar has led to sharp outflows from both EM and European equities, at a greater magnitude than any other time in the last six years.

**Exhibit 7:  
China fixed asset investment growth**



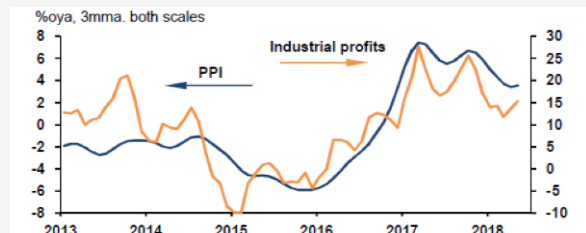
Source: NBS, JP Morgan

**Exhibit 8:  
China producer price index vs. JP Morgan commodity price index**



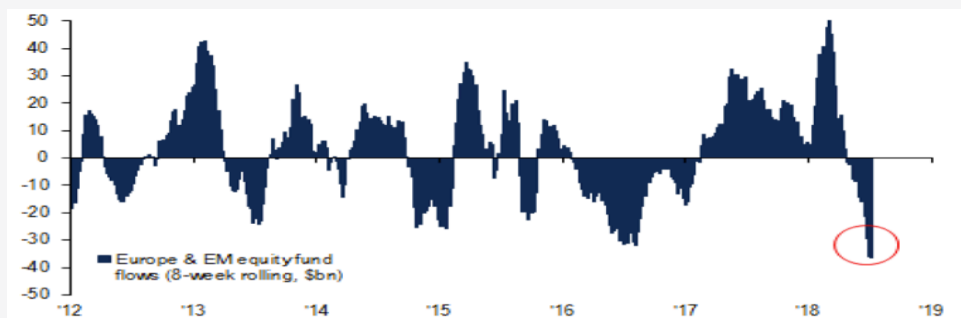
Source: NBS, JP Morgan

**Exhibit 9:  
China producer price index vs. industrial profits**



Source: NBS, JP Morgan

**Exhibit 10:  
EM and European equity fund flows**



Source: B of A Merrill Lynch

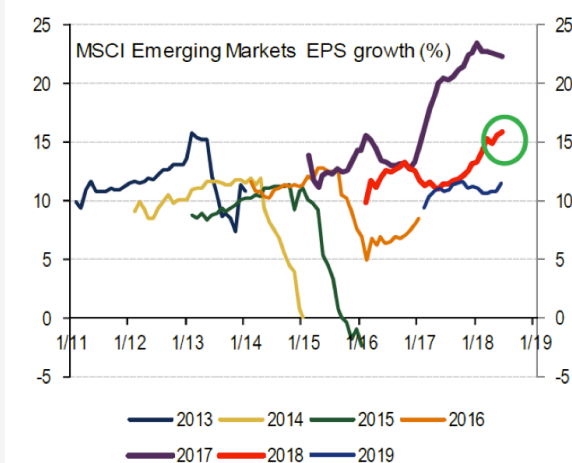
While we acknowledge these risks, there is also an argument to be made that the shift in sentiment has overshot to the downside, as there are numerous positive developments across EM, along with several appealing themes from an investment standpoint, which we outline in the following charts.

First, it is important to note that the rate of earnings growth, as well as the trends in earnings revisions remain supportive for the asset class overall. (Exhibit 11) This is in sharp contrast to other periods of risk-off in EM in recent years, such as the 2013 taper tantrum and the China devaluation of 2015.

The main reason for a supportive earnings outlook is the improvement in corporate profitability that has unfolded across EM. Looking further at the underlying components of return on equity, a healthy mix of rising asset turnover, improving profit margins, and falling leverage has contributed to this improvement in return on equity (ROE). (Exhibit 12)

Innovation is a trend that is well represented within the fund, particularly in China. The explosion of new patent applications in recent years speaks to the entrepreneurial culture we see in sectors such as technology, as well as to the rapid gains achieved in education, as China now graduates more students in engineering annually than exist in the United States. (Exhibit 13)

**Exhibit 11:**  
**MSCI Emerging Markets earnings revisions**

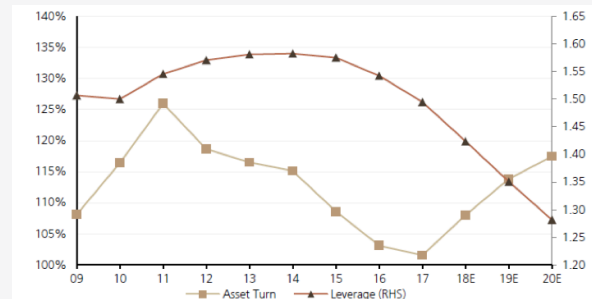


Source: B of A Merrill Lynch

**Exhibit 12:**  
**EM return on equity vs. net profit margins**

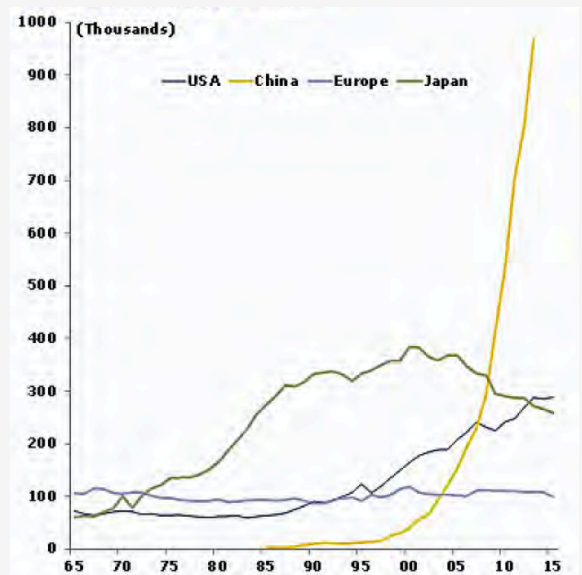


**EM asset turnover vs. leverage**



Source: MSCI, IBES, Datastream, GEM Inc.

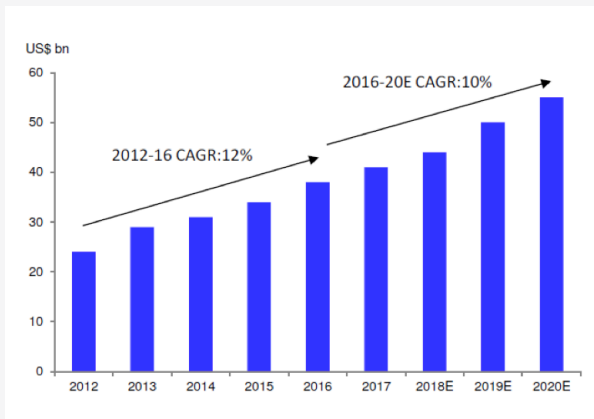
**Exhibit 13:**  
**Patent applications by country**



Source: CLSA

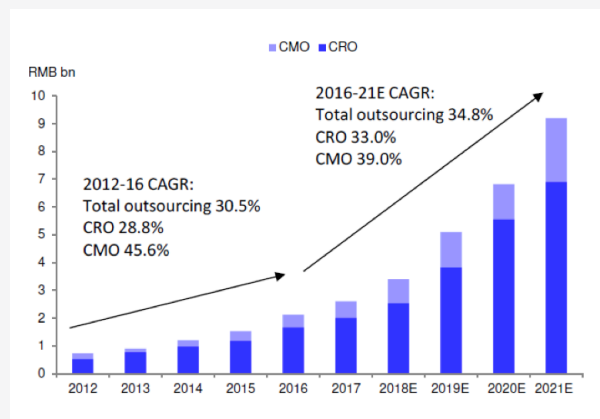
These innovations are also impactful in the healthcare sector in China, as industries such as biologics and contract research have reached a positive inflection point alongside China's growing representation as a global source of pharmaceutical research and development. (Exhibits 14-17)

**Exhibit 14:**  
**Global R&D spending on biologics**



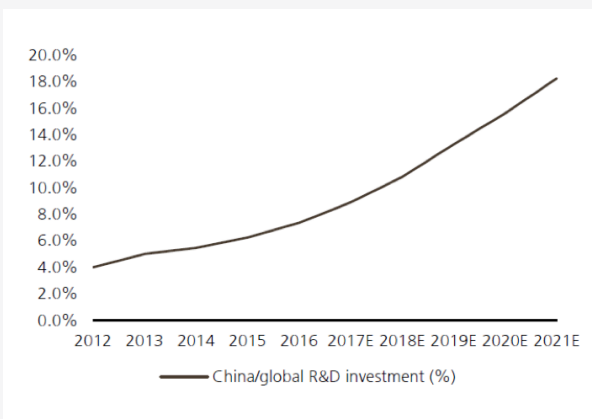
Source: CLSA

**Exhibit 15:**  
**China biologics outsourcing**



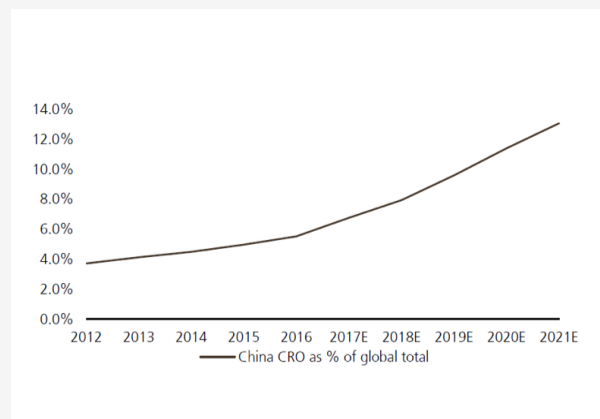
Source: Deutsche Bank, Frost & Sullivan

**Exhibit 16:**  
**China pharmaceutical R&D as a % of global total**



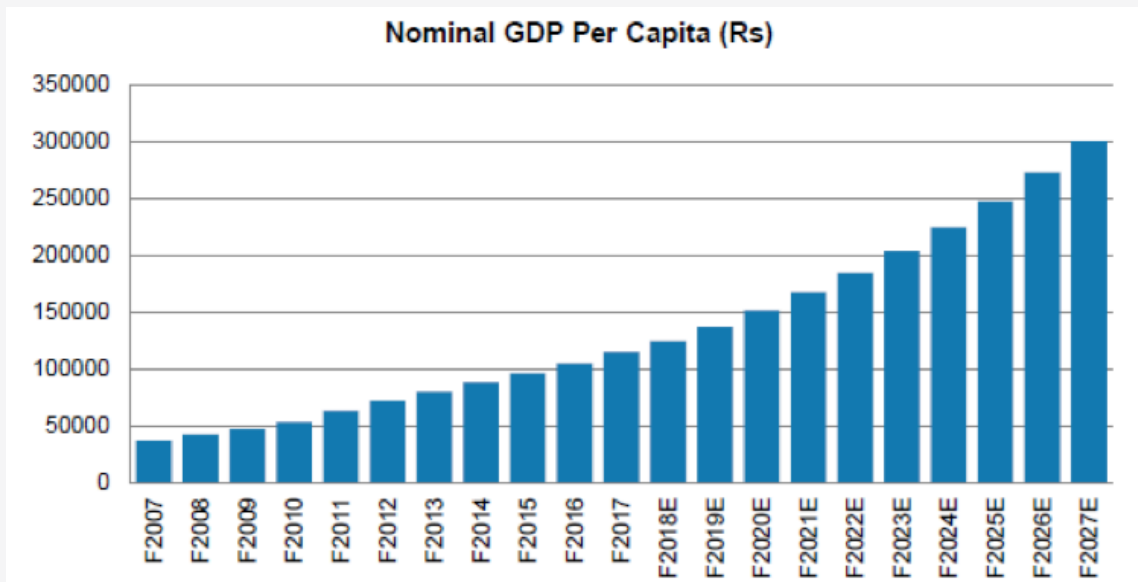
Source: Wind, UBS

**Exhibit 17:**  
**China CRO industry as a % of global total**



Source: UBS

**Exhibit 18:**  
**India per capita GDP expected to triple in next decade**



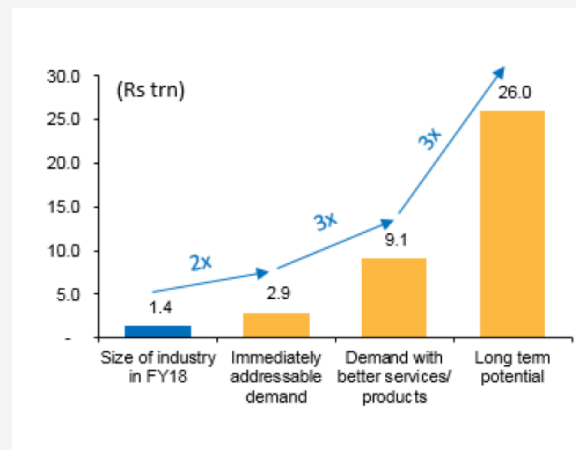
Source: RBI, World Bank, Morgan Stanley

Elsewhere, we continue to find a robust opportunity set in India, fueled by domestic-led growth as per capita GDP rises steadily, creating the backdrop for one of the clearest macro stories in EM. We continue to see financialization and formalization of the economy as the two biggest drivers of Indian equities.

Within India we have a positive view on the financials sector, as the competitive landscape is favorable for smaller private banks and specialized non-banking financial companies. This is due to the deterioration of government-affiliated banks, which account for approximately 75% of the outstanding stock of credit, and are in many cases undercapitalized and suffer from the accumulation of bad debts during past economic cycles.

Among these specialized verticals of the sector, we favor microfinance, as the existing demand from rural India alone is twice the current size of the market. In recent years, banking licenses have been awarded to leading players within the industry, allowing them to build out more comprehensive services, as well as deposit franchises. With these developments, we see significant structural growth potential in this market. (Exhibit 19)

**Exhibit 19:**  
**Structural growth potential in Indian microfinance**

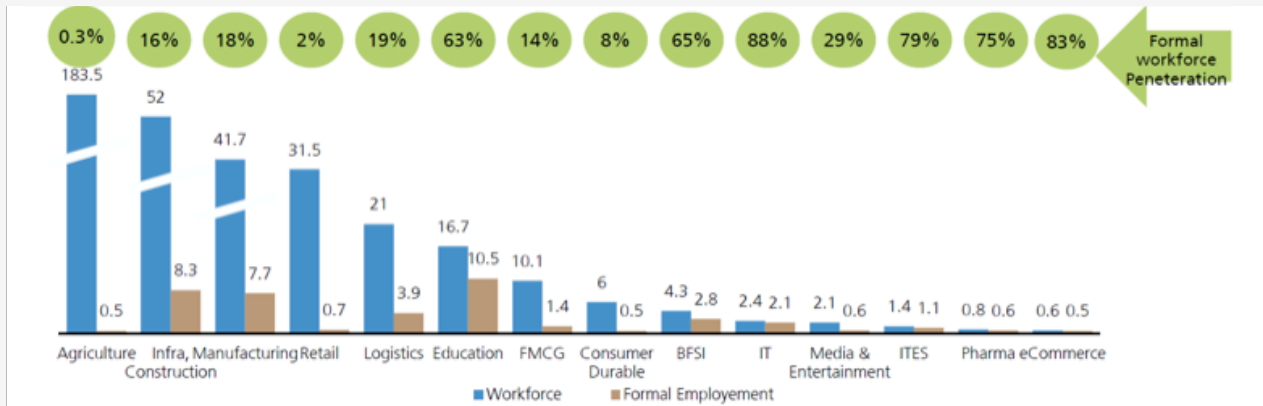


Source: IFC, Macquarie

In recent years, many of Prime Minister Narendra Modi's reform measures have led to a formalization of the Indian economy, which over time has been characterized by fragmentation and complexity of distribution networks. This backdrop has fueled the demand for staffing, particularly at a time when India seeks to realize a

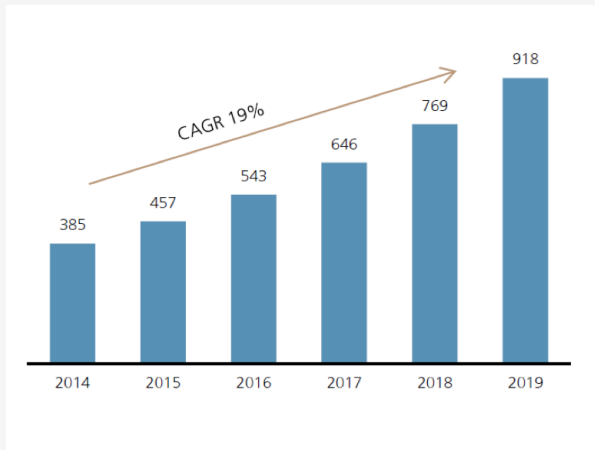
“demographic dividend” with one million people entering the workforce on a monthly basis. As shown below (Exhibits 20 -22), in terms of contribution to the global working age population over the next five years, India stands head and shoulders above other countries.

**Exhibit 20:**  
**Formal workforce penetration across industry groups in India**



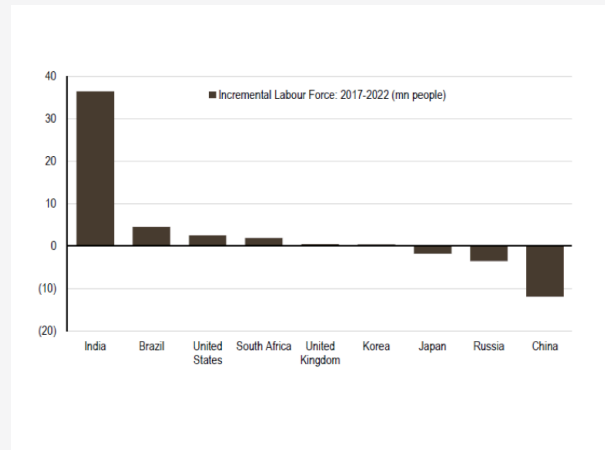
Source: India Staffing Federation

**Exhibit 21:**  
**India staffing market revenue**



Source: Frost & Sullivan

**Exhibit 22:**  
**Expected contribution to global labor force in next five years**



Source: International Labor Organization, UN Population Database

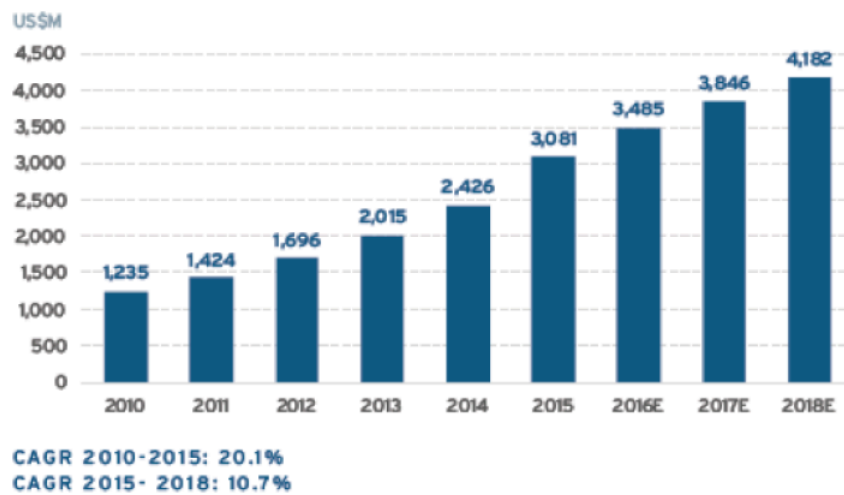


Lastly, from an industry perspective, servers and datacenters have been heavily represented in the fund, as we see accelerating demand growth, particularly from large technology companies in the US and China, which are increasing their capex by 50-100% in some cases.

(Exhibit 23) As cloud usage shifts incrementally toward verticals such as big data and the Internet of Things, we see continued demand growth for data infrastructure.

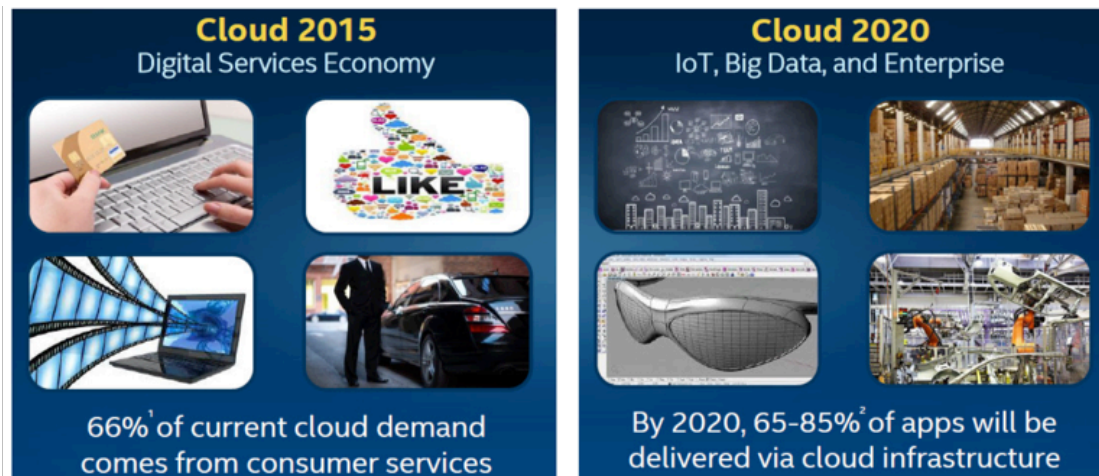
(Exhibit 24)

**Exhibit 23:  
China datacenter market revenue**



Source: 451 Research estimates

**Exhibit 24:  
Cloud usage**



Source: Intel <sup>1</sup>Intel Internal Analysis <sup>2</sup>Intel Estimates



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## Performance Review

The Driehaus Emerging Markets Small Cap Growth Fund, net of fees, returned -1.21% in July, compared to the MSCI Emerging Markets Small Cap Index, net dividend, return of 1.22%.<sup>1</sup> At the sector level, the most significant contributors to returns were materials and consumer

staples. The information technology and industrials sectors detracted the most value. At the country level, South Korea and Cambodia contributed most to performance for the month, while China and the United States were notable detractors from performance.

Until next month,



**Chad Cleaver, Lead Portfolio Manager**

*Driehaus Emerging Markets Small Cap Growth Fund*

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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. 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.**

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 August 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 August 9, 2018 and may not reflect recent market activity. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Driehaus to be reliable and are not necessarily all inclusive. Driehaus does not guarantee the accuracy or completeness of this information. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

**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

# DRESX Performance Review

## Month-end Performance as of 7/31/18

Fund/Index	MTH	YTD	1 Year	Average Annual Total Return		
				3 Year	5 Year	Since Inception <sup>1</sup>
DrieHaus Emerging Markets Small Cap Growth Fund <sup>2</sup>	-1.21%	-7.88%	1.24%	-1.16%	1.96%	11.03%
MSCI Emerging Markets Small Cap Index (ND) <sup>3</sup>	1.22%	-7.33%	3.24%	5.78%	4.46%	13.11%
MSCI Emerging Markets Index (ND) <sup>4</sup>	2.20%	-4.61%	4.36%	8.94%	5.25%	10.40%

## Calendar Quarter-end Performance as of 6/30/18

Fund/Index	QTR	YTD	1 Year	Average Annual Total Return		
				3 Year	5 Year	Since Inception <sup>1</sup>
DrieHaus Emerging Markets Small Cap Growth Fund <sup>2</sup>	-7.34%	-6.76%	8.16%	-2.18%	2.04%	11.28%
MSCI Emerging Markets Small Cap Index (ND) <sup>3</sup>	-8.60%	-8.45%	5.64%	2.55%	4.32%	13.09%
MSCI Emerging Markets Index (ND) <sup>4</sup>	-7.96%	-6.66%	8.20%	5.60%	5.01%	10.25%

## Annual Fund Operating Expenses<sup>5</sup>

Management Fee	1.50%
Other Expenses	0.32%
<b>Total Annual Fund Operating Expenses</b>	<b>1.82%</b>

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. 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. Contractual fee waivers were in effect from inception to 8/21/2014. Without such fee waivers, performance numbers would have been reduced. 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>1</sup>Inception Date: 12/1/2008. "Since Inception" is calculated to include performance from the Fund's predecessor limited partnership. <sup>2</sup>The average annual total returns of the DrieHaus Emerging Markets Small Cap Growth Fund include the performance of the Fund's predecessor limited partnership, which is calculated from December 1, 2008 before the Fund commenced operations and succeeded to the assets of its predecessor on August 22, 2011. The predecessor limited partnership was not registered under the Investment Company Act of 1940, as amended ("1940 Act") and thus was not subject to certain investment and operational restrictions that are imposed by the 1940 Act. If the predecessor had been registered under the 1940 Act, its performance may have been adversely affected. The Fund's predecessor performance has been restated to reflect estimated expenses of the Fund. After-tax performance returns are not included for the predecessor limited partnership. The predecessor was not a regulated investment company and therefore did not distribute current or accumulated earnings. <sup>3</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>4</sup>The Morgan Stanley Capital International Emerging Markets Index (MSCI Emerging Markets Index) is a market capitalization-weighted index designed to measure equity market performance in global emerging markets. Data is in US dollars. The net dividend (ND) index is calculated with net dividend reinvestment.

<sup>5</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.

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.**

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DrieHaus Securities LLC, Distributor

# DRESX Portfolio Characteristics

## Portfolio Snapshot

	<i>excluding cash</i>	
Assets Under Management (AUM)	\$220,055,247	
Long Exposure	\$225,075,001	\$205,948,438
Short Exposure	(\$42,982,506)	(\$42,982,506)
Net Exposure	\$182,092,495	\$162,965,933
Net Exposure/AUM	82.75%	74.06%
Gross Exposure	\$268,057,506	\$248,930,944
Gross Exposure/AUM	1.22x	1.13x

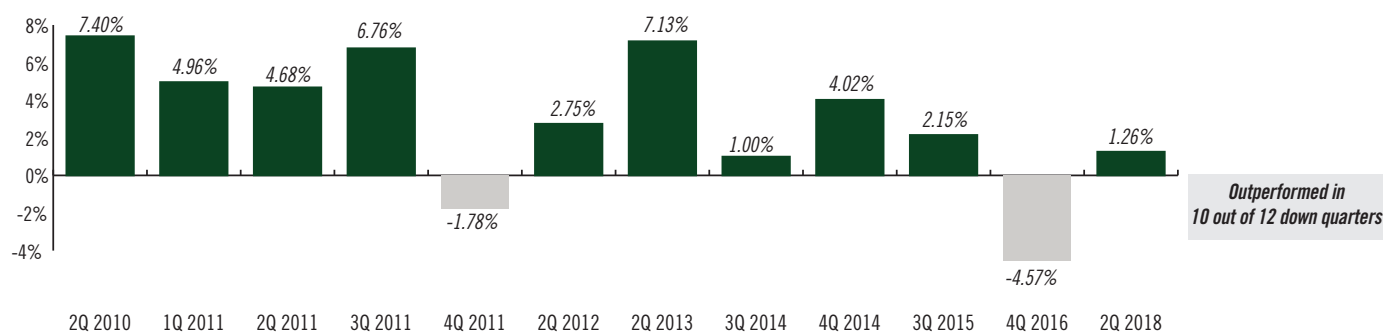
## Portfolio Characteristics

	Fund	Benchmark
Number of Equity Holdings	101	1,740
Active Share (3-year avg.) <sup>1</sup>	111.94	n/a
Est. 3-5 Year EPS Growth	23.4%	21.0%
Weighted Avg. Market Cap (\$M)	\$3,753	\$1,240
Median Market Cap (\$M)	\$2,617	\$679
Mkt. Cap Breakout	< \$5 billion	82.4%
	> \$5 billion	17.6%

## Risk & Return Characteristics (Trailing 5-years)

	Fund	MSCI EM Small Cap Index (ND)	Fund	MSCI Emerging Markets Index (ND)
Annualized Return	1.96	4.46	1.96	5.25
Standard Deviation	10.50	13.37	10.50	14.87
Upside Capture	60.97	100.00	48.45	100.00
Downside Capture	74.43	100.00	62.96	100.00
Beta	0.62	1.00	0.50	1.00
Alpha	-0.75	n/a	-0.63	n/a
Sharpe Ratio	0.15	0.30	0.15	0.32
R-squared	0.62	1.00	0.51	1.00
Tracking Error	8.25	0.00	10.45	0.00
Information Ratio	-0.30	n/a	-0.32	n/a
# Negative Monthly Returns	27	25	27	25
# Positive Monthly Returns	33	35	33	35

## FUND'S EXCESS RETURNS<sup>2</sup> (%pts) vs. MSCI EM Small Cap Index (ND) — Quarters with Negative Index Returns, Since Inception (12/1/08)



Source: FactSet Research Systems LLC and Driehaus Capital Management. Data calculated with monthly returns. Data as of 6/30/18. <sup>1</sup>Data is calculated monthly. <sup>2</sup>This chart depicts Driehaus Emerging Markets Small Cap Growth Fund's (DRESX) outperformance (or underperformance) versus the MSCI Emerging Markets Small Cap Index in all instances where the MSCI Emerging Markets Small Cap Index (ND) had a negative quarterly return since DRESX's inception on 12/1/2008. Net of fee performance is used. MSCI Emerging Markets Small Cap Index. Data as of 6/30/18. Performance for the Driehaus Emerging Markets Small Cap Growth Fund (DRESX) is used. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment

will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (800) 560-6111 or visiting our website at [www.driehaus.com](http://www.driehaus.com). Fund returns shown include the reinvestment of all dividends and capital gains. Contractual fee waivers were in effect from inception to 8/21/2014. Without such fee waivers, performance numbers would have been reduced. The total annual fund operating expense for DRESX is 1.82% as disclosed in the 4/30/18 prospectus. Please see notes at end of presentation for more information on indices used. A definition of key terms can be found on page 15.

## Derivative Weights (%)

<b>Options*</b>	<b>26.07</b>	
<i>MSCI EM ETF Put</i>	<i>India Earnings Fund Put</i>	<i>China Large Cap ETF Put</i>

\*Options figures are delta adjusted and net.

\*\*Currency Forwards, Interest Rate Swaps and Credit Default Swaps exposures are net.

## Sector Weights (% Equity)

	Fund	Benchmark	Active Weights
Consumer Discretionary	13.9	16.2	-2.3
Consumer Staples	8.5	6.9	1.6
Energy	2.0	2.4	-0.4
Financials	8.2	9.8	-1.5
Health Care	6.5	8.3	-1.8
Industrials	16.5	14.0	2.5
Information Technology	14.1	17.4	-3.3
Materials	13.0	12.0	0.9
Real Estate	3.7	7.7	-4.0
Telecom. Services	0.6	1.1	-0.6
Utilities	0.0	4.0	-4.0
Cash	12.3	0.0	12.3

## Regional Weights (% Equity)

Frontier Markets	4.7
Emerging Markets	75.4
Other Markets	6.4

## Country Weights (% Equity)

	Fund	Benchmark	Active Weights
Argentina	0.8	0.0	0.8
Brazil	4.8	5.2	-0.5
Cambodia	0.9	0.0	0.9
China	20.6	8.1	12.5
Cyprus	1.1	0.1	1.1
Hong Kong	4.6	5.0	-0.4
India	17.4	15.7	1.7
Indonesia	1.6	2.4	-0.9
Kazakhstan	0.9	0.0	0.9
Kenya	0.6	0.0	0.6
Malaysia	0.8	3.4	-2.7
Mexico	2.4	3.2	-0.8
Poland	1.6	1.0	0.6
Russia	1.4	0.9	0.6
South Africa	3.5	5.0	-1.5
South Korea	8.9	18.2	-9.3
Taiwan	6.7	19.6	-12.9
Thailand	4.1	3.7	0.5
Turkey	1.0	1.1	-0.1
United Arab Emirates	1.6	0.5	1.1
Other <sup>1</sup>	1.8	1.1	0.7
Cash	12.3	0.0	12.3

<sup>1</sup>Other represents companies with significant emerging markets related exposures that are not domiciled within an emerging market.  
Data as of 7/31/18.

**Top 5 Equity Holdings<sup>1</sup>** as of 6/30/18

Company	Sector	Country	% of Fund
GDS Holdings Ltd. Sponsored ADR Class A	Information Technology	China	2.2
Wuxi Biologics (Cayman) Inc.	Health Care	Hong Kong	2.0
SKC KOLON PI INC	Materials	South Korea	1.8
Land & Houses Public Co., Ltd. NVDR	Real Estate	Thailand	1.7
Dino Polska SA	Consumer Staples	Poland	1.6

**Sector Attribution** 6/30/18 to 7/31/18 (US Dollar Denominated)

MSCI/GICS Sector	Driehaus Emerging Markets Small Cap Growth Fund (%)		MSCI Emerging Markets Small Cap Index (ND) <sup>2</sup> (%)		Attribution Analysis (%)
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Total Effect <sup>3</sup>
Consumer Discretionary	13.5	-0.2	16.3	0.1	-0.2
Consumer Staples	8.4	0.3	7.0	-0.1	0.3
Energy	2.7	0.0	2.3	0.1	-0.1
Financials	6.8	0.6	9.7	0.4	0.2
Health Care	8.1	-0.3	8.5	-0.2	0.0
Industrials	13.4	-0.2	14.0	0.2	-0.4
Information Technology	15.8	-0.9	17.6	0.1	-1.0
Materials	12.5	0.7	11.8	0.3	0.5
Real Estate	3.8	0.0	7.6	0.2	-0.1
Telecommunication Services	0.6	0.0	1.2	0.0	0.0
Utilities	0.0	0.0	3.9	0.2	-0.1
Cash	10.5	0.0	0.0	0.0	-0.2
Other <sup>4</sup>	3.9	-1.2	0.0	0.0	-1.3
<b>Total</b>	<b>100.0</b>	<b>-1.2</b>	<b>100.0</b>	<b>1.2</b>	<b>-2.4</b>

Sources: FactSet Research Systems Inc. and Driehaus Capital Management LLC.  
**The information presented is intended for informational purposes only.**  
**Attribution data is on a trade date basis and is estimated and unreconciled.**

<sup>1</sup>Holdings subject to change.

<sup>2</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>3</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>4</sup>Includes derivative securities and fees.

**A definition of key terms can be found on page 15.**

**Country Attribution** 6/30/18 to 7/31/18 (US Dollar Denominated)

	Driehaus Emerging Markets Small Cap Growth Fund (%)		MSCI Emerging Markets Small Cap Index (ND) <sup>1</sup> (%)		Attribution Analysis (%)
	Port Avg. Weight	Port Contrib To Return	Bench Avg.Weight	Bench Contrib To Return	Total Effect <sup>3</sup>
Argentina	0.3	0.0	0.0	0.0	0.0
Brazil	4.3	0.5	5.1	0.4	0.1
Cambodia	0.7	0.1	0.0	0.0	0.1
Canada	1.1	-0.1	0.0	0.0	-0.1
China	22.5	-1.1	8.4	-0.3	-0.9
Cyprus	1.0	0.1	0.1	0.0	0.1
Hong Kong	4.9	-0.2	5.0	-0.1	0.0
India	17.3	0.7	15.3	0.6	0.1
Indonesia	1.2	0.1	2.4	0.1	0.0
Israel	1.1	0.0	0.0	0.0	0.0
Kazakhstan	0.9	0.0	0.0	0.0	0.0
Kenya	0.6	0.0	0.0	0.0	0.0
Malaysia	0.6	0.0	3.4	0.2	-0.1
Mexico	3.0	0.3	3.2	0.3	0.0
Poland	1.6	0.0	1.0	0.1	-0.1
Russia	0.8	0.1	0.9	0.0	0.1
South Africa	3.4	0.1	4.9	0.2	-0.1
South Korea	8.8	-0.3	18.5	-0.7	0.5
Taiwan	7.8	-0.2	19.7	0.2	-0.2
Thailand	4.0	0.1	3.6	0.3	-0.2
Turkey	0.6	0.0	1.1	-0.1	0.0
United Arab Emirates	1.5	0.1	0.5	0.0	0.1
United States	0.9	-0.9	0.1	0.0	-0.9
Cash	10.5	0.0	0.0	0.0	-0.2
Other <sup>2</sup>	0.7	-0.5	0.0	0.0	-0.5
<b>Total</b>	<b>100.0</b>	<b>-1.2</b>	<b>100.0</b>	<b>1.2</b>	<b>-2.4</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. Attribution data is on a trade date basis and is estimated and unreconciled. <sup>1</sup>A definition of this index can be found on page 10. <sup>2</sup>Includes derivative securities and fees. <sup>3</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.

## Notes

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:** **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. **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. **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. **Sharpe ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. **Downside/Upside capture** is a measure of performance in up markets (upside) and down markets (downside) relative to the Index. **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. **Tracking error** measures of 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. **Information ratio** is a measure of the value added per unit of active risk by a manager over the index. A positive ratio indicates "efficient" use of risk by the manager. **R-Squared** is a statistical measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index. **At-the-money** is a term used to describe a situation where an option's strike price is identical to the price of the underlying security. **Out-of-the-money** is a term used to describe an option that has no intrinsic value, such as when a call option has a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset. **Moneyness** is a description of a derivative relating its strike price to the price of its underlying asset. It describes the intrinsic value of an option in its current state. **Skew** is the difference in implied volatility between out-of-the-money, at-the-money and in-the-money options. Volatility skew, which is affected by sentiment and the supply/demand relationship, provides information on whether fund managers prefer to write calls or puts. **Delta-adjusted exposure** measures the first order price sensitivity of an option or derivative to changes in the price of an underlying security.