Driehaus Emerging Markets Small Cap Growth Fund Commentary

In recent months, we have noted a deterioration in liquidity, in large part stemming from the combination of higher oil prices, a strong US dollar, and rising real interest rates. This dynamic has contributed to a tightening of financial conditions, particularly for oil importing countries within emerging markets, and carried stylistic implications for factors such as size, quality, and growth.

As Brent crude oil ascended to its high of $86 in early October, it is important to keep in mind that this occurred despite emerging markets (EM), the main source of global oil demand growth, largely suffering from currency weakness. Further, since many EM countries reduced oil subsidies post the 2014 price collapse, consumers in these countries felt an even greater squeeze from rising oil prices.

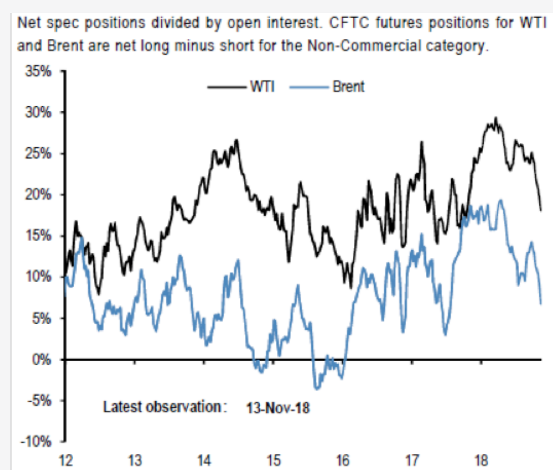
Despite the backdrop for demand becoming increasingly tenuous, supply from large producers such as Russia, Saudi Arabia, and the US, climbed to new highs. Granted, this was in some part due to the failure of other key producers such as Venezuela and Mexico to maintain production, as well as uncertainty over the path of Iranian exports given the reintroduction of US sanctions. However, with incremental demand waning after a period of above-trend growth, physical markets moved into contango for the first time since mid-2017, signaling a well-supplied market. (Exhibit 1)

This is important because the move from contango to backwardation in 2017 attracted a substantial amount of investment in oil from financial players, who were less concerned with the fundamentals of supply and demand, and more motivated by the attractive roll yield that opened up as a result of the backwardation in oil futures. The reversal of this condition in early November coincided with a substantial liquidation of non-commercial positions in oil, which are indicative of speculative positions rather than commercial hedging activity. (Exhibit 2)

Exhibit 1:
Brent Crude Oil Time Spreads ($/barrel)

Source: Bloomberg

Exhibit 2:
Non-Commercial Oil Positions
(% of Open Interest)



Source: CFTC, Bloomberg, JP Morgan

The resulting collapse in oil prices led to a fundamental improvement for certain EM economies and reduced a key headwind to liquidity in oil importing countries. That said, it is also important to note the changing correlation between markets and macro variables in recent years. While some investors tend to associate oil price trends with EM equity performance, as shown in Exhibit 3, this correlation has declined markedly in recent years, as energy has become less impactful in relevant EM equity indices over the last decade. Within the small cap segment of EM, the energy sector only comprises 2% of the index, while domestically oriented companies, many of which benefit from lower oil prices, are more prominent. (Exhibit 3)

Further, while the commodity supercycle of the early 2000s ingrained in many investors the axiom that a weakening dollar is associated with a rising oil price, this correlation has also come down over time. (Exhibit 4) The US was previously a major net importer of energy, to the tune of 3% of GDP at the peak in 2008, but today the US has effectively achieved energy independence, becoming the largest exporter of petroleum products in the world. (Exhibit 5) Thus, sharp declines in oil prices as witnessed in October and November, imply negative developments for the financial health and capital spending intentions of a sector of increasing importance in the US.

Exhibit 3:
Correlation Between Oil and the
MSCI Emering Markets Small Cap Index

Exhibit 4:
Correlation Between Oil and the
US Dollar Index

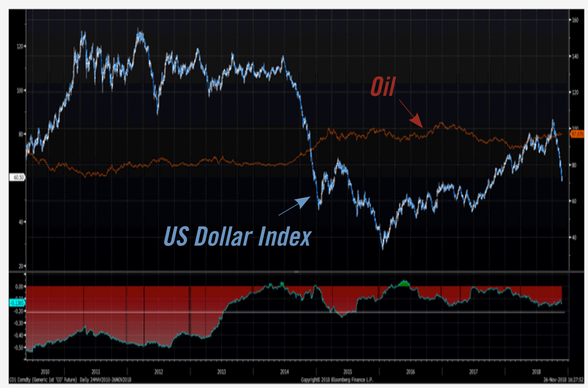
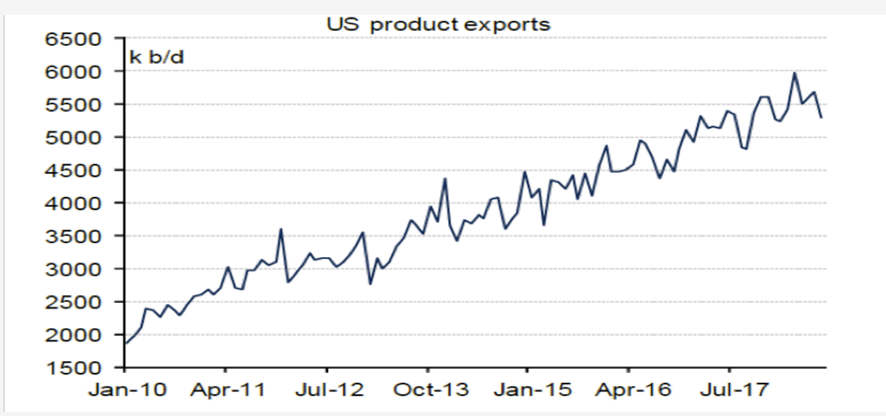
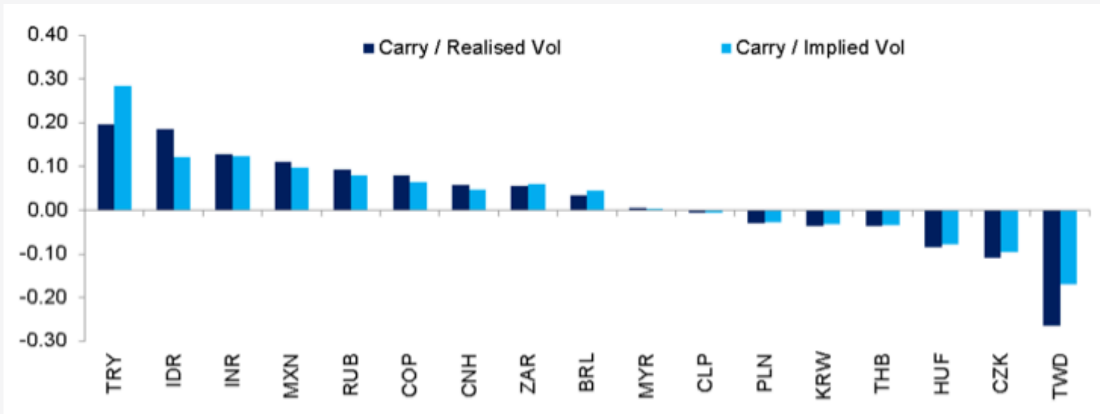


Exhibit 5:
US Petroleum Product Exports



Source: EIA

Exhibit 6:
Carry/Volatility Ratios Across EM Currencies



Source: Citi

Within EM, the positive impacts of a lower oil price are felt most notably in India and Indonesia, albeit with some caveats. The Indian rupee and Indonesian rupiah maintain among the most attractive ratios of carry to volatility across EM currencies, and it is no surprise that since oil topped out in early October, 10-year government bond yields in these countries have compressed by 50 and 100 basis points, respectively. (Exhibit 6)

Further, as shown below, these currencies maintain a high beta to US Treasury yields. (Exhibit 7) In an environment of slowing US growth and inflation, should nominal interest rates continue their recent declines, these currencies have room for further appreciation against the US dollar.

While we have a positive view on both India and Indonesia and have added exposure to these markets in recent months, we highlight the following risks, which slightly temper our optimism and lead us to a selective approach.

India has recently experienced a sharp acceleration in credit growth, which is now rising at the highest rate in five years. However, this credit growth has not been matched by deposit growth, leaving the banking system with a liquidity deficit. (Exhibit 8)

Exhibit 7:
Asia FX Beta to US Treasuries

Currency	Beta to US rates		
	10y	5y	Average
PHP	2.12	2.76	2.44
SGD	0.99	-0.07	0.46
TWD	0.89	-0.14	0.37
CNH	-1.02	-1.77	-1.39
IDR	3.76	2.11	2.94
INR	4.99	5.02	5.01
THB	0.75	-0.43	0.16
KRW	1.80	0.34	1.07

Source: Bloomberg, Nomura

Exhibit 8:
India Credit and Deposit Growth

Source: CEIC, Morgan Stanley

With the majority of the existing stock of credit being supplied by public sector banks, many of which are still suffering from the buildup of non-performing assets resulting from the last credit cycle, a market share shift has materialized in recent years. Incrementally, private sector banks and non-banking financial companies (NBFCs), the latter of which are generally not deposit-taking entities, have accounted for the majority of India's credit growth post the Global Financial Crisis.

The wholesale funded NBFCs tend to focus on specific verticals such as housing, consumer durables, commercial vehicles, and microfinance. The combination of bond mutual fund redemptions, a key source of funding for NBFCs, rising corporate bond spreads, and tight liquidity in the banking system, have created a challenging backdrop for several NBFCs and exposed vulnerabilities in industries that have relied on this source of credit over the past several years. (Exhibits 9 and 10)

The strategy currently maintains no exposure to NBFCs with wholesale funding risk, and we see the underpinnings of a further market share shift within the sector in the coming years, as weak players come under increasing pressure and banks with prudent credit policies and strong deposit franchises are presented with opportunities to grow. These changing dynamics in India's financial sector accompany a similar shakeup in many industries with a large informal presence, such as real estate and retail.

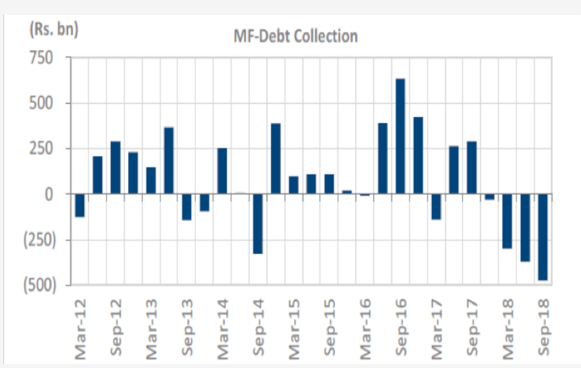
Regulatory initiatives undertaken in the country over the last two years, including demonetization, the Goods and Services Tax, and the Real Estate Regulation Act, all serve to hasten the formalization of the economy. This transition may cause periods of disruption, but ultimately create a backdrop that is much more conducive for business and favorable for listed entities across a number of sectors.

Elsewhere, Indonesia has breathed a sigh of relief as oil price declines have reduced subsidy losses, with each $5 per barrel decline in the oil price saving the government an estimated $1 billion, while also freeing up bank liquidity that would otherwise be used to support working capital credit for state-owned entity Pertamina to import oil.

However, the decline in oil prices has not simply been an exogenous shock with positive consequences, but rather has been accompanied by declines in the prices of key exports such as palm oil and coal. While still a net benefit, particularly for the financial and consumer sectors where the strategy maintains significant exposure, the net impact on the terms of trade is not as strong as it may appear.

Beyond the impact of the oil price collapse, the scope for ongoing fundamental improvement in Indonesia remains strong, in our view. We witness a growing divide across EM with respect to policy, whereby those countries undertaking rational, textbook economic policy stand to benefit, in stark contrast to those that have committed policy mistakes.

Exhibit 9:
India Bond Mutual Fund Flows



Source: CEIC, AMFI, IIFL Research

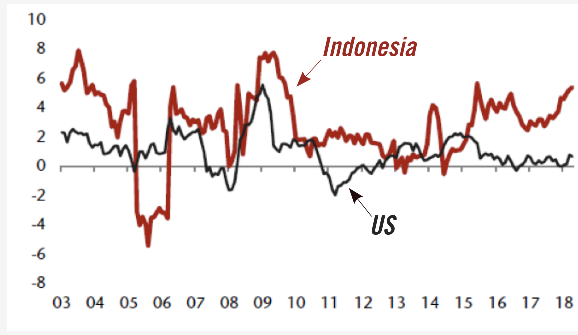
Exhibit 10:
India Corporate Bond Spreads

Source: Bloomberg, IIFL Research

We expect this dispersion to widen in the year ahead, and identify Indonesia as one of the EM countries that has followed the appropriate course, raising interest rates throughout 2018, maintaining prudent fiscal spending, and curbing imports in certain areas that had contributed to a widening current account deficit.

With attractive real interest rate differentials and a sound policy backdrop, we see Indonesia as one of the prime beneficiaries in an environment in which US dollar strength begins to recede as EM growth differentials improve. (Exhibit 11)

Exhibit 11:
Indonesia and US Real Interest Rates



Source: Bloomberg, Jefferies

Performance Review

The Driehaus Emerging Markets Small Cap Growth Fund, net of fees, returned 3.31% in November, compared to the MSCI Emerging Markets Small Cap Index, net dividend, return of 5.47%[1]. At the sector level, the most significant contributors to returns were financials and consumer staples. Health care and materials sectors detracted the most value. At the country level, Hong Kong and South Africa contributed most to performance for the month, while Brazil and South Korea were notable detractors from performance.

Until next month,

Chad Cleaver, Lead Portfolio Manager
Driehaus Emerging Markets Small Cap Growth Fund

[1]**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 for more current performance information.**

DRESX Performance Review

Month-end Performance as of 11/30/18

				Average Annual Total Return			
Fund/Index	**MTH**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since Inception[1]**
Driehaus Emerging Markets Small Cap Growth Fund[2]	3.31%	-20.90%	-18.43%	-1.75%	-1.85%	8.97%	8.97%
MSCI Emerging Markets Small Cap Index (ND)[3]	5.47%	-17.26%	-14.20%	4.27%	1.17%	11.39%	11.39%
MSCI Emerging Markets Index (ND)[4]	4.12%	-12.24%	-9.09%	9.41%	1.90%	9.13%	9.13%

Calendar Quarter-end Performance as of 9/30/18

				Average Annual Total Return		
Fund/Index	**QTR**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**Since Inception[1]**
Driehaus Emerging Markets Small Cap Growth Fund[2]	-9.21%	-15.34%	-9.82%	-0.19%	-0.52%	9.89%
MSCI Emerging Markets Small Cap Index (ND)[3]	-4.21%	-12.30%	-4.20%	7.43%	2.72%	12.25%
MSCI Emerging Markets Index (ND)[4]	-1.09%	-7.68%	-0.81%	12.36%	3.61%	9.85%

Annual Fund Operating Expenses[5]

Effective November 1, 2018	
Management Fee	1.15%
Other Expenses	0.32%
Total Annual Fund Operating Expenses	1.47%
Expense Reimbursement	(0.02)%
Total Annual Fund Operating Expenses After Expense Reimbursement[6]	**1.45%**

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 for more current performance information.

[1]Inception Date: 12/1/2008. "Since Inception" is calculated to include performance from the Fund's predecessor limited partnership. [2]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. [3]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. [4]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.

[5]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2018 as supplemented on September 17, 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.

[6]Driehaus Capital Management LLC, the Fund's investment adviser, has entered into a contractual agreement to waive a portion of its management fee and to reimburse operating expenses to the extent necessary to cap the Driehaus Emerging Markets Small Cap Growth Fund's ordinary annual operating expenses (excluding 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 operating expense after expense reimbursement of 1.45% until the earlier of the termination of the investment advisory agreement, by the Board of Trustees or the Fund's shareholders, or October 31, 2021. 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 or 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.

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. Please read the prospectus carefully before investing.

Driehaus Securities LLC, Distributor

SECTOR WEIGHTS (%)

	Fund	Benchmark	*Active Weights (%)*
Communication Services	0.8	4.1	*-3.3*
Consumer Discretionary	16.4	15.3	*1.1*
Consumer Staples	11.4	6.9	*4.4*
Energy	3.7	1.9	*1.7*
Financials	13.9	9.9	*4.0*
Health Care	9.7	8.7	*1.0*
Industrials	8.1	14.4	*-6.3*
Information Technology	11.8	14.4	*-2.6*
Materials	14.1	12.2	*1.8*
Real Estate	2.4	7.6	*-5.1*
Utilities	1.1	4.4	*-3.2*
Cash	6.6	0.0	*6.6*

COUNTRY WEIGHTS (%)

	Fund	Benchmark		Fund	Benchmark
Brazil	10.8	6.2	Netherlands	0.5	0.1
Cambodia	2.0	0.0	Poland	2.2	1.0
Canada	0.5	0.0	Russia	0.8	0.9
China	18.6	7.1	South Africa	6.1	5.4
Cyprus	0.8	0.1	South Korea	6.5	18.9
Hong Kong	5.2	5.0	Taiwan	5.7	19.3
India	18.0	15.1	Thailand	5.6	4.1
Indonesia	4.9	2.3	Turkey	0.8	1.1
Kazakhstan	1.1	0.0	UAE	1.6	0.5
Malaysia	0.5	3.3	Cash	6.6	0.0
Mexico	1.2	2.9			

TOP 5 HOLDINGS[1] (as of 11/30/18)

Company	Sector	Country	% of Fund
India Grid Trust Units Series - IV	Financials	India	2.8
Sterlite Technologies Limited	Information Technology	India	2.6
Lojas Renner S.A.	Consumer Discretionary	Brazil	2.3
Land & Houses Public Co., Ltd. NVDR	Real Estate	Thailand	2.1
Maanshan Iron & Steel Co. Ltd. Class H	Materials	China	2.0

PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Number of Holdings	87	1,728
Weighted Avg. Market Cap (M)	$3,320	$1,129
Median Market Cap (M)	$2,453	$599
Est. 3-5 Year EPS Growth	22.8%	19.2%
Active Share (3-year avg.)[2]	113.20	n/a
Market Cap Breakout (%)		
< $5 billion	83.6	100.0
> $5 billion	16.4	0.0

5-year period	Fund	Benchmark
Annualized Alpha	-2.61	n/a
Sharpe Ratio	-0.21	0.04
Information Ratio	-0.37	n/a
Beta	0.66	1.00
Standard Deviation	11.26	14.09
Tracking Error	8.05	0.00
R-squared	0.67	1.00

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 11/30/18. Benchmark: MSCI EM Small Cap Index (ND)
[1]Holdings subject to change. [2]Data is calculated monthly.

Driehaus Securities LLC, Distributor

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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 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. 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.

Notes

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